



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
				

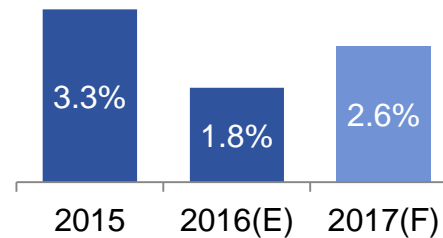
I. Market Context

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

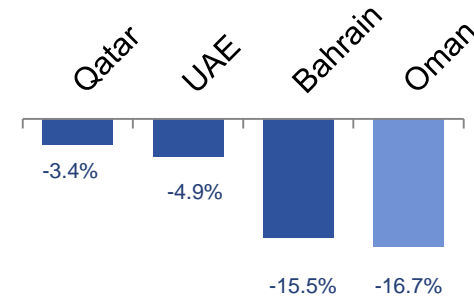
Oman- 9th Five year plan 2016-20
Prudent and realistic goals

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

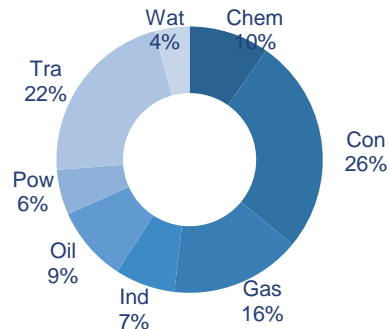
Annual average GDP growth



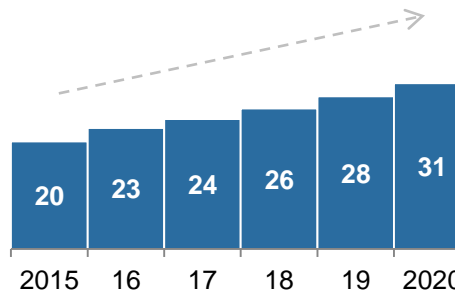
With significant expenditure cuts, the fiscal deficit as % of GDP is set to improve



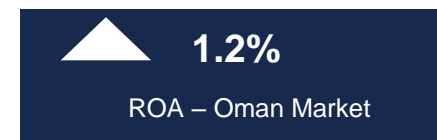
Large project investment are planned to further diversify Oman



These investments continue to drive steady banking loan growth



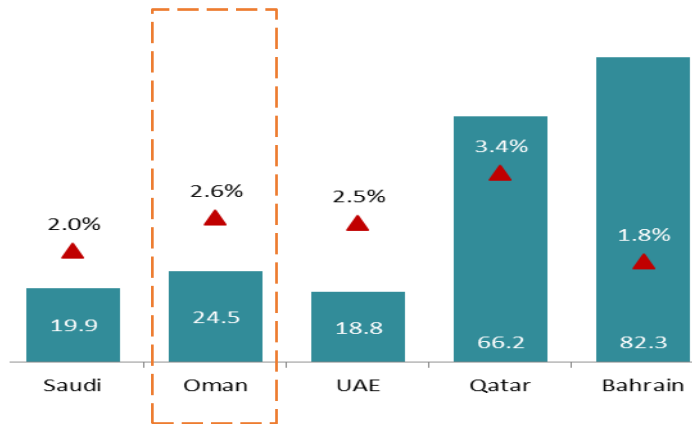
Generating stable banking shareholder Returns



Oman Overview

- 2nd 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)



■ Gross Government Debt (% of GDP) ▲ GDP Growth (2017 projections)

Key Indicators

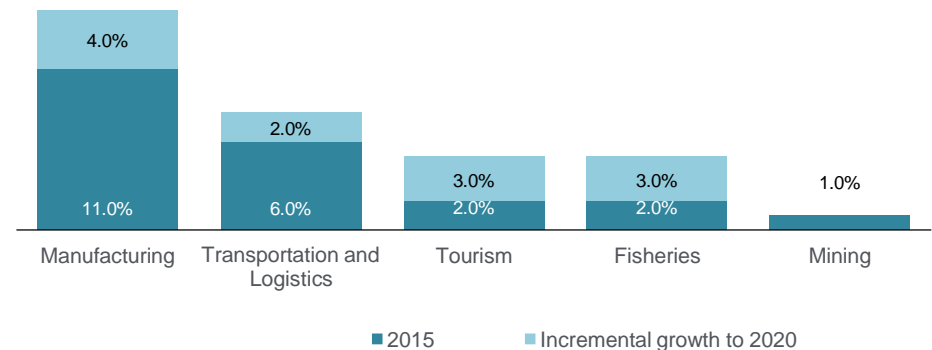
	2015	2016	2017(F)
Sovereign Ratings	A1/ A-	Baa1 / BBB-	Baa1 / BB+
Real GDP (PPP US\$ at 2010 Prices)	68.6bn ⁽²⁾	69.8bn ⁽³⁾	
Current Account Balance	US\$ (11.3bn)	US\$ (12.7bn)	
International Reserves ⁽⁴⁾	US\$ 39.6bn	US\$21.64bn	

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



Tax Reforms

The tax rate has been increased from 12 percent to 15 percent for financial year 2017 onwards

Withholding tax of 10% on interest , dividends and fees paid outside Oman.

GCC unified VAT framework in place with all the six countries agreeing to the framework. The framework likely to be made public shortly

The amendments should enhance tax revenues but will increase the cost of doing business in Oman.

Economic reforms

Tanfeedh- National Program for enhancing diversification has 121 projects and initiatives, which are the product of sector-based 'labs' conducted over six consecutive weeks in 2016. In line with the ninth five-year plan, the projects and initiatives cover manufacturing, logistics and tourism, and two enablers, finance and employment.

These initiatives are expected to generate investment opportunities of around 16 billion rials, mainly from the private sector

The government believes privatization will drive economic growth. the government have plans accelerate the privatization process during 2017 by transferring its interests in government assets to the private sector.

Regulatory reforms

The biggest accounting development for banks globally is reporting under IFRS 9. The impairment provision gets measured on expected loss model from the actual loss model. This involves significant effort in terms of investment in systems and people.

