

# Investor Handbook



**His Majesty Sultan Qaboos bin Said**

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**Mr. Ghassan Khamis  
Al Hashar**  
Director

**Mr. Rashid Bin  
Saif Al-Saadi**  
Director

**Mr. Rahul Kar**  
Director

**Ms. Amal Suhail  
Bahwan**  
Director

**Mr.  
Mohammed  
Ismail Mandani  
Al Emadi**  
Director

**Sayyida  
Rawan  
Ahmed  
Al Said**  
Chairperson

**H.E. Sheikh Abdulla  
Bin Ali Bin Jabor  
Al Thani**  
Deputy Chairman

**Mr. Hamad  
Mohammad  
Hamood  
Al Wahaibi**  
Director

**Mrs. Najat Ali  
Al Lawatia**  
Director

**Mr. Joseph  
Abraham**  
Director

**Mr. Fahad Badar**  
Director



**Nasser Mohammed Al Hajri**  
GM – Chief Operating Officer

**John Chang**  
GM – Chief Retail  
Banking Officer

**Faizal Mohamed Eledath**  
GM – Chief  
Transformation Officer

**Hassan Abdul  
Amir Shaban**  
GM – Chief  
Government  
Banking Officer

**Al Sayyid Wasfi  
Jamshid Al Said**  
Acting Chief  
Executive Officer

**Ananthraman Venkat**  
GM – Chief Financial  
Officer

**Salma Salim Said  
Al Jaaidi**  
GM – Chief Risk Officer

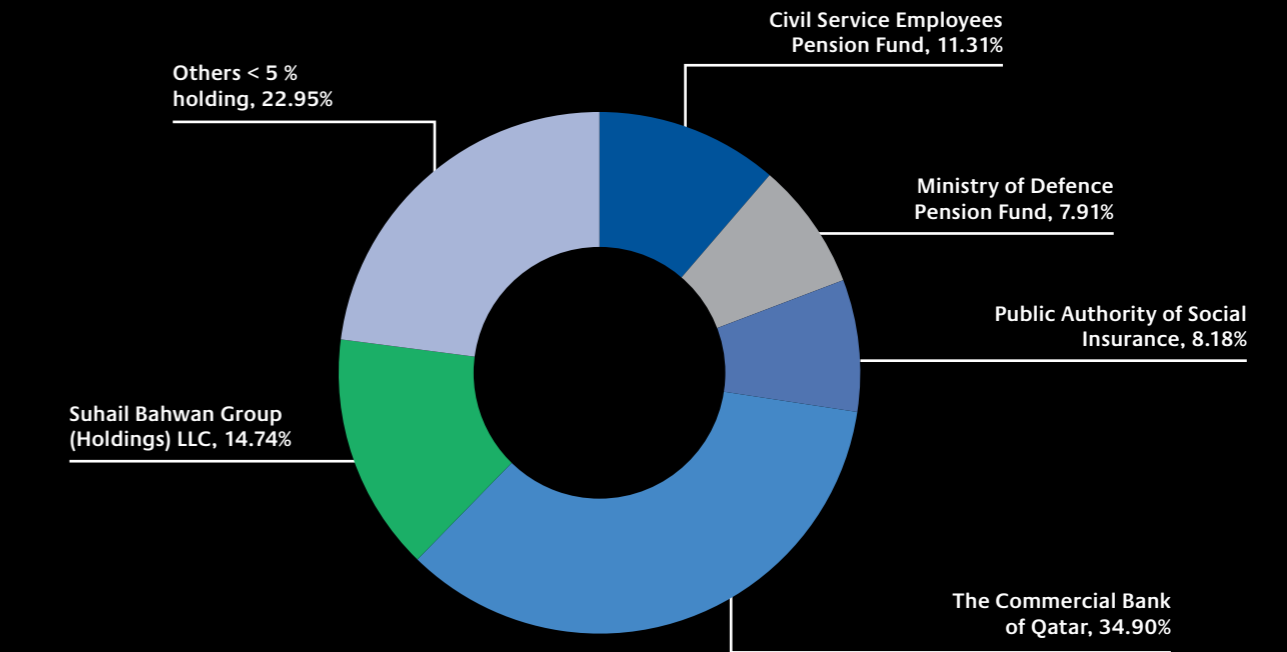
**Nasser Salim Al Rashdi**  
GM – Chief Commercial  
Banking Officer

# Overview

- National Bank of Oman SAOG (NBO) was the first incorporated Bank in the Sultanate of Oman - established in 1973 as a joint stock company, providing conventional and Islamic banking services
- The Bank’s shares are listed on the Muscat Securities Market
- The Bank has 1,563 employees as at 31st December 2018 and is the third largest bank by total assets in Oman - US\$ 9.2 billion as at 31st December 2018
- As at 31st December 2018, NBO serves more than half a million retail customers and 25,000 corporate and SME customers. NBO has 66 branches and 264 ATM and CCDM units
- In addition, the Bank has two overseas branches in the UAE (Dubai and Abu Dhabi) and one branch in Egypt
- The Bank operates via five main segments: retail banking, corporate banking, investment banking, treasury and international banking, and Islamic banking
- As at 31st December 2018, NBO had approximately 10.70% market share in loans and 11.20% market share in deposits in Oman
- The Bank has won awards for excellence in banking from a number of Government and other private sector bodies, recognizing the Bank’s contribution to the development of the banking sector in Oman:

- Oman Entrepreneurship Award 2018, “Best Financial Support 2018 Oman Entrepreneurship Awards.”
- “Excellence in Mobile Banking” by Oman Banking & Finance Awards 2018, powered by Oman Economic Review.
  - “Best Commercial Project” for the Head Office Building by the Dossier Construction Infrastructure Awards and Summit (DCIAS).
  - “Luxury 100 Award” by Signature Magazine, for its Luxurious Banking Services 2018.
  - The STP Excellence Award by Citibank, for its US dollar (USD) fund transfer service.

## Ownership



Source: Prospectus

## Credit Rating



Rating Agency	Date	Long-term Rating	Outlook
Moody's	March 2019	Ba1	Negative
FitchRatings	March 2019	BB+	Stable

## Key Financials

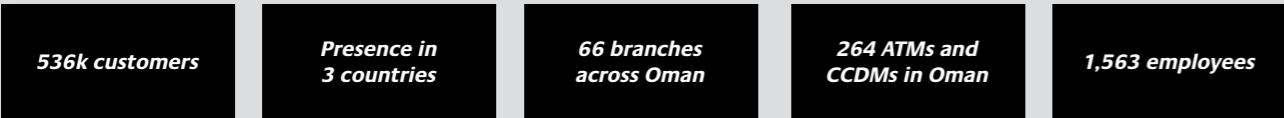
US\$ in millions	2016	2017	2018
Total assets	9,176	9,014	9,280
Net loans	6,936	6,893	7,298
Deposits	6,232	6,393	6,370
Total operating income	354	343	335
Net income	145	114	131
Tier 1	16.0%	16.1%	15.2%
Total CAR	17.4%	17.3%	16.3%
Loans to deposit ratio	111.3%	107.8%	114.6%
NPL ratio	2.2%	3.5%	4.8%
Cost/Income	46.0%	48.8%	47.9%

Key Highlights

Strong and established franchise delivering a superior customer experience

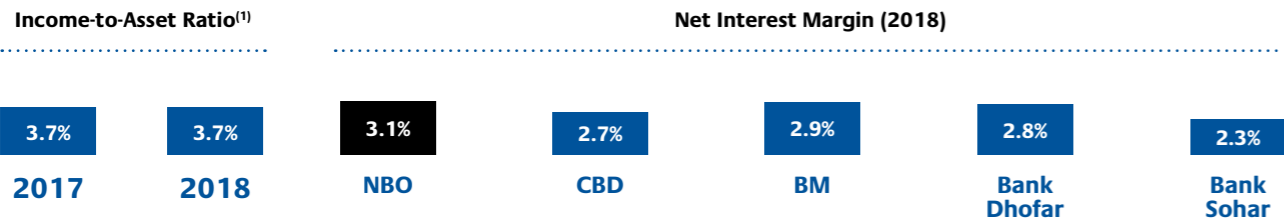
Strong and growing franchise

- Founded in 1973 and is the oldest bank operating in Oman
- Long term relationships with prominent businesses, Government related entities and individuals



Strong profitability profile among peers

- NBO’s net interest margin is 3.10% as at December 2018, among the highest margins in its peer group
- The Bank has a healthy income-to-asset ratio(1) of 3.7% (Dec 2018)



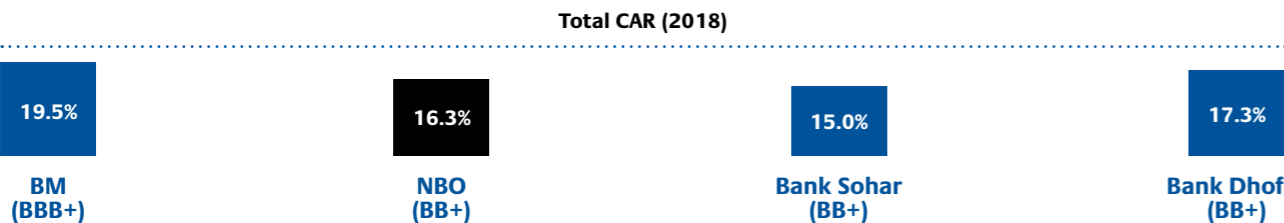
Offering superior customer experience

- Significant investments in technology to offer customers more efficient digital channels
- Generate and manage a line of innovative solutions to increase range of products and services



