



Inspired by the proud heritage, driven by our promising future

National Bank of Oman SAOG

Investor Presentation
June 2017



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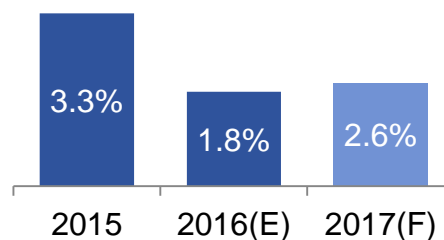
I. Market Context

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

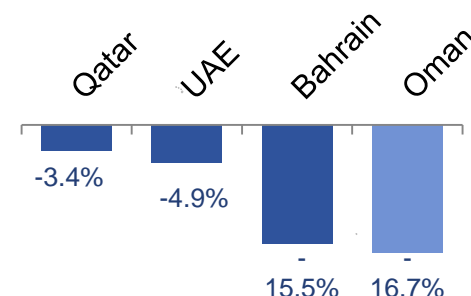
Oman- 9th Five year plan 2016-20 Prudent and realistic goals:

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

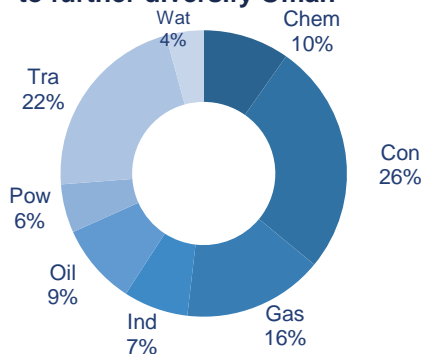
Annual average GDP growth



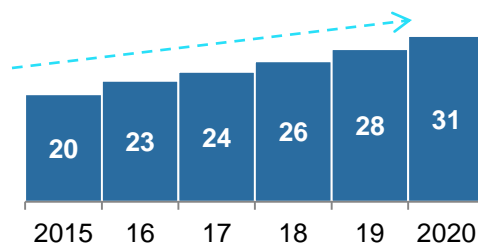
With significant expenditure cuts, the fiscal deficit as % of GDP is set to improve



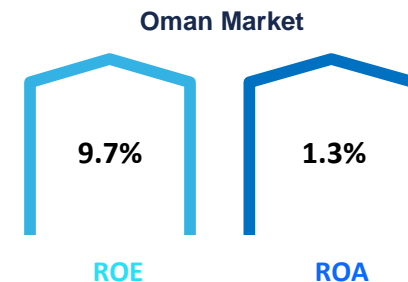
Large project Investment are planned to further diversify Oman



These investments continue to drive steady banking loan growth



Generating stable banking shareholder Returns **

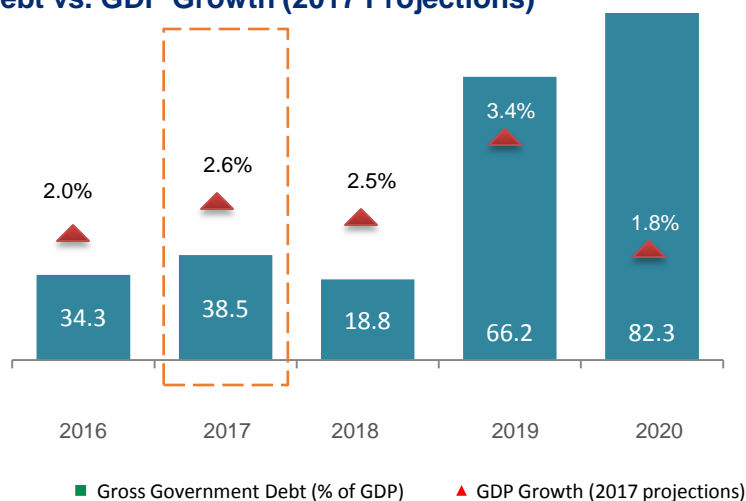


Oman Overview

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.
- The population density in Oman is 15 per Km² - 4.49million, predominantly represented by Omanis who account for 55% of the total population [Jun'17]
- “Vision 2040” is focused on developing the manufacturing, transportation and logistics, tourism and fisheries sectors to diversify its economy, along with 9th Fiver Year Plan which is in place to achieve specific objectives on development.
- Focused approach on manufacturing, transportation and logistics, tourism, fisheries and mining.

Public Debt vs. GDP Growth (2017 Projections)



Key Indicators

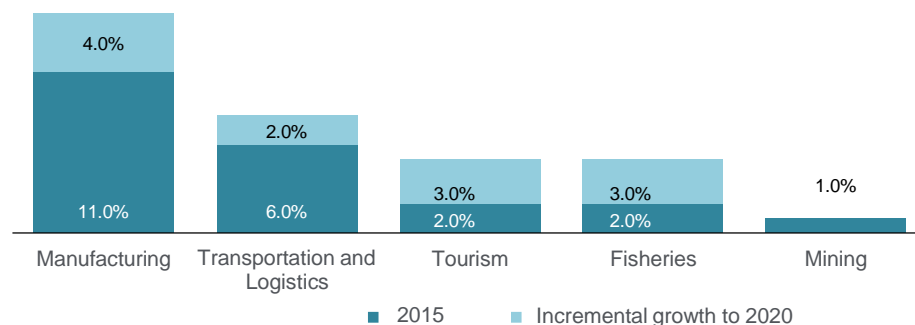
| | 2015 | 2016 | 2017 |
|--|--------|-----------|-----------|
| Sovereign Ratings ⁽¹⁾ | A1/A- | Baa1/BBB- | Baa2/BBB- |
| Real GDP [at market prices] [USD billion] ⁽²⁾ | 69.8 | 66.3 | 65.8 |
| Current Account Balance [USD billion] ⁽³⁾ | (10.9) | (12.3) | (8.8) |
| International Reserves [USD billion] ⁽⁴⁾ | | 20.3 | 19.1 |

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 to attract domestic and foreign investment. Outcomes should boost GDP by more than OMR1.7b 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 SME's, public-private partnerships and improving the investment climate.



TAX

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.

With VAT framework to be implemented shortly, it is estimated that the government will earn OMR250m (\$649.3m) per year, about 1.4% of GDP⁽¹⁾

A new 3% tax applies to small companies⁽²⁾.

The tax-free threshold of OMR 30,000 has been removed⁽³⁾

The amendments should enhance tax revenues but could also result in a one-off inflationary effect.

- (1) Oxford Business Group Report
- (2) Deloitte Report
- (3) KPMG Report

ECONOMIC

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 and boost employment opportunities.

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

REGULATORY

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, is not expected to result in any significant Capital impact for Omani banks.

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 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.

Minimum capital within three months of incorporation and streamlining the registration of employees removed to ease business ⁽⁴⁾.

