

# Investor Presentation

National Bank of Oman

February 2022



- **Key messages and priorities**

- National Bank of Oman Introduction
  - Operating Environment
  - Financial Performance
  - Appendix
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# Key messages



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

# OUR PRIORITIES

## Strategic Priorities

### 1 | Safeguard

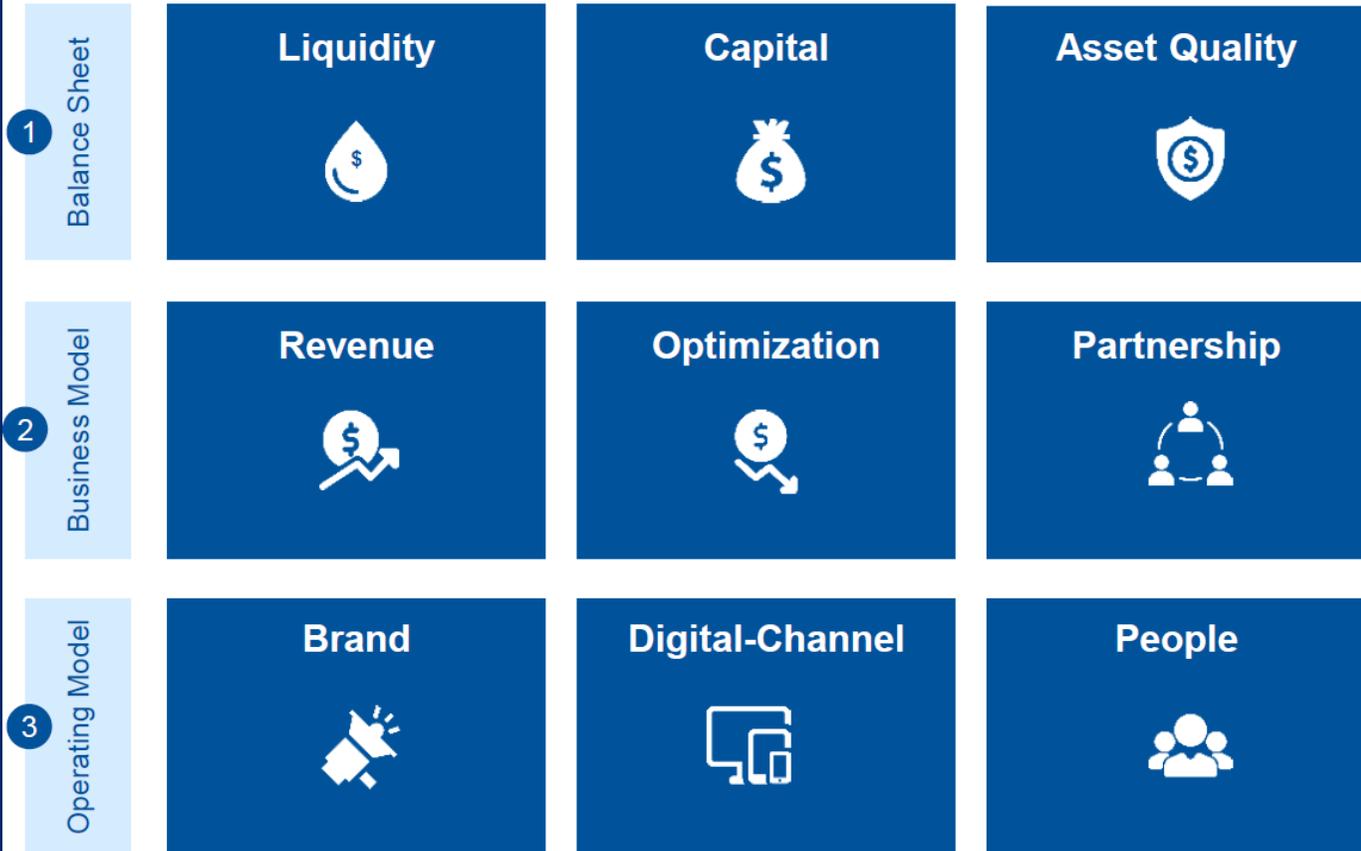
In context of the uncertain conditions ensure the bank maintain healthy levels of funding and capital, whilst guarding asset quality

### 2 | Value Creation

Actively drive cost optimization plus bolstering income by focusing on low risk revenues streams and leveraging existing client base & partnerships

### 3 | Sustainability

Continue to invest into build lasting capabilities and digitise the bank's operating model for greater appeal and scale