The new NFSR guidelines have been issued by Central bank of Oman as per Basel III. The new reporting requirement to be published as part of financial statements from March 2018 onwards

Banks operating in GCC countries may face lower loan loss requirements under IFRS 9 rules because these may well be less onerous than current regulatory provisioning requirements, according to Fitch Ratings

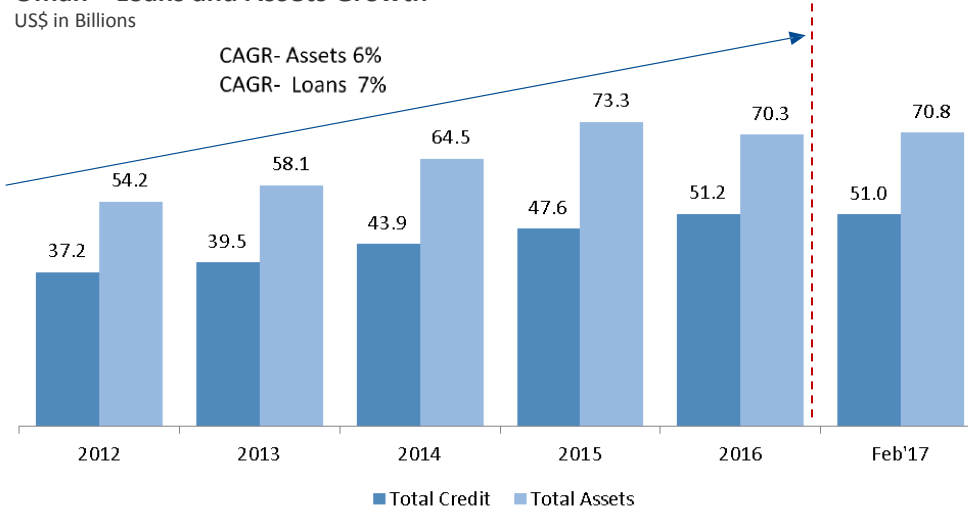
The 2017 Oman budget comes against a backdrop of continued subdued oil prices and focuses on revitalizing non-oil revenues and rationalizing public spending. The budget has maintained development spending levels while limiting public spending. The government has announced plans to sell government assets through a privatization scheme which will be formalized by enacting a public-private partnership (PPP) law.

Omani and UAE Banking Sector – Overview

Overview

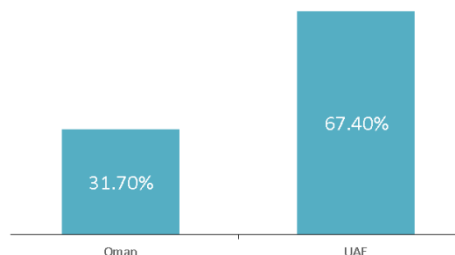
- The Omani banking system comprises of 16 commercial banks (of which 9 are international banks), 2 specialized banks and 2 Islamic banks
- Fairly concentrated banking system with the three large local banks (NBO included) accounting for approximately two thirds of total credit in the banking system
- 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⁽¹⁾

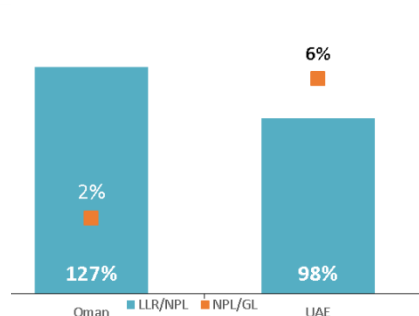


Oman in the GCC Banking Sector Context⁽²⁾

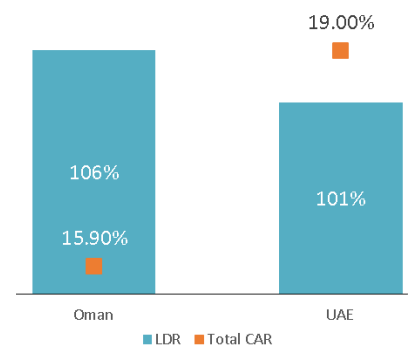
Banking Services Penetration (Dec 2016) (Gross Loans/ GDP)



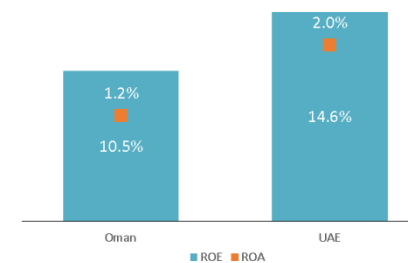
Asset Quality (Dec 2016)



Liquidity and Capital (Feb 2017)



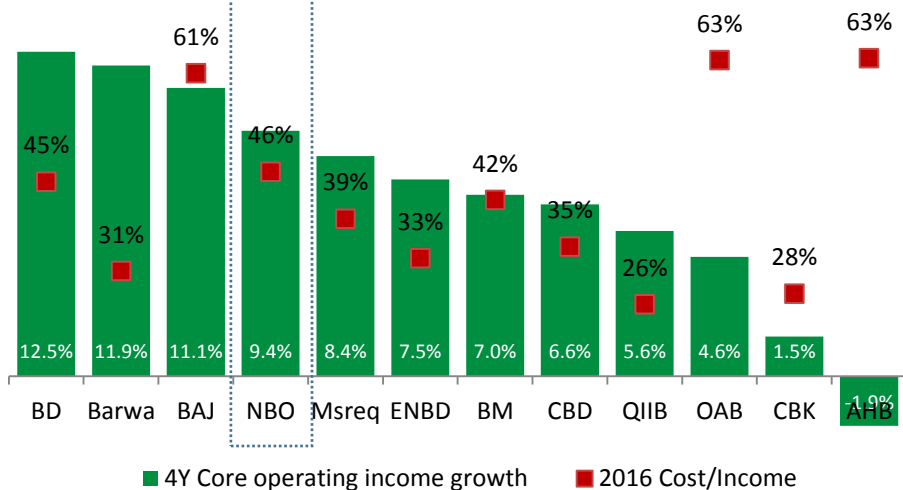
ROE and ROA (Dec 2016)



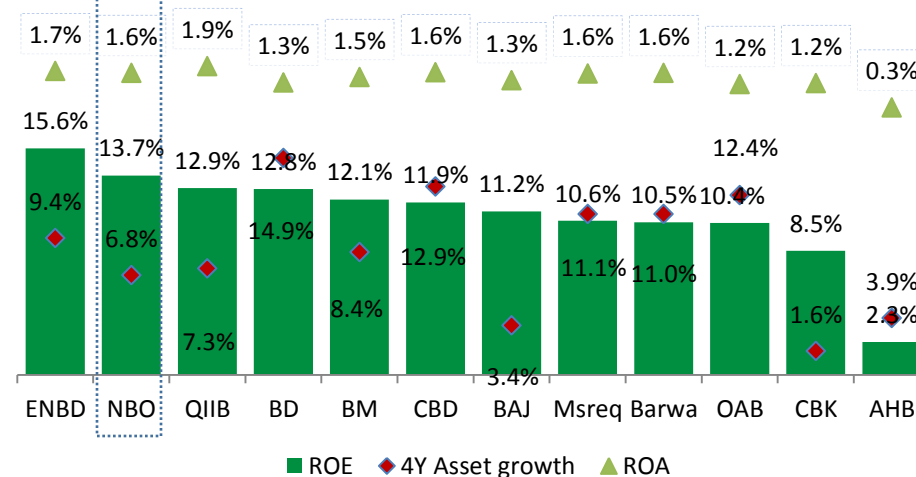
⁷ Source: (1) Central Bank of Oman. (2) Central Bank data as of Dec 2016.

