



*Inspired by the proud heritage, driven by our promising future*

# National Bank of Oman SAOG

## Investor Presentation



## AGENDA

1	2	3	4	5
Market Context	About NBO	Vision & Aspiration	Business Overview	Financial Results

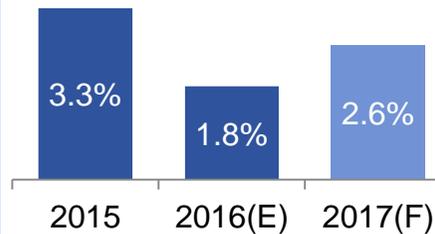
# I. Market Context

## THE SULTANATE OF OMAN, A BEACON OF MIDDLE EAST STABILITY FOR ALMOST HALF A CENTURY

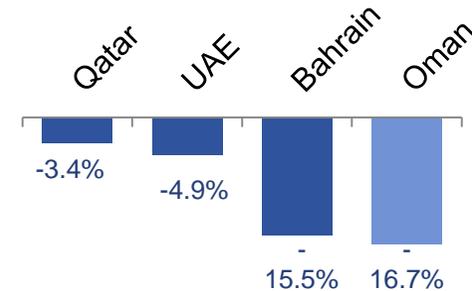
Oman- 9<sup>th</sup> Five year plan 2016-20  
Prudent and realistic goals

Key Figures	Actual Average (2010-2015)	Estimated Average (2016-2020)
Average crude price (\$/barrel)	96.7	55
Crude Production (000 barrels per day)	935	990
GDP at constant prices (growth rate)	3.3	2.8
Oil activities (growth rate)	2.3	0.2
Non-oil activities (growth rate)	5.8	4.3
Investments as % of GDP	27.2	28
Inflation (%)	1.9	2.9

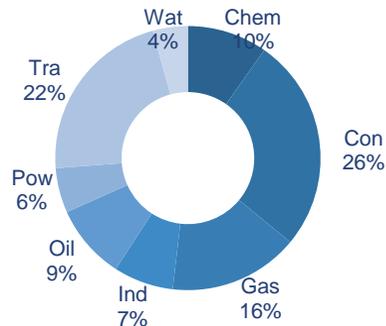
Annual average GDP growth



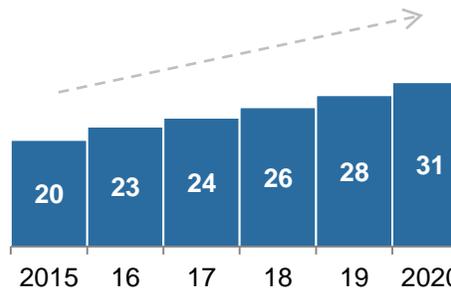
With significant expenditure cuts, the fiscal deficit as % of GDP is set to improve



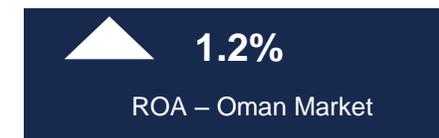
Large project Investment are planned to further diversify Oman



These investments continue to drive steady banking loan growth



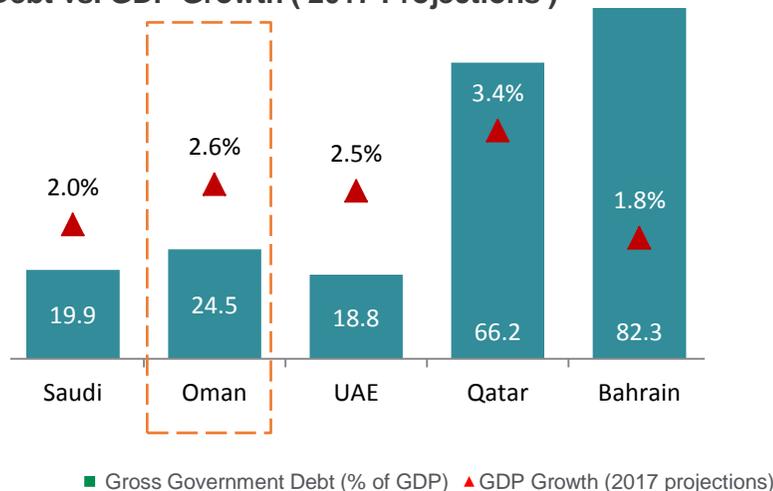
Generating stable banking shareholder Returns



## Oman Overview

- 2<sup>nd</sup> largest country in the GCC with an area covering 309,500 sq km. Strategically located and sharing borders with Saudi Arabia and UAE
- Stable political system – Monarchy led by His Majesty Sultan Qaboos who commands wide popular support and respect from Omani citizens
- Population of 4.49million, predominantly represented by Omanis who account for 55% of the total population
- Increase in population of 34% between 2010 and 2014
- “Vision 2020” – adopted in 1995 to reduce the oil and gas sector’s contribution to GDP. The country is focused on developing the manufacturing, transportation and logistics, tourism and fisheries sectors to diversify its economy
- Focused on manufacturing, transportation and logistics, tourism, fisheries and mining

## Public Debt vs. GDP Growth ( 2017 Projections )



## Key Indicators<sup>(1)</sup>

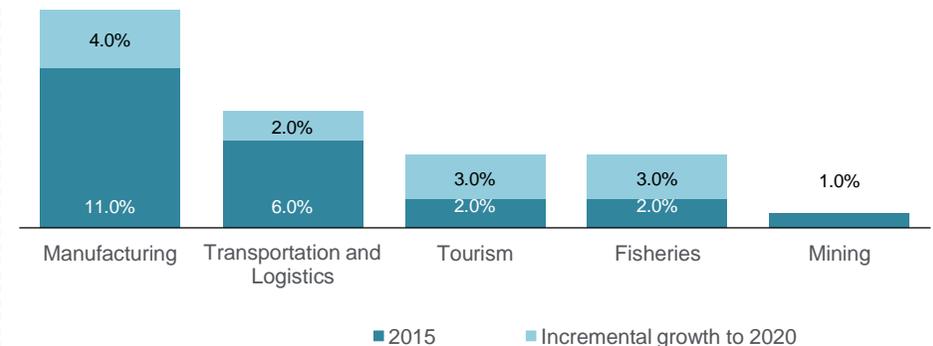
	2014	2015	2016
Sovereign Ratings	Baa1/BBB-/-	A1/ A-	Baa1 / BBB-
Real GDP (PPP US\$ at 2010 Prices)	66.4bn <sup>(1)</sup>	68.6bn <sup>(2)</sup>	69.8bn <sup>(3)</sup>
Current Account Balance	US\$ 4.6bn	US\$ (11.3bn)	US\$ (12.7bn)
International Reserves <sup>(4)</sup>	US\$ 39.5bn	US\$ 39.6bn	US\$21.64bn

