

Investor Presentation

National Bank of Oman

March 2019



- **National Bank of Oman Introduction**

- Operating Environment
 - National Bank of Oman Overview
 - Financial Performance
 - Corporate Governance and Risk Management
 - Appendix
-

National Bank of Oman Introduction

The First Omani Commercial Bank

Overview

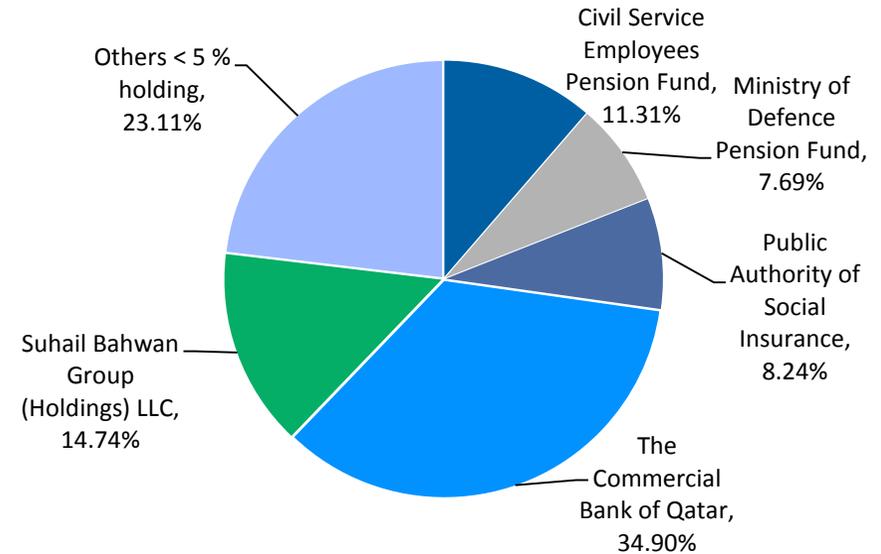
- National Bank of Oman SAOG (“NBO” or the “Bank”) was the **first incorporated Bank** in the Sultanate of Oman (“Oman”) - established in 1973 as a joint stock company, providing conventional and Islamic banking services
- The Bank’s shares are listed on the Muscat Securities Market (“MSM”)
- The Bank has 1,549 employees as at 31st March 2019 and is the **third largest bank** by total assets in Oman accounting to US\$ 9.2 billion, as at 31st March 2019
- As at 31st March 2019, NBO serves approximately **half a million retail customers** and **25,000 corporate and SME customers** via 66 branches and 196 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, namely, retail banking, corporate banking, investment banking, treasury and international banking, and Islamic banking
- As at 31st March 2019, NBO had approximately **11.10% market share** in loans and **10.90% 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:
 - Best Retail Bank in Oman for 2017 by The Asian Banker’s Middle East and Africa Regional Awards Programme 2017
 - Best Islamic Bank in Oman for 2017 by Islamic Finance News Awards

Credit Rating



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

Ownership (as at 31st Mar 2019)



Source: Prospectus

Key Financials

US\$ in Millions	2015	2016	2017	2018	Mar-19
Total Assets	8,476	9,176	9,014	9,280	9,264
Net Loans	6,582	6,936	6,893	7,298	7,217
Deposits	5,844	6,232	6,393	6,370	6,576
Total Operating Income	353	354	343	335	84
Net Profit	156	145	114	131	32
Tier 1	16.27%	15.0%	16.2%	15.2%	15.1%
Total CAR	18.15%	16.8%	17.3%	16.3%	16.2%
Loans to Deposit Ratio	112.64%	111.3%	107.8%	114.6%	109.7%
NPL Ratio	1.90%	2.2%	3.5%	4.3%	4.9%
Cost/Income	44.2%	46.0%	48.8%	47.9%	48.4%

Key Investment 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 companies, Government related entities and individuals

519k customers

Presence in 3 countries

66 branches across Oman

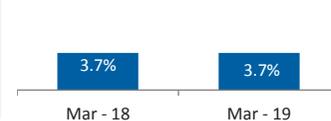
196 ATMs and CCDMs in Oman

1,549 employees

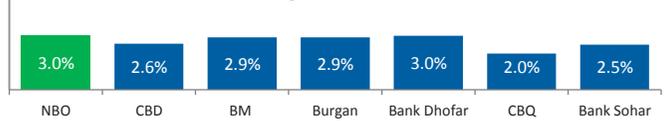
Strong Profitability Profile Among Peers

- NBO's Net Interest Margin ("NIM") is 3.0% as at March 2019, is among the highest margins among its peer group
- The Bank has a healthy Income-to-Asset Ratio⁽¹⁾ of 3.7% (Mar 2019)

Income-to-Asset Ratio⁽¹⁾



Net Interest Margin (Q1 2019)



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

Over 60% of customer transactions done using digital solutions

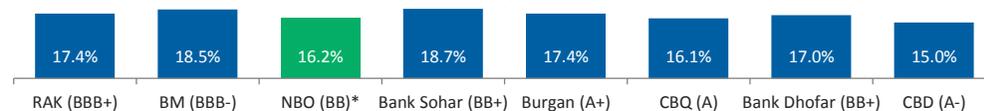
Customers using digital channels increased by >90% in 2017

First bank in Oman to implement mobile banking services and adopted "Mobile First" approach

Sound Capitalization and Liquidity

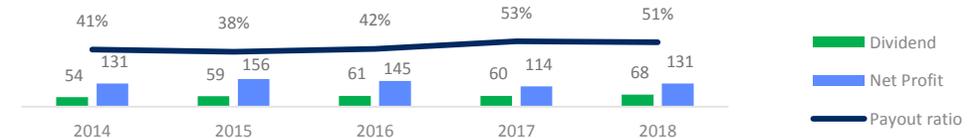
- Strong capitalization with total CAR of 16.2% as at Mar 2019 offering room for growth
- As at March 2019, NBO's Net Stable Funding Ratio ("NSFR") and Liquidity Coverage Ratio ("LCR") was at 107% and 230% respectively

Total CAR (Q1 2019)



Consistent shareholder value delivery

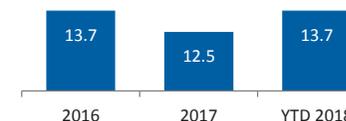
- With the consistent growth in Cash dividend year on year with the dividend payout ratio of 40%-50%, NBO is one of the reliable dividend yielding stock in the MSM index



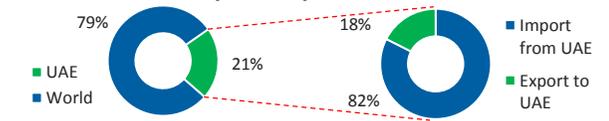
Leveraging the UAE Presence as an Emerging Trade Corridor

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

UAE – Oman Total Trade Flow⁽²⁾ (US\$bn)



Oman Trade Activity Globally and with UAE in 2017⁽²⁾



Shareholder Support

- Strong relationship with the Government on the back of the 27.93% ownership (as at 31st March 2019)
- Access to stable, significant and low cost deposits from Government and Government related entities

>27.93% ownership by the Government of Oman

Substantial stable and low cost deposits

High likelihood of support from the Omani Government

Note (1): Income-to-Asset Ratio: Interest Income plus Other Operating Income divided by Total Assets
 Note (2): Source, Bloomberg as at September 2018
 Note (*): NBO was rated BBB- by Fitch by end of 2017. As at March 2019, NBO's Fitch rating is BB+