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# National Bank of Oman Introduction

## The First Omani Commercial Bank

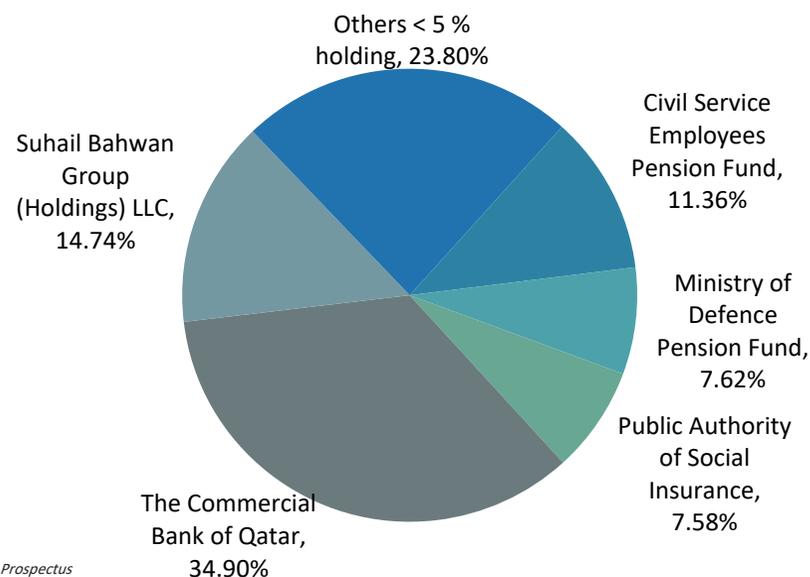
### Overview

- National Bank of Oman SAOG (“**NBO**” or the “**Bank**”) was the **first incorporated Bank** in the Sultanate of Oman (“**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 (“**MSM**”)
- The Bank has 1,470 employees as at 31<sup>st</sup> December 2021 and is the 3<sup>rd</sup> largest bank by net lending in Oman accounting to USD 8.0 billion, as at 31 December 2021.
- As at 31<sup>st</sup> December 2021, NBO serves approximately half a million retail customers and 25,000 corporate and SME customers via 66 branches and over 200 ATM and CCDM units
- In addition, the Bank has a presence in the **UAE** and is in the process of closing the branch in **Egypt**
- The Bank operates via five main segments, namely, retail banking, corporate banking, investment banking, treasury and international banking, and Islamic banking
- As at 31<sup>st</sup> December 2021, NBO had approximately 14.4% share in loans and 13.8% share in deposits in Oman Banking sector

### Credit Rating

Rating Agency	Date	Long-term Rating	Outlook
<b>MOODY’S</b>	Oct 2021	Ba3	Stable
<b>FitchRatings</b>	Jan 2022	BB-	Stable

### Ownership (as at 31<sup>st</sup> December 2021)



Source: Prospectus

### Key Financials

USD in Millions	2017	2018	2019	2020	2021
Total Assets	9,014	9,280	9,467	9,435	10,600
Net Loans	6,893	7,298	7,277	7,501	8,022
Deposits	6,393	6,370	6,575	6,564	7,579
Total Operating Income	343	335	333	304	320
Net Profit	114	131	134	47	79
Tier 1	16.1%	15.2%	15.7%	15.4%	15.0%
Total CAR	17.3%	16.3%	16.6%	16.4%	15.8%
Loans to Deposit Ratio	107.8%	114.6%	110.7%	114.3%	105.9%
NPL Ratio	4.1%	4.8%	4.9%	5.6%	5.3%
Cost/Income	48.8%	47.9%	49.6%	54.6%	51.5%

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# Oman's Economic Overview

## Economic Diversification Strategy With Fiscal Prudence

### Overview

- The Sultanate of Oman is the second largest country by geographical area among the states of the GCC region, after Saudi Arabia. It is spread over 309,500 km<sup>2</sup>, and has a 2,092 km coastline. It is strategically placed at the mouth of the Arabian Gulf.
- Population of Oman is approximately 4.53 million (Dec 2021), with Omani nationals comprising 2.81 million and expatriates comprising 1.72 million of the overall figure. Population has risen by 1.04% YoY.
- Oman's nominal economy increased by 12.7 percent YoY up to Q3 2021. NCSI estimates whole year GDP to grow by 13.8% to reach OMR 32 bn. Real GDP contracted by 4.3% in 2020 but estimated to increase by 2.4% in 2021 (Fitch estimate).
- General Govt debt as a percentage of GDP has risen from 4.9% in 2014 to 64% as at end 2021 (Moody's estimate). This is down from 80% in 2020.
- Government's budget for 2021 was based on oil price at USD 45 per barrel and 2022 budget is based on USD 50 per barrel.