NBO Among GCC Peers - 2016

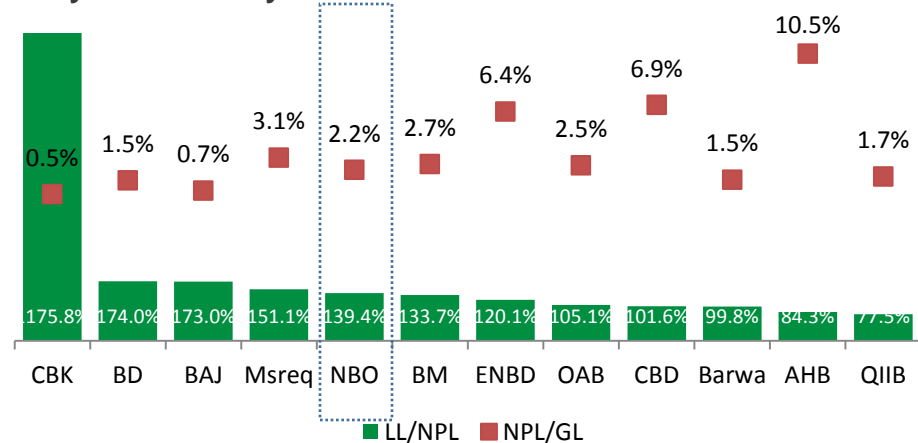
Sustained Core Operating Performance



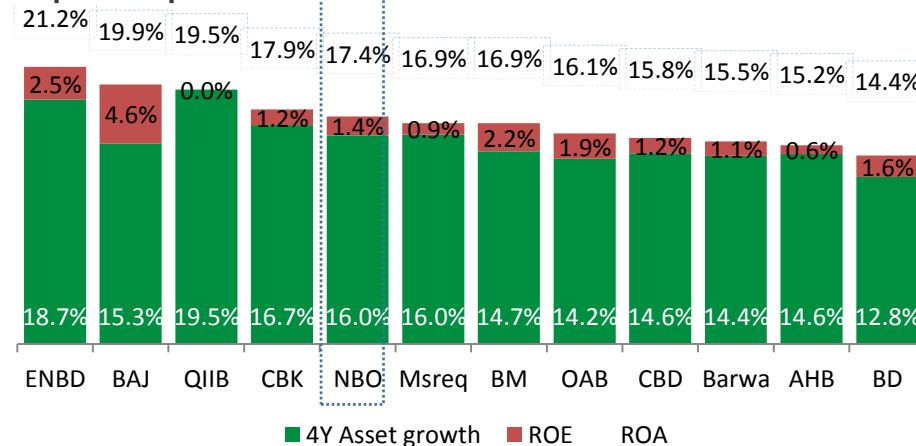
Superior Profitability



Healthy Asset Quality



Adequate Capitalisation



Source: Banks' audited financial statements.

CBK: Commercial Bank of Kuwait, AHB: Al Hilal Bajnk, BD: Bank Dhofar, BAJ: Bank Al-Jazira, ENBD: Enab Bank, OAB: Oman Arab Bank, BM: BankMuscat, QIIB: Qatar International Islamic Bank, CBD: Commercial Bank of Dubai, Barwa: Barwa Bank, Msreq: Muscat Securities, NBO: National Bank of Oman.

GL: Gross Loan, LLR: Loan Loss Reserve, NPL: Non-Performing Loan.

Key Highlights – from CBO report

- Banking Sector Stability remained intact despite challenging macro economic conditions.
- Asset quality of the banks continued to be strong
- Banks remained fairly liquid , going forward liquidity may tighten
- Level of concentration in banking sector moderately high
- Household indebtedness and real estate exposure considered high
- Banks remained adequately capitalized.

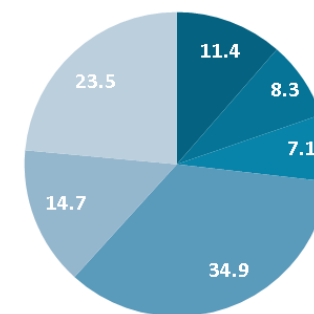
Central bank as part of vulnerability assessment used newly developed macro-stress testing model that captures the effect of macro-economic developments on the default rates in the banking system. The results of the Top-Down stress testing exercise on the banking sector (with data as at the end of December quarter 2016) reflected that the current good health of the banking sector was corroborated through these results. It was observed that even under quite adverse scenarios, banks' capital base and liquidity levels were seen to be satisfactory.

2. About NBO

THE FIRST INCORPORATED LOCAL BANK IN OMAN - SINCE 1973

US\$ in Millions	2013	2014	2015	2016	Mar-16	Mar-17
Total Assets	7,523	7,730	8,476	9,176	8,869	9,361
Net Loans	5,372	6,018	6,582	6,936	6,820	7,272
Deposits	5,660	5,656	5,844	6,232	6,219	6,573
Total Operating Income	270	297	353	354	86	89
Net Income	108	131	156	145	36	36
Tier 1	11.80%	12.30%	16.3%	15.0%	15.6%	15.4%
Total CAR	14.60%	14.60%	18.2%	16.8%	17.5%	16.9%
Loans to Deposit Ratio	94.90%	106.40%	112.6%	111.3%	109.7%	110.6%
NPL Ratio	1.90%	2.00%	1.9%	2.2%	2.0%	2.2%
Cost/Income	46.7%	47.6%	44.2%	46.0%	43.3%	44.7%