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"

Fitch (March 2019)

"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', 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"

Fitch (March 2019)

"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)

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Oman's Economic Overview

Economic Diversification Strategy Aided by Positive Growth and Government Support

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 km², and has a 2,092 km coastline. It is strategically placed at the mouth of the Arabian Gulf
- Population of Oman is approximately 4.64 million (Dec 2018), with Omani nationals comprising 2.61 million and expatriates comprising 2.03 million of the overall figure
- Oman's nominal economy grew by 15.3 percent during the first 9 months of 2018. Nominal growth is expected to remain favourable next year also rising oil and gas production boosts exports while the government increases investments in the non-oil sector to diversify away from hydrocarbons revenue
- Stable political system – Monarchy led by His Majesty Sultan Qaboos who commands wide popular support and respect from Omani citizens
- Independent, pragmatic foreign policy, aimed at fostering good relations with Oman's neighbours and other countries
- Oman has acted as a neutral mediator within the region

Sultanate of Oman Economic Snapshot

Geography	309,500 km ² , Oman is the second largest country in the GCC region
Population	4.69 million (Apr 2019)
Credit Rating	Moody's: Ba1 (Negative); S&P: BB (Negative); and Fitch: BB+(Stable)
Nominal GDP	US\$ 79.19 billion (2018, NCSI, Oman)
GDP per Capita	US\$ 17,066 (2018, derived from Nominal GDP and Population)
Current Account Deficit forecast	c. 4.5% of GDP (2019, Moody's Baseline Estimate with Oil at \$75/bbl)

Source: IMF, World Bank, Central Bank of Oman, Moody's

Oman is unlikely to need a bailout similar to the one that Bahrain got last year as the cash-strapped sultanate should avoid a financial crisis, according to S&P Global Ratings.

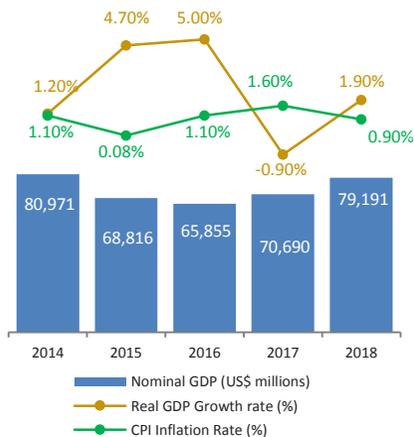
"They don't need support at all this year and next year," a credit analyst at S&P Global Ratings, said in an interview in Dubai. "They're going ahead with fiscal consolidation, their fiscal position is improving"

The market is "possibly overly reflecting concerns with Oman. Oman's currency peg is set to "remain in place for the foreseeable future (February 2019)

S&P Global

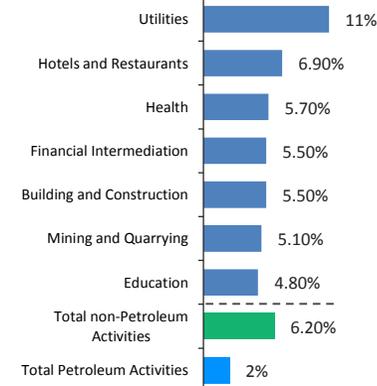
Stable Macroeconomic Conditions with a well defined Economic Diversification Plan

Positive GDP Growth



.. with Non-hydrocarbon sectors having the fastest growth

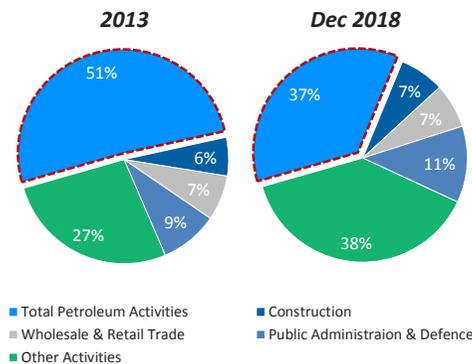
Real CAGR of selected sectors, 2011-2016



Source: National Center for Statistics & Information

.. leading to a more diversified economy

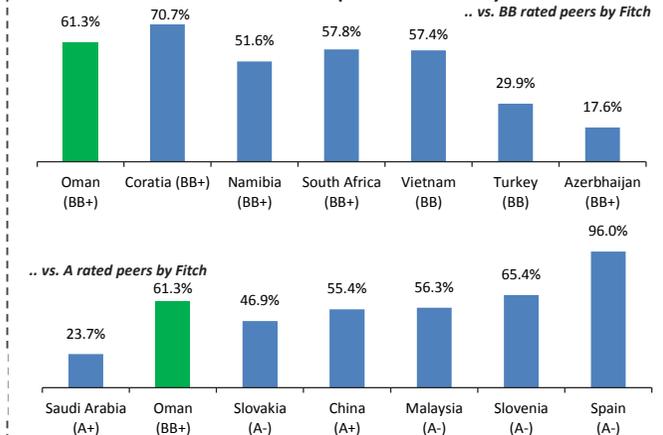
GDP composition



Source: National Centre for Statistics and Information

Manageable Debt to GDP Levels as Compared to Peers

Gross Government debt to GDP (2019 estimates)



Source: IMF World Economic Database, April 2019

The Oman Banking Sector

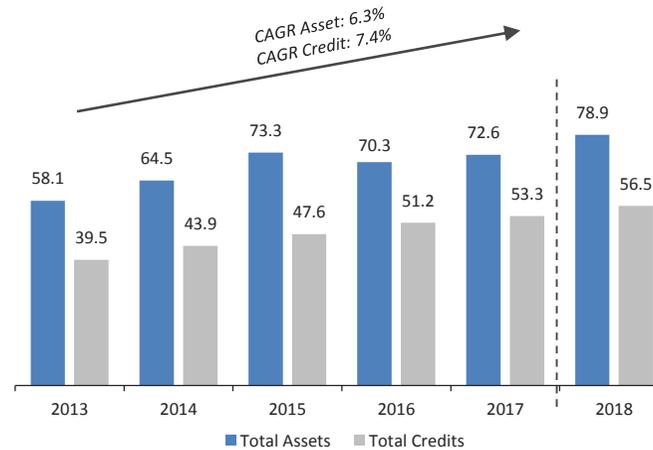
Well-capitalized, Liquid and Stable Operating Environment

Overview

- The Omani banking system comprises of 16 commercial banks (of which 9 are international banks), 2 specialized banks and 2 Islamic banks
- Fairly concentrated banking system with the three largest local banks (NBO included) accounting for approximately two thirds of total credit in the banking system
- Central Bank of Oman (the local regulator) carries out regular examinations of financial institutions on asset quality, liquidity and capital metrics
- Historically, the Omani banking sector has been fairly insulated from previous financial crisis as a result of:
 - Limitation on derivatives products
 - Strict monitoring of liquidity metrics
 - Tight regulations on overseas lending
 - Single Obligor Limits and lower debt burden ratios