### Sultanate of Oman Economic Snapshot

<b>Geography</b>	309,500 km <sup>2</sup> , Oman is the second largest country in the GCC region
<b>Population</b>	4.53 million (Dec 2021)
<b>Credit Rating</b>	Moody's: Ba3 (Stable); S&P: B+ (Positive); and Fitch: BB-(Stable)
<b>Nominal GDP</b>	USD 83 billion (2021, General Budget Document estimate, Oman)
<b>GDP per Capita</b>	US\$ 18,400 (calculated)
<b>Current Account Deficit forecast</b>	c. 0.8% of GDP (2021, Fitch estimate)

Source: Moody's, Fitch, MoF Oman

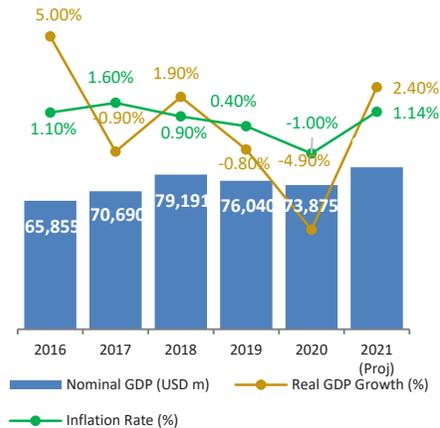
The stable outlook balances Oman's considerable fiscal and external pressures against its reasonably high fiscal buffers. The pace of debt accumulation should significantly decelerate from 2021 onward, on the back of higher oil prices and the government's fiscal reform plan.

The peg has served as an anchor for inflation expectations, particularly because contracts for oil--Oman's main export--are typically priced in dollars. We expect the peg will be maintained over the medium term on the back of sufficient foreign exchange reserves and government external assets.

**S&P Global**

### Challenging Macroeconomic Conditions with a well defined Economic Diversification Plan

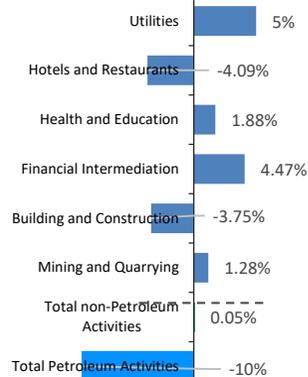
#### Headwinds to GDP Growth



Source: CBO, IMF data, NCSI Oman, S&P, Fitch, Moody's

#### .. with Non-hydrocarbon sectors having the fastest growth

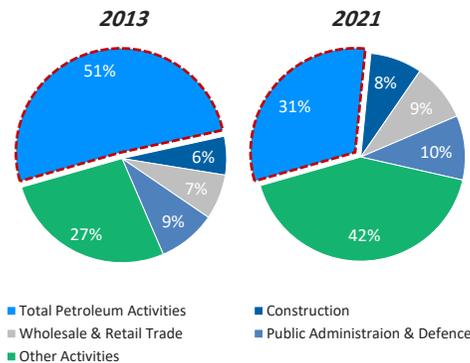
Real CAGR of selected sectors, 2014-2020