***The government has launched the Tanfeedh national initiative to engage the private sector in helping to shape the future direction of economic policy in the Sultanate***

***The intention of this program is to improve the investment climate and make it easier to do business, and so attract domestic and foreign investment. Outcomes should boost GDP by more than RO1.7b and create an additional 30,000 jobs for Omani nationals during 2017.***

## GDP Composition – “Vision 2020”

Oman is operating under the ninth five-year plan. This plan focuses on economic diversification and growth of private sector to drive economic growth through privatization programs, development of SMEs, public-private partnerships and improving the investment climate



Source: IMF, Central Bank of Oman, Oman MOF and National Center for Statistics & Information and Supreme Council for Planning

(1) 2014: Provisional. (2) 2015: Preliminary Forecast (3) Oct-16 Provisional (4) Includes the main sovereign wealth fund (state general reserve fund assets)

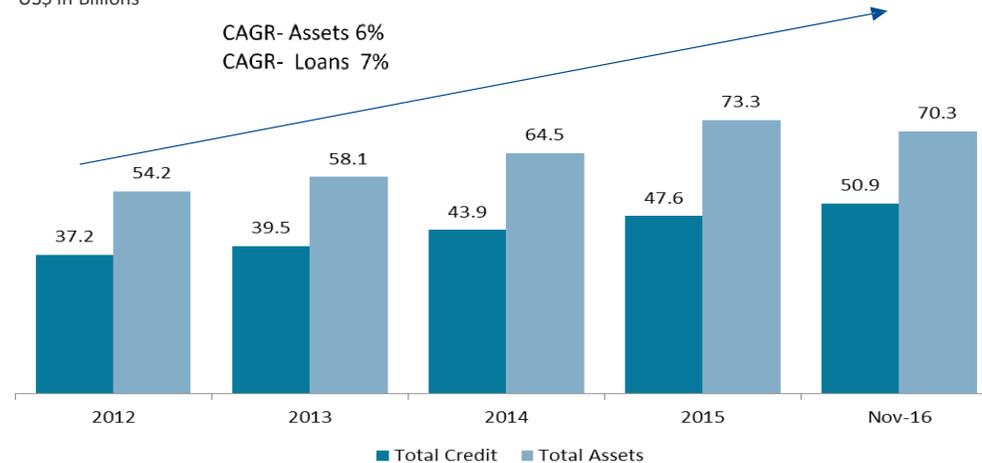
# Omani Banking Sector – Overview

## 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 large 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, Funding and capital metrics
  - Tight regulations on overseas lending

## Oman – Loans and Assets Growth<sup>(1)</sup>

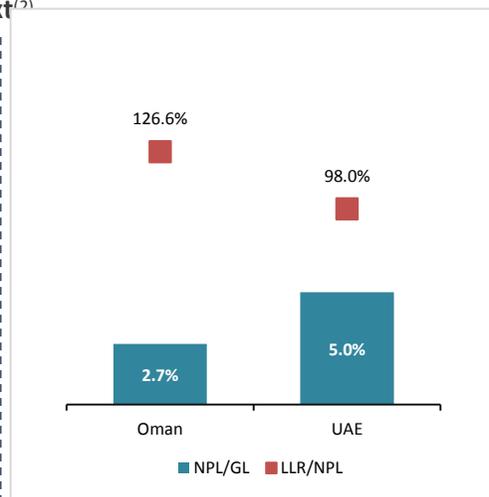
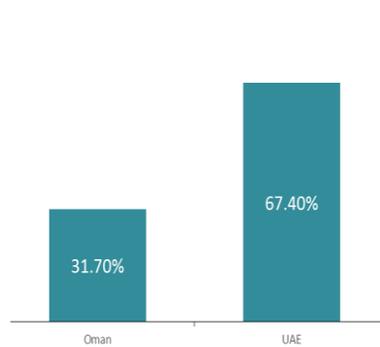
US\$ in Billions



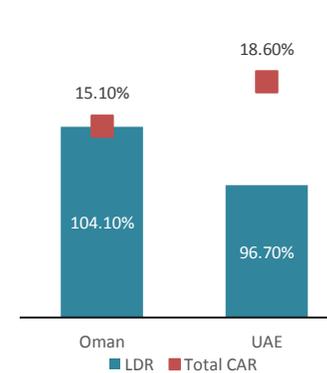
## Oman in the GCC Banking Sector Context<sup>(2)</sup>

### Banking Services Penetration

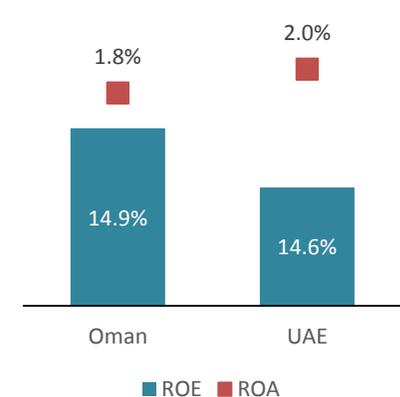
(Gross Loans/ GDP)



### Liquidity and Capital



### ROE and ROA



6 Source: (1) Central Bank of Oman. (2) Central Banks , EIU and Bloomberg data as of August 2016.

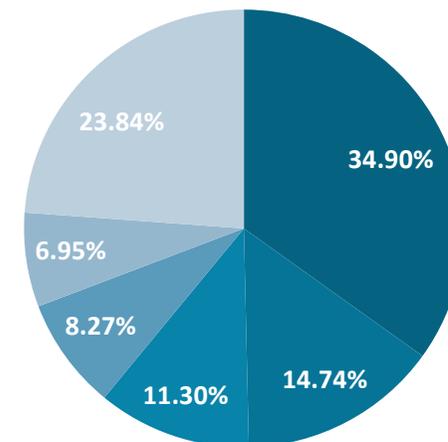
Source: (1) Central Bank of Oman. (2) Central Banks , EIU and Bloomberg data as of August 2016  
ROE and ROA – UAE as of December 2015 .