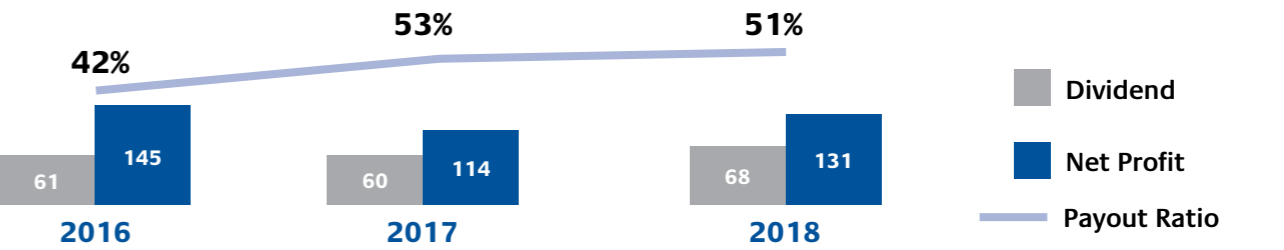
Sound capitalization and liquidity

- Strong capitalization with total CAR of 16.3% as at December 2018, offering room for growth
- As at December 2018, NBO’s net stable funding ratio and liquidity coverage ratio was at 106% and 262% respectively



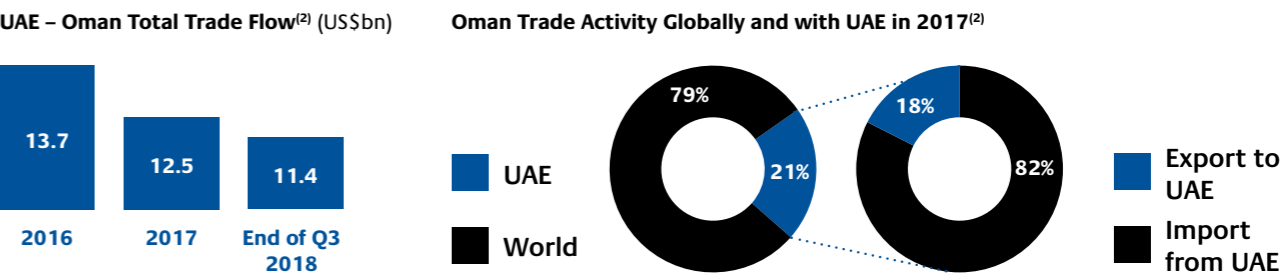
Consistent shareholder value delivery

- With the consistent growth in cash dividend year on year and a dividend payout ratio of 40%-50%, NBO is one of the most reliable dividend yielding stocks in the Muscat index.



Leveraging our UAE presence as an emerging trade corridor

- Banking license in the UAE - Oman’s largest trade partner
- Diversification plans to focus UAE operations on trade opportunities between Oman and UAE



Shareholder support

- Strong relationship with the Government reflecting its 27.40% stake in the Bank (as at 31st December 2018)
- Access to stable, significant and low cost deposits from Government and Government related entities



Note (1): Income-to-Asset Ratio: Interest Income plus Other Operating Income divided by Total Assets  
Note (2): Source, National Centre FOR Statistics and Information, Jan 2019

Ratings Profile

Benefiting from a Solid Domestic Franchise and Strong Shareholder Support

MOODY’S

“Moody’s downgraded NBO’s long-term local currency deposit rating to Ba1 from Baa3, and affirmed its BCA and adjusted BCA at ba2. Moody’s downgraded the bank’s long-term foreign currency deposit rating to Ba2 from Baa3 due to the new sovereign ceiling. At the same time, the rating agency has maintained the outlook on the bank’s long-term deposit ratings at negative”

“The downgrade of NBO’s long-term deposit ratings reflects the Omani government’s weakened fiscal capacity to support the bank in case of need, as indicated by the downgrade in the sovereign rating”

“The affirmation of the BCA at ba2 reflects the resilience of the bank’s standalone credit profile to a weaker operating environment, which is captured by the lowering of the Macro Profile to “Weak+” from “Moderate-”. The bank’s ba2 BCA reflects its sound capitalization (12.3% tangible common equity/risk-

weighted assets at end-2018) and healthy profitability. However, Moody’s expects the bank’s asset quality to continue to weaken (4.2% problem loans/gross loans at end-2018), while the bank continues to maintain modest liquid resources and a concentrated funding base”

“The negative outlook on NBO’s long-term deposit ratings reflects the potential reduction in Oman government support capacity (reflected in the negative outlook on the sovereign rating) and/or support willingness. In addition, the negative outlook on NBO’s ratings now also reflects potential pressures on its standalone credit strength, arising from the bank’s international operations in the United Arab Emirates”

Moody’s (March 2019)

FitchRatings

“Fitch Ratings has downgraded National Bank of Oman SAOG’s (NBO) Long-Term Issuer Default Rating (IDR) to ‘BB’ from ‘BB+’ and removed it from Rating Watch Negative (RWN). The Outlook is Stable. Fitch has also downgraded NBO’s Viability Rating (VR) to ‘bb’ from ‘bb+’ and revised the Support Rating Floor (SRF) to ‘BB’ from ‘BB+’”

“Fitch placed NBO on Rating watch negative (RWN) on 20 December 2018 following the downgrade of the Omani sovereign on 18 December 2018”

“NBO’s Viability Rating(VR) is at the same level as the Support Rating Floor (SRF). The bank’s Long-Term IDR is driven by its intrinsic financial strength (as measured by the VR) and underpinned by potential sovereign support.”

“NBO’s VR reflects the tougher Omani operating environment, weak asset quality compared with peers’,

Fitch (March 2019)

high loan book concentration, and only adequate capital ratios. The VR also reflects NBO’s moderate franchise, a competent management team, reduced risk appetite, as well as a strong retail deposit franchise relative to peers”

“NBO’s SRF reflect Fitch’s expectation of a moderate probability of support from the Omani authorities in case of need. Fitch views NBO as a domestic-systemically important bank (D-SIB) in Oman despite it not being officially designated as such. Its SRF is therefore equal to the Omani D-SIB SRF of ‘BB’.”

Fitch (March 2019)

Fitch (March 2019)

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# Overview



Strategic priorities

NBO’s focus is to expand its retail, corporate and investment banking units where it can have a broader and deeper relationship with its customers in the medium- and long-term.

1.

Deliver compelling solutions and a superior customer experience
2.

Continuously improve operational efficiency to optimize cost structure
3.

Deepen relationships with the private and government sector
4.

Leverage presence in the UAE to capture trade flows with Oman

The Bank’s long-term strategic goal is to be **the bank of choice** for both individual and corporate customers.

Focus areas

Deliver superior customer service	<ul style="list-style-type: none"><li>Continuously generate and manage a production line of innovative solutions to increase our range of product and service offerings</li><li>Develop a competitive edge and increase customer retention and loyalty by providing high levels of customer service</li><li>Develop the Bank’s brand identity to ensure its relevance and appeal</li><li>Provide the best financial services solutions through simple, transparent and easy-to-contract products</li></ul>
.. while improving operational efficiency	<ul style="list-style-type: none"><li>Significant investments in technology to increase customer adoption of the more efficient digital channels</li><li>Continue to develop flexible and more cost-effective distribution channels</li><li>Invest in automation and straight-through processing of critical processes to increase revenue, decrease costs and improve the Bank’s cost-to-income ratios</li></ul>
.. and developing a market-leading workforce	<ul style="list-style-type: none"><li>Build a high performance culture within the Bank</li><li>Continue to introduce internal talent management programs</li><li>Align the Bank’s objectives with employees and assess key performance indicators at the individual level</li></ul>



Business lines

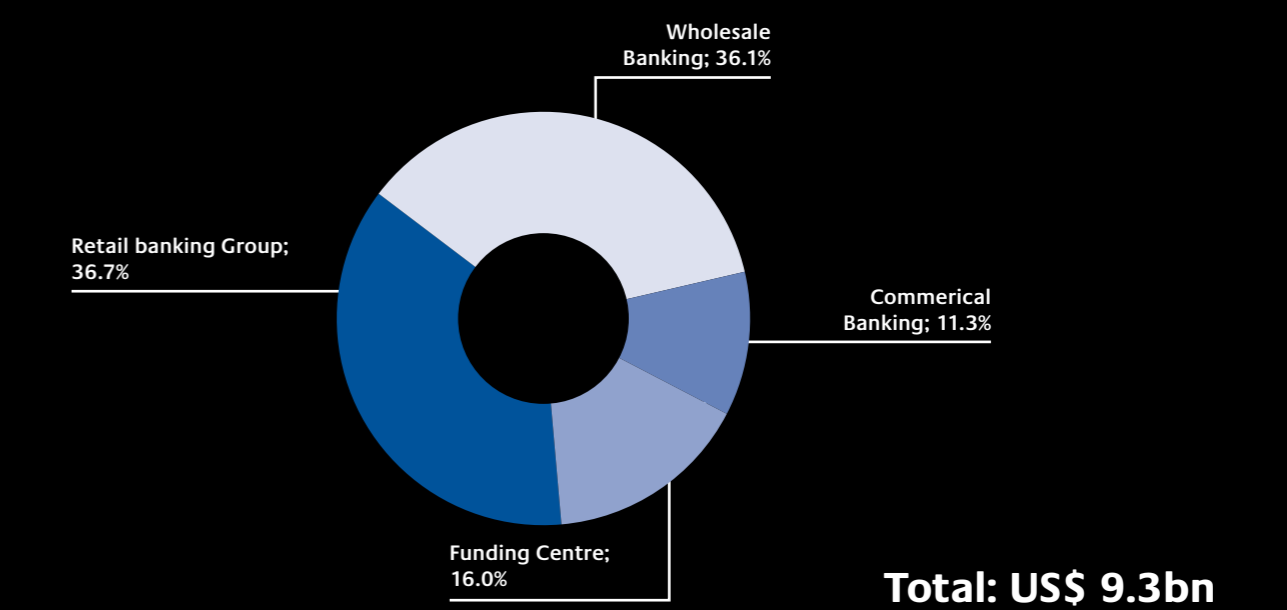
RETAIL BANKING		
Key highlights	Asset contribution <sup>(1)</sup>	Operating income contribution <sup>(1)</sup>
<ul style="list-style-type: none"><li>Primarily positioned as the Bank of choice for Omani nationals</li><li>Over 500,000 retail customers</li><li>Strong emphasis on technology: innovative and advanced digital banking capabilities</li></ul>	<ul style="list-style-type: none"><li>US\$ 3.4bn</li><li>36.7% of total assets</li></ul>	<ul style="list-style-type: none"><li>US\$ 149m</li><li>44.4% of operating income</li></ul>