Source: National Center for Statistics & Information

#### .. leading to a more diversified economy

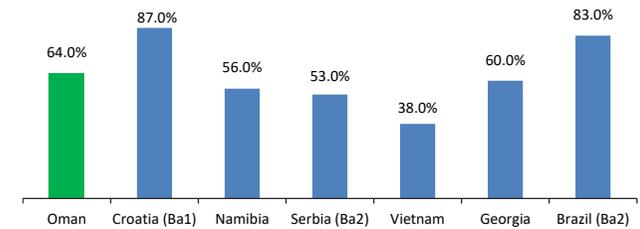
GDP composition



Source: National Centre for Statistics and Information

### Moderate Debt to GDP Levels as Compared to Ba\* rate Peers

#### Gross Government debt to GDP (2021 Moody's estimates)

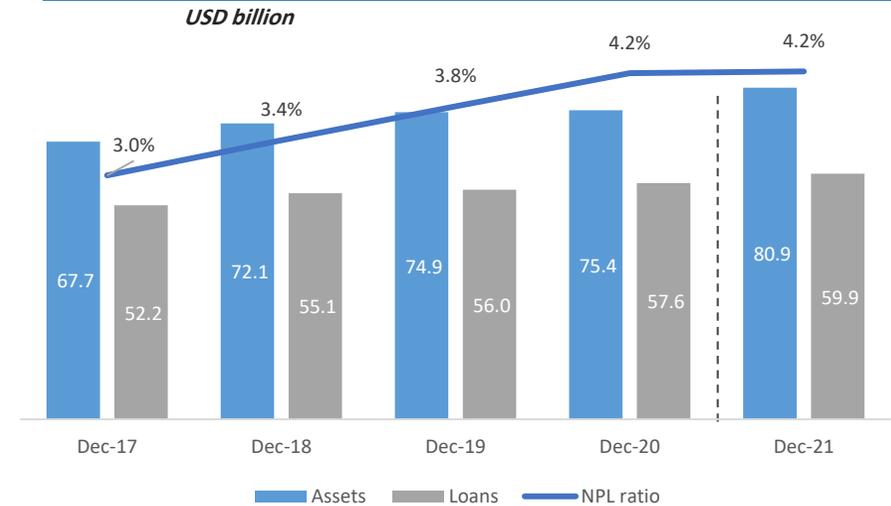


# The Oman Banking Sector

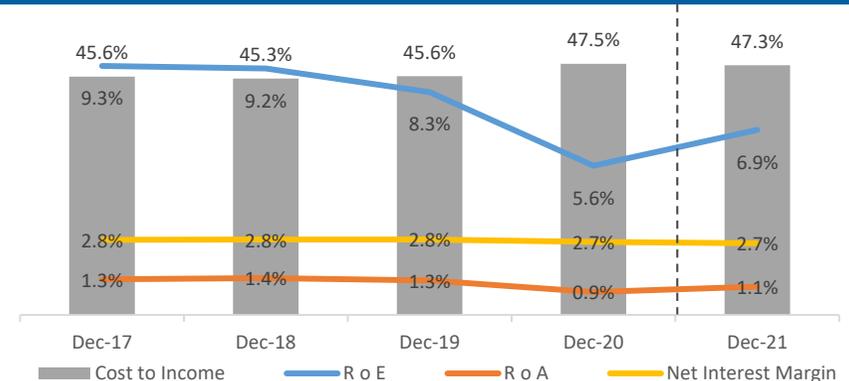
## Overview

- Oman's Banking sector risk is assessed to be "baa" by Moody's which is underpinned by the sector's strong capitalization.
- Aggregate deposits for the banking sector in 2021 showed a YoY growth of 5.7%. The loans for the same period grew by 5.4% YoY. Credit to private sector increased by 1.3%
- However, the Omani banking system is fairly concentrated with top four banks (NBO included) accounting for nearly three fourth of total credit and banking profits.
- Although the banking assets have shown 4% CAGR over last 5 years, several banking profitability metrics have been trending lower.
- Impact of COVID has worsened the above situation with most banks showing weakening profitability and asset quality metrics.
- CBO a strict but supportive regulator has introduced various regulation to support banks as well as borrowers.
- Given the contraction experienced and anticipated in the economy, consolidation is likely over the medium term.

## Assets and loans of major banks increased by 4%



## Key ratios are weakening among major banks



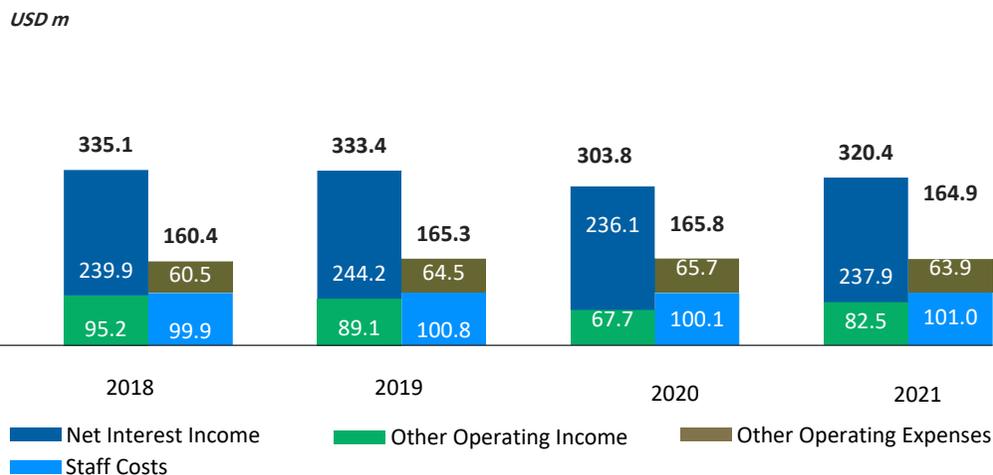
Source: Published FS of top 6 Omani Banks including NBO