## 2. About NBO

## THE FIRST INCORPORATED LOCAL BANK IN OMAN - SINCE 1973

### Key Financials<sup>(2)</sup>

US\$ in Millions	2013	2014	2015	2016
Total Assets	7,523	7,730	8,476	9,176
Net Loans	5,372	6,018	6,582	6,936
Deposits + EMTN	5,660	6,164	6,353	6,837
Total Operating Income	270	297	353	354
Net Profit	107	131	156	145
Tier 1	11.8%	12.3%	16.3%	16.0%
Total CAR	14.6%	14.6%	18.20%	17.4%
Loans to Deposit & Borrowing <sup>(4)</sup>	86.0%	93.6%	97.2%	93.4%
NPL Ratio <sup>(5)</sup>	1.9%	2.0%	1.9%	2.2%
Cost/Income	46.70%	47.60%	44.20%	46.0%



■ The Commercial Bank of Qatar     ■ Suhail Bahwan Group (Holdings) LLC  
■ Civil Service Employees Pension Fund     ■ Ministry of Defence Pension Fund  
■ Public Authority of Social Insurance     ■ Others < 5 % holding



Source: National Bank of Oman, Annual reports and financial statements.

1US\$ = OMR 0.3850;

(1) CCDM: cash and cheque deposit machines (2) NBO Annual report and financial statements. (3) CAR for interim period does not take into account interim profits. (4) Deposit, Due to Banks and EMTN (5) NPLs and GLs net of reserved interest.

## 3. Vision

## OUR VISION IS TO BE THE BANK OF CHOICE

### Customers

The best bank in service, value and convenience for our target customer segments

### Employees

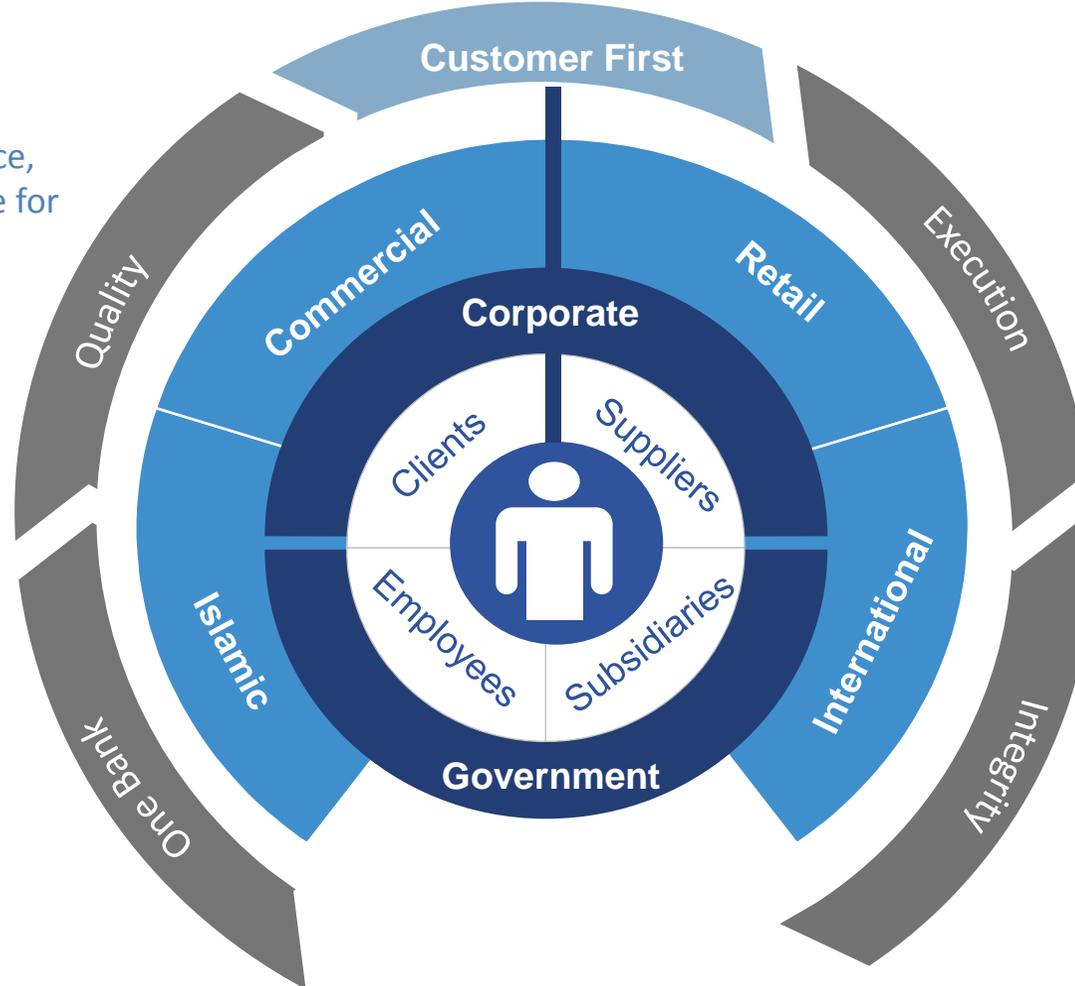
The best workplace and most rewarding career opportunities for our employees