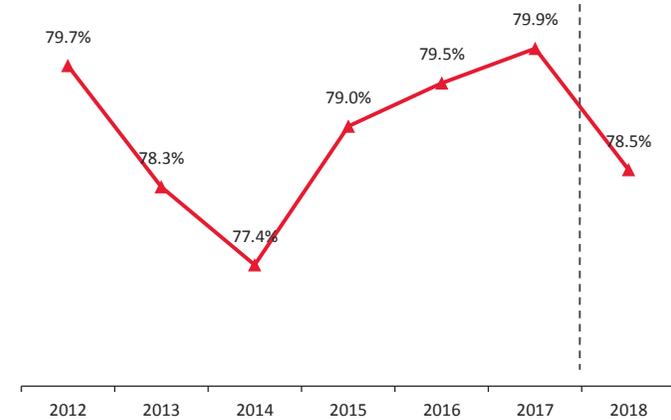
In 2018, total banking sector assets increased by 8.6%

US\$ billion



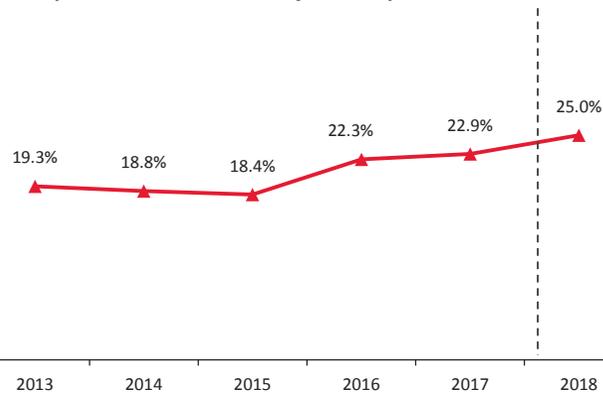
.. and credit continues to rise relative to deposits

Credit as a % of total funding



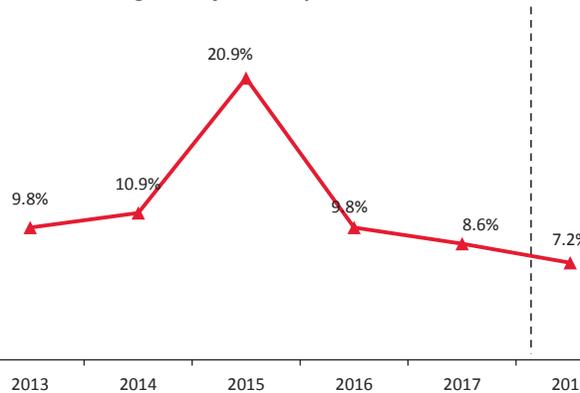
Banks in Oman are well capitalized

Core Capital and reserves as % of total deposits



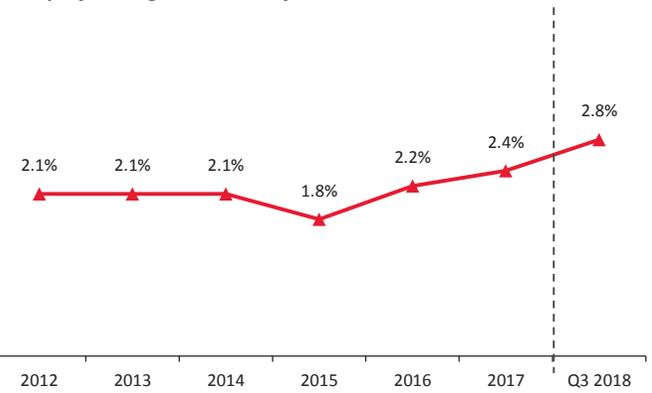
.. with adequate liquidity

Cash and clearing as % of total deposits



.. and healthy asset quality

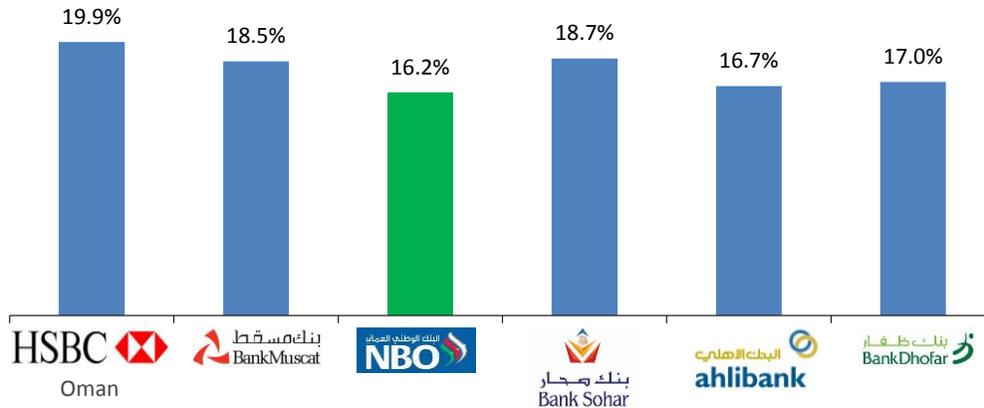
Non performing loans as % of total loans



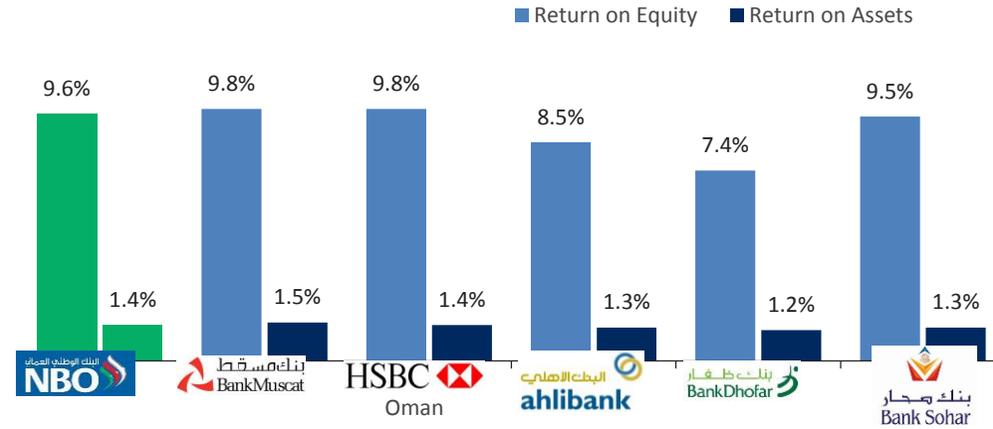
The Oman Banking Sector

Peer Benchmarking

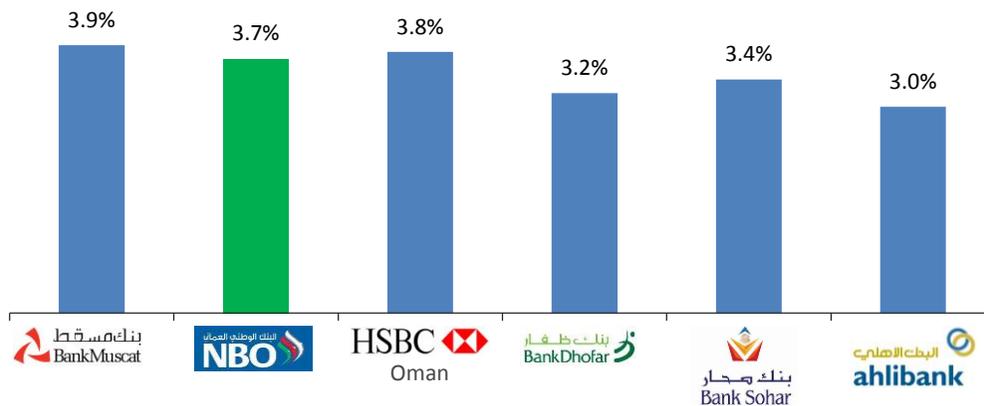
Capital Adequacy Ratio (Q1 2019)