- (4) Doing Business Report

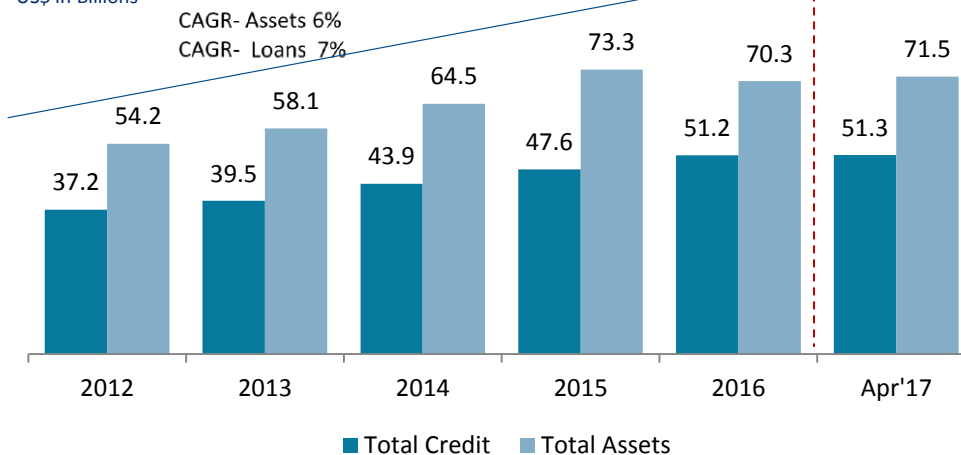
Oman Banking Sector - Overview

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 capital metrics, and other compliance matters.
- Historically, the Omani banking sector has been fairly insulated from 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⁾

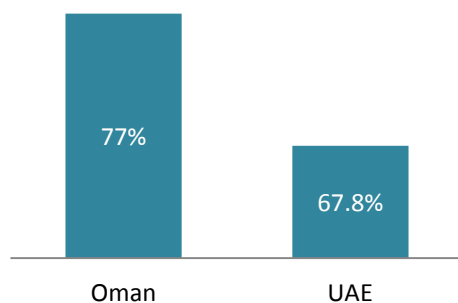
US\$ in Billions



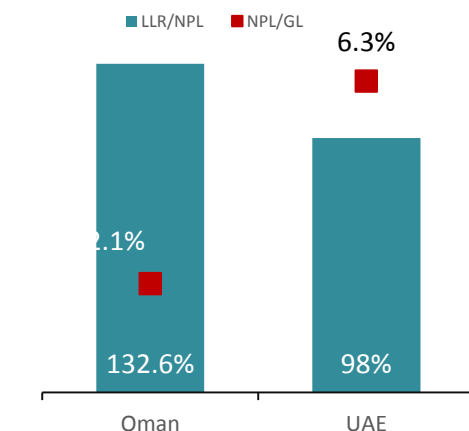
Oman in the GCC Banking Sector Context

Banking Services Penetration⁽²⁾

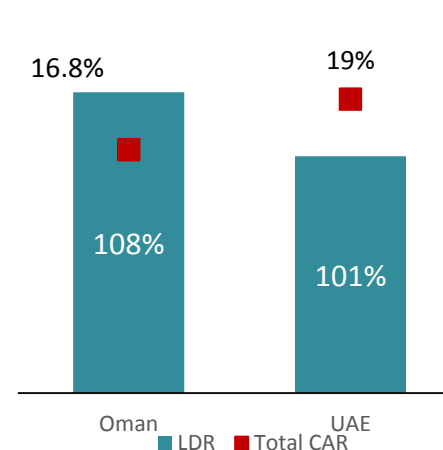
(Gross Loans/ GDP)



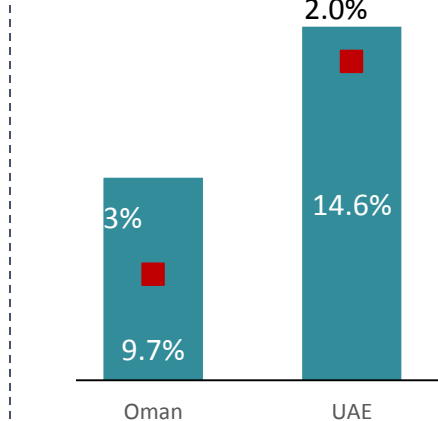
Asset Quality⁽³⁾



Liquidity and Capital⁽⁴⁾



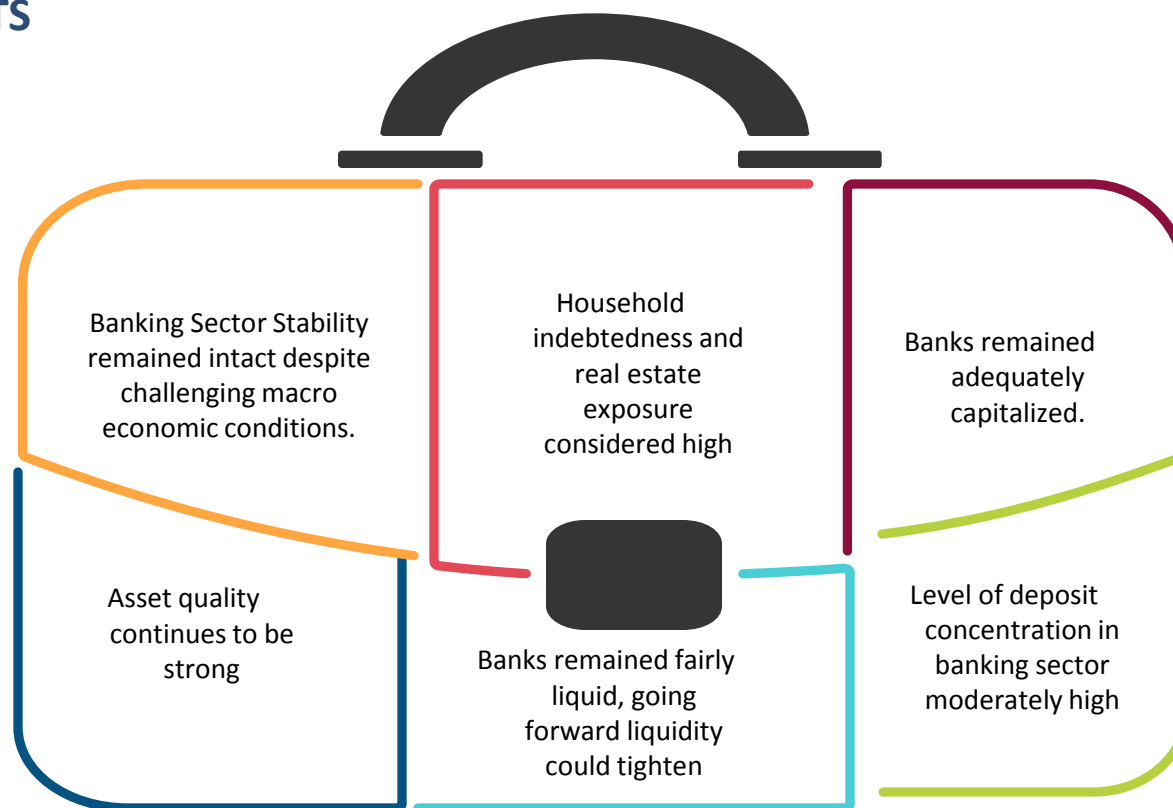
RoE & RoA⁽⁵⁾



7 Source: (1) Central Bank of Oman as on April 2017. (2) Central Bank of Oman as on Dec'16 Annual Report, UAE Report from Central Bank of UAE (3) Central Bank of UAE, as on Dec'16, Oman Report as Peer Review Data (4) Central Bank of Oman Dec'2016 Report, UAE Central Bank Report Dec'16 (5) RoE/RoA details of Oman as per Consolidated figures of major banks as on June 2017 [Oman], UAE Central Bank Report Dec'16

Oman Banking Sector – Financial Stability Report

KEY HIGHLIGHTS



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.