### Shareholders

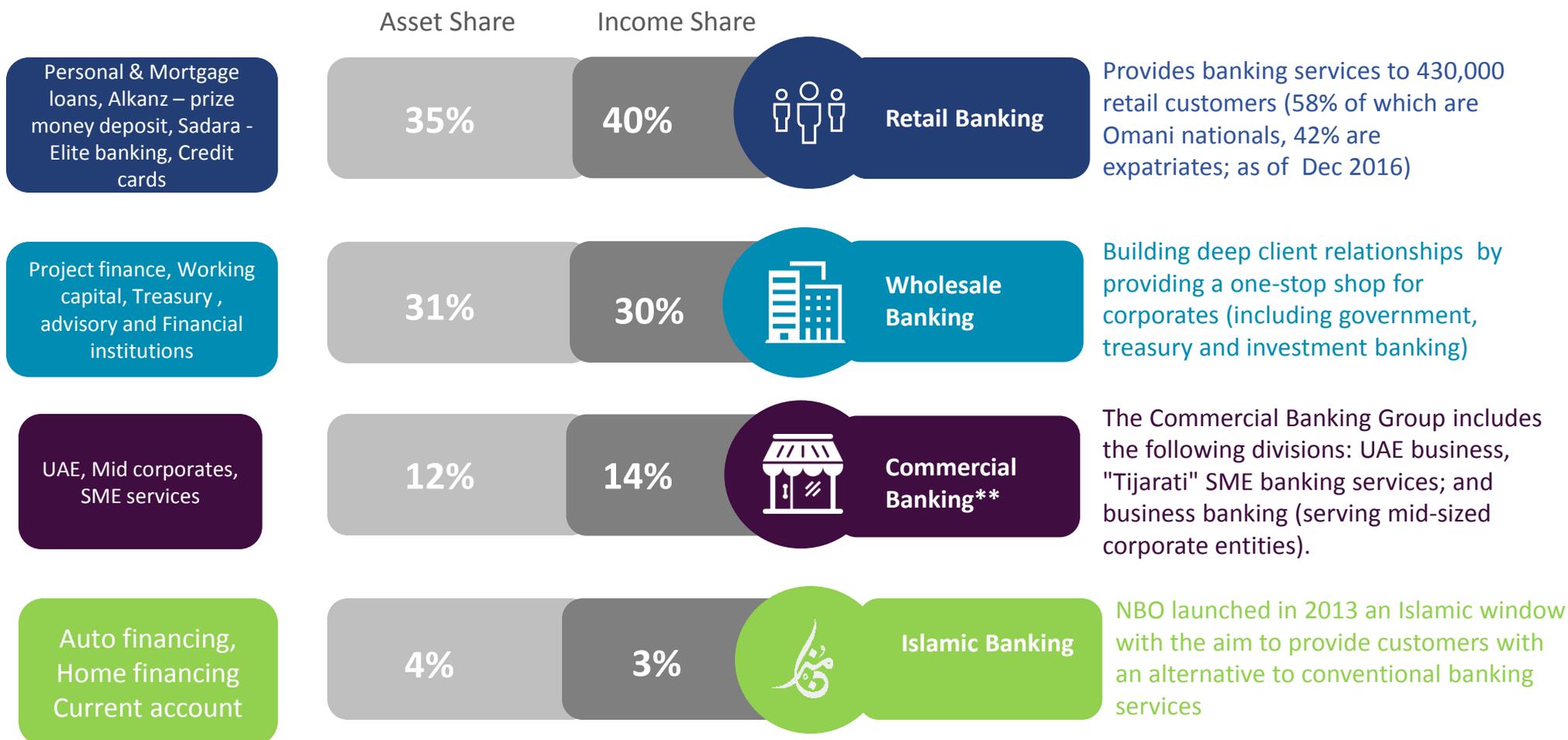
The highest returns with sustainable performance for our shareholders

### Community

For you, for our Nation; most caring bank for our community



## 4. Business Overview

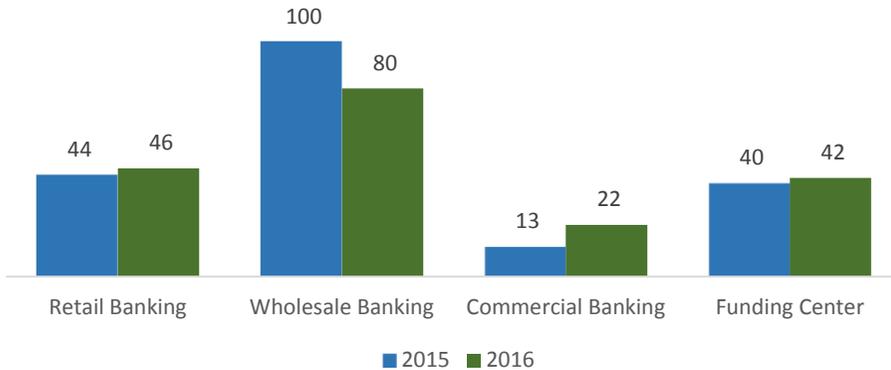


\*Other income and assets are 13% and 18% respectively and are Head Office Related (including Central Bank balances)