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## Overview

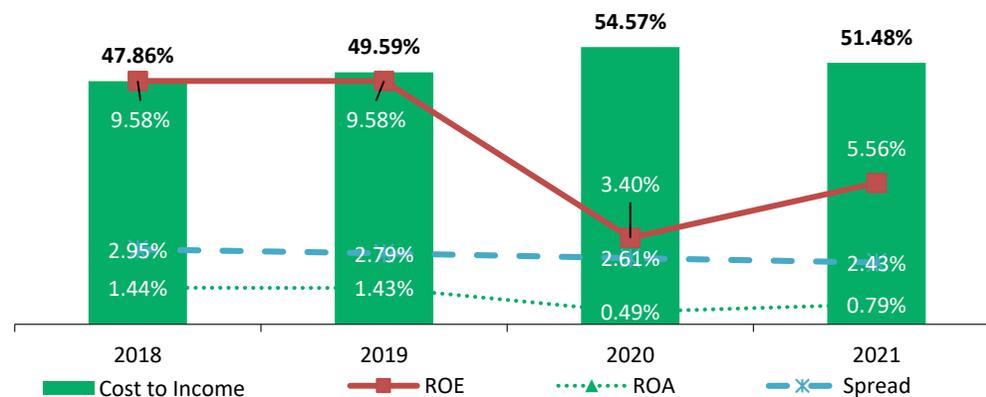
- Net Interest income for the year 2021 increased by 0.7 per cent. This is driven by strong growth in loan volumes, partially offset by compression in margins.
- Fee income for the year 2021 posted a strong growth of 21.9%. There has been all round contribution from various fee lines.
- Operating expenses for the year 2021 decreased by 0.5%. Despite the continuing investments made for growth, there is a reduction year on year due to various efficiency initiatives undertaken across the bank.
- Net Impairment for the year 2021 decreased by 23.4%. The reduction is on account of conservative provisioning approach undertaken in the previous year, subsequently there has been improvement to the economic activities and borrower profiles reflected in the lowered expected credit losses.