Ownership Structure



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



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

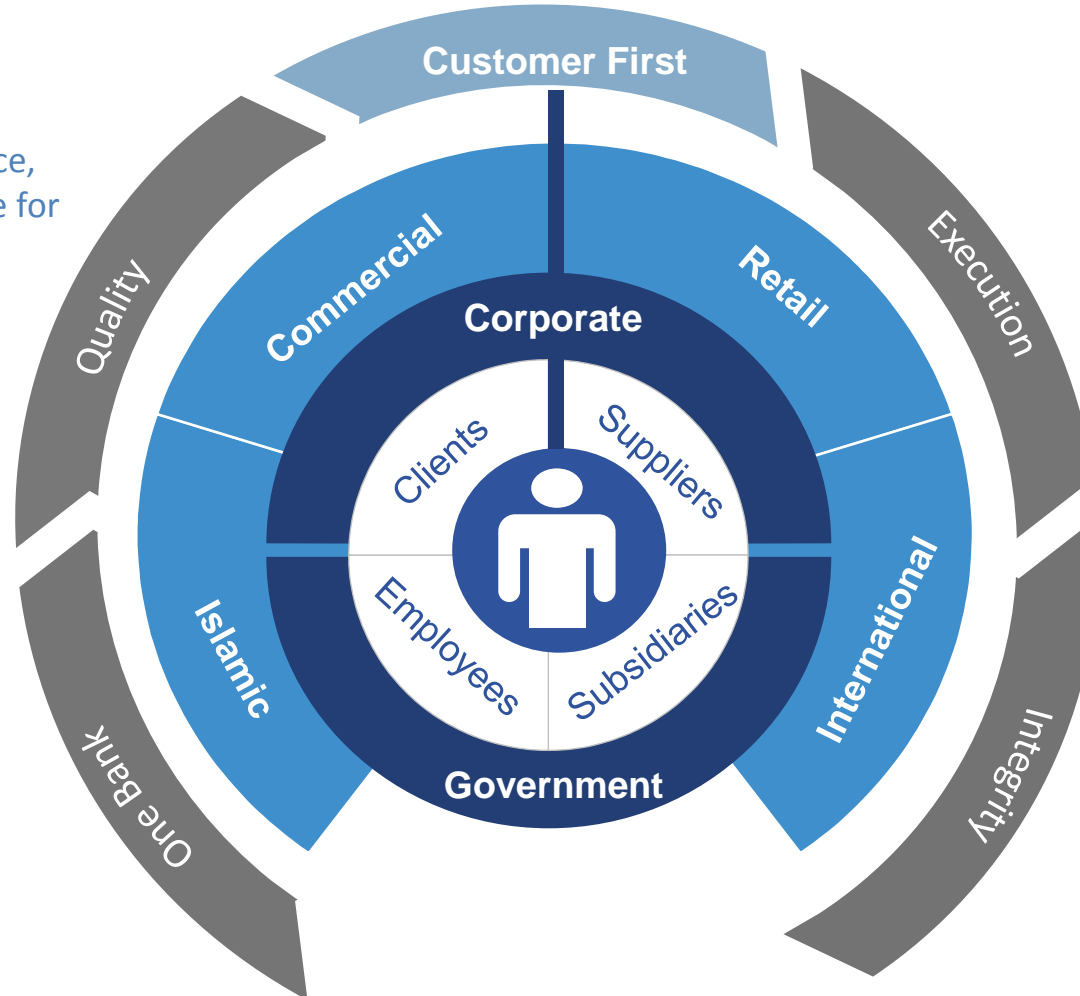
The best workplace and most rewarding career opportunities for our employees

Shareholders

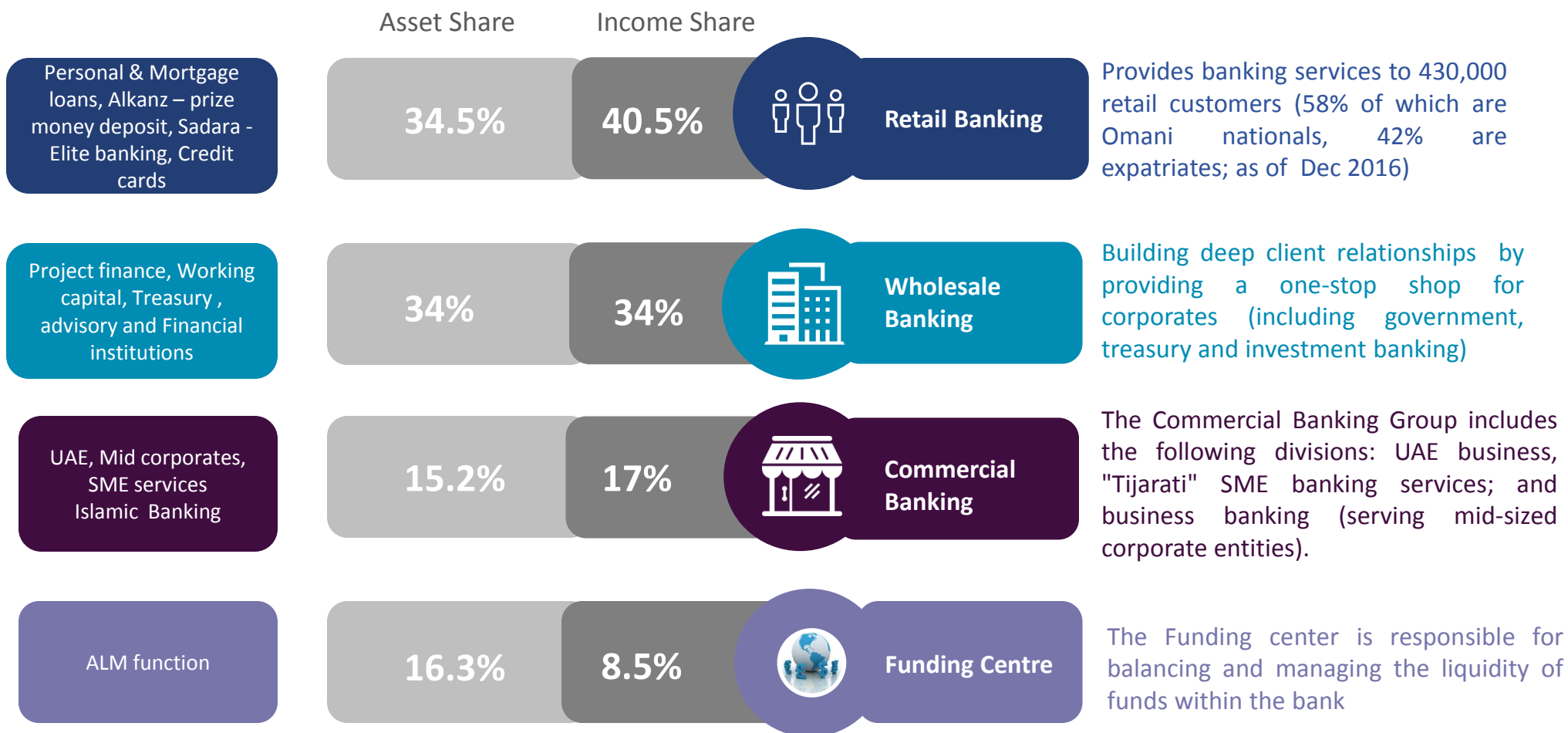
The highest returns with sustainable performance for our shareholders