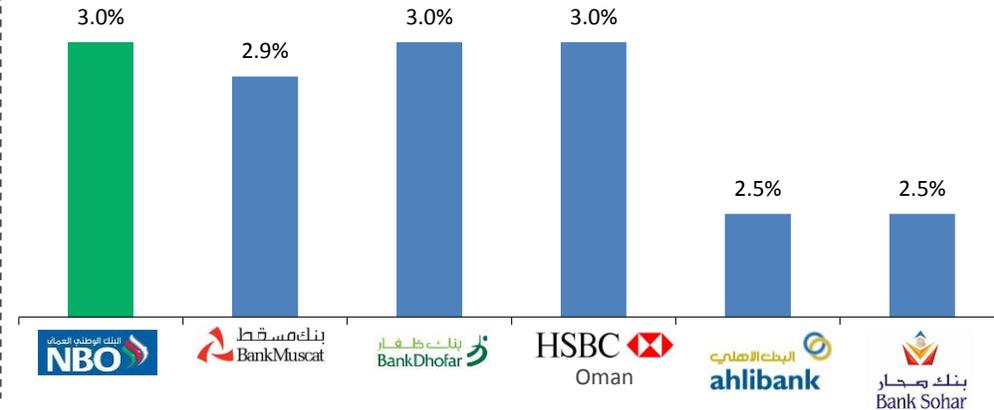
Return on Average Equity and Return on Average Assets (Q1 2019)



Income to Average Assets (Q1 2019)



Net Interest Margins (Q1 2019)



Source: Financial Statements and National Bank of Oman; Q1 numbers are annualized by multiplying by 365/90
 Income to Average Assets: Interest Income plus Other Operating Income divided by Average Assets

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Business Strategy

Provide a Continuously Superior Customer Experience

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

Delivering Compelling Solutions
& a Superior Customer
Experience

2

Continuously Improve
Operational Efficiency to
Optimize Cost Structure

3

Deepening 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

- Continuously generate and manage a production line of innovative solutions to increase range of product and service offering
- Develop a competitive edge and increase customer retention/loyalty by providing high levels of customer service
- Develop the Bank's brand identity to ensure its relevance and appeal
- Provide the best financial services solutions through simple, transparent and easy-to-contract products

.. while
Improving
Operational
Efficiency

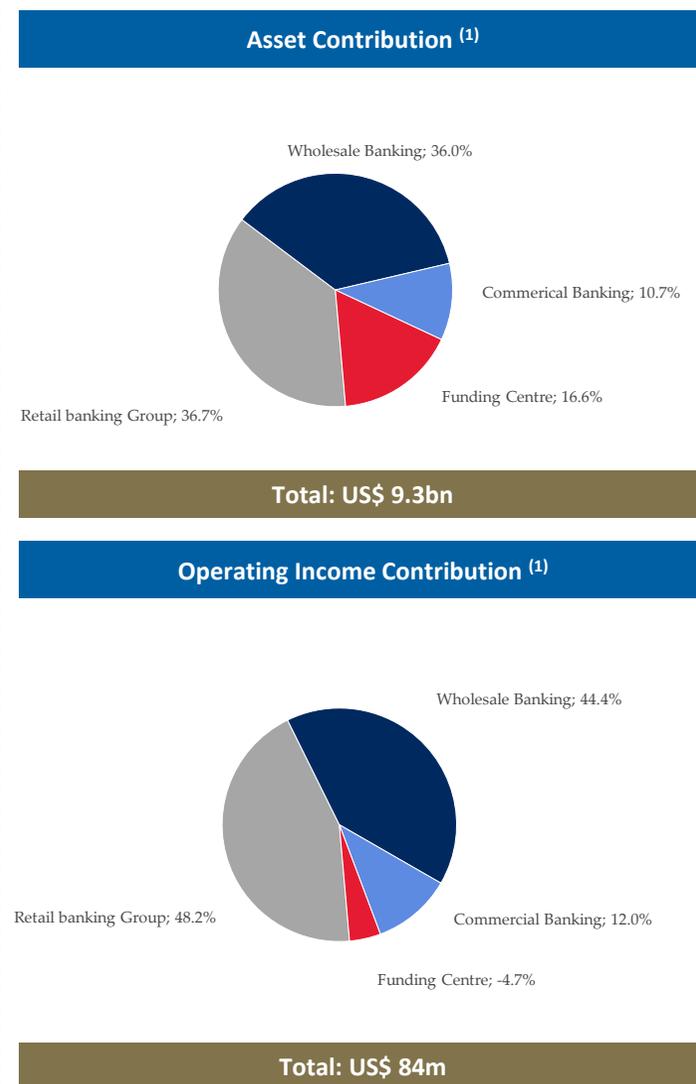
- Significant investments in technology to increase adoption, by customers, of the more efficient digital channels
- Continue to develop flexible and more cost effective distribution channels
- Invest in automation and straight through processing of critical processes to increase revenue, decrease costs and improve the Bank's cost to income ratios

.. and Focusing
on Developing
a Market-
leading
Workforce

- Build a high performance culture within the Bank
- Continue to introduce internal talent management programs
- Align the Bank's objectives with employees and assess key performance indicators at the individual level

Key Business Lines

Business Lines		Key Highlights	Asset Contribution ⁽¹⁾	Operating Income Contribution ⁽¹⁾
Retail Banking		<ul style="list-style-type: none"> Primarily positioned as the Bank of choice for Omani nationals Over half a million retail customers Strong emphasis on technology: innovative and advanced digital banking capabilities 	<ul style="list-style-type: none"> US\$ 3.4bn – 36.7% of total assets 	<ul style="list-style-type: none"> US\$ 40m – 48.2% of operating income
Wholesale Banking	Corporate Banking	<ul style="list-style-type: none"> Includes large corporate banking, Government banking, transaction banking and remedial management division c. 8,000 corporate customers 	<ul style="list-style-type: none"> US\$ 3.3bn – 36 % of total assets 	<ul style="list-style-type: none"> US\$ 37.3 m – 44.4% of operating income
	Investment Banking	<ul style="list-style-type: none"> Provides independent financial advice, in addition to transaction execution Comprises of asset management, corporate finance & advisory and brokerage 		
	Treasury & International Banking	<ul style="list-style-type: none"> Includes Fx and derivatives sales, money markets, interbank and Govt. treasury services Established correspondent relationships with international banks 		
Commercial Banking		<ul style="list-style-type: none"> Formed in January 2015: includes SME, business and Islamic banking and international business Presence in UAE (2) and Egypt (1) 6 dedicated Islamic banking branches 	<ul style="list-style-type: none"> US\$ 1.0bn – 10.7% of total assets 	<ul style="list-style-type: none"> US\$ 10m – 12.0% of operating income
Funding Centre		<ul style="list-style-type: none"> Responsible for managing the Bank's capital, funding and currency balances Repository of bank's securities investments, asset/ liability management & cash instruments 	<ul style="list-style-type: none"> US\$ 1.5bn – 16.6% of total assets 	<ul style="list-style-type: none"> US\$ (- 4) m – (-4.7%) of operating income