\*\*Includes international operations in UAE and Egypt

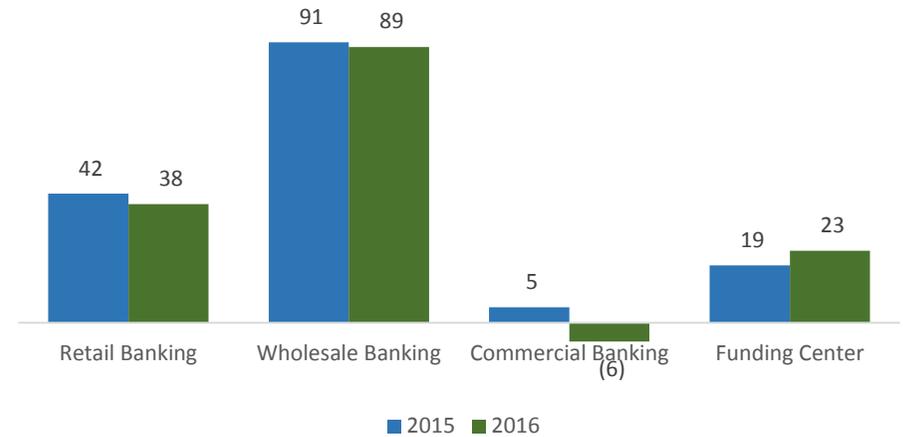
## Operating Income

US\$ in Millions



## Net profit

US\$ in Millions



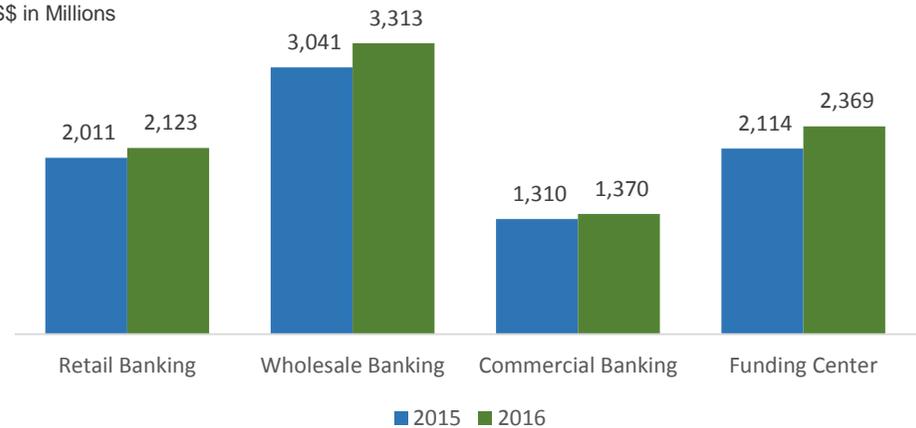
## Asset Growth

US\$ in Millions



## Liability Growth

US\$ in Millions



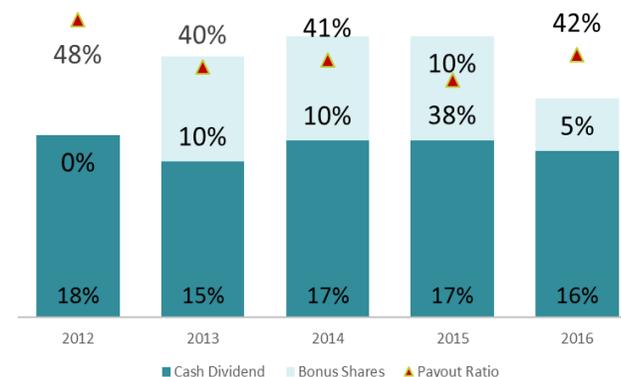
## 5. Financial Results

## Highest ROE and ROA in Oman coupled with a consistent pay out ratio

Earnings (US\$m)		
Operating Income	Net Profit	4Y CAGR (Topline)
<b>354</b>	<b>145</b>	<b>7.0%</b>

Balance Sheet (US\$m)			
Total Assets	Total Equity	Deposits	Loans & Advances
<b>9,176</b>	<b>1,398</b>	<b>6,232</b>	<b>6,936</b>

Investor return

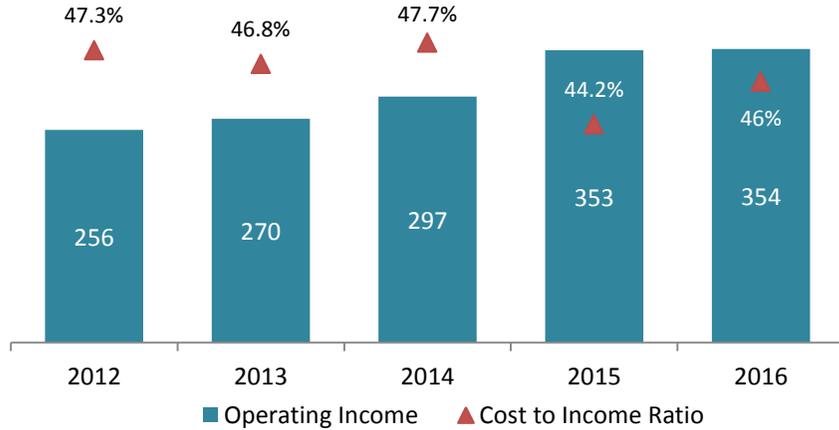


Efficiency/ Profitability			Risk		Solvency		Credit Rating	
ROE	ROA	Cost-to-Income	NPL Ratio	NPL Coverage	Tier 1 Ratio	CAR	Moody's	Fitch
<b>13.7%</b>	<b>1.6%</b>	<b>46%</b>	<b>2.2%</b>	<b>139%</b>	<b>12.3%</b>	<b>17.4%</b>	<b>Baa2</b>	<b>BBB</b>

# Operating Performance

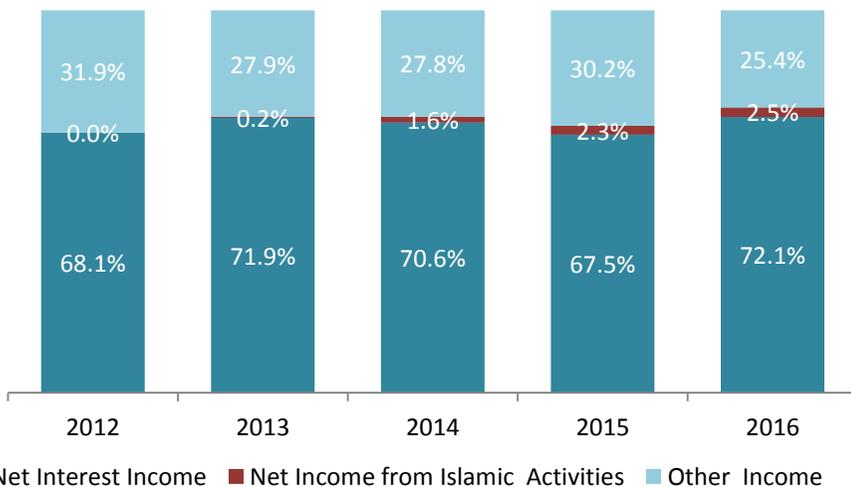
## Operating Income

(US\$ in Millions)