WHOLESALE BANKING		
Corporate banking	Investment banking	Treasury and international banking
Key highlights	Key highlights	Key highlights
<ul style="list-style-type: none"><li>Includes large corporate banking, government banking, transaction banking and remedial management division</li><li>Approximately 8,000 corporate customers</li></ul>	<ul style="list-style-type: none"><li>Provides independent financial advice, in addition to transaction execution</li><li>Comprises of asset management, corporate finance and advisory and brokerage</li></ul>	<ul style="list-style-type: none"><li>Includes Fx and derivatives sales, money markets, interbank and government treasury services</li><li>Established correspondent relationships with international banks</li></ul>
Asset contribution <sup>(1)</sup>	Operating income contribution <sup>(1)</sup>	
<ul style="list-style-type: none"><li>US\$ 3.4bn</li><li>36.7% of total assets</li></ul>	<ul style="list-style-type: none"><li>US\$ 149m</li><li>44.4% of operating income</li></ul>	

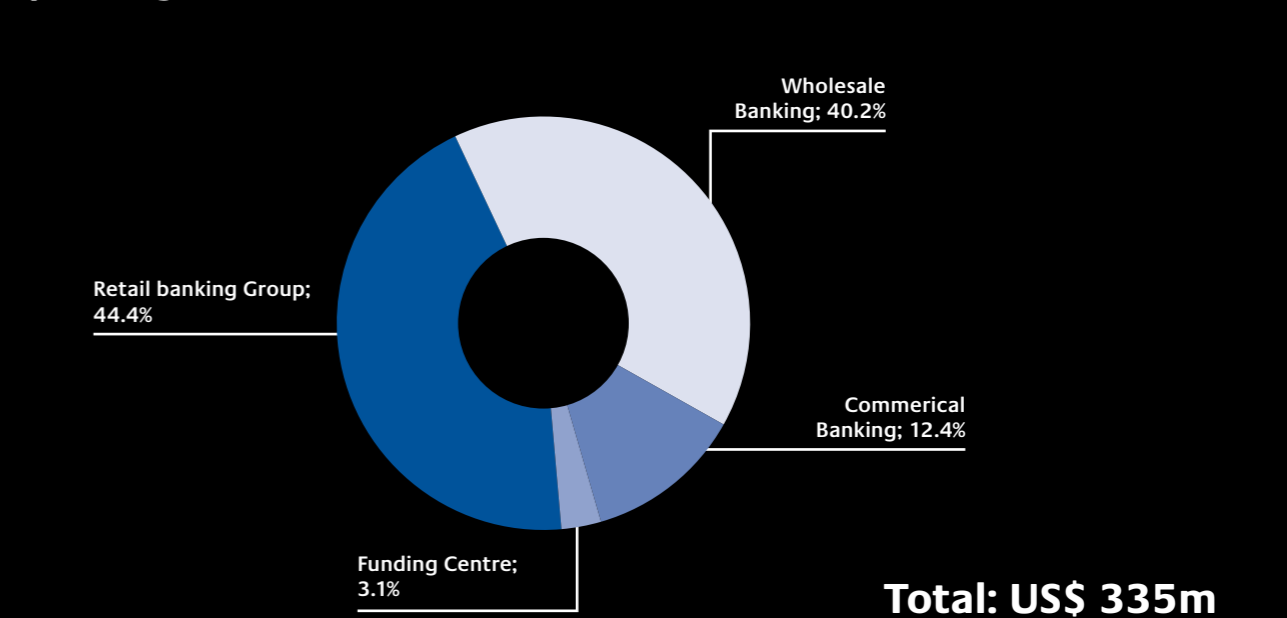
COMMERCIAL BANKING		
Key highlights	Asset contribution <sup>(1)</sup>	Operating income contribution <sup>(1)</sup>
<ul style="list-style-type: none"><li>Formed in January 2015: includes SME, business and Islamic banking and international business</li><li>Presence in UAE (2) and Egypt (1)</li><li>Six dedicated Islamic banking branches</li></ul>	<ul style="list-style-type: none"><li>US\$ 1.0bn</li><li>11.3% of total assets</li></ul>	<ul style="list-style-type: none"><li>US\$ 41m</li><li>12.4% of operating income</li></ul>

FUNDING CENTER		
Key highlights	Asset contribution <sup>(1)</sup>	Operating income contribution <sup>(1)</sup>
<ul style="list-style-type: none"><li>Responsible for managing the Bank's capital, funding and currency balances</li><li>Repository of bank's securities investments, asset/liability management and cash instruments</li></ul>	<ul style="list-style-type: none"><li>US\$ 1.5bn</li><li>16.0% of total assets</li></ul>	<ul style="list-style-type: none"><li>US\$ 10m</li><li>3.1% of operating income</li></ul>

Asset contribution <sup>(1)</sup>



Operating income contribution <sup>(1)</sup>



Overview

- Primarily positioned as the bank of choice for Omani nationals, with the retail customer portfolio split 55.6% Omani nationals and 44.2% expatriates.
- Consistent retail lending revenues, with significant progress in new non-lending products such as insurance, savings and cards to back up the growth in retail banking revenues.
- Focus on compelling wealth management offering for high net-worth clients.
- Significant investments in technology and increased customer adoption of more efficient digital channels, resulting in exercising more than 60% of all its customer service transactions through digital banking solutions. The number of customers using digital banking services increased by more than 90% in 2017.
- The Bank is actively reducing its retail customer servicing costs, where possible, by offering alternatives to the traditional branch network including internet banking, ATMs and CCDMs, telephone banking and mobile banking.
- Innovative efforts through developing and testing propositions around blockchain technology, mixed reality and natural language based interfaces. In 2017 and 2018, it organized a hackathon, thereby engaging the regional fintech and universities to garner new ideas.
- Key selling points are breadth of services and products offered, quality of personnel, innovative and advanced digital banking capabilities, physical distribution and reach of its branch network.
- As at 31 December 2018, the Bank had a network of 66 branches operating in Oman, 190 ATMs and 74 CCDMs, and provided banking services to more than 500,000 customers.

Principal products and services offered

Current, savings and term deposit accounts

- Wide range of deposit products in local and foreign currencies, including savings accounts, current accounts, corporate salary accounts, call deposits and fixed deposits.
- As of 31 December 2018, total deposits amounted to US\$ 6.4bn with 40.7% as time deposits, 23.8% as savings deposits and 35.5% as current and call accounts.

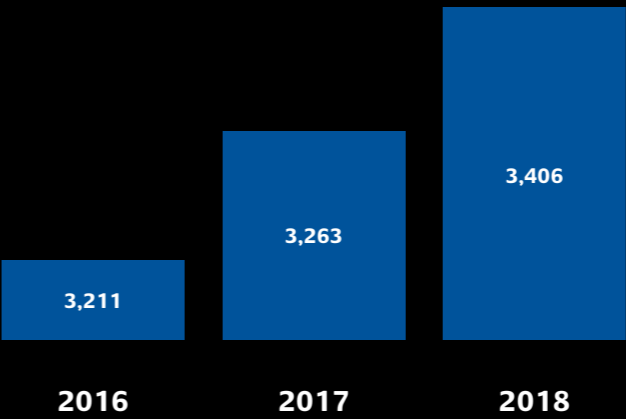
Lending

- Two main products: general purpose unsecured loans and secured housing loans.
- General purpose unsecured loans are supported by salary transfers and regarded as salary-related unsecured loans.
- As of 31 December 2018, total loans to retail customers amounted to US\$ 3.5bn with 73% as unsecured loans, 27% as secured loans.
- Internal cap on retail mortgages is equal to the statutory limit of 15%.