(1) As of Mar 31, 2019;

Retail Banking Group

Overview

- Primarily positioned as the bank of choice for Omani nationals with the retail customer portfolio split as: 57% Omani nationals and 43% expatriates
- Sturdy 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
- Strong focus on developing a compelling wealth management offering for high net worth clients
- Significant investments in technology and increased the adoption of customers to use more efficient digital channels
- Over 60% of all its customer service transactions are done using digital banking solutions: 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 block chain technology, mixed reality and natural language based interfaces. In 2017, it organised 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 Mar 2019, the Bank had a network of 66 branches operating in Oman, 196 automatic teller machines ("ATMs") and cash and cheque deposit machines ("CCDMs") and provided banking services to c. 517,376 customers

Principal Products & 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 Mar 31, 2019, total deposits amounted to US\$ 6.5bn with 39.1% as time deposits, 23.1% as savings deposits and 37.8% as current and call accounts

Lending

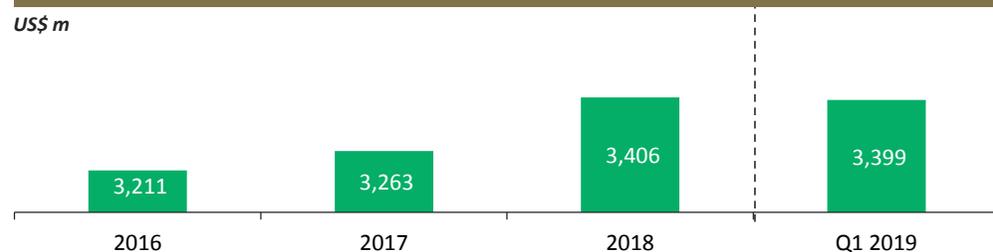
- Offers two main products: general purpose unsecured loans and secured housing loans
- General purpose unsecured loans are supported by salary transfers and regarded as salary related unsecured loans
- As of Mar 31, 2019, total loans to retail customers amounted to US\$ 3.5bn with 73% as unsecured loans, 27% as secured loans
- Internal cap on retail mortgages is equal to the statutory limit of 15%

Other Products

- Credit & debit cards:** Focused on increasing card usage among retail customers, for eg. 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

US\$ m



Operating Income ⁽¹⁾

US\$ m



Source: National Bank of Oman and financial statements

1US\$ = OMR 0.3850; (1) Breakdown of segment information is presented in full year financials

Wholesale Banking Group

Corporate Banking

- Corporate Banking Division is a part of the Wholesale Banking Group
- Seeks to deliver financial solutions and corporate credit facilities tailored to meet the needs of every type of business and industry customer
- Very experienced account relationship managers serve the Bank's corporate customers across the branch network
- Corporates with turnover over OMR 12.5m as large corporates
- 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 Mar 2019, the Bank provided banking services to c. 8,000 corporate customers

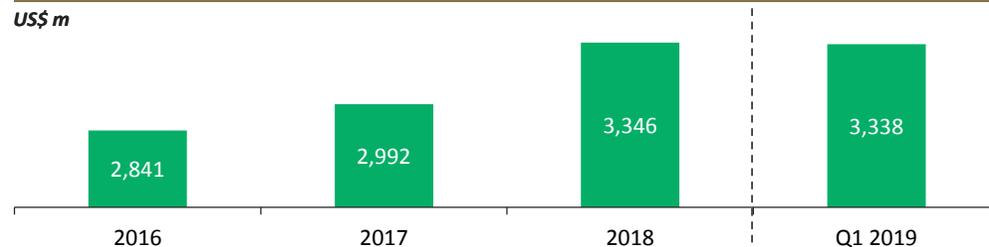
Investment Banking

- Provides independent financial advice, in addition to transaction execution assistance across various investment products and services
- The principal investment banking services are:
 - Asset Management:** Manage NBO's proprietary domestic & 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

Treasury & 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 & 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



Operating Income ⁽¹⁾



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

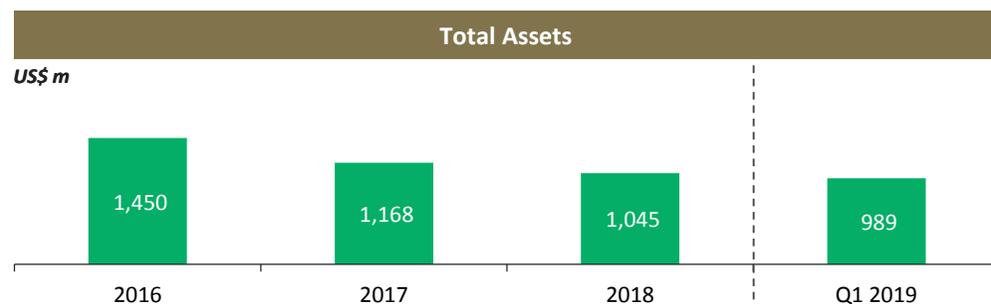
Commercial Banking Group

1 "Tijarati" SME banking

- Focused on developing products, brands, channels and services for SME customers
- In 2013, SME banking division offering products & services was introduced under "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 Mar 2019, provides banking services to 15,415 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 & Liability Committee to review Bank's Islamic banking activities
- As at 31 Mar 2019, the Bank has opened six dedicated Islamic banking branches



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

3 Business Banking

- Caters to mid-sized corporate entities between large corporates and SMEs
- In 2012, 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 Mar 2019, provides banking services to 854 mid-sized corporate customers

4 International Operations

- Presence in UAE (2 branches, one in Dubai and one in Abu Dhabi): Bank holds a banking license (both conventional and Islamic) to operate in UAE
- Currently 1 branch is operational in Egypt, the future of the branch is under review
- Has expanded its operations in the UAE to take advantage of the trade and business flow between UAE and Oman
- Unique proposition centered on creating seamless cross-border experience when serving Omani mid-sized corporates & nationals operating in UAE as well as serve UAE based firms in Oman
- As at 31 Mar 2019, international operations accounted for 3.2% of total assets



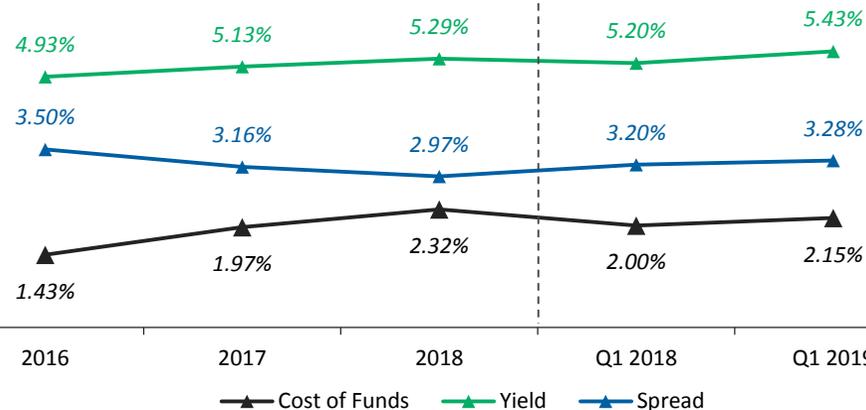
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Operating Performance