## Operating Income Composition

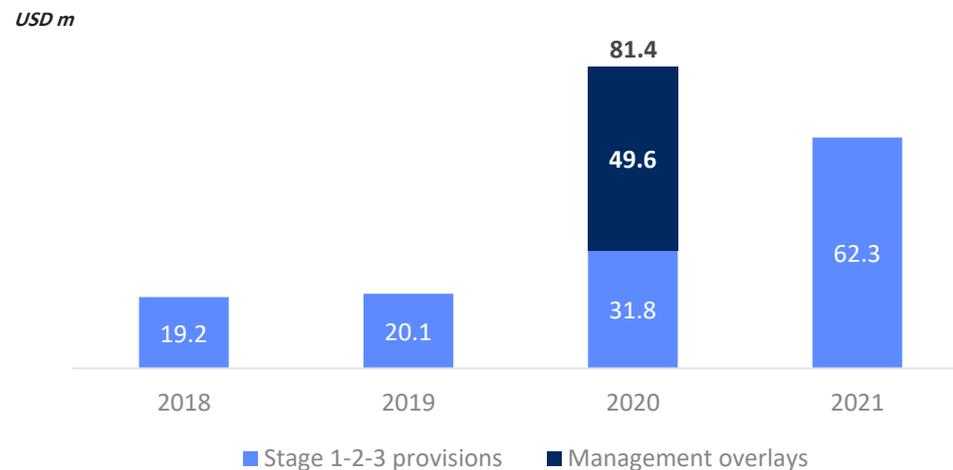


Source: National Bank of Oman and financial statements

## Key profitability metrics



## Provisions



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

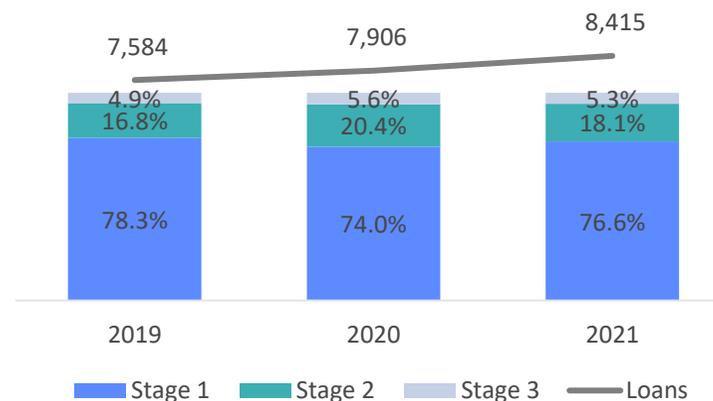
# Asset Quality

## Overview

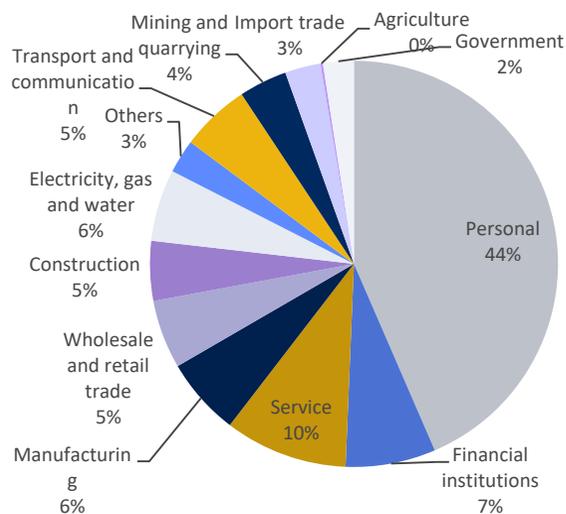
- During FY 2021, the Bank witnessed a growth in loan book of 6.4%.
- The Bank has diversified portfolio of loans/financing activities across economic sectors through both conventional and Islamic banking.
- Continuous efforts on asset quality management has kept NPLs at similar levels. With the increase in gross loan book, the NPL ratio has shown an improvement from 5.6% in 2020 to 5.3% in 2021.
- The provision coverage is at 90.1% with the total coverage ratio of 4.8%.