Other products

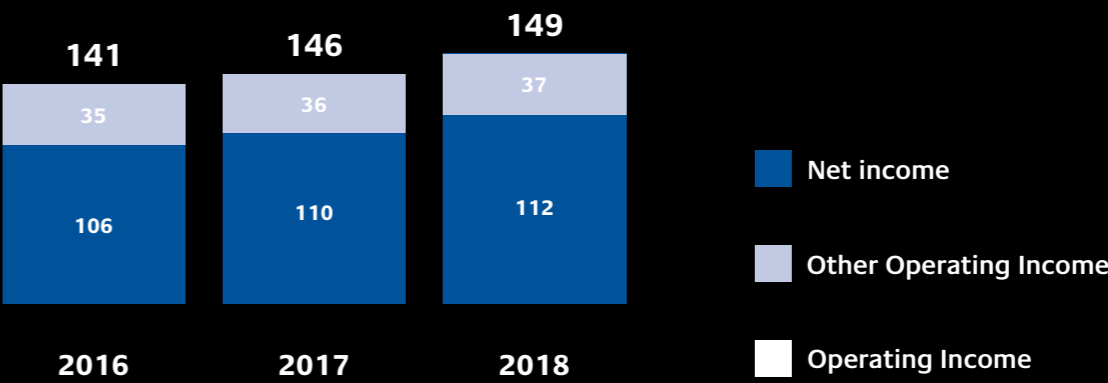
- Credit and debit cards: Focused on increasing card usage among retail customers, for example through introduction of Nuqati card reward points.
- Sadara wealth management services: Designed to offer an enhanced customer service to the Bank's high net-worth retail customers.
- Private investment banking: Private banking services including access to exclusive investment products and international mutual funds to customers with a minimum of US\$ 1m in available funds.

Asset growth



Source: National Bank of Oman and financial statements  
1US\$ = OMR 0.3850; (1) Breakdown of segment information is presented in full year financials

Operating income <sup>(1)</sup>



Corporate banking

- Corporate Banking Division is a part of the Wholesale Banking Group
- It delivers financial solutions and corporate credit facilities tailored to meet the needs of every type of corporate customer
- Employs seasoned account relationship managers serve the Bank’s corporate customers across the branch network
- Corporates with turnover over OMR 12.5m
- Operations are split into the following sub-divisions:
  - Large corporate banking:** focuses on multinational and large corporate customers
  - Government banking:** services the government, GREs, sovereign wealth funds and pension funds within Oman
  - Transaction banking:** offers customized transaction solutions to corporate customers
  - Remedial management division:** manages the Bank’s impaired financial assets, pursues delinquent corporate accounts and undertakes account rehabilitation
- Key products include working capital finance, term loans, short-term loans, syndicated loans and trade finance
- As at 31 December 2018, the Bank provided banking services to approximately 8,500 corporate customers



Corporate banking delivers financial solutions and corporate credit facilities tailored to meet the needs of every type of corporate customer

Investment banking

- Provides independent financial advice, in addition to transaction execution assistance across various investment products and services
- The principal investment banking services are:
  - **Asset management:** managing NBO’s proprietary domestic and international investment portfolios. Asset manager of choice for institutional investors seeking external portfolio managers in Oman.
  - **Corporate finance and advisory:** focus on public offerings, debt security offerings, rights issues and equity private placements. Collecting bank for several local IPOs.
  - **Brokerage:** one of the longest-standing brokers on the Muscat Securities Market with a domestic and international clientele.

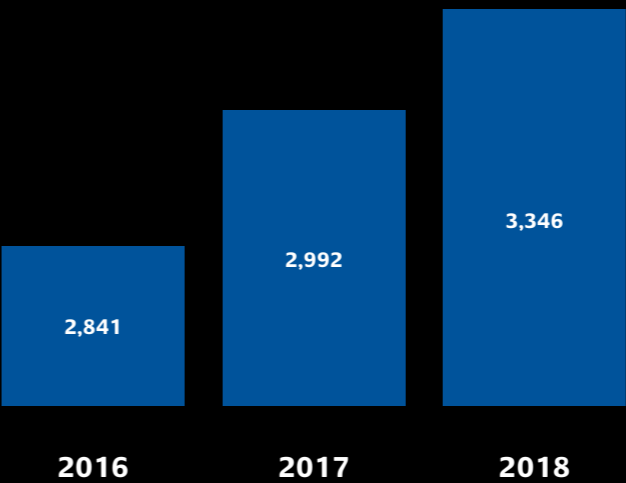


Corporates with turnover over OMR 12.5m

Treasury and international banking

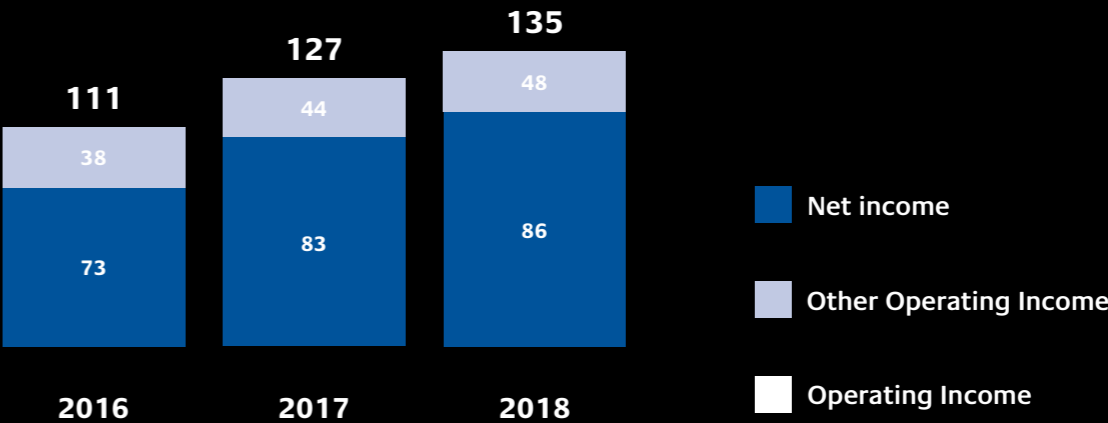
- Treasury Division manages the funding and liquidity requirements of the Bank
- Established correspondent relationships with international banks and undertakes risk participation, both funded and un-funded through primary and secondary market deals
- The principal treasury services include
  - **FX and derivatives sales desk:** offers FX, commodities, interest rates and derivative solutions
  - **Money markets desk:** manages the Bank’s liquidity and deposits with the government
  - **Interbank desk:** mitigates the Bank’s market risks arising due to customer transactions
  - **Government treasury services:** primary dealer for OMR-denominated government bonds

Asset growth



Source: National Bank of Oman and financial statements  
1US\$ = OMR 0.3850; (1) Breakdown of segment information is presented in full year financials

Operating income <sup>(1)</sup>



1. Tijarati SME banking

- Focused on products, brands, channels and services custom-made for SME customers
- In 2013, an SME banking division offering products and services was introduced under the Tijarati brand
- Existing retail branch network is used to strengthen SME offerings by providing SME customer service representatives within branches
- Corporates with turnover < OMR 3m are classified as SMEs
- As at 31 December 2018, provides banking services to over 15,000 SME banking customers

2. Muzn Islamic banking

- In 2013, Muzn Islamic banking window was launched to offer Shari'a-compliant products
- Focused on targeting affluent and HNW clients by offering them privileged banking services
- Awarded 'Best Islamic Bank in Oman' for 2017 by Islamic Finance News Awards
- All activities conducted are independent from the conventional banking operations
- Separate Islamic Risk and Asset and Liability Committee to review Bank's Islamic banking activities
- As at 31 December 2018, the Bank has opened six dedicated Islamic banking branches

3. Business banking

- Caters to mid-sized corporate entities
- In 2012, the mid-sized corporate offering was re-launched with the implementation of a specific mid-sized corporate banking sub-division
- Offers tailor-made services to mid-sector companies whose banking requirements differ from those of larger corporates
- Corporates with turnover between OMR 3m and OMR 12.5m are classified as mid-corporate customers
- As at 31 December 2018, provides banking services to around 850 mid-sized corporate customers

4. International operations

- Caters to mid-sized corporate entities
- In 2012, the mid-sized corporate offering was re-launched with the implementation of a specific mid-sized corporate banking sub-division
- Offers tailor-made services to mid-sector companies whose banking requirements differ from those of larger corporates
- Corporates with turnover between OMR 3m and OMR 12.5m are classified as mid-corporate customers
- As at 31 December 2018, provides banking services to around 850 mid-sized corporate customers



Tijarati SME provides banking services to over

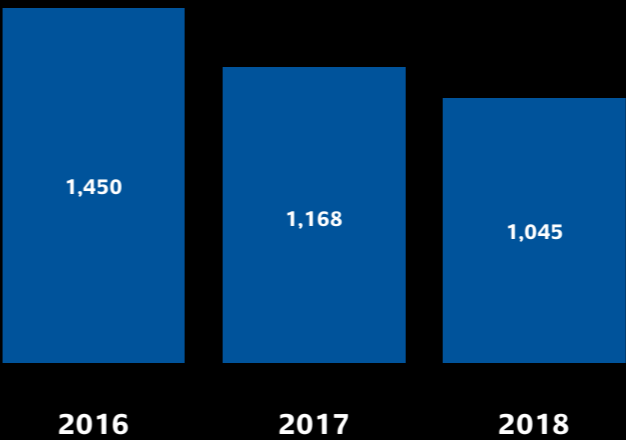
**15,000**

customers



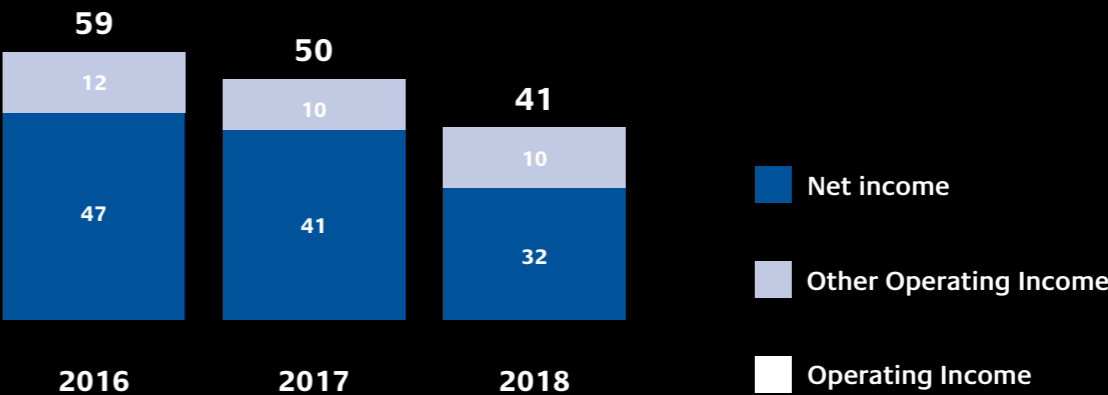
**6** dedicated Islamic banking branches opened