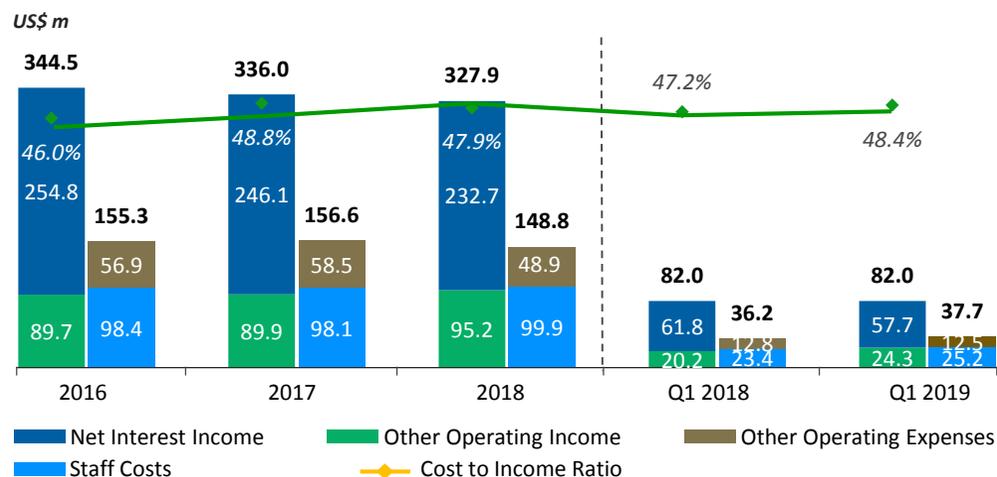
Overview

- 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 amongst 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 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 12% in Q1 2019 (ex UAE operations constituting 97% of bank's assets)

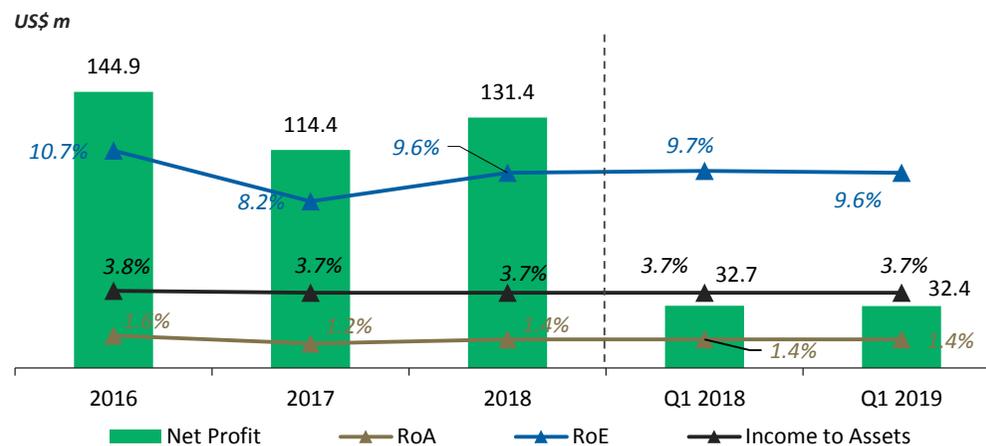
Net Interest Margin



Operating Income Composition



Profitability



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

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

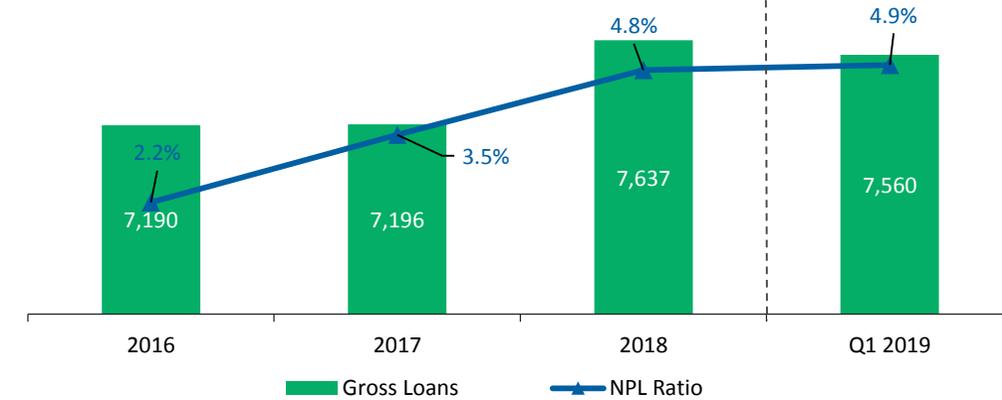
Asset Quality

Overview

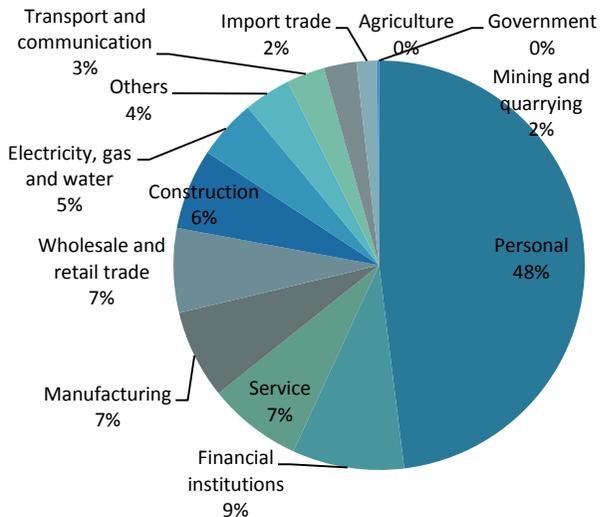
- Decrease in net loans as of Mar 31, 2019 was primarily owing to the decrease in both retail and corporate loans partially offset by increase in credit allowances due to IFRS 9 adoption
- Sustainable loan book growth of 3.5% in Oman (US\$ 7.22 from US\$ 6.97bn) despite UAE loan book reducing from US\$ 327 m to US\$ 244m (Mar 2019 vs. Mar 2018 net)
- While UAE lending book had elevated provisions for the last 2 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 100.3% coverage of Bank's non-performing loans (Mar 31, 2019)

Loan Growth

US\$ m



Gross Loans – Sector Breakup (Mar 31, 2019)