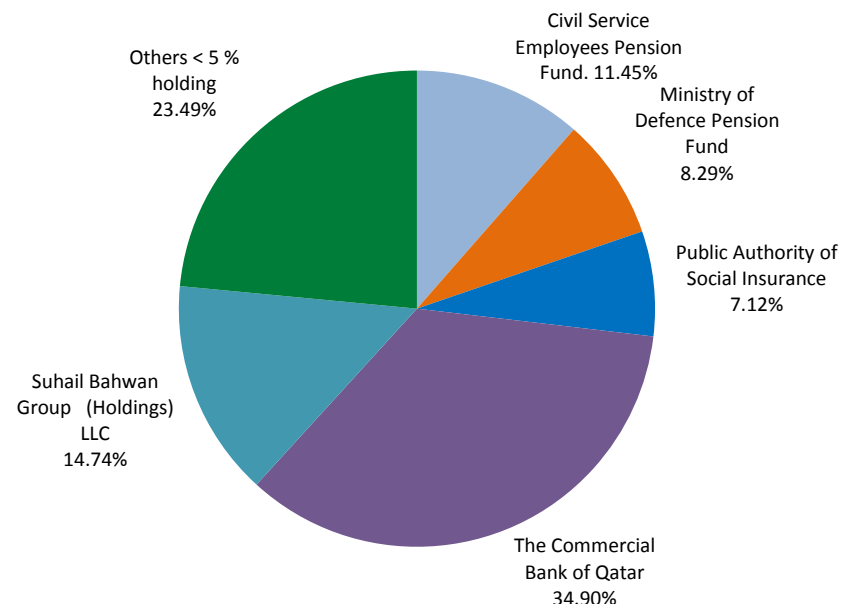
2. About NBO

Overview – National Bank of Oman

FIRST INCORPORATED LOCAL BANK IN OMAN - SINCE 1973

| US\$ in Millions | 2013 | 2014 | 2015 | 2016 | H1 results | |
|--------------------------|--------|---------|--------|--------|------------|--------|
| | | | | | Jun-17 | Jun-16 |
| Total Assets | 7,523 | 7,730 | 8,476 | 9,176 | 9,365 | 9,246 |
| Net Loans | 5,372 | 6,018 | 6,582 | 6,936 | 7,228 | 7,261 |
| Deposits | 5,660 | 5,656 | 5,844 | 6,232 | 6,719 | 6,343 |
| Total Operating Income | 270 | 297 | 353 | 354 | 171 | 176 |
| Net Income | 108 | 131 | 156 | 145 | 68 | 76 |
| Tier 1 (1) | 11.80% | 12.30% | 16.3% | 15.0% | 15.7% | 15.0% |
| Total CAR (1) | 14.60% | 14.60% | 18.2% | 16.8% | 17.0% | 16.8% |
| Loans to Deposit Ratio | 94.90% | 106.40% | 112.6% | 111.3% | 107.6% | 114.5% |
| NPL Ratio ⁽⁴⁾ | 1.90% | 2.00% | 1.9% | 2.2% | 2.6% | 2.0% |
| Cost/Income | 46.7% | 47.6% | 44.2% | 46.0% | 46.4% | 42.7% |

SHAREHOLDER INFORMATION



Total Assets
(in USD Mil.)

9,365

Customers

480k

Countries

3

Branches

65

ATMs

185

Employees

1,539

(1) Tier 1 ratio and CAR does not include reported interim profits for H1 2017

Source: National Bank of Oman, Financial Statements.

1 US\$ = OMR 0.3850;

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

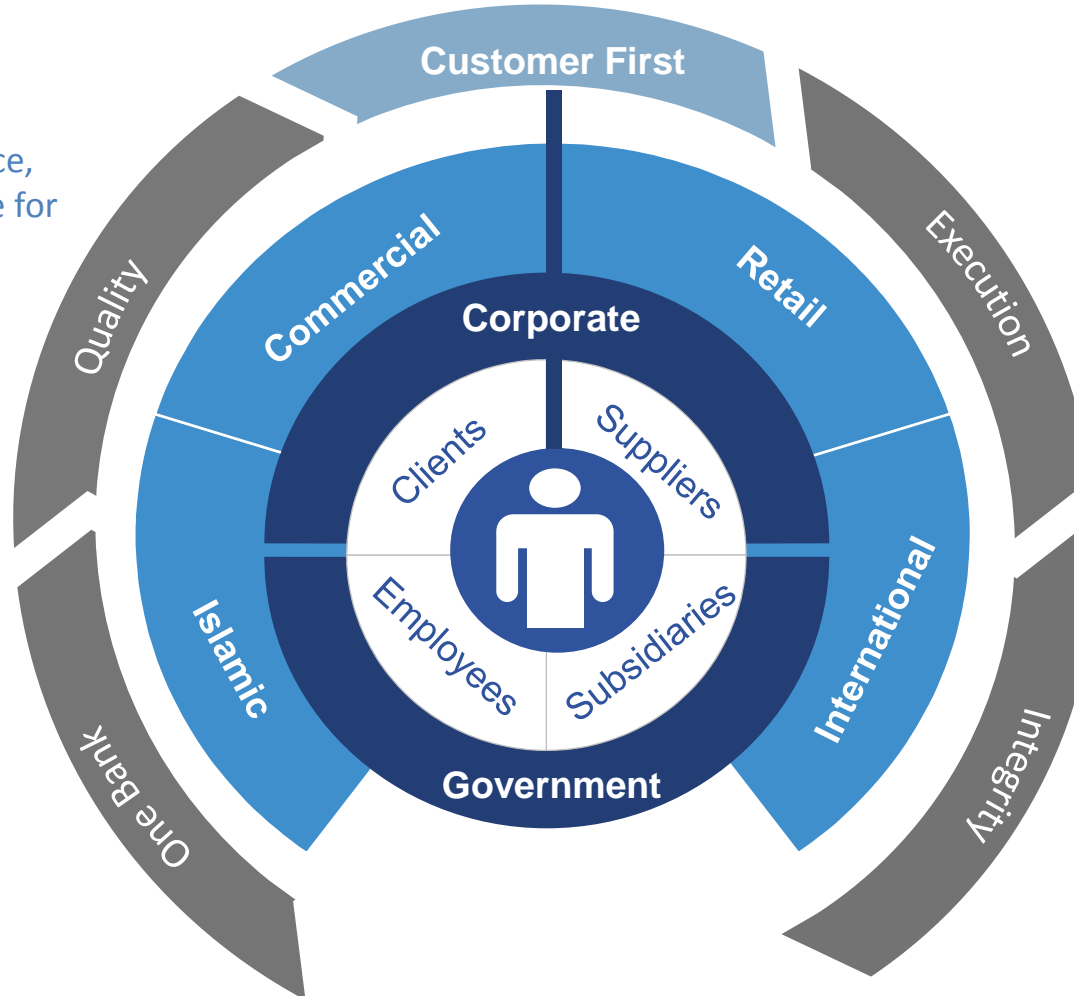
The best workplace and most rewarding career opportunities for our employees