Total assets



Source: National Bank of Oman and financial statements  
1US\$ = OMR 0.3850; (1) Breakdown of segment information is presented in full year financials

Operating income <sup>(1)</sup>



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# Financial performance

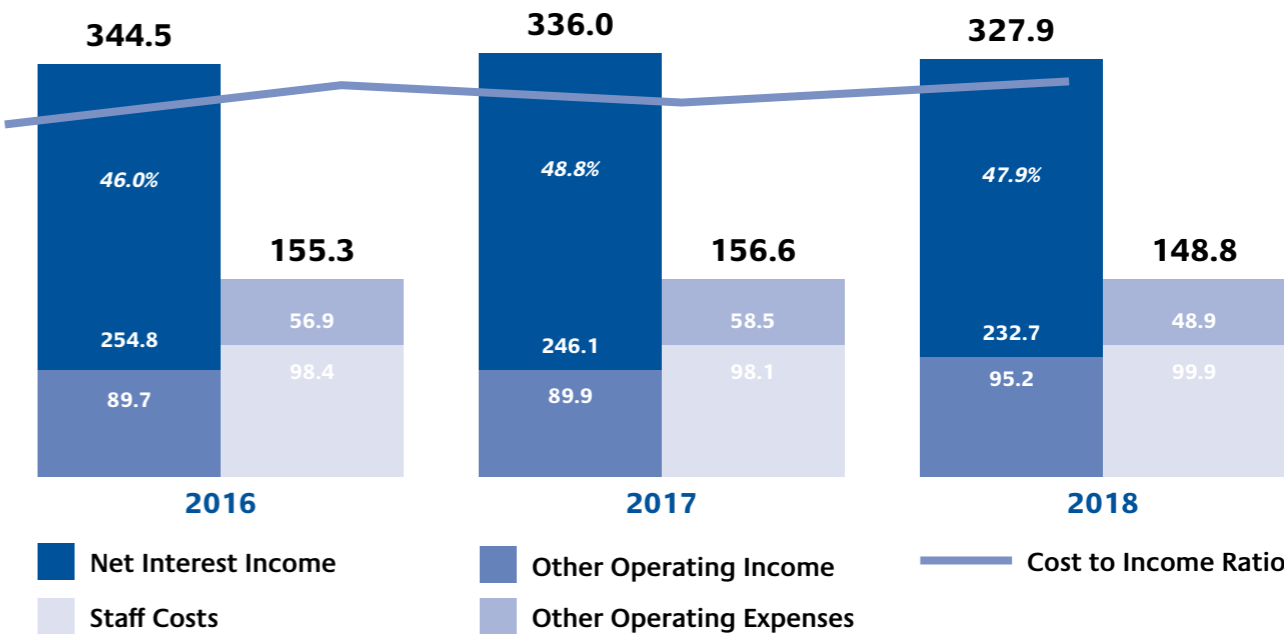


# Overview

- Strong financial performance despite challenges faced in the UAE, which has been affected by credit losses and drop in asset volumes
- Focus on maintaining asset quality and highest loan spreads among competitors
- Highest interest margins and income on assets among the banks in Oman: interest margins continue to be stable despite rising cost of funds globally and domestically
- Bank continues to focus on diversifying its non-fund based sources of income, which is evident by the increase in other operating income
- Significant investments in automation and technology to improve the Bank's cost-to-income ratio in the long term
- Healthy return on average assets at 1.7% and return on average equity at 11.8% in 2018 (ex UAE operations constituting 97% of bank's assets)

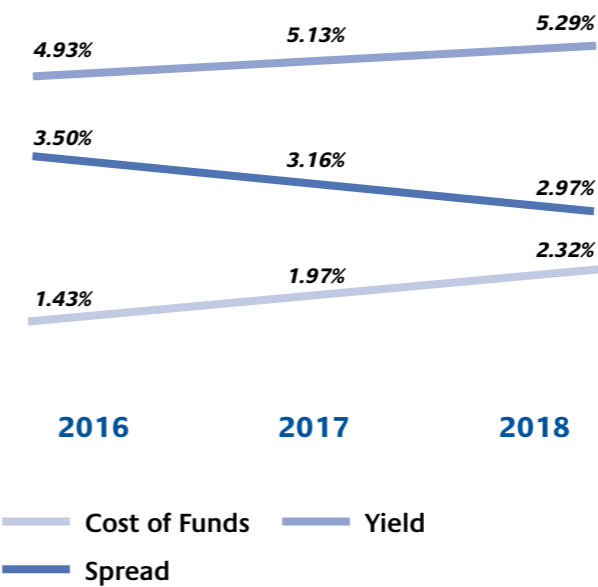
## Operating income composition

US\$ m



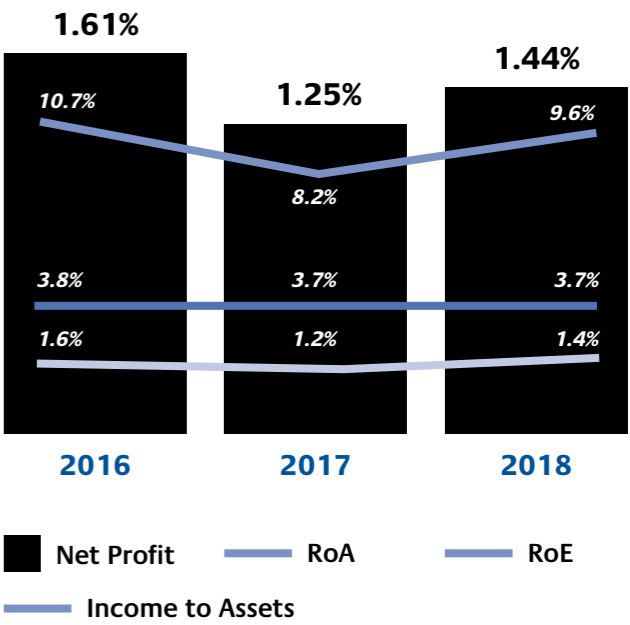
Source: National Bank of Oman and financial statements | 1US\$ = OMR 0.3850

## Net interest margin



## Profitability

US\$ m



Note: Income-to-Assets Ratio: Interest Income plus Other Operating Income divided by Total Assets

## Balance Sheet

Amounts in USD '000	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
<b>Assets</b>			
Cash and balances with Central Banks	818,325	995,094	1,328,816
Due from banks and other money market placements (net)	254,712	360,182	299,558
Loans, advances and financing activities for customers (net)	7,297,940	6,893,171	6,935,795
Financial investments	600,387	475,636	333,462
Premises and equipment	167,169	170,896	120,377
Other assets	141,783	118,922	157,792
<b>Total assets</b>	<b>9,280,316</b>	<b>9,013,901</b>	<b>9,175,800</b>
<b>Liabilities</b>			
Due to banks and other money market deposits	405,062	326,642	585,026
Customers' deposits and unrestricted investment accounts	6,369,823	6,392,901	6,232,107
Euro medium-term notes	797,787	599,756	605,468
Other liabilities	242,945	190,512	207,953
Taxation	27,062	20,301	19,236
Subordinated debt	44,156	64,935	127,532
<b>Total liabilities</b>	<b>7,886,835</b>	<b>7,595,047</b>	<b>7,777,322</b>
<b>Equity</b>			
Share capital	422,325	402,213	383,060
Share premium	89,519	89,519	89,519
Legal reserve	140,774	134,070	127,686
Other non-distributable reserves	42,964	61,010	119,990
Proposed cash dividend	67,571	60,332	60,982
Proposed stock dividend	-	20,112	19,153
Retained earnings	330,328	351,598	298,088
Total shareholders' equity attributable to the equity holders of the Bank	1,093,481	1,118,854	1,098,478
Tier 1 perpetual bond	300,000	300,000	300,000
<b>Total equity</b>	<b>1,393,481</b>	<b>1,418,854</b>	<b>1,398,478</b>
<b>Total liabilities, subordinated debt and equity</b>	<b>9,280,316</b>	<b>9,013,901</b>	<b>9,175,800</b>