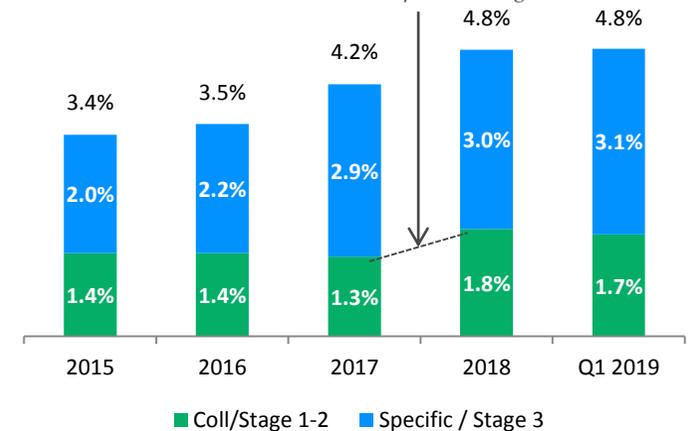
Impaired Assets and Provisioning

US\$ m



Loss provision held as % of Total Loans

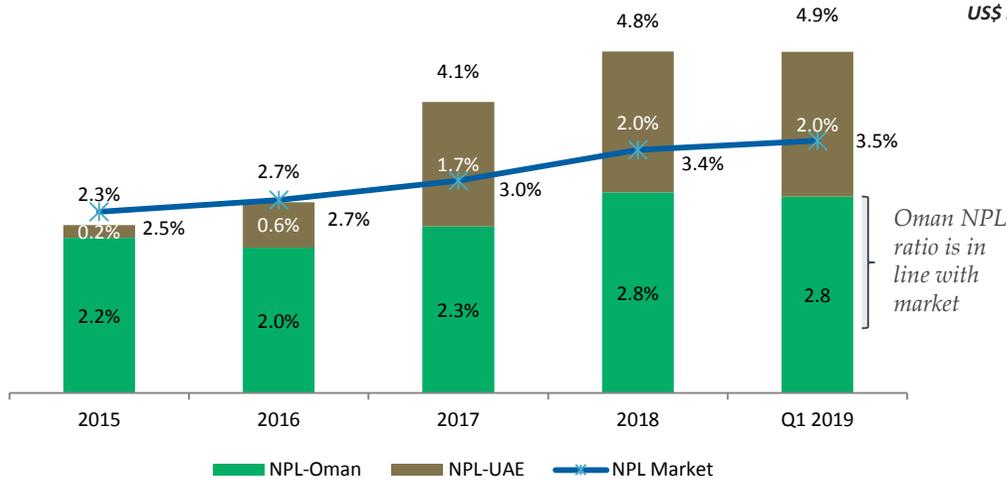
Conservative ECL collective provisioning



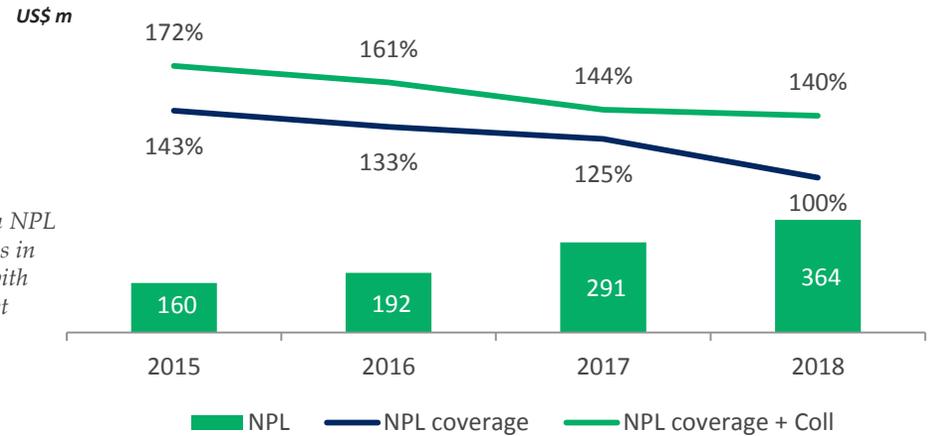
Source: National Bank of Oman and financial statements
1US\$ = OMR 0.3850

Asset Quality

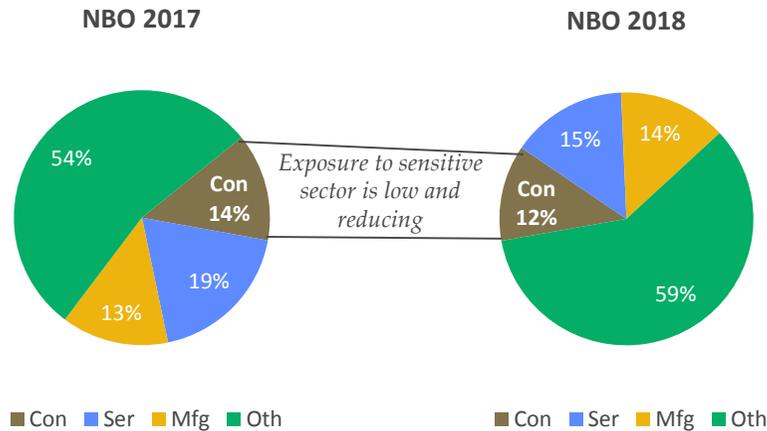
NPL Ratio contribution by country



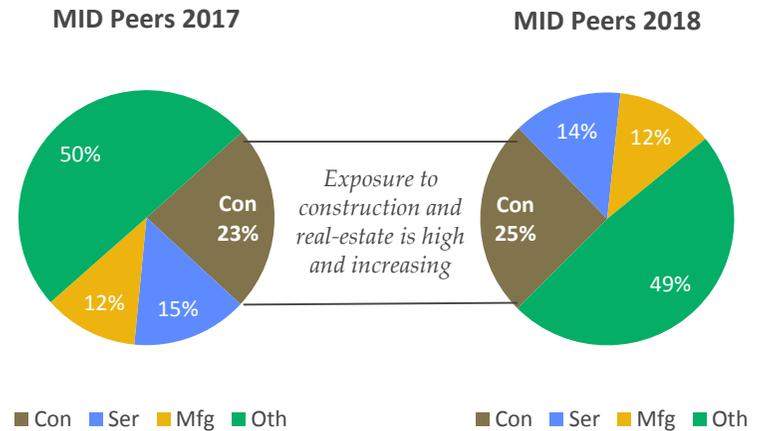
NPL & collateral coverage



Corporate asset composition NBO



Corporate asset composition MID Peers



While other MID peers are continue to be exposed to the sensitive sectors, NBO has consistently kept the concentration low

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

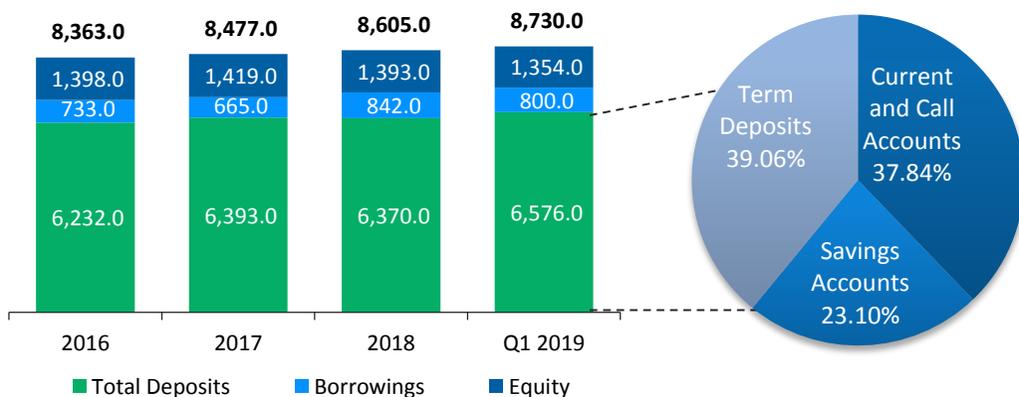
Capitalization, Funding and Liquidity

Overview

- Low cost deposits from Government-related entities (16.28% of total deposits as of Mar 31, 2019) has contributed to stability of banks' deposit base and lower cost of funds for the Bank
- Decline in equity in Mar 2019 vs. Mar 2018 is primarily due to IFRS 9 adjustments
- Decrease in cash balance with Central Bank was primarily due to investments in Govt. development bonds and money market placements (high quality assets with attractive yields)
- Strong liquidity with liquid asset ratio representing 18.6% of total assets and a high liquidity coverage ratio of 230% (Mar 2019)
- Adequate capitalization levels of 16.2% (Mar 2019 excluding interim profits) vs. minimum total capital adequacy ratio of 13.5% (Central Bank of Oman guidelines)