Shareholders

The highest returns with sustainable performance for our shareholders

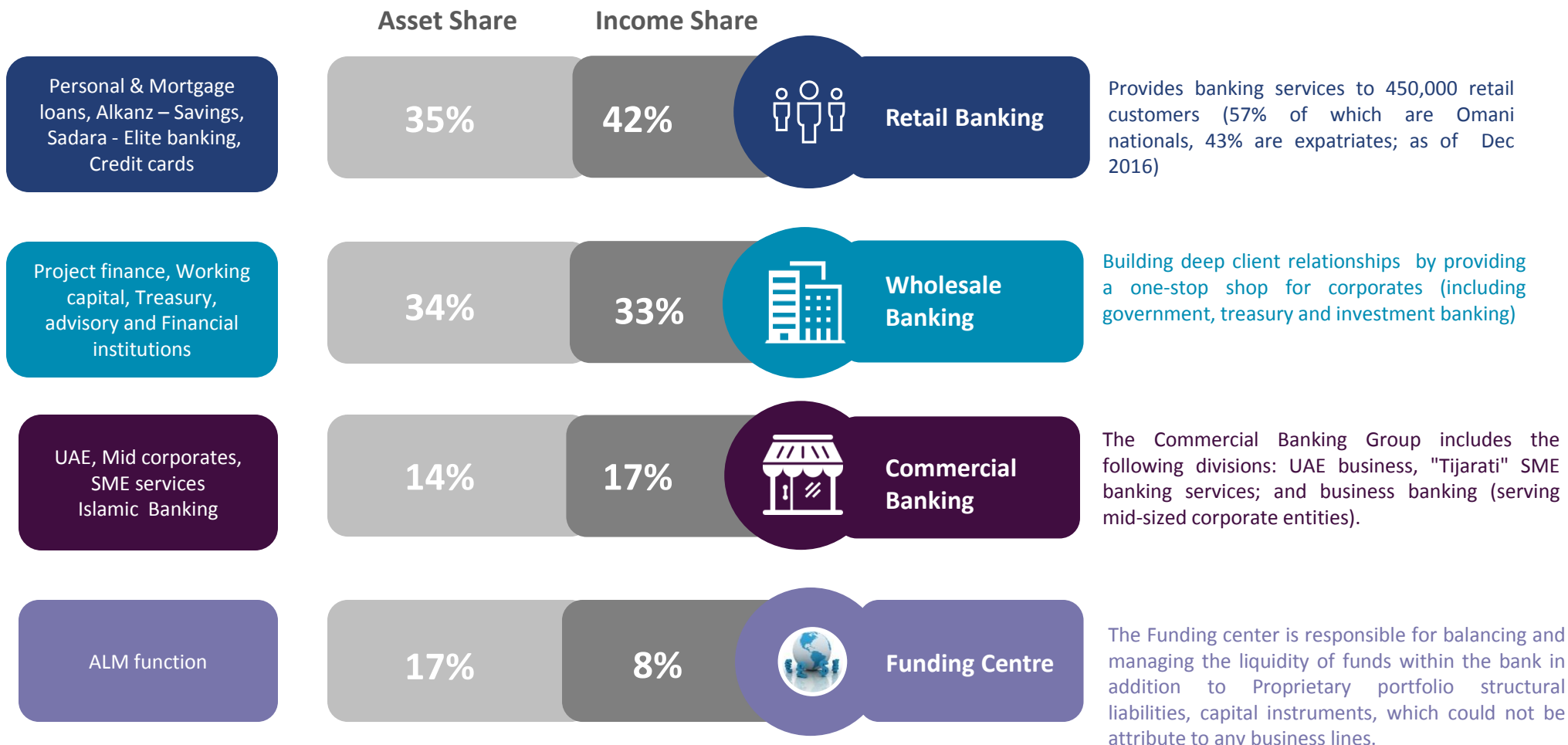
Community

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



4. Business Overview

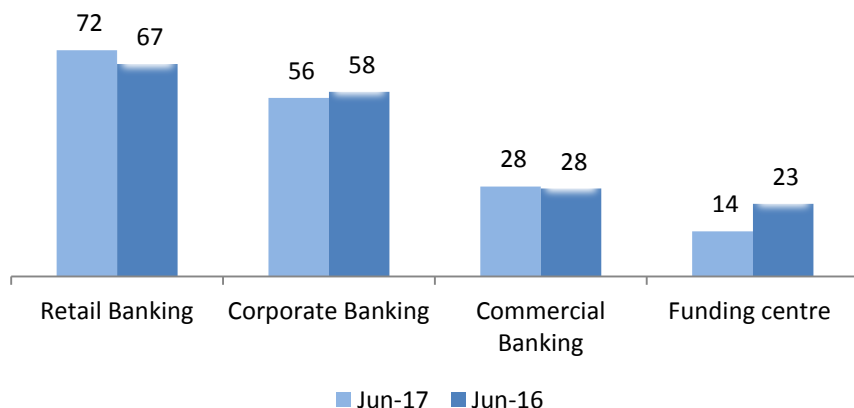
NBO – Business Lines



NBO – Business Lines

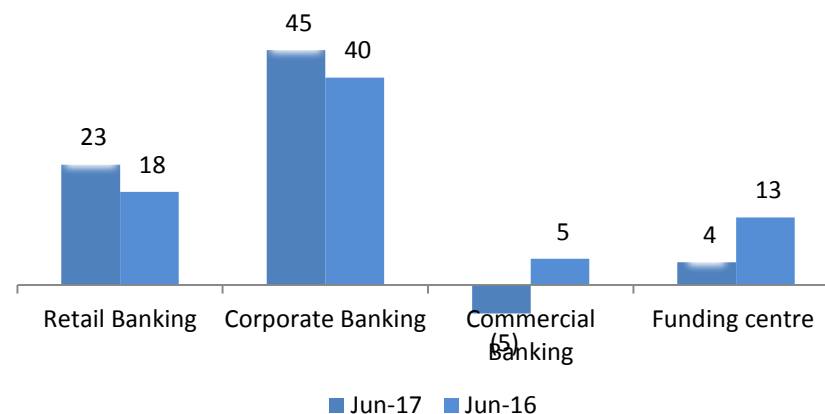
Operating Income

US\$ in Millions

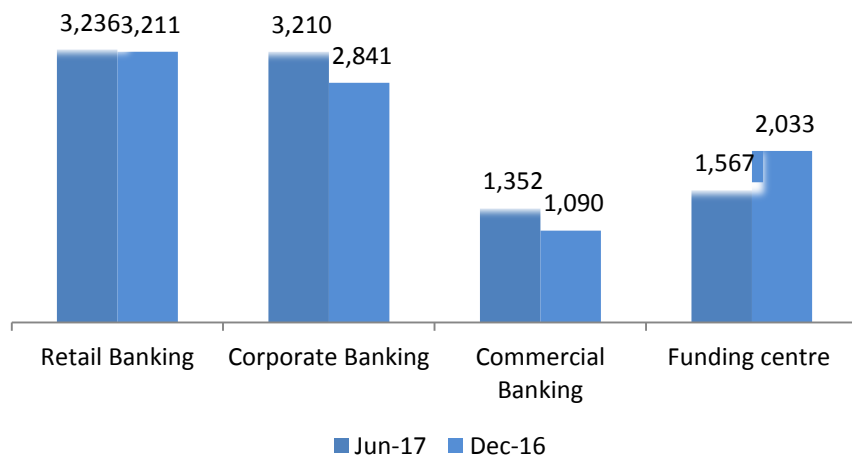


Net Profit

US\$ in Millions

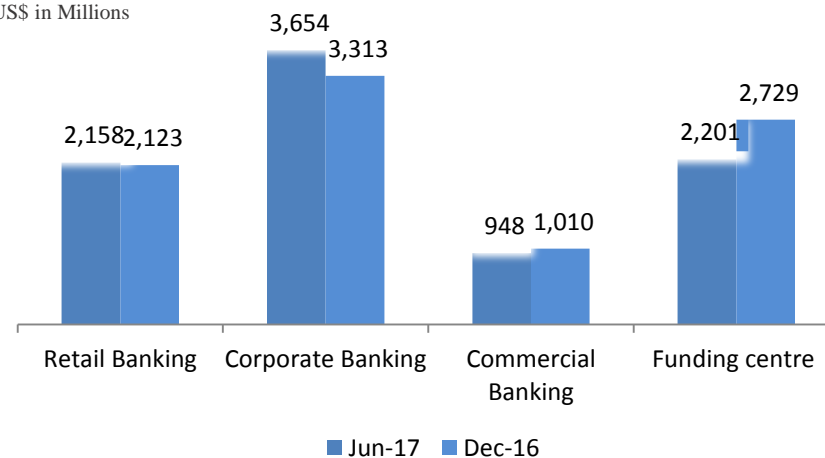


Asset Growth - US\$ in Millions



Liability Growth

US\$ in Millions



5. Financial Results

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

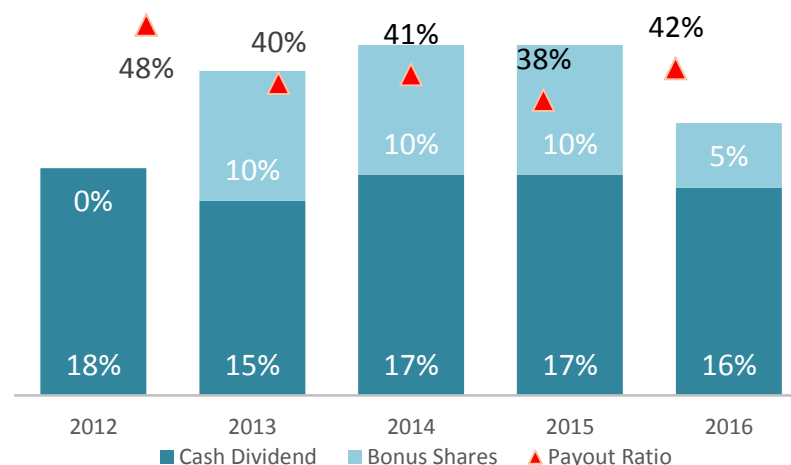
Earnings H1 – 2017 (US\$m)

| Operating Income | Net Profit | 4Y CAGR (Topline) |
|------------------|------------|-------------------|
| 171 | 68 | 6% |

Balance Sheet - June 2017 (US\$m)

| Total Assets | Total Equity | Deposits | Loans & Advances |
|--------------|--------------|----------|------------------|
| 9,365 | 1,386 | 6,719 | 7,228 |

Investor Return



| Efficiency/ Profitability | | | Risk | | Solvency ⁽¹⁾ | | Credit Rating | |
|---------------------------|------|----------------|-----------|--------------|-------------------------|-----|---------------|------------|
| ROE | ROA | Cost-to-Income | NPL Ratio | NPL Coverage | Tier 1 Ratio | CAR | Moody's | Fitch |
| 10.4% | 1.5% | 46% | 2.6% | 119% | 15.6% | 17% | Baa3 Negative | BBB-Stable |

(1) Solvency ratios does not include reported interim profits for H1 2017

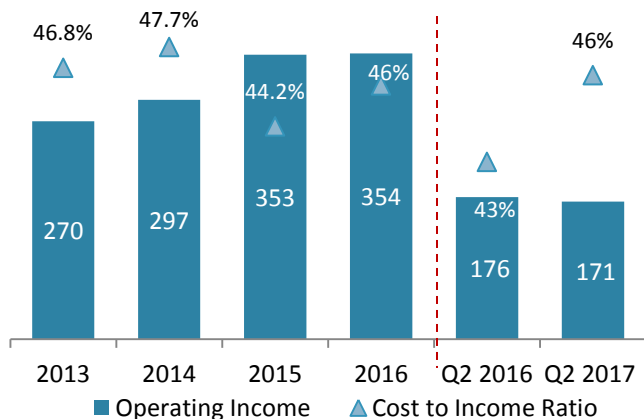
Source: National Bank of Oman, Financial Statements.

US\$ = OMR 0.3850;

Operating Performance

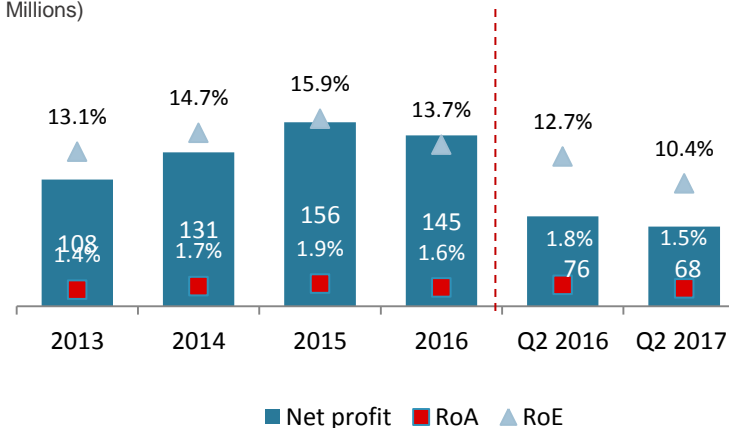
Operating Income

(US\$ in Millions)

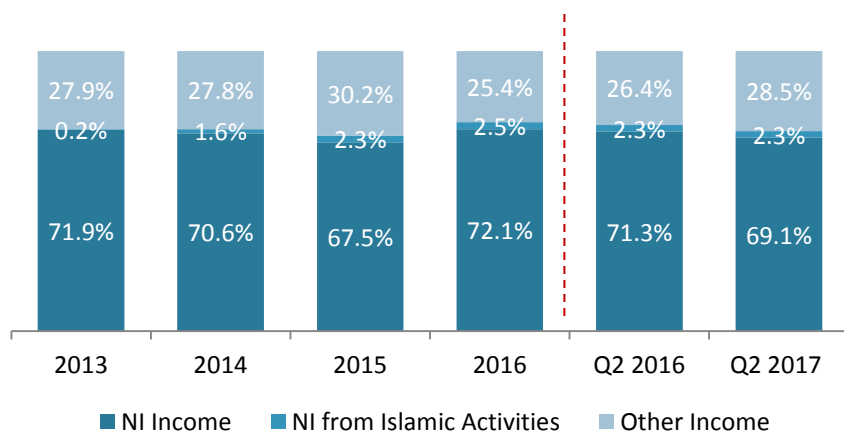


Profitability

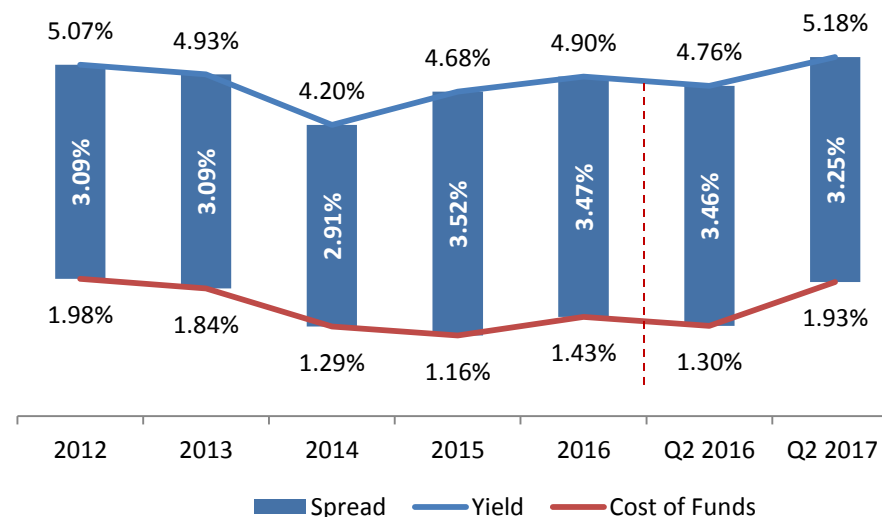
(US\$ in Millions)



Operating Income Composition



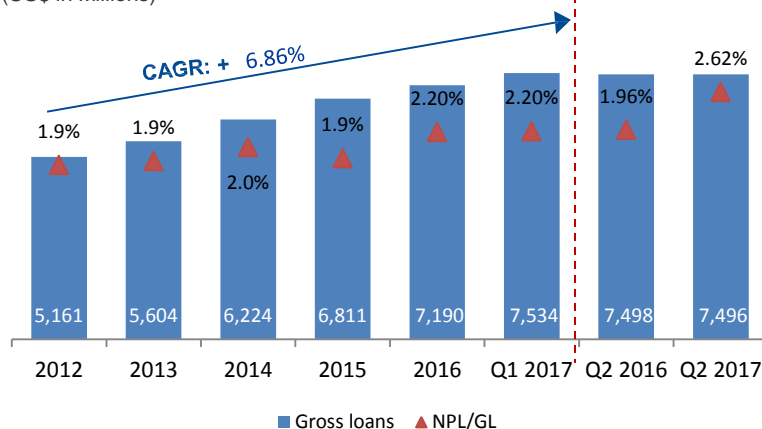
Yield, Cost of fund, Spreads



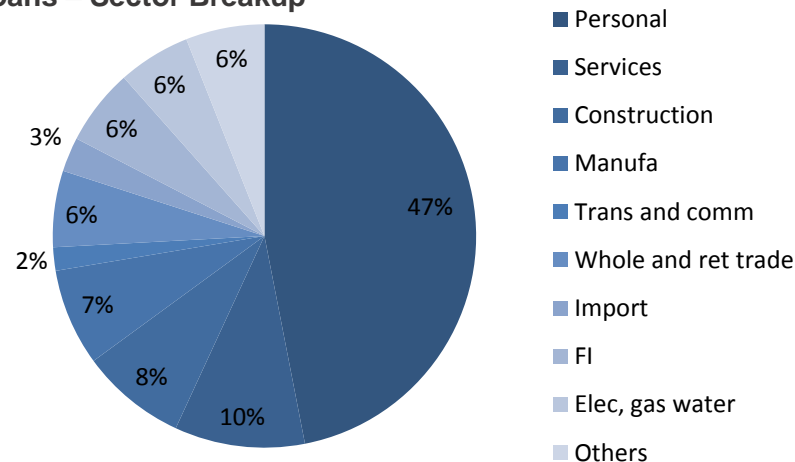
Asset Quality

Loan Growth

(US\$ in Millions)

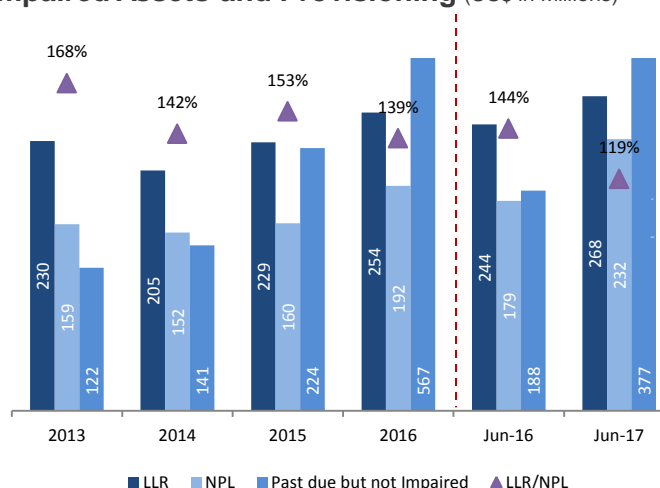


Gross Loans – Sector Breakup

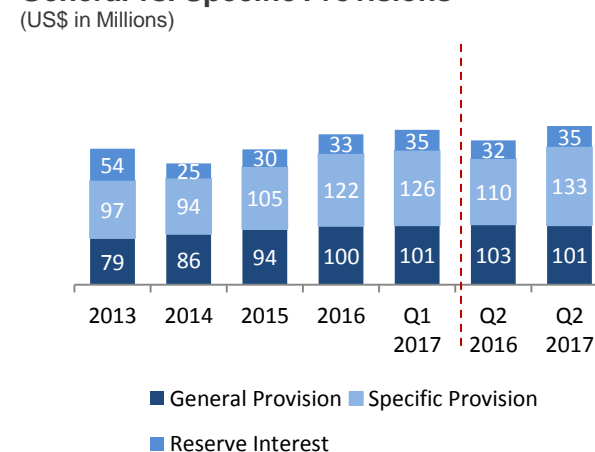


- Sustainable loan book growth
- Conservative lending approach
- Focus on high quality assets with access to top tier borrowers
 - Strong project finance capabilities
 - Diversified loan portfolio across sectors
 - Adequate provisioning of impaired assets
- Significantly improved asset quality
 - Continued check on Past dues and NPLs and build up of general provisions
 - NPL coverage of 119% as of June 2017
 - Certain restructured accounts are subject to 5% provisions

Impaired Assets and Provisioning (US\$ in Millions)



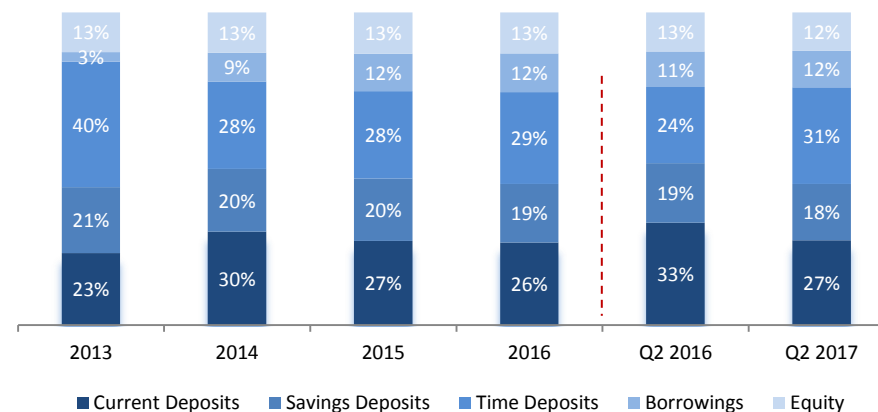
General vs. Specific Provisions (US\$ in Millions)



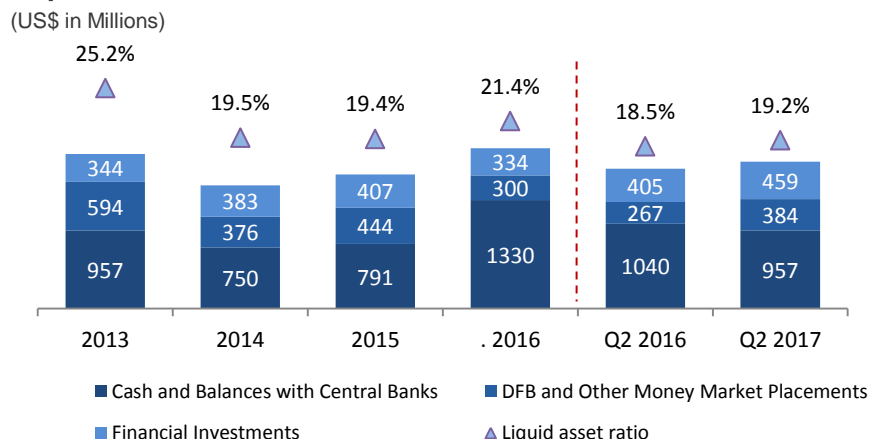
Funding and Liquidity

- Government-related entities contributed to the bank's low cost and stable deposits representing close to 32% of the total deposits.
- Retail deposits comprise of one third of total deposits as of June 2017.
- Strong liquidity with liquid asset representing 19.2% of total assets as of June 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 15.7% and 17% respectively as of June 2017, well above regulatory requirements

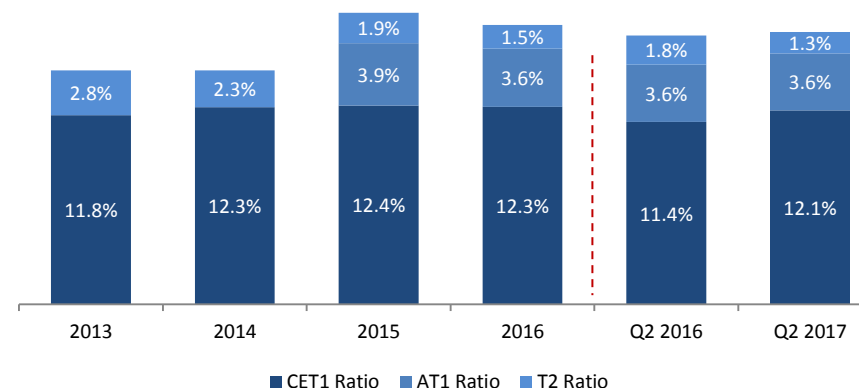
Fund Mix (US\$ in Millions)



Liquid Assets (US\$ in Millions)



Capitalization



Share - Performance

Share Details

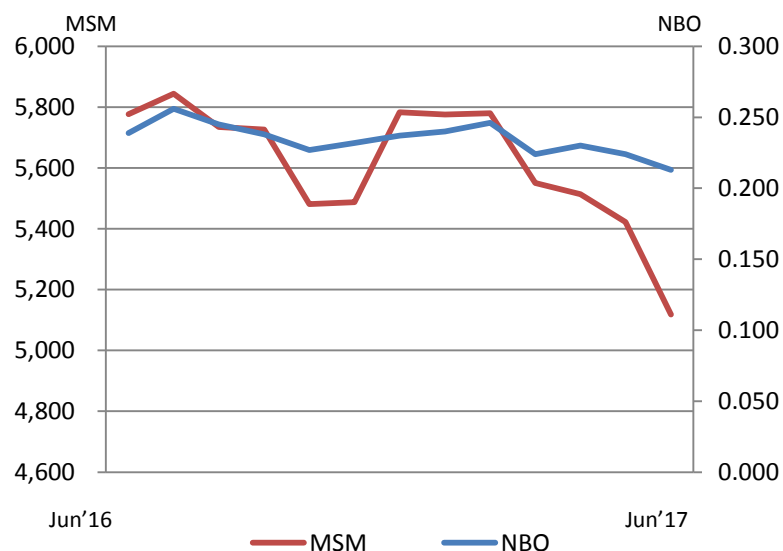
| | | | |
|-------------------------------|-----------|-----------------------|---------|
| Currency | OMR | NBO – 12 months | (12%) |
| Per Value/Share | 0.100 | MSM Index – 12 months | (13%) |
| No. of Shares [In million] | 1,548,520 | P/E [1 Mar '17] | 6.26(x) |
| Market Cap [In million] | 329,835 | P/B [1 Mar '17] | 0.79(x) |

Share Performance

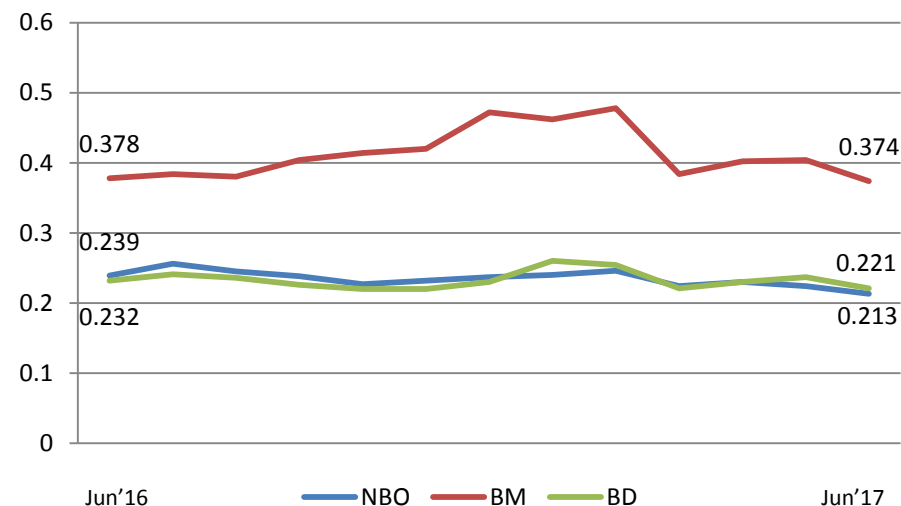
Peer Comparison - Quarterly

| Quarter | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 |
|------------|--------|--------|--------|--------|--------|
| NBO | 0.239 | 0.238 | 0.237 | 0.224 | 0.213 |
| BM | 0.378 | 0.404 | 0.472 | 0.384 | 0.374 |
| BD | 0.232 | 0.226 | 0.23 | 0.221 | 0.221 |

MSM Index vs NBO Performance



Peer Comparison - Monthly



V. Appendix

Balance Sheet

| US\$ in Millions | 2012 | 2013 | 2014 | 2015 | 2016 | Jun-16 | Jun-17 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash and Balances with Central Banks | 560.5 | 956.7 | 750.2 | 790.9 | 1,328.8 | 1,040.2 | 957.2 |
| Due from Banks and Other Money Market Placements (net) | 564.5 | 593.6 | 376.4 | 444.1 | 299.6 | 266.9 | 383.5 |
| Loans, Advances and Financing Activities for Customers (net) | 4,966.4 | 5,371.9 | 6,017.7 | 6,582.1 | 6,935.8 | 7,253.9 | 7,228.1 |
| Financial Investments | 287.7 | 344.4 | 383.2 | 406.9 | 333.5 | 405.1 | 459.2 |
| Premises and Equipment | 53.3 | 52.2 | 60.3 | 90.1 | 120.4 | 99.0 | 149.1 |
| 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 | 172.1 | 188.2 |
| Total Assets | 6,593.4 | 7,523.0 | 7,730.1 | 8,476.5 | 9,175.8 | 9,237.1 | 9,365.3 |
| Due to Banks and Other Money Market Deposits | 546.8 | 587.9 | 265.4 | 422.1 | 585.0 | 703.0 | 297.5 |
| Customers' Deposits and Unrestricted Investment Accounts | 4,901.9 | 5,660.2 | 5,656.5 | 5,843.7 | 6,232.1 | 6,337.0 | 6,719.4 |
| Euro Medium Term Notes | 0.0 | 0.0 | 507.1 | 509.0 | 605.5 | 519.0 | 604.3 |
| Other Liabilities | 178.7 | 201.3 | 181.2 | 207.7 | 208.0 | 196.8 | 214.3 |
| Taxation | 14.8 | 14.4 | 15.7 | 21.8 | 19.2 | 10.8 | 16.7 |
| 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 | 7,894.1 | 7,979.7 |
| 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 | 95.7 | 112.2 |
| 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 | 350.7 | 354.0 |
| Total Shareholders' Equity | 791.0 | 852.2 | 939.0 | 1,036.8 | 1,098.5 | 1,043.0 | 1,085.6 |
| 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 | 1,343.0 | 1,385.6 |
| Total Liabilities and Equity | 6,593.4 | 7,523.0 | 7,730.1 | 8,476.5 | 9,175.8 | 9,237.1 | 9,365.3 |

Income Statement

| US\$ in Millions | 2012 | 2013 | 2014 | 2015 | 2016 | Jun-16 | Jun-17 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Interest Income | 278.3 | 302.9 | 305.4 | 317.2 | 354.4 | 169.29 | 88.3 |
| Interest Expense | (103.7) | (108.8) | (95.8) | (79.3) | (99.6) | (43.99) | (70.4) |
| Net Interest Income | 174.5 | 194.1 | 209.6 | 237.9 | 254.8 | 125.29 | 117.92 |
| Income from Islamic Financing and Investment Activities | - | 0.9 | 5.2 | 9.7 | 13.0 | 6.18 | 7.2 |
| Unrestricted Investment Account holders' Share of Profit | - | (0.3) | (0.7) | (1.5) | (4.0) | (1.73) | (3.3) |
| Net Income from Islamic Financing and Investment Activities | - | 0.6 | 4.6 | 8.1 | 9.0 | 4.45 | 3.94 |
| Other Operating Income | 81.8 | 75.2 | 82.5 | 106.4 | 89.7 | 46.38 | 48.7 |
| Operating Income | 256.3 | 269.9 | 296.7 | 352.5 | 353.5 | 176.13 | 170.54 |
| Staff Costs | (68.9) | (74.3) | (87.5) | (93.8) | (98.4) | (44.00) | (46.0) |
| Other Operating Expenses | (42.7) | (43.2) | (46.0) | (54.2) | (56.9) | (27.73) | (28.7) |
| Depreciation | (9.7) | (8.7) | (7.8) | (7.8) | (7.4) | (3.42) | (4.5) |
| Total Operating Expenses | (121.3) | (126.2) | (141.4) | (155.9) | (162.8) | (75.15) | (79.19) |
| Total Impairment Losses (Net) | (13.7) | (21.8) | (6.0) | (16.5) | (26.1) | (13.49) | (13.0) |
| Profit Before tax | 121.3 | 122.0 | 149.3 | 180.2 | 164.7 | 87.49 | 78.38 |
| Taxation | (15.6) | (14.5) | (18.8) | (24.1) | (19.8) | (11.14) | (10.7) |
| Net Profit | 105.6 | 107.5 | 130.6 | 156.1 | 144.9 | 76.35 | 67.68 |