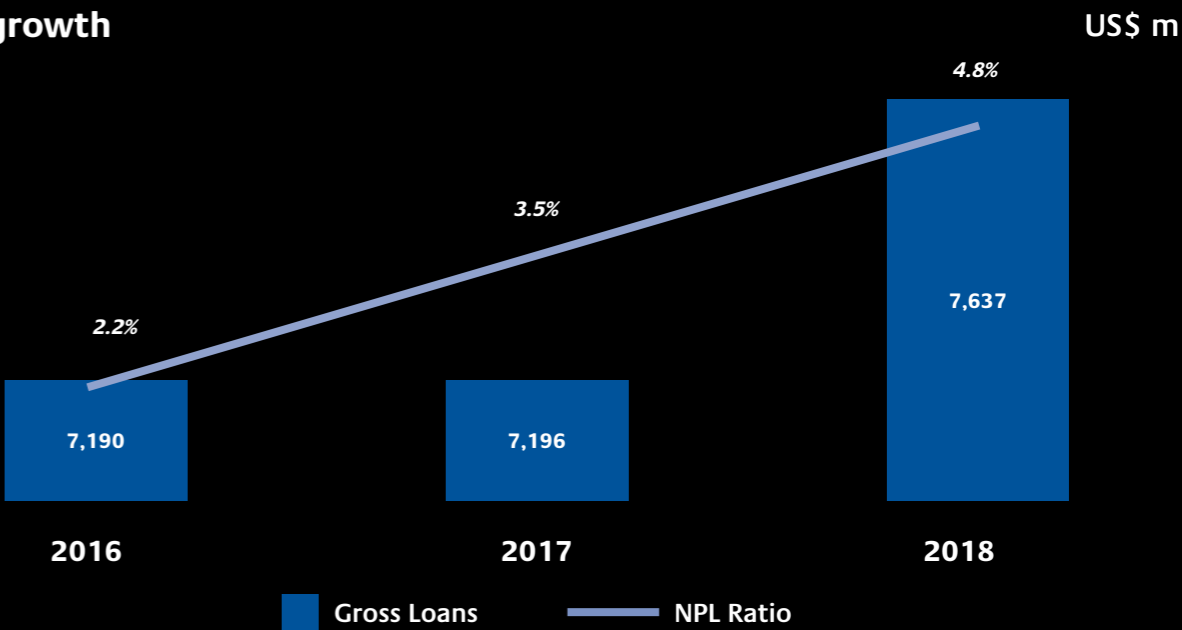
## Income Statement

Amounts in USD '000	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest income	396,506	389,288	354,434
Interest expense	(163,810)	(143,145)	(99,613)
Net interest income	232,696	246,143	254,821
Other operating income	95,158	89,862	89,735
Income from Islamic finance and investment activities	16,296	15,138	12,974
Unrestricted investment account holders share of profit	(9,047)	(7,951)	(3,990)
Net income from Islamic financing and investment activities	7,249	7,187	8,984
<b>OPERATING INCOME</b>	<b>335,103</b>	<b>343,193</b>	<b>353,540</b>
Staff costs	(99,886)	(98,125)	(98,395)
Other operating expenses	(48,906)	(58,514)	(56,930)
Depreciation	(11,577)	(10,940)	(7,439)
Total operating expenses	(160,369)	(167,579)	(162,764)
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>	<b>174,734</b>	<b>175,614</b>	<b>190,776</b>
Credit loss expense - customers' loan	(48,021)	(65,229)	(51,029)
Recoveries and releases from provision for credit losses	11,751	7,810	6,673
Recoveries from loans and advances written off	17,075	16,805	18,678
Credit losses on investments	(231)	-	-
Impairment losses on available for sale investments	-	(1,787)	(545)
Credit loss (expense) / write back - bank loans	213	(68)	161
<b>TOTAL IMPAIRMENT LOSSES (NET)</b>	<b>(19,213)</b>	<b>(42,469)</b>	<b>(26,062)</b>
<b>PROFIT BEFORE TAX</b>	<b>155,521</b>	<b>133,145</b>	<b>164,714</b>
Taxation	(24,073)	(18,792)	(19,834)
<b>PROFIT FOR THE YEAR</b>	<b>131,448</b>	<b>114,353</b>	<b>144,880</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Net movement on FVOCI investments	(5,673)	(11,473)	(2,450)
Impairment losses on available-for-sale investments already recognized in comprehensive income	-	1,787	(545)
Tax effect of net results on FVOCI financial investments	(244)	317	(174)
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR</b>	<b>(5,917)</b>	<b>(9,369)</b>	<b>(3,169)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>125,531</b>	<b>104,984</b>	<b>141,711</b>

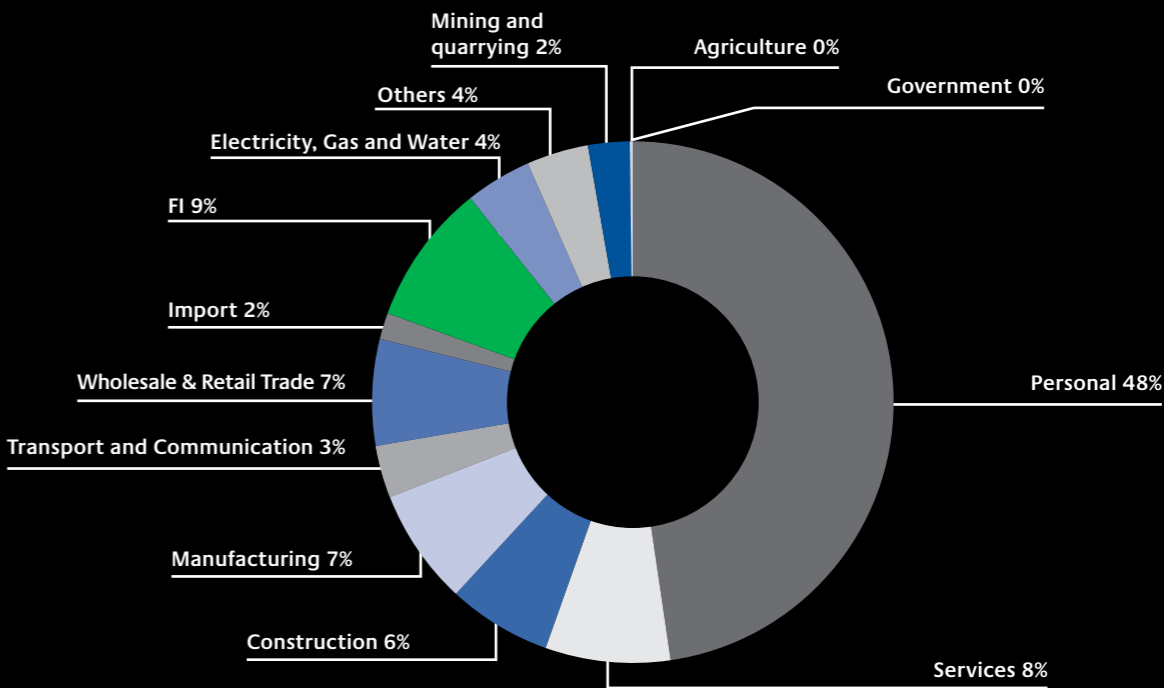
# Overview

- The increase in net loans as of 31 December 2018 was primarily owing to the increase in both retail and corporate loans, partially offset by increase in credit allowances due to IFRS 9 adoption
- Sustainable loan book growth of 4.2% in Oman (US\$ 6.6bn from US\$ 6.3bn) despite UAE loan book reducing from US\$ 528m to US\$ 280m (Dec 2018 vs. Dec 2017 net)
- While UAE lending book had elevated provisions for the last two years, active measures have been taken to align the Bank's credit and operational controls with UAE's operating environment
- Diversified portfolio of loans, advances and financing activities across economic sectors through both conventional and Islamic banking activities eliminating any concentration risk
- Continuous build-up of general and specific provisions to cover for bad loans: adequate provisioning with 91.5% coverage of Bank's non-performing loans (31 December 2018)