Community

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

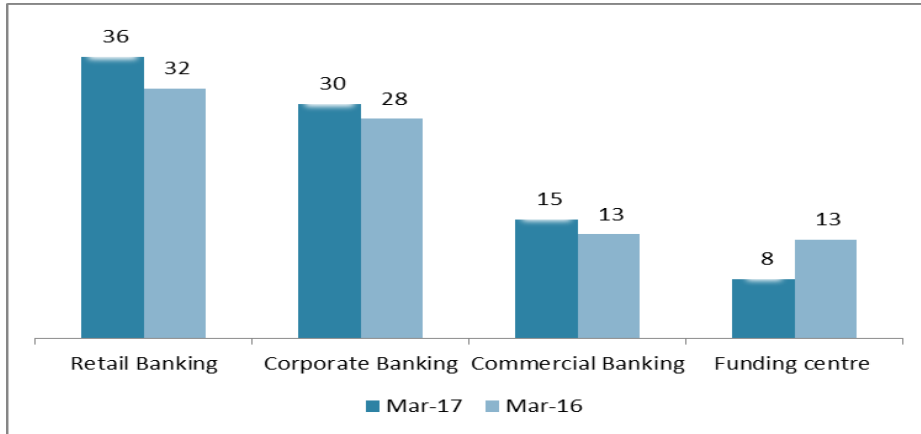


4. Business Overview



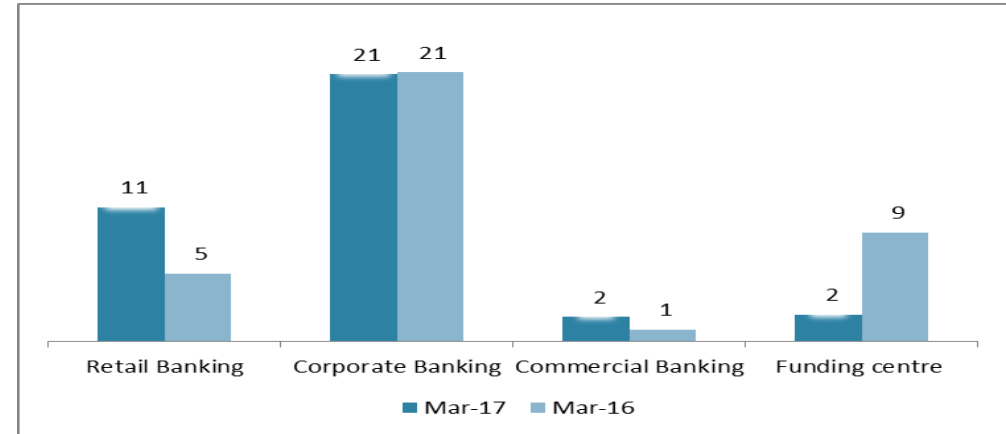
Operating Profit

US\$ in Millions



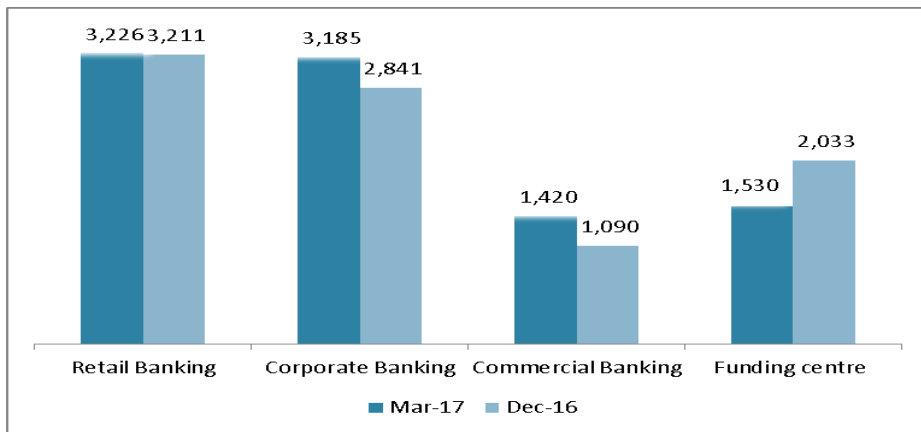
Net profit

US\$ in Millions



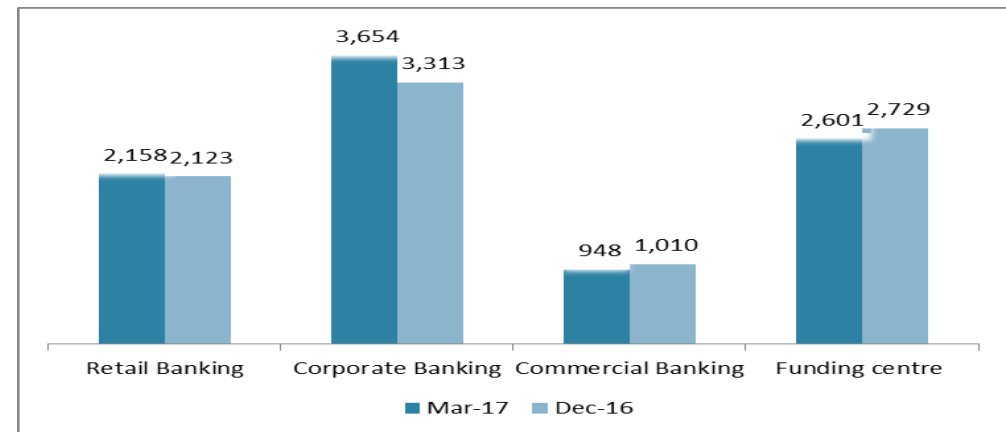
Asset Growth

US\$ in Millions



Liability Growth

US\$ in Millions



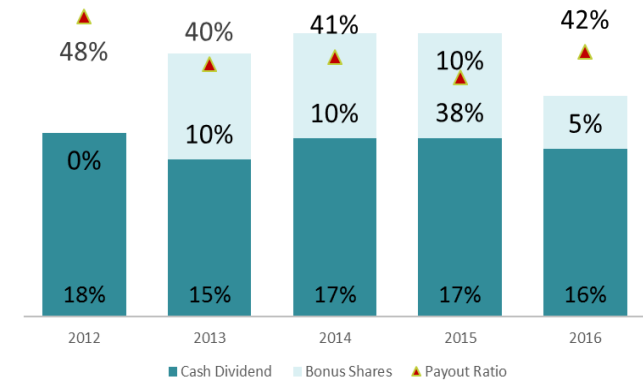
5. Financial Results

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

Earnings (US\$m)		
Operating Income	Net Profit	4Y CAGR (Topline)
89	36	7.0%

Balance Sheet (US\$m)			
Total Assets	Total Equity	Deposits	Loans & Advances
9,361	1,372	6,573	7,272