## Stage wise Loans

USD m

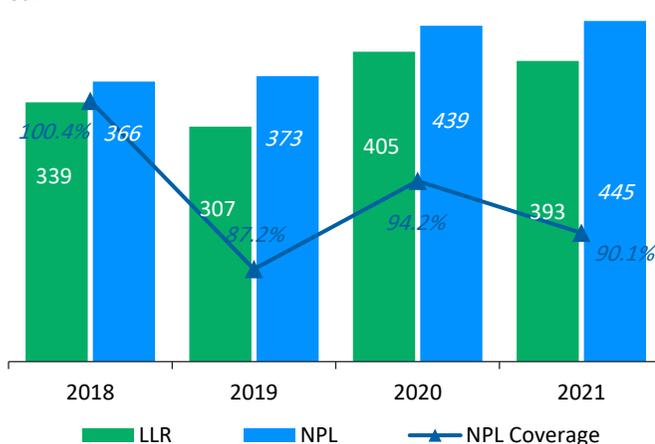


## Gross Loans – Sector Breakup (2021)

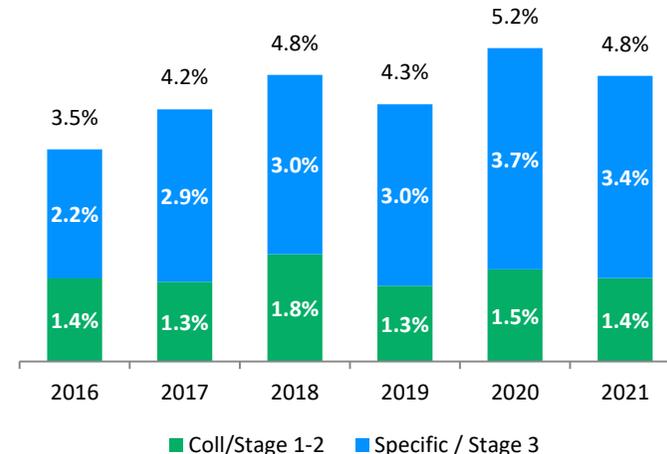


## Impaired Assets and Provisioning

USD m



## Loss provision held as % of Total Loans



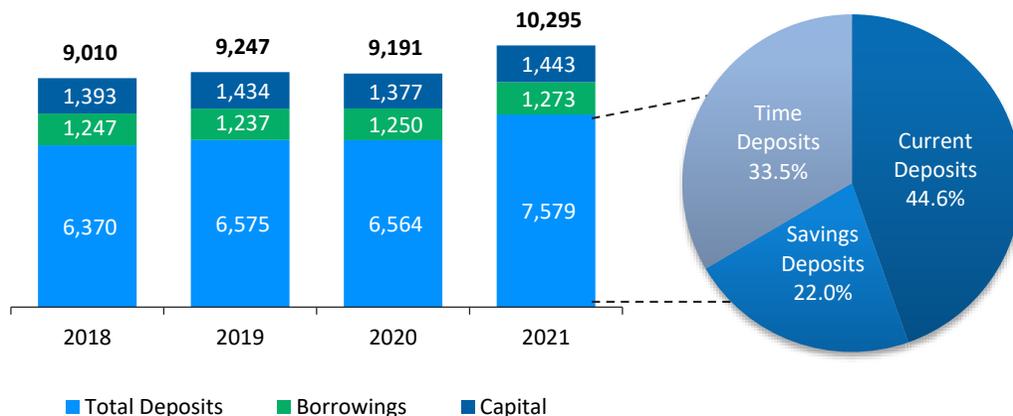
Source: National Bank of Oman and financial statements

## Overview

- Low cost deposits (66.6% of total deposits) from wholesale and retail has contributed to stability of banks' deposit base as well as stronger NIMs.
- Strong liquidity with liquid asset ratio representing 21.3% of total assets and a high liquidity coverage ratio of 151.41% (December 2021)
- Capitalization levels of 15.8% (December 2021) vs. minimum total capital adequacy ratio of 12.25% (Central Bank of Oman guidelines) leaves a capital buffer of 3.55%.
- The Bank's CET1 ratio at 11.8% is above the regulatory minimum by 2.9%.
- In 2021, Bank issued perpetual capital of USD 300 million and called back the AT1 issued in 2015. Bank also has outstanding senior unsecured bond under MTN program for USD 500 million maturing in Sep 2023.