## Loan growth

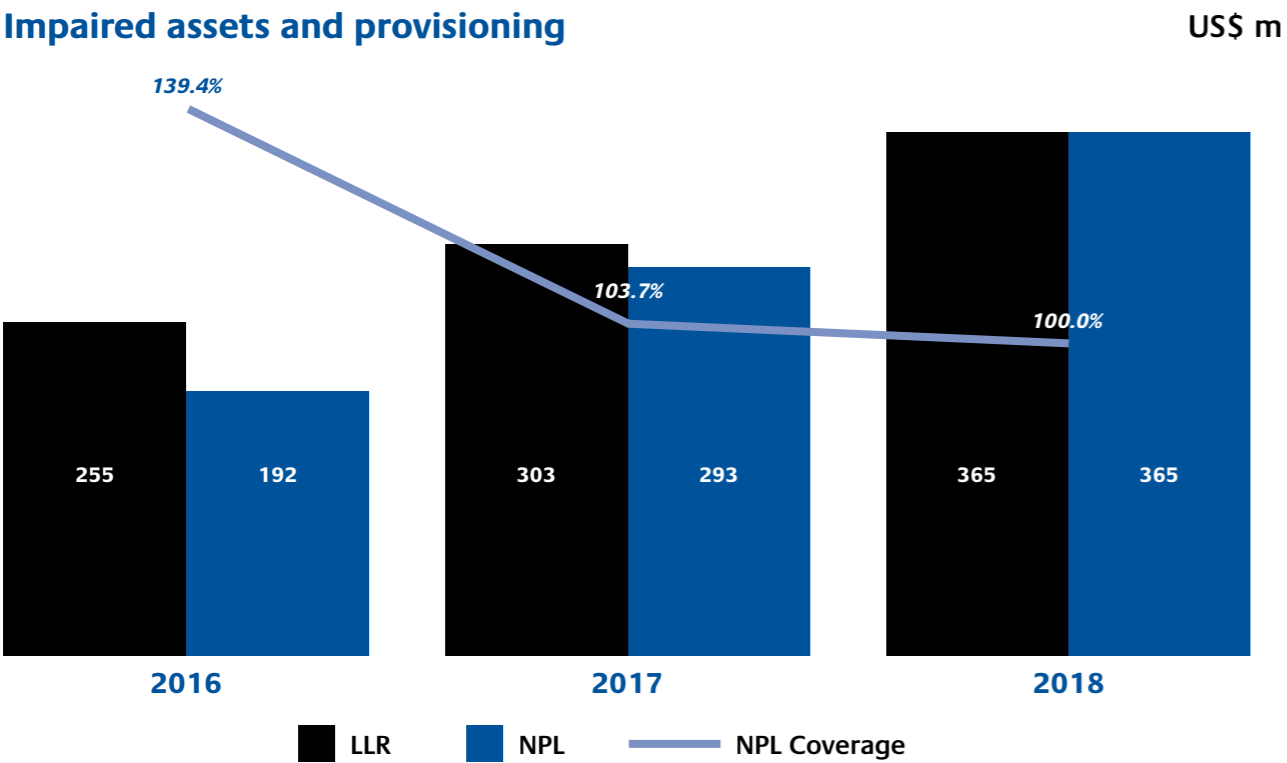


## Gross loans – sector break-up (Dec 31, 2018)

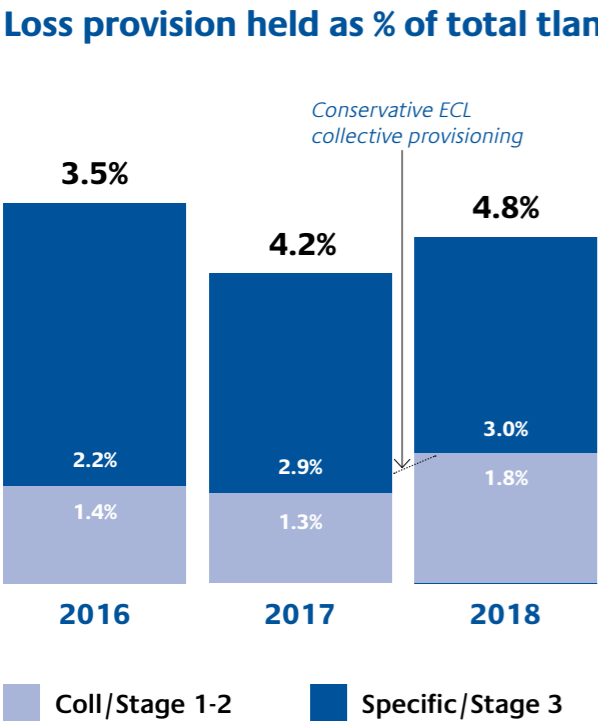


Source: National Bank of Oman and financial statements  
1US\$ = OMR 0.3850

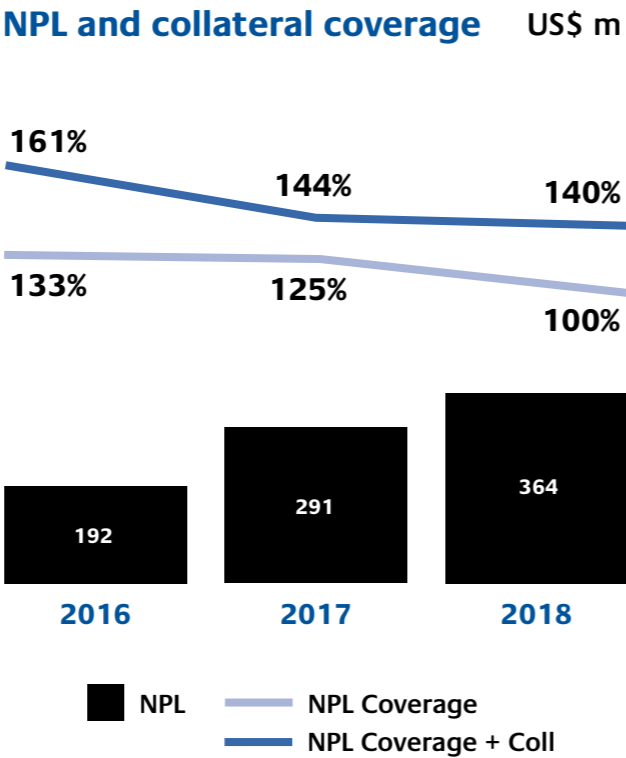
Impaired assets and provisioning



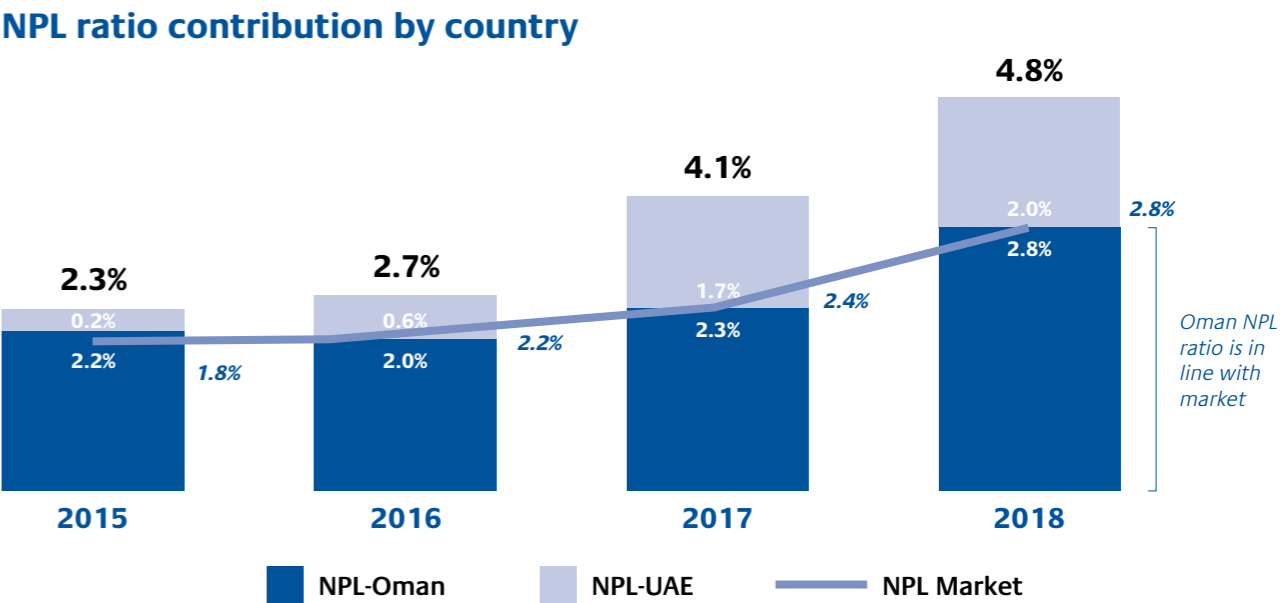
Loss provision held as % of total loans



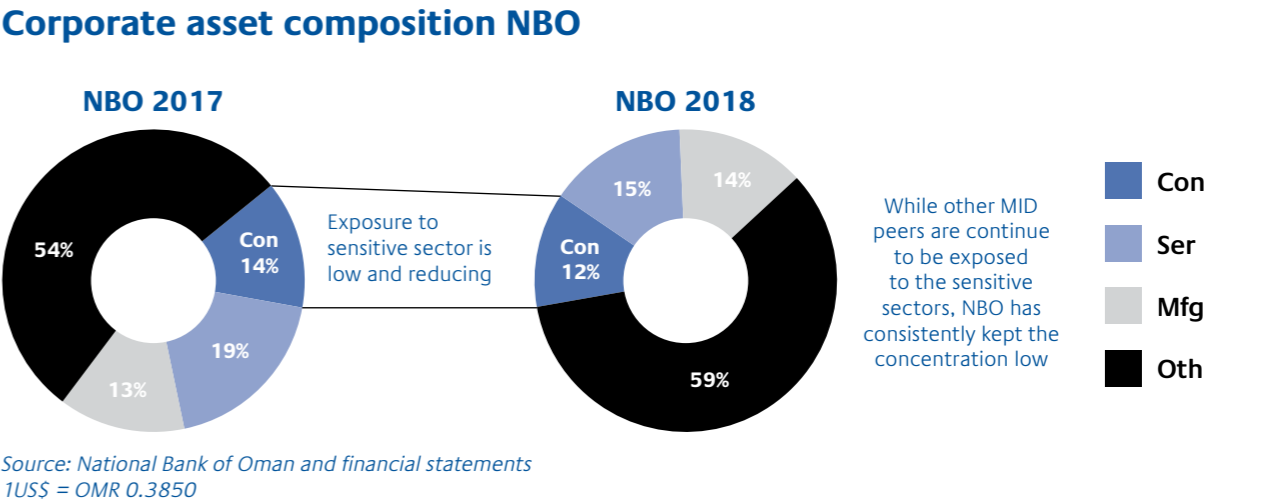
NPL and collateral coverage US\$ m



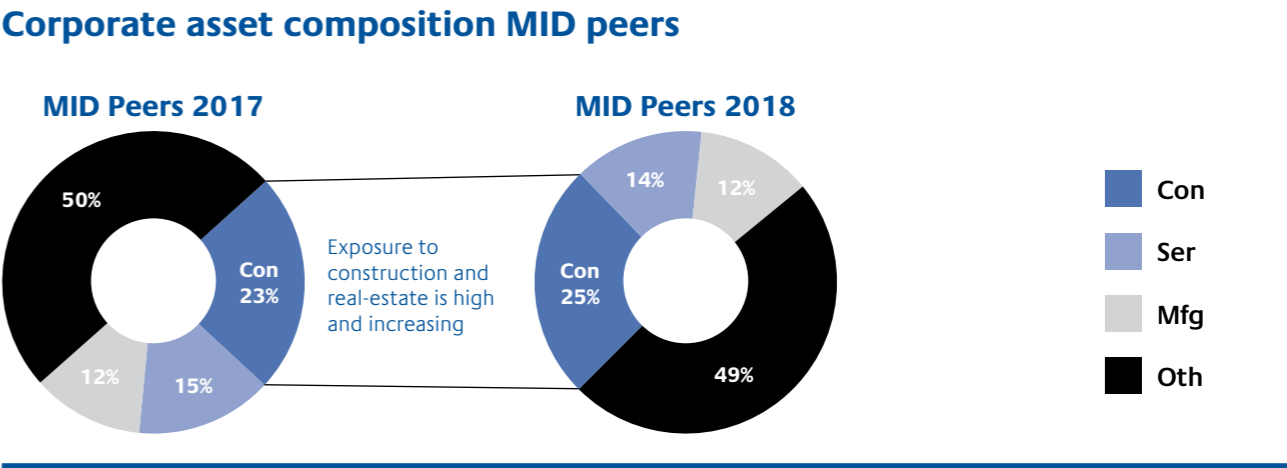
NPL ratio contribution by country



Corporate asset composition NBO



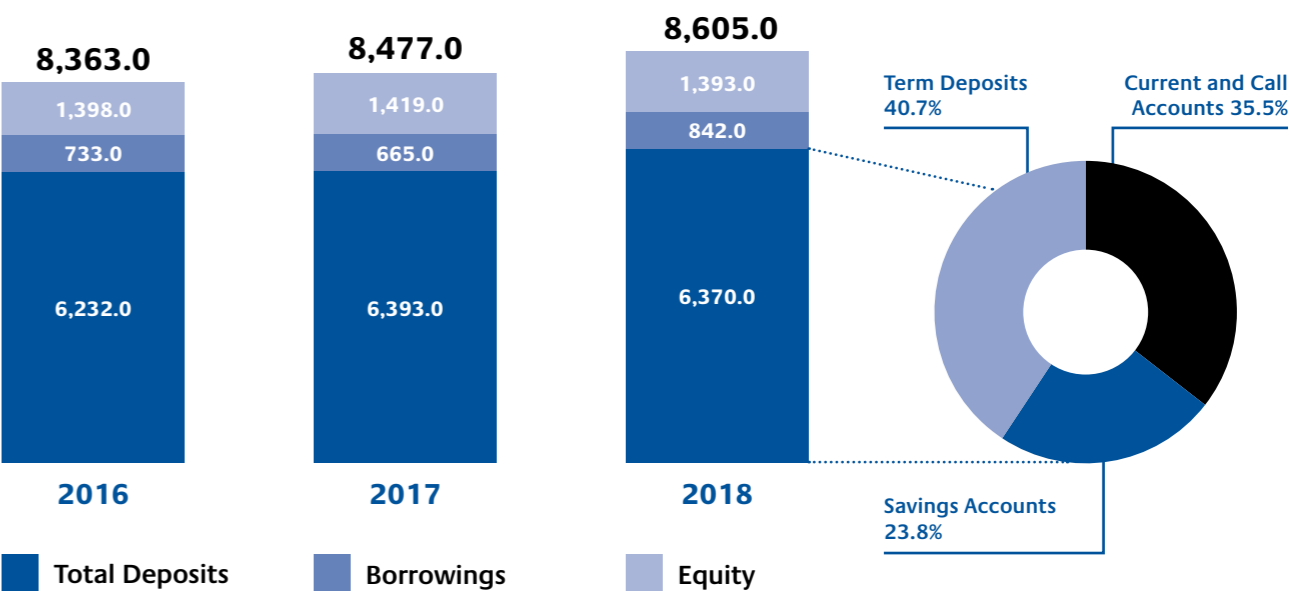
Corporate asset composition MID peers



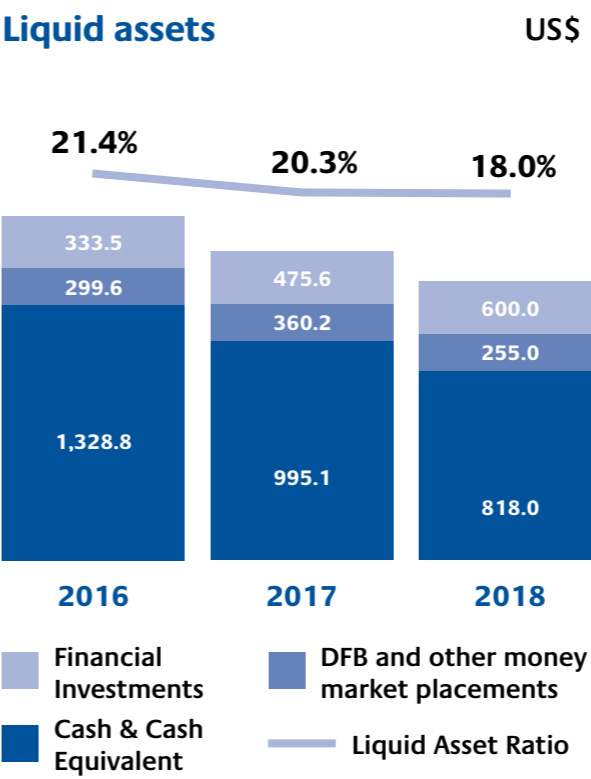
# Overview

- Low cost deposits from government-related entities (12.5% of total deposits as of 31 December 2018) have contributed to stability of the Bank's deposit base and lower cost of funds for the Bank
- Decline in equity in Dec 2018 vs. Dec 2017 is primarily due to IFRS 9 adjustments
- Decrease in cash balance with Central Bank was primarily due to investments in government development bonds and money market placements (high quality assets with attractive yields)
- Strong liquidity with liquid asset ratio representing 18% of total assets and a high liquidity coverage ratio of 262% (Dec 2018)
- Adequate capitalization levels of 16.3% (Dec 2018, excluding interim profits) vs. minimum total capital adequacy ratio of 12.875% (Central Bank of Oman guidelines)

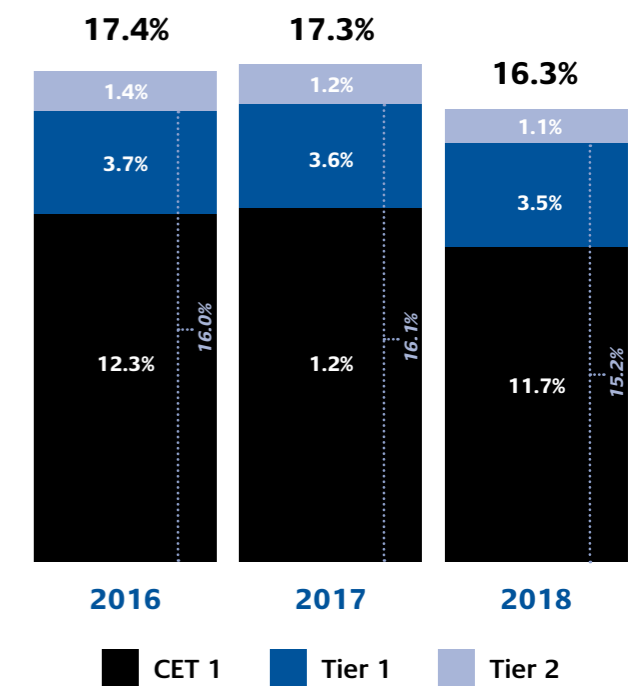
## Funding mix



## Liquid assets



## Capitalization



Source: National Bank of Oman and financial statements  
1US\$ = OMR 0.3850



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# Corporate governance and risk management

NBO’s risk management framework’s primary objective is to safeguard the Bank from various risks that it is exposed to in a proactive manner and in line with regulatory requirements and best practice.

Overview of risk committees

The Board of Directors is responsible for the overall direction, supervision and control of the Bank’s business

- The Bank carefully monitors credit, liquidity, market, operational and strategic risk