Investor return

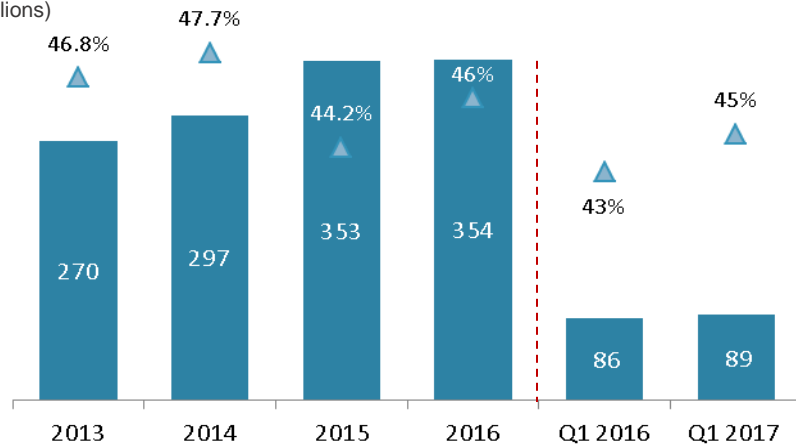


Efficiency/ Profitability			Risk		Solvency		Credit Rating	
ROE	ROA	Cost-to-Income	NPL Ratio	NPL Coverage	Tier 1 Ratio	CAR	Moody's	Fitch
13.5%	1.6%	45%	2.2%	136%	15.4%	16.9%	Baa2	BBB

Operating Performance

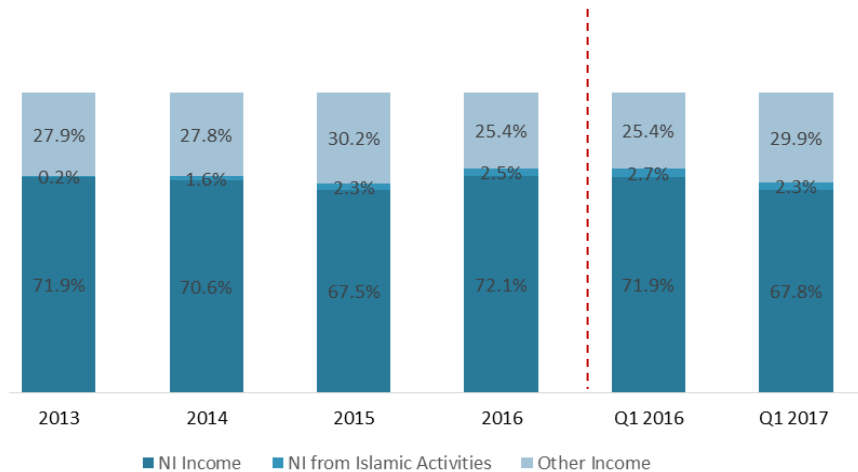
Operating Income

(US\$ in Millions)



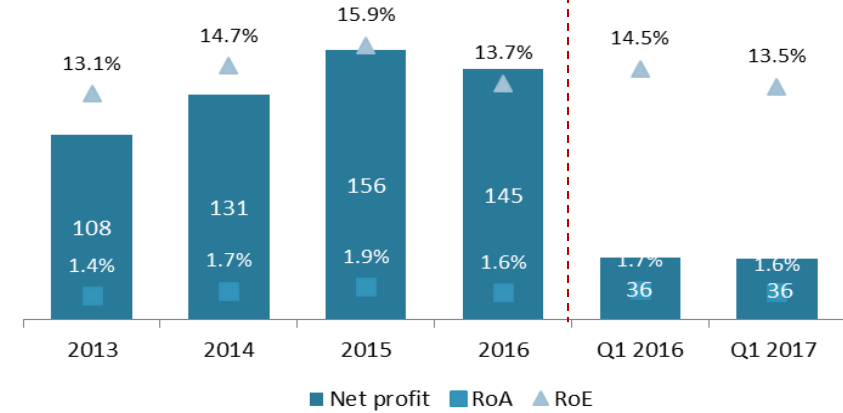
4 year CAGR of 7% ■ Operating Income ▲ Cost to Income Ratio

Operating Income Composition

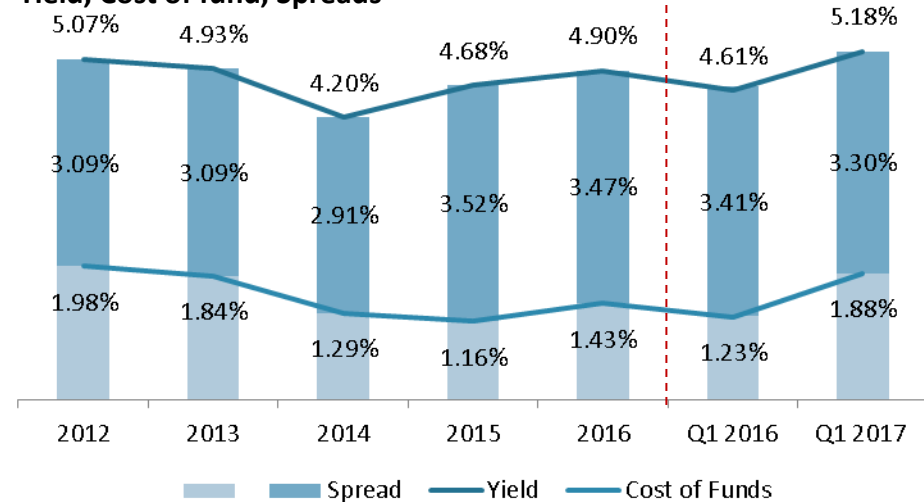


Profitability (1)

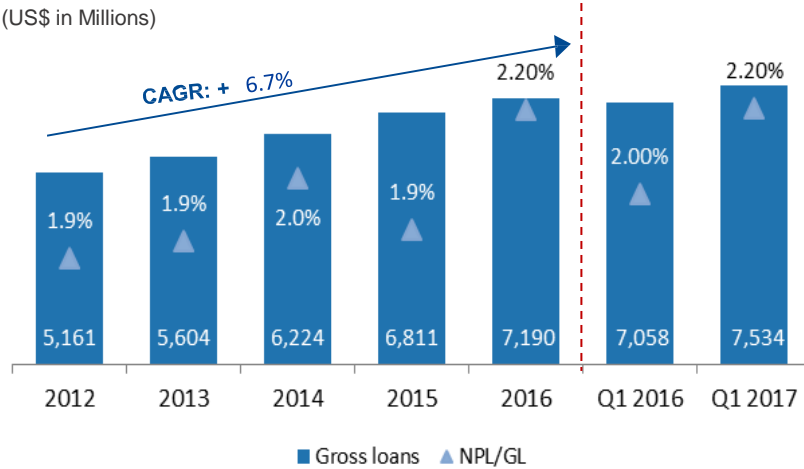
(US\$ in Millions)