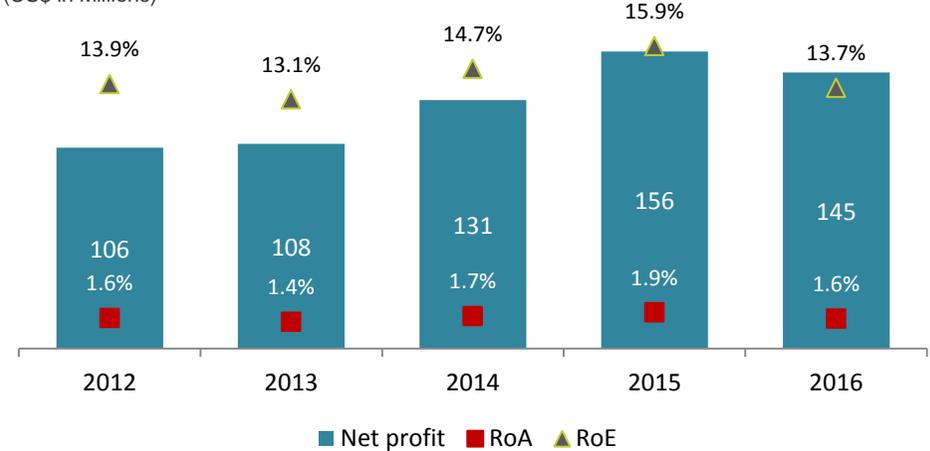
4 year CAGR of 7%

## Operating Income Composition

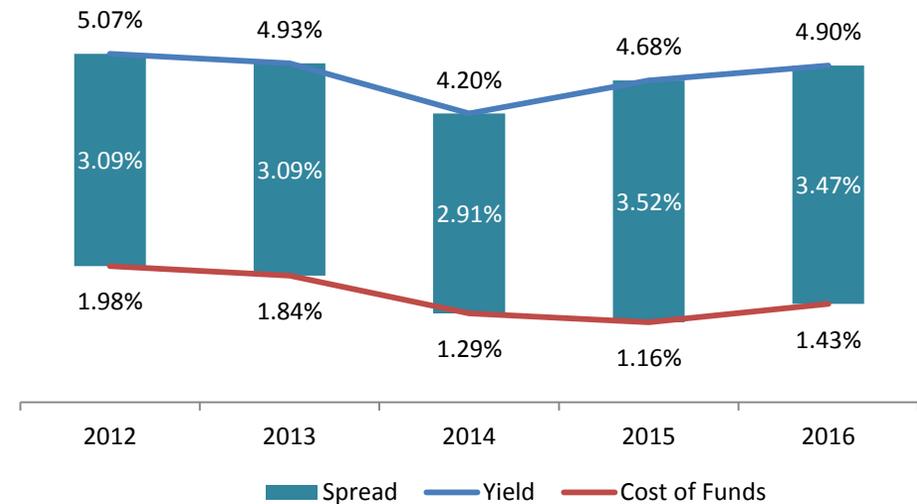


## Profitability (1)

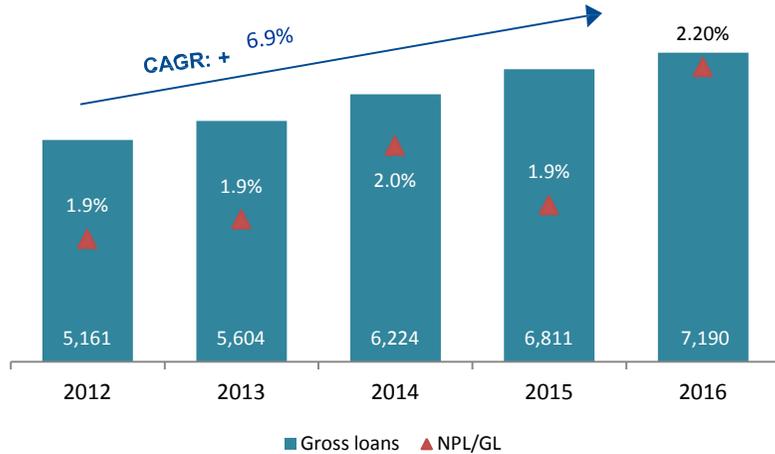
(US\$ in Millions)