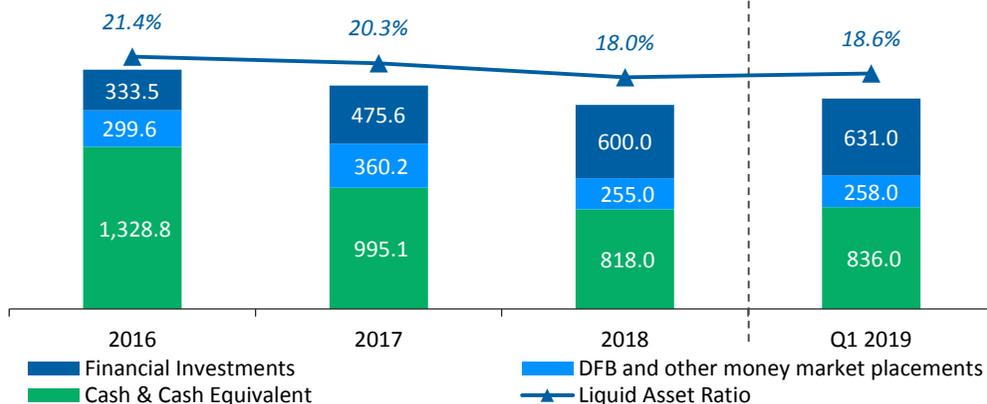
Funding Mix

US\$ m

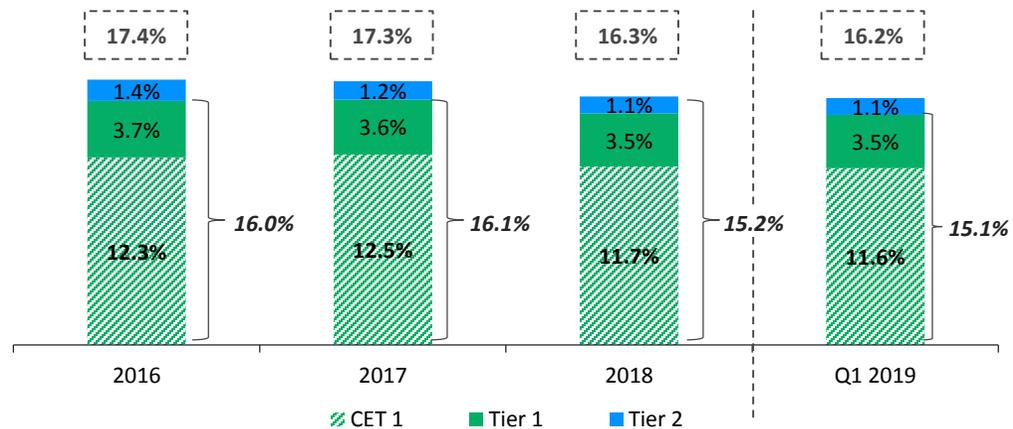


Liquid Assets

US\$ m



Capitalization



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

Note: Qtrly Capital does not include current year profit

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Risk Management Framework

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 authorised individuals/levels
Independence	▪ Clear separation between commercial (the business) and risk management functions
Transparency	▪ Risk management structures, policies and procedures are transparent and are 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 and/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 authorised 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 Investment 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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Balance Sheet

<i>Amounts in USD '000</i>	As at 31 March 2019	As at 31 December 2018	As at 31 December 2017
Assets			
Cash and balances with Central Banks	835,932	818,325	995,094
Due from banks and other money market placements (net)	257,571	254,712	360,182
Loans, advances and financing activities for customers (net)	7,217,138	7,297,940	6,893,171
Financial investments	630,556	600,387	475,636
Premises and equipment	166,008	167,169	170,896
Other assets	157,278	141,783	118,922
Total assets	9,264,483	9,280,316	9,013,901
Liabilities			
Due to banks and other money market deposits	277,774	405,062	326,642
Customers' deposits and unrestricted investment accounts	6,576,431	6,369,823	6,392,901
Euro medium term notes	799,792	797,787	599,756
Other liabilities	229,717	242,945	190,512
Taxation	26,785	27,062	20,301
Subordinated debt	-	44,156	64,935
Total liabilities	7,910,499	7,886,835	7,595,047
Equity			
Share capital	422,325	422,325	402,213
Share premium	89,519	89,519	89,519
Legal reserve	140,774	140,774	134,070
Other non-distributable reserves	(5,473)	42,964	61,010
Proposed cash dividend	-	67,571	60,332
Proposed stock dividend	-	-	20,112
Retained earnings	406,839	330,328	351,598
Total shareholders' equity attributable to the equity holders of the bank	1,053,984	1,093,481	1,118,854
Tier 1 perpetual bond	300,000	300,000	300,000
Total equity	1,353,984	1,393,481	1,418,854
Total liabilities, subordinated debt and equity	9,264,483	9,280,316	9,013,901

Income Statement

<i>Amounts in USD '000</i>	For three months period ended 31 March 2019	For three months period ended 31 March 2018	For the year ended 31 December 2018	For the year ended 31 December 2017
Interest income	104,384	97,132	396,506	389,288
Interest expense	(46,730)	(35,291)	(163,810)	(143,145)
Net interest income	57,654	61,841	232,696	246,143
Other operating income	24,301	20,187	95,158	89,862
Income from Islamic finance and investment activities	4,392	3,621	16,296	15,138
Unrestricted investment account holders share of profit	(2,356)	(2,216)	(9,047)	(7,951)
Net income from Islamic financing and Investment activities	2,036	1,405	7,249	7,187
OPERATING INCOME	83,991	83,433	335,103	343,193
Staff costs	(25,213)	(23,434)	(99,886)	(98,125)
Other operating expenses	(12,517)	(12,795)	(48,906)	(58,514)
Depreciation	(2,883)	(3,138)	(11,577)	(10,940)
Total operating expenses	(40,613)	(39,367)	(160,369)	(167,579)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX	43,378	44,066	174,734	175,614
TOTAL IMPAIRMENT LOSSES (NET)	(5,188)	(5,652)	(19,213)	(42,469)
PROFIT BEFORE TAX	38,190	38,414	155,521	133,145
Taxation	(5,834)	(5,701)	(24,073)	(18,792)
PROFIT FOR THE YEAR	32,356	32,713	131,448	114,353
OTHER COMPREHENSIVE INCOME				
Net movement on FVOCI investments	-	(2,808)	(5,673)	(11,473)
Impairment losses on available-for-sale investments already recognized in comprehensive income	(4,444)	-	-	1,787
Debt instruments at fair value through other comprehensive income	164	-	-	-
Tax effect of net results on FVOCI financial investments	-	(168)	(244)	317
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR	(4,280)	(2,976)	(5,917)	(9,369)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR.	28,076	29,737	125,531	104,984

Thank You

Investor Presentation

National Bank of Oman

March 2019