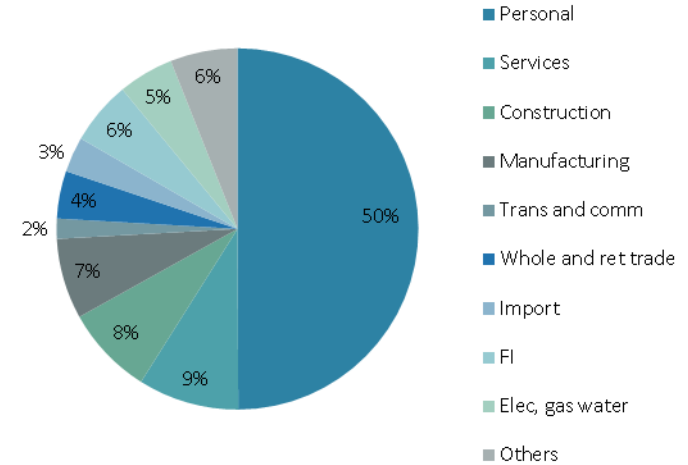
Yield, Cost of fund, Spreads



Loan Growth
(US\$ in Millions)

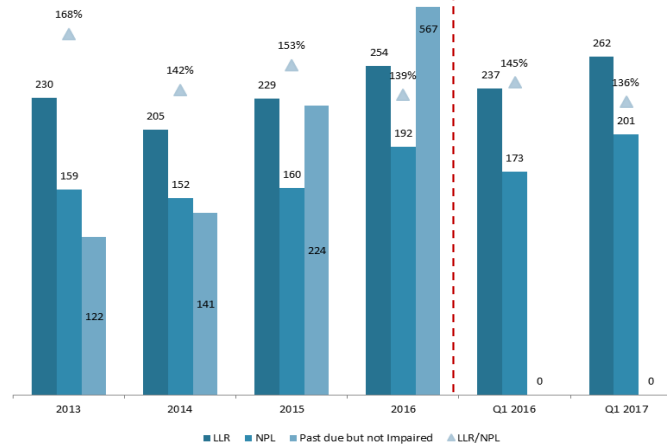


Gross Loans – Sector Breakup March 2017

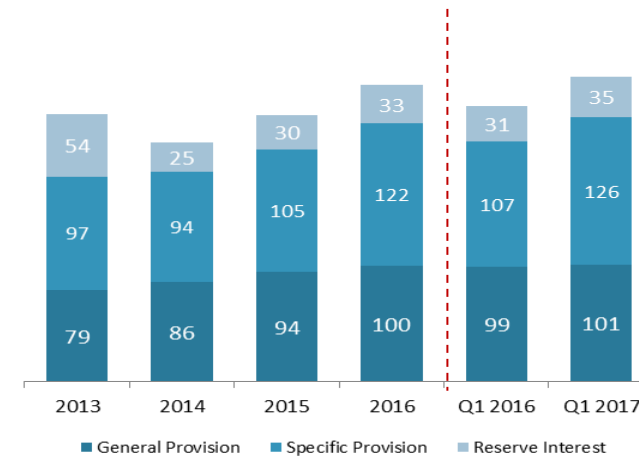


- **Sustainable loan book growth**
- **Conservative lending approach**
- **Focus on high quality assets with access to top tier borrowers**
 - Strong project finance capabilities
 - Diversified loan portfolio across sectors
 - Adequate provisioning of impaired assets
- **Significantly improved asset quality**
 - Continued check on Past dues and NPLs and build up of general provisions
 - NPL coverage of 136% as of March 2017

Impaired Assets and Provisioning
(US\$ in Millions)



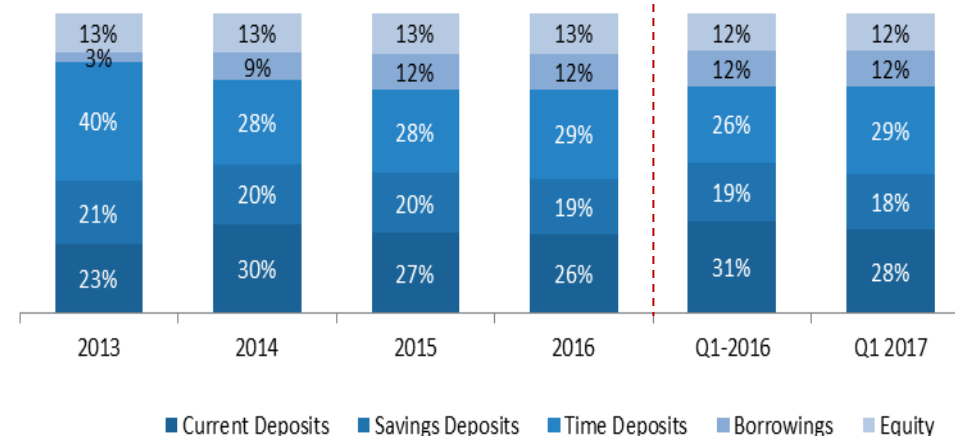
General vs. Specific Provisions
(US\$ in Millions)



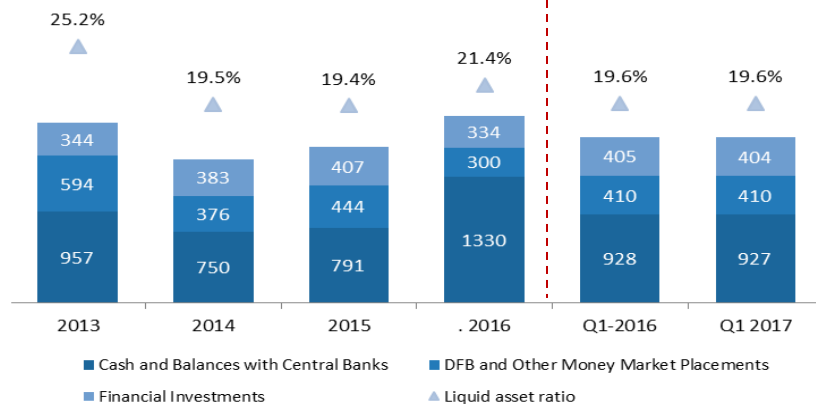
Funding and Liquidity

- 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 March 2017
- Retail deposits comprise of one third of total deposits as of Mar 2017.
- Strong liquidity with liquid asset representing 19.6% of total assets as of March 2017 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 15.4% and 16.9% respectively as of March 2017, well above regulatory requirements