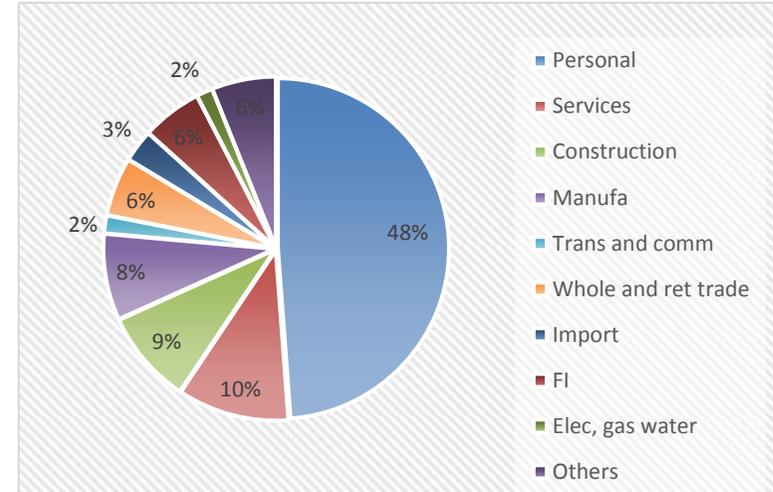
## Yield, Cost of fund, Spreads



**Loan Growth**  
(US\$ in Millions)

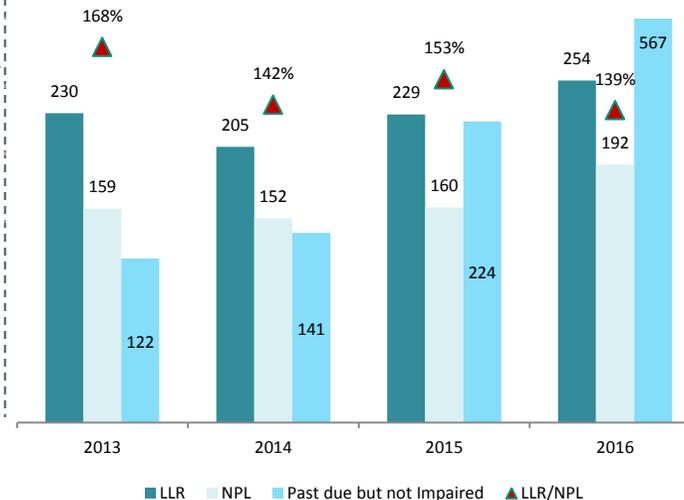


**Gross Loans – Sector Breakup** December 2016

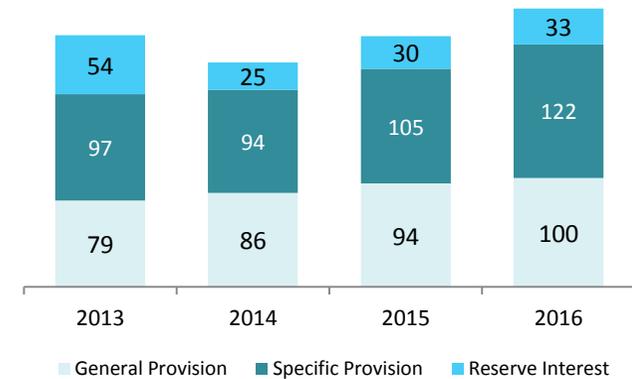


- **Sustainable loan book growth**
- **Conservative lending approach**
- **Focus on high quality assets with access to top tier borrowers**
  - Strong project finance capabilities
  - Diversified loan portfolio across sectors
  - Adequate provisioning of impaired assets
- **Significantly improved asset quality**
  - Continued check on Past dues and NPLs and build up of general provisions
  - NPL coverage of 139% as of December 2016
  - Certain restructured accounts are subject to 5% provisions

**Impaired Assets and Provisioning**  
(US\$ in Millions)



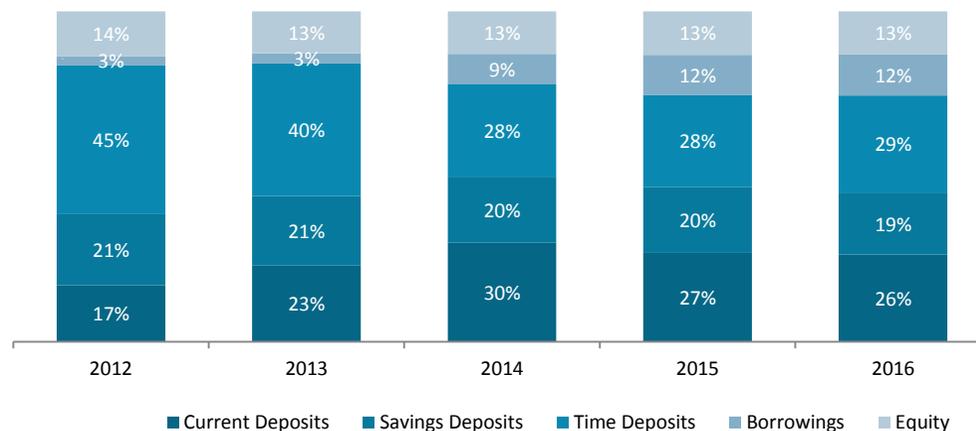
**General vs. Specific Provisions**  
(US\$ in Millions)



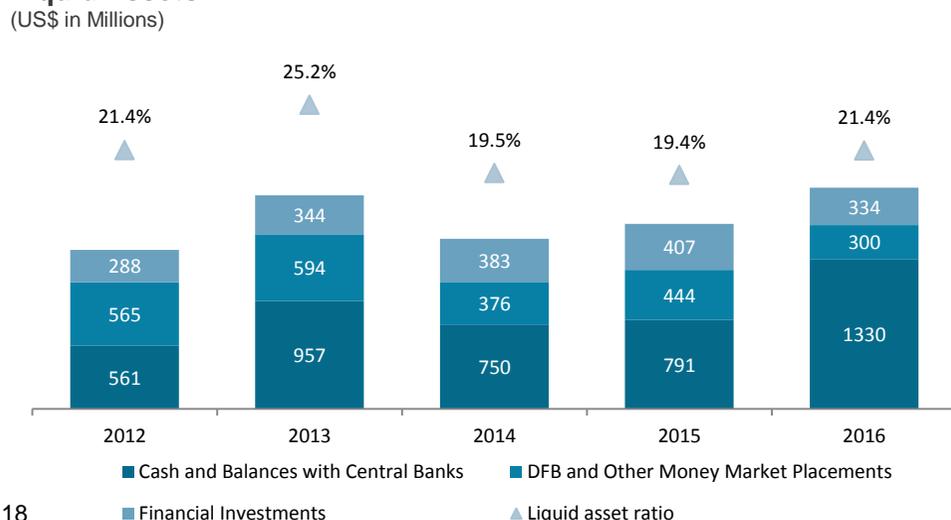
# Funding and Liquidity

- Government-related entities contributed to the bank's low cost and stable deposits, consistently representing between approximately 46% and 61% of total deposits between 31 December 2012 and 31 December 2016
- Retail deposits comprise of one third of total deposits as of Dec 2016.
- Strong liquidity with liquid asset representing 21.4% of total assets as of Dec 31 2016 (from 19.4% in December 2015) and a high LCR
  - Liquid assets comprised primarily of cash and short-term securities
  - Successfully accessed capital markets in November 2015 for a USD 300mn AT1 bond issuance
- Solid capitalisation levels providing room for sustainable growth
  - Tier 1 capital ratio and CAR of 16.0% and 17.4% respectively as of Dec 2016, well above regulatory requirements