- The Board has established a number of Board committees and management committees to co-ordinate the day-to-day risk management of the Bank

- Authorities are delegated by the Board to the Bank’s senior management under the leaderships of the Acting CEO, who is required to delegate these authorities to the various management committees responsible for risk management



Guiding principles for risk management activities

Approval	All commercial activities which commit the Bank to deliver risk-sensitive products require approval by authorized individuals
Independence	Clear separation between commercial (the business) and risk management functions
Transparency	Risk management structures, policies and procedures are transparent and based on consistent and comprehensive principles
One obligor	Decision authority is determined by total amount of facilities extended to a coherent group, based on shareholdings or management control
Committees	Decisions regarding policy, product, portfolio, or large (or high risk) exposures are taken by appropriate committees empowered by the Board
Conflicts of interest	Members of committees are required to disclose their business relations to ensure that there is no conflict of interest
Approval authority	The Board delegates risk management authority to the Board Risk Committee (and thereafter to the CEO and various other committees)
Risk proposals	At least two authorized individuals are required to approve risk proposals
Risk and reward	Risk and reward from a transaction are borne by the same business unit
Business responsibility	Business units are responsible for the selection of clients and for managing all of the business activities with such clients within approved limits
Source of internal policies	These guiding principles are dictated by the policies and guidelines from the Central Bank and Capital Markets Authority

## Key Highlights

Strong and established franchise delivering a superior customer experience



Note (1): Income-to-Asset Ratio: Interest Income plus Other Operating Income divided by Total Assets







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