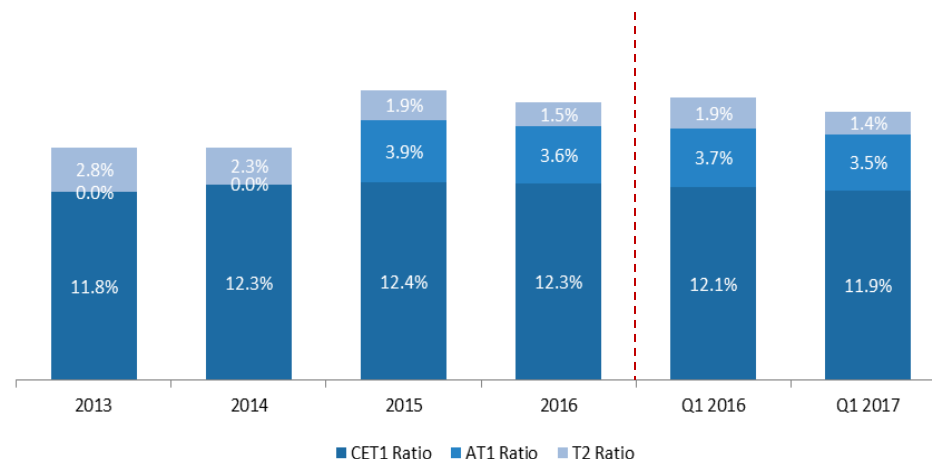
Fund Mix (US\$ in Millions)



Liquid Assets (US\$ in Millions)



Capitalization



V. Appendix

Balance Sheet

US\$ in Millions	2012	2013	2014	2015	2016	Mar-16	Mar-17
Cash and Balances with Central Banks	560.5	956.7	750.2	790.9	1,328.8	927.0	1,069.2
Due from Banks and Other Money Market Placements (net)	564.5	593.6	376.4	444.1	299.6	409.8	336.6
Loans, Advances and Financing Activities for Customers (net)	4,966.4	5,371.9	6,017.7	6,582.1	6,935.8	6,820.3	7,272.1
Financial Investments	287.7	344.4	383.2	406.9	333.5	404.2	378.6
Premises and Equipment	53.3	52.2	60.3	90.1	120.4	93.8	130.0
Deferred Tax Asset	1.1	1.2	1.1	2.0	0.0	0.0	0.0
Other Assets	160.1	203.0	141.2	160.5	157.8	213.5	174.6
Total Assets	6,593.4	7,523.0	7,730.1	8,476.5	9,175.8	8,868.7	9,361.0
Due to Banks and Other Money Market Deposits	546.8	587.9	265.4	422.1	585.0	452.1	403.6
Customers' Deposits and Unrestricted Investment Accounts	4,901.9	5,660.2	5,656.5	5,843.7	6,232.1	6,218.5	6,572.7
Euro Medium Term Notes	0.0	0.0	507.1	509.0	605.5	519.5	606.0
Other Liabilities	178.7	201.3	181.2	207.7	208.0	239.2	270.3
Taxation	14.8	14.4	15.7	21.8	19.2	4.2	8.9
Subordinated Debt	160.3	207.0	165.2	135.3	127.5	127.5	127.5
Total Liabilities	5,802.5	6,670.8	6,791.1	7,139.7	7,777.3	7,561.1	7,989.1
Share Capital	287.9	287.8	316.6	348.2	383.1	383.1	402.2
Share Premium	89.5	89.5	89.5	89.5	89.5	89.5	89.5
Legal Reserve	102.8	102.8	112.7	124.0	127.7	124.0	127.7
General Reserve	11.5	11.5	11.5	0.0	0.0	0.0	0.0
Other Non-distributable Reserves	79.8	116.6	107.3	105.4	120.0	97.4	118.6
Proposed Dividend	50.4	43.2	53.8	94.0	80.1	0.0	0.0
Retained Earnings	169.1	172.0	216.0	275.6	298.1	313.6	333.8
Total Shareholders' Equity	791.0	852.2	939.0	1,036.8	1,098.5	1,007.6	1,071.9
Tier 1 perpetual bond	-	-	-	300.0	300.0	300.0	300.0
Total Equity	791.0	852.2	939.0	1,336.8	1,398.5	1,307.6	1,371.9
Total Liabilities and Equity	6,593.4	7,523.0	7,730.1	8,476.5	9,175.8	8,868.7	9,361.0

Income Statement

US\$ in Millions	2012	2013	2014	2015	2016	Mar-16	Mar-17
Interest Income	278.3	302.9	305.4	317.2	354.4	82.2	93.8
Interest Expense	(103.7)	(108.8)	(95.8)	(79.3)	(99.6)	(20.5)	(33.7)
Net Interest Income	174.5	194.1	209.6	237.9	254.8	61.8	60.1
Income from Islamic Financing and Investment Activities	-	0.9	5.2	9.7	13.0	3.1	3.5
Unrestricted Investment Account holders' Share of Profit	-	(0.3)	(0.7)	(1.5)	(4.0)	(0.8)	(1.5)
Net Income from Islamic Financing and Investment Activities	-	0.6	4.6	8.1	9.0	2.3	2.1
Other Operating Income	81.8	75.2	82.5	106.4	89.7	21.8	26.5
Operating Income	256.3	269.9	296.7	352.5	353.5	85.9	88.7
Staff Costs	(68.9)	(74.3)	(87.5)	(93.8)	(98.4)	(21.5)	(22.7)
Other Operating Expenses	(42.7)	(43.2)	(46.0)	(54.2)	(56.9)	(14.0)	(14.7)
Depreciation	(9.7)	(8.7)	(7.8)	(7.8)	(7.4)	(1.7)	(2.2)
Total Operating Expenses	(121.3)	(126.2)	(141.4)	(155.9)	(162.8)	(37.2)	(39.7)
Total Impairment Losses (Net)	(13.7)	(21.8)	(6.0)	(16.5)	(26.1)	(8.0)	(7.5)
Profit Before tax	121.3	122.0	149.3	180.2	164.7	40.7	41.6
Taxation	(15.6)	(14.5)	(18.8)	(24.1)	(19.8)	(4.5)	(5.8)
Net Profit	105.6	107.5	130.6	156.1	144.9	36.2	35.7