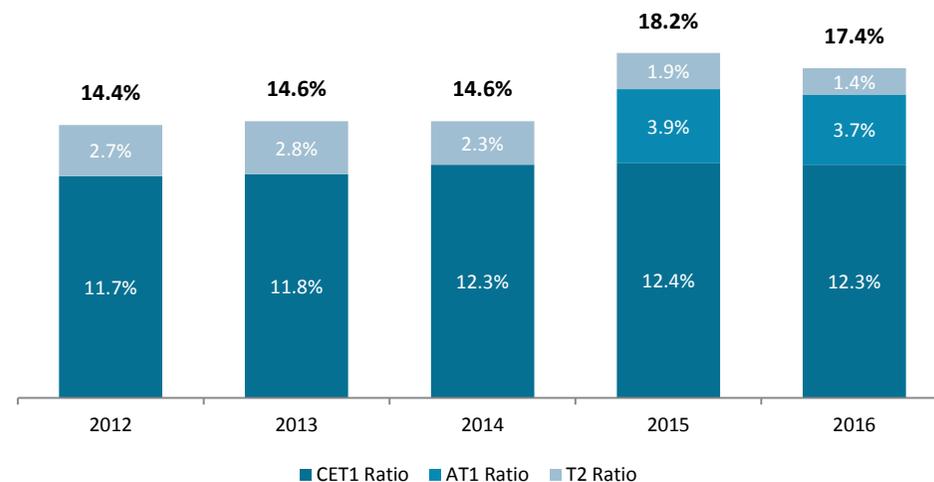
## Fund Mix (US\$ in Millions)



## Liquid Assets (US\$ in Millions)



## Capitalization



# V. Appendix

# Balance Sheet

US\$ in Millions	2012	2013	2014	2015	2016
Cash and Balances with Central Banks	560.5	956.7	750.2	790.9	1,328.8
Due from Banks and Other Money Market Placements (net)	564.5	593.6	376.4	444.1	299.6
Loans, Advances and Financing Activities for Customers (net)	4,966.4	5,371.9	6,017.7	6,582.1	6,935.8
Financial Investments	287.7	344.4	383.2	406.9	333.5
Premises and Equipment	53.3	52.2	60.3	90.1	120.4
Deferred Tax Asset	1.1	1.2	1.1	2.0	0.0
Other Assets	160.1	203.0	141.2	160.5	157.8
<b>Total Assets</b>	<b>6,593.4</b>	<b>7,523.0</b>	<b>7,730.1</b>	<b>8,476.5</b>	<b>9,175.8</b>
Due to Banks and Other Money Market Deposits	546.8	587.9	265.4	422.1	585.0
Customers' Deposits and Unrestricted Investment Accounts	4,901.9	5,660.2	5,656.5	5,843.7	6,232.1
Euro Medium Term Notes	0.0	0.0	507.1	509.0	605.5
Other Liabilities	178.7	201.3	181.2	207.7	208.0
Taxation	14.8	14.4	15.7	21.8	19.2
<b>Subordinated Debt</b>	<b>160.3</b>	<b>207.0</b>	<b>165.2</b>	<b>135.3</b>	<b>127.5</b>
<b>Total Liabilities</b>	<b>5,802.5</b>	<b>6,670.8</b>	<b>6,791.1</b>	<b>7,139.7</b>	<b>7,777.3</b>
Share Capital	287.9	287.8	316.6	348.2	383.1
Share Premium	89.5	89.5	89.5	89.5	89.5
Legal Reserve	102.8	102.8	112.7	124.0	127.7
General Reserve	11.5	11.5	11.5	0.0	0.0
Other Non-distributable Reserves	79.8	116.6	107.3	105.4	120.0
Proposed Dividend	50.4	43.2	53.8	94.0	80.1
Retained Earnings	169.1	172.0	216.0	275.6	298.1
<b>Total Shareholders' Equity</b>	<b>791.0</b>	<b>852.2</b>	<b>939.0</b>	<b>1,036.8</b>	<b>1,098.5</b>
Tier 1 perpetual bond	-	-	-	300.0	300.0
<b>Total Equity</b>	<b>791.0</b>	<b>852.2</b>	<b>939.0</b>	<b>1,336.8</b>	<b>1,398.5</b>
<b>Total Liabilities, Subordinated debt and Equity</b>	<b>6,593.4</b>	<b>7,523.0</b>	<b>7,730.1</b>	<b>8,476.5</b>	<b>9,175.8</b>

# Income Statement

US\$ in Millions	2012	2013	2014	2015	2016
Interest Income	278.3	302.9	305.4	317.2	354.4
Interest Expense	(103.7)	(108.8)	(95.8)	(79.3)	(99.6)
<b>Net Interest Income</b>	<b>174.5</b>	<b>194.1</b>	<b>209.6</b>	<b>237.9</b>	<b>254.8</b>
Income from Islamic Financing and Investment Activities	-	0.9	5.2	9.7	13.0
Unrestricted Investment Account holders' Share of Profit	-	(0.3)	(0.7)	(1.5)	(4.0)
<b>Net Income from Islamic Financing and Investment Activities</b>	<b>-</b>	<b>0.6</b>	<b>4.6</b>	<b>8.1</b>	<b>9.0</b>
Other Operating Income	81.8	75.2	82.5	106.4	89.7
<b>Operating Income</b>	<b>256.3</b>	<b>269.9</b>	<b>296.7</b>	<b>352.5</b>	<b>353.5</b>
Staff Costs	(68.9)	(74.3)	(87.5)	(93.8)	(98.4)
Other Operating Expenses	(42.7)	(43.2)	(46.0)	(54.2)	(56.9)
Depreciation	(9.7)	(8.7)	(7.8)	(7.8)	(7.4)
<b>Total Operating Expenses</b>	<b>(121.3)</b>	<b>(126.2)</b>	<b>(141.4)</b>	<b>(155.9)</b>	<b>(162.8)</b>
Total Impairment Losses (Net)	(13.7)	(21.8)	(6.0)	(16.5)	(26.1)
<b>Profit Before tax</b>	<b>121.3</b>	<b>122.0</b>	<b>149.3</b>	<b>180.2</b>	<b>164.7</b>
Taxation	(15.6)	(14.5)	(18.8)	(24.1)	(19.8)
<b>Net Profit</b>	<b>105.6</b>	<b>107.5</b>	<b>130.6</b>	<b>156.1</b>	<b>144.9</b>