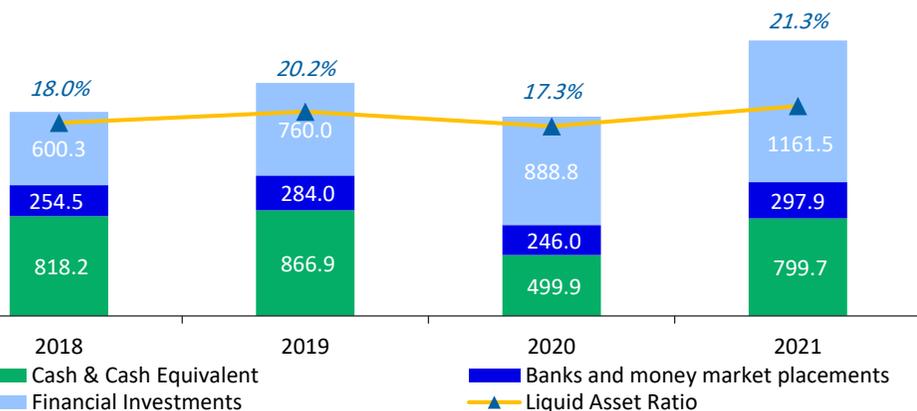
## Funding Mix

USD m

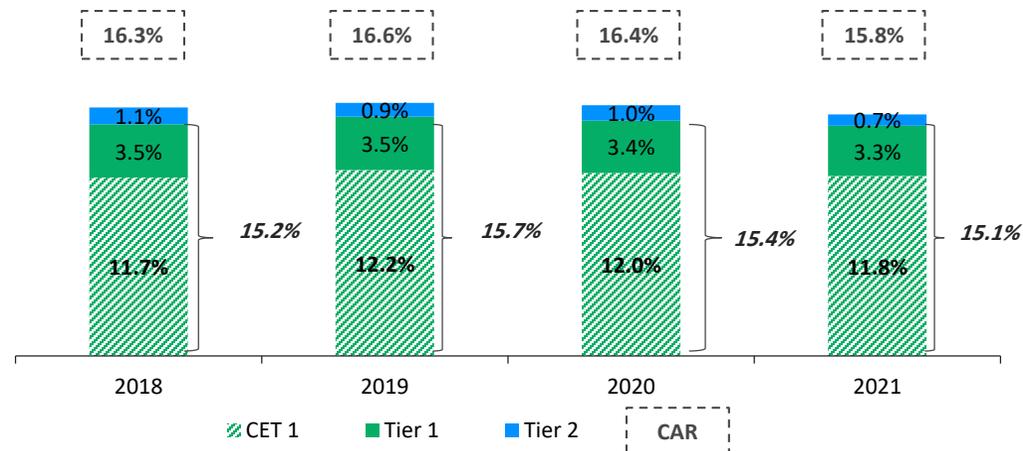


## Liquid Assets

USD m



## Capitalization



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# Balance Sheet

Amount in USD 000	Dec-18	Dec-19	Dec-20	Dec-21
<b>ASSETS</b>				
Cash & Central Bank	818,325	866,940	499,888	799,662
Due From Banks	254,712	284,094	246,016	297,883
Loans & Adv. (Net)	7,297,940	7,276,771	7,500,940	8,022,457
Investments	600,387	759,868	888,839	1,161,501
Fixed Assets	167,169	168,953	162,514	155,564
Other Assets	141,784	105,834	137,260	163,107
<b>Total Assets</b>	<b>9,280,317</b>	<b>9,462,460</b>	<b>9,435,457</b>	<b>10,600,174</b>
<b>Shareholders Equity</b>				
Share Capital	422,325	422,325	422,325	422,325
Share Premium Reserve	89,519	89,519	89,519	89,519
Non-Distributable Reserve	183,738	150,179	144,836	154,629
Retained Earnings	198,878	279,122	373,410	382,000
Proposed Stock/ Cash Dividend	67,571	70,951	-	15,626
Net Profit For The Period.	131,449	133,587	47,138	78,642
<b>Net Worth (Share Capital + Reserves) (A)</b>	<b>1,093,480</b>	<b>1,134,294</b>	<b>1,077,229</b>	<b>1,142,741</b>
Subordinated Funds (B)	44,156	-	-	-
<b>Tier 1 Capital (B)</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>
<b>Net Worth (C=A+B)</b>	<b>1,437,636</b>	<b>1,434,294</b>	<b>1,377,229</b>	<b>1,442,741</b>
<b>Liabilities</b>				
Customer Deposits	6,369,823	6,575,372	6,564,101	7,578,525
Due To Banks	405,062	737,106	749,930	773,322
Other Liabilities	242,947	181,348	219,345	271,365
Tax	27,062	34,340	24,852	34,221
EMTN	797,787	500,000	500,000	500,000
<b>Sub Total</b>	<b>7,842,681</b>	<b>8,028,166</b>	<b>8,058,228</b>	<b>9,157,433</b>
<b>Total Liabilities</b>	<b>9,280,317</b>	<b>9,462,460</b>	<b>9,435,457</b>	<b>10,600,174</b>

# Income Statement

Amounts in USD '000	For the year ended 31 December 2020	For the year ended 31 December 2021
Interest Income-Conventional	423,873	430,099
Interest Income-Islamic	23,208	25,268
<b>Total Interest Income</b>	<b>447,081</b>	<b>455,367</b>
Interest Expenses-Conventional	(198,174)	(204,052)
Interest Expenses-Islamic	(12,792)	(13,439)
<b>Total Interest Expenses</b>	<b>(210,966)</b>	<b>(217,491)</b>
<b>Net Interest Income</b>	<b>236,115</b>	<b>237,876</b>
<b>Total Fee Income</b>	<b>67,686</b>	<b>82,517</b>
<b>Total Income</b>	<b>303,801</b>	<b>320,393</b>
Staff Costs	(100,101)	(101,000)
Other Operating Costs	(48,868)	(47,971)
Depreciation	(16,813)	(15,958)
<b>Operating Expenditure</b>	<b>(165,782)</b>	<b>(164,929)</b>
<b>Operating Profit</b>	<b>138,019</b>	<b>155,464</b>
Loan Loss Reserve (Gross)	(93,486)	(75,618)
Total Recovery	12,112	13,319
Provisions less Recovery	(81,374)	(62,299)
<b>Net Profit Before Tax</b>	<b>56,645</b>	<b>93,165</b>
Taxation	(9,506)	(14,522)
<b>Net Profit For The Period</b>	<b>47,139</b>	<b>78,643</b>

Q&A

# Thank You

Investor Presentation

National Bank of Oman

December 2021