

Investor Presentation

National Bank of Oman

March 2019



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 - Operating Environment
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National Bank of Oman Introduction

The First Omani Commercial Bank

Overview

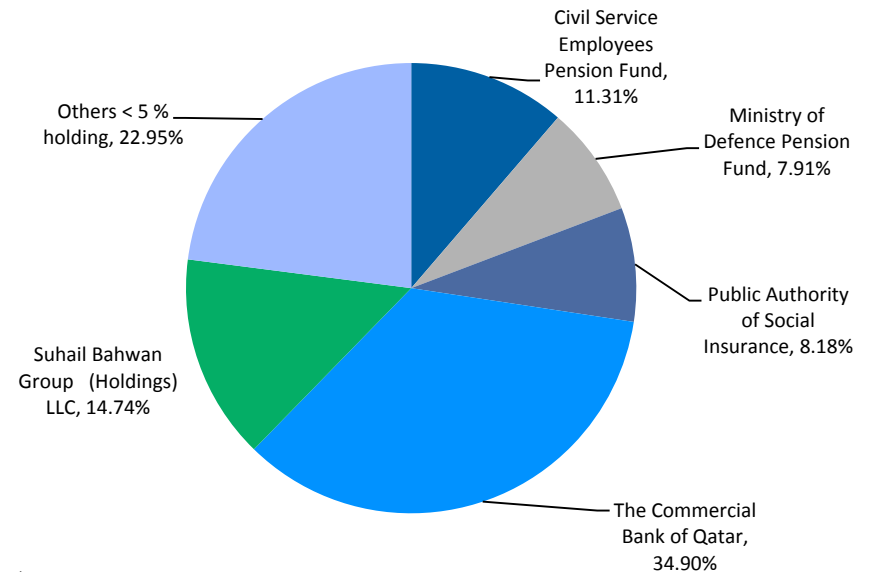
- National Bank of Oman SAOG (“NBO” or the “Bank”) was the **first incorporated Bank** in the Sultanate of Oman (“Oman”) - established in 1973 as a joint stock company, providing conventional and Islamic banking services
- The Bank’s shares are listed on the Muscat Securities Market (“MSM”)
- The Bank has 1,563 employees as at 31st December 2018 and is the **third largest bank** by total assets in Oman accounting to US\$ 9.2 billion, as at 31st December 2018
- As at 31st December 2018, NBO serves approximately more than **half million retail customers** and **25,000 corporate and SME customers**. NBO has 66 branches and 264 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 December 2018, NBO had approximately **10.70% market share** in loans and **11.20% 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
 - “Excellence in Mobile Banking” by Oman Banking & Finance Awards, powered by Oman Economic Review in 2018

Credit Rating



Rating Agency	Date	Long-term Rating	Outlook
MOODY’S	March 2019	Ba1	Negative
FitchRatings	May 2018	BB+	Negative

Ownership (as at 31st Dec 2018)



Source: Prospectus

Key Financials

US\$ in Millions	2014	2015	2016	2017	2018
Total Assets	7,730	8,476	9,176	9,014	9,280
Net Loans	6,018	6,582	6,936	6,893	7,298
Deposits	5,656	5,844	6,232	6,393	6,370
Total Operating Income	297	353	354	343	335
Net Income	131	156	145	114	131
Tier 1	12.30%	16.3%	16.0%	16.1%	15.2%
Total CAR	14.60%	18.2%	17.4%	17.3%	16.3%
Loans to Deposit Ratio	106.40%	112.6%	111.3%	107.8%	114.6%
NPL Ratio	2.00%	1.9%	2.2%	3.5%	4.8%
Cost/Income	47.6%	44.2%	46.0%	48.8%	47.9%

Key Highlights

Strong and Established Franchise Delivering a Superior Customer Experience

<p>Strong and Growing Franchise</p>	<ul style="list-style-type: none"> Founded in 1973 and is the oldest bank operating in Oman Long term relationships with prominent companies, Government related entities and individuals 	<p>536k customers</p>	<p>Presence in 3 countries</p>	<p>66 branches across Oman</p>	<p>264 ATMs and CCDMs in Oman</p>	<p>1,563 employees</p>
<p>Strong Profitability Profile Among Peers</p>	<ul style="list-style-type: none"> NBO's Net Interest Margin ("NIM") is 3.10% as at December 2018, is among the highest margins among its peer group The Bank has a healthy Income-to-Asset Ratio⁽¹⁾ of 3.7% (Dec 2018) 	<p>Income-to-Asset Ratio⁽¹⁾</p> <p>Net Interest Margin (2018)</p>				
<p>Offering Superior Customer Experience</p>	<ul style="list-style-type: none"> 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 	<p>Over 60% of customer transactions done using digital solutions</p> <p>Customers using digital channels increased by >90% in 2017</p> <p>First bank in Oman to implement mobile banking services and adopted "Mobile First" approach</p>				
<p>Sound Capitalization and Liquidity</p>	<ul style="list-style-type: none"> Strong capitalization with total CAR of 16.3% as at December 2018 offering room for growth As at December 2018, NBO's Net Stable Funding Ratio ("NSFR") and Liquidity Coverage Ratio ("LCR") was at 106% and 262% respectively 	<p>Total CAR (2018)</p> <p>Dividend Payout Ratio</p>				
<p>Consistent shareholder value delivery</p>	<ul style="list-style-type: none"> 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. 	<p>UAE – Oman Total Trade Flow⁽²⁾ (US\$bn)</p> <p>Oman Trade Activity Globally and with UAE in 2017⁽²⁾</p>				
<p>Leveraging the UAE Presence as an Emerging Trade Corridor</p>	<ul style="list-style-type: none"> Banking license in the UAE; Oman's largest trade partner Diversification plans to focus UAE operations on trade opportunities between Oman and UAE 	<p>>28% ownership by the Government of Oman</p> <p>Substantial stable and low cost deposits</p> <p>High likelihood of support from the Omani Government</p>				
<p>Shareholder Support</p>	<ul style="list-style-type: none"> Strong relationship with the Government on the back of the 27.40% ownership (as at 31st December 2018) Access to stable, significant and low cost deposits from Government and Government related entities 					

Note (1): Income-to-Asset Ratio: Interest Income plus Other Operating Income divided by Total Assets
 Note (2): Source, National Centre for Statistics and Information, Jan 2019

Strong Ratings Profile

Benefiting from a Solid Domestic Franchise and Strong Shareholder Support

MOODY'S

"National Bank of Oman Limited (SAOG)'s (NBO) Baa3 long-term deposit rating incorporates a two-notch uplift from the bank's ba2 Baseline Credit Assessment (BCA) and adjusted BCA, based on our assessment of a very high likelihood of support from the Government of Oman (Baa3 negative) in case of need. This assessment reflects the government's 26.9% direct and indirect ownership stake in NBO, the bank's importance to the local financial system (12% market share in deposits), the large government-related deposits in the bank and the Omani authorities' track record of supporting banks"

"The bank's ba2 BCA reflects its sound capitalisation and healthy profitability, which reflect its established domestic franchise."

"We expect the bank's risk-weighted capitalisation to remain sound, in line with the Central Bank of Oman's requirement for a phased in implementation of the Basel III capital conservation buffer (2.5% of the Common Equity Tier 1 capital ratio) over 2014-19. We expect NBO to be able to meet these future capital requirements through retained profit, supported by stable capital retention (42% dividend payout ratio in 2017)."

"The bank's concentrated funding, with high reliance on deposits from the government and government-related issuers, exposes it to potential funding volatility in the context of strained government finances. However, such deposits have, so far, remained broadly stable at the banking system level (34% of system deposits as of December 2017), reflecting the government's policy to borrow from the banks rather than withdrawing deposits."

Moody's (March 2018)

FitchRatings

"NBO has a moderate franchise as the third-largest bank in Oman with an even split between corporate and retail lending. NBO's brand and sound domestic branch network underpin the bank's distribution capabilities."

The bank's executive management team has a strong knowledge and experience in Oman, which supports NBO's domestic strategy. In February 2018, a new acting CEO was appointed. Fitch does not expect there to be any succession issues as the acting CEO has held many senior positions in the bank and was responsible for formulating the bank's most recent strategic direction."

Fitch (May 2018)

"NBO's VR reflects a solid franchise in Oman, the depth, stability and experience of upper management, and less loan concentration compared with peers. We expect some pressure on asset quality from the operating environment, which could lead to higher loan impairment charges. However, NBO's cost efficiency and high net interest margins are likely to support profitability"

"The Fitch core capital (FCC) ratio is only adequate. However, measured risk appetite and growth targets underpin satisfactory regulatory capital buffers. The VR also factors in the bank's adequate and stable liquidity and diversified funding compared with some peers."

Fitch (December 2017)

"NBO's VR benefits from its solid franchise in Oman. It also reflects the depth, stability and experience of senior management, in addition to good execution of the bank's strategy."

"The impaired loans ratio is fairly stable and loan concentration is lower than domestic peers."

"NBO has a stable and sound CASA and retail deposit base. Deposits are well diversified relative to domestic peers. The liquidity position is stable and adequate."

Fitch (July 2017)

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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	4.64 million (2018)
Credit Rating	Moody's: Baa3 (Negative); S&P: BB (Stable); and Fitch: BB+(Stable)
Nominal GDP	US\$ 81.7 billion (2018, IMF Estimate)
GDP per Capita	US\$ 17,607 (2018, derived from IMF Estimate 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.

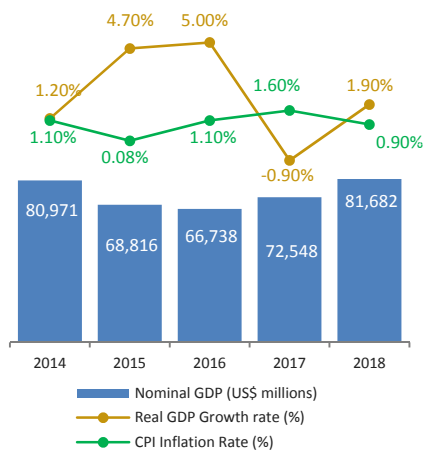
"They don't need support at all this year and next year," a credit analyst at S&P Global Ratings, said in an interview in Dubai. "They're going ahead with fiscal consolidation, their fiscal position is improving"

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

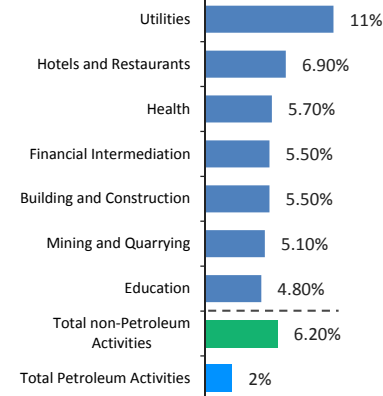
Positive GDP Growth



Source: Central Bank of Oman, IMF data

.. with Non-hydrocarbon sectors having the fastest growth

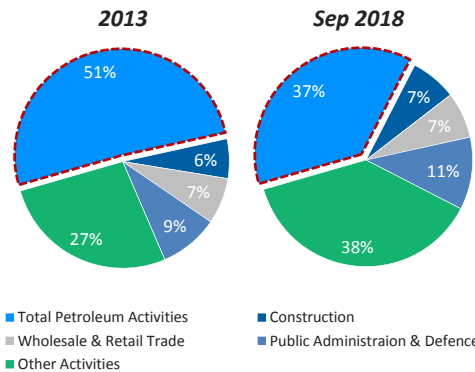
Real CAGR of selected sectors, 2011-2016



Source: National Center for Statistics & Information

.. leading to a more diversified economy

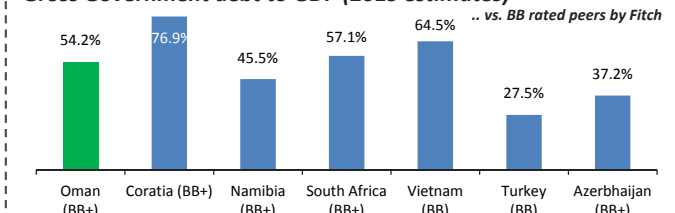
GDP composition



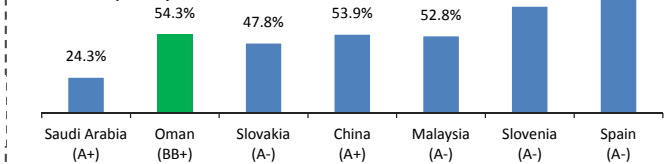
Source: National Centre for Statistics and Information

Manageable Debt to GDP Levels as Compared to Peers

Gross Government debt to GDP (2019 estimates)



.. vs. A rated peers by Fitch



Source: IMF World Economic Database, April 2018

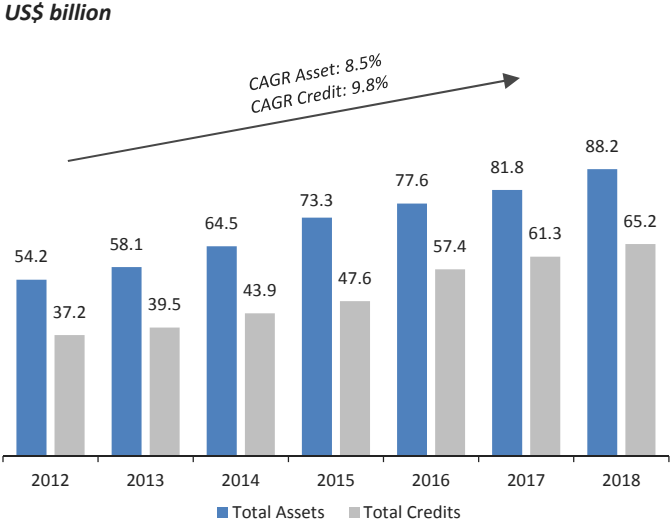
The Oman Banking Sector

Well-capitalized, Liquid and Stable Operating Environment

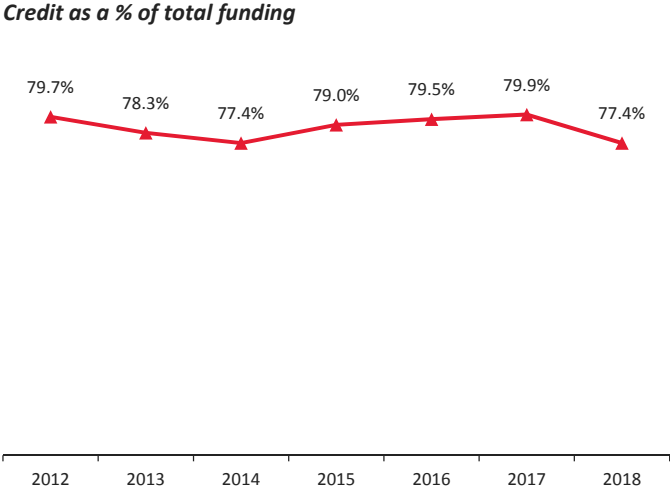
Overview

- 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 because of conservative and stringent regulations.

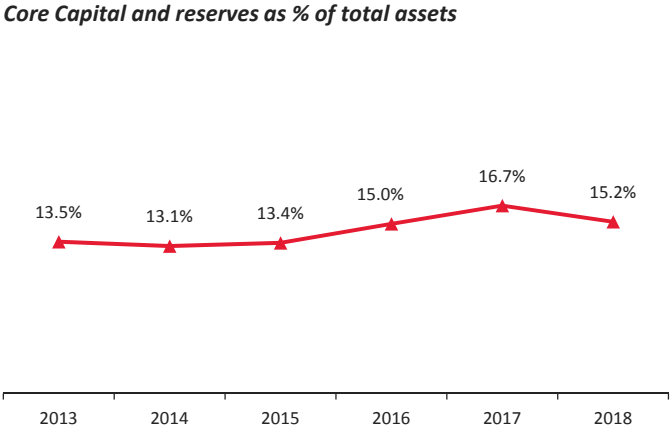
In 2018, total banking sector assets increased by 7.82%



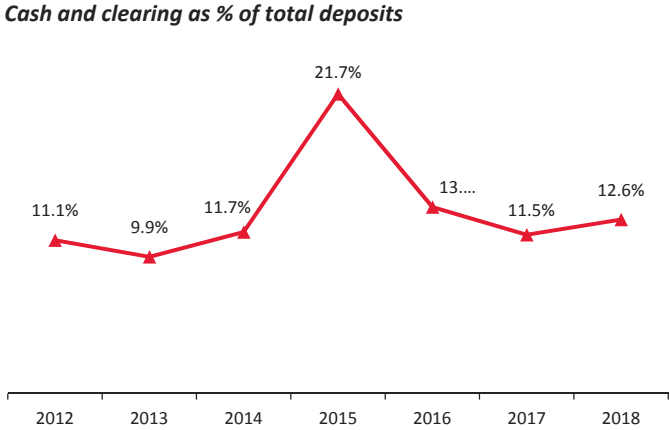
.. and credit continues to rise relative to deposits



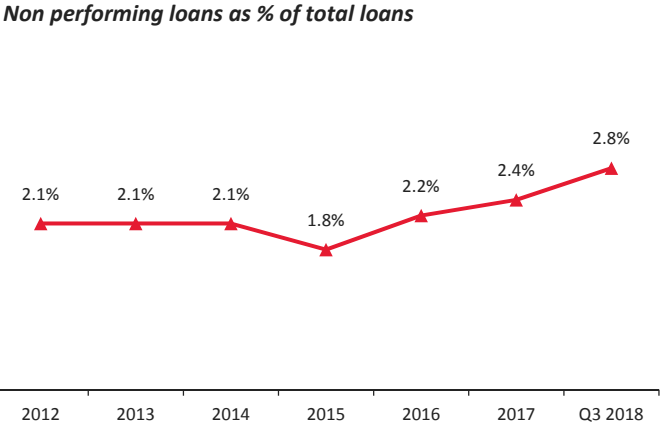
Banks in Oman are well capitalized



.. with adequate liquidity



.. and stable asset quality

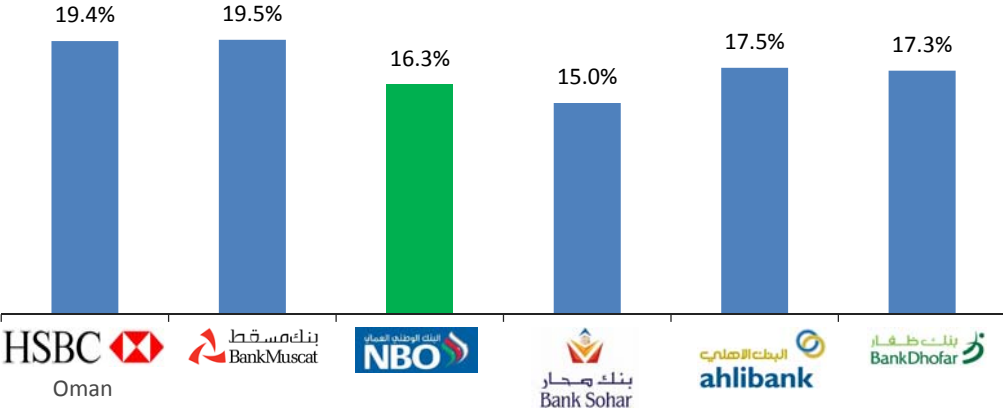


Source: Central Bank of Oman & Bloomberg

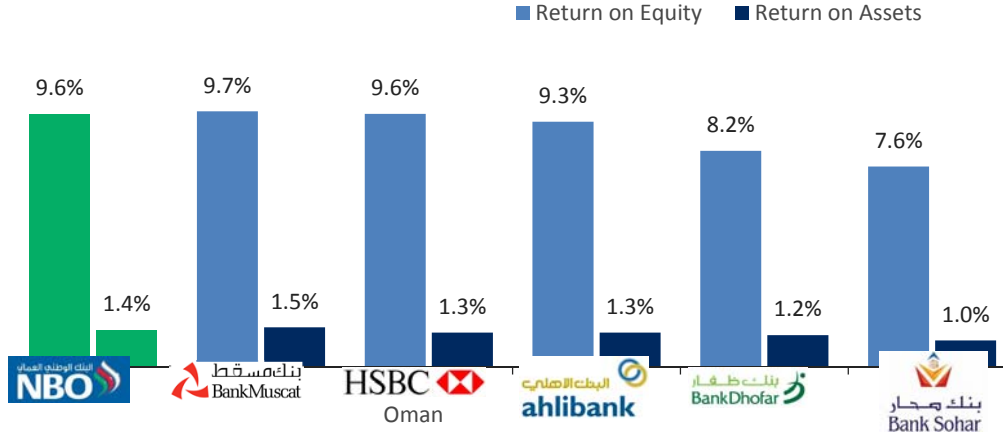
The Oman Banking Sector

Peer Benchmarking

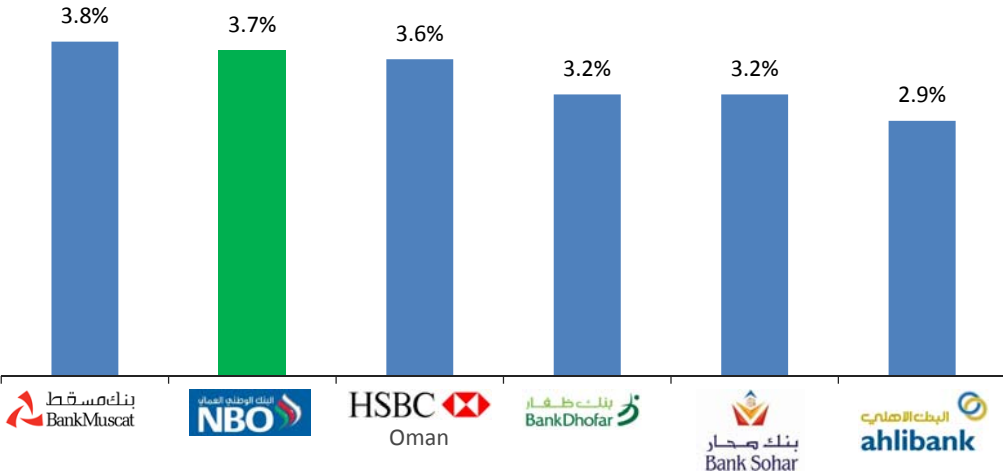
Capital Adequacy Ratio (2018)



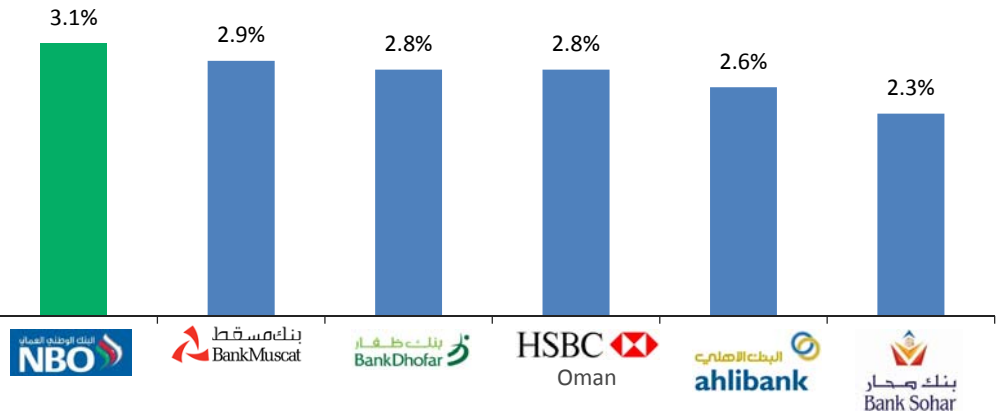
Return on Average Equity and Return on Average Assets (2018)



Income to Average Assets (2018)



Net Interest Margins (2018)



Source: Financial Statements and National Bank of Oman;
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



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

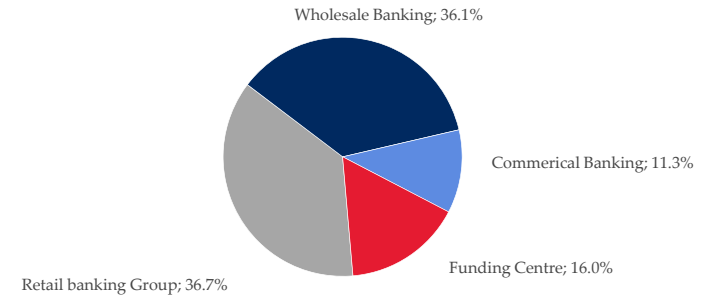
- .. while Improving Operational Efficiency**
 - Significant investments in technology to increase adoption, by customers, of the more efficient digital channels
 - Continue to develop flexible and more cost effective distribution channels
 - Invest in automation and straight through processing of critical 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

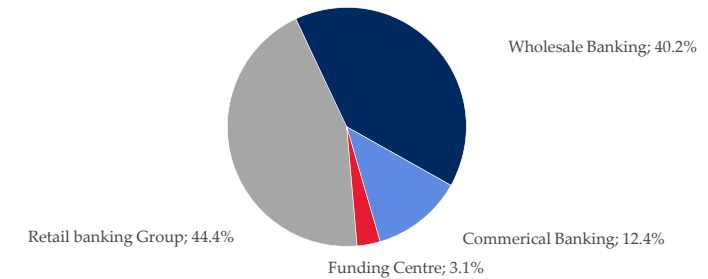
Business Lines		Key Highlights	Asset Contribution ⁽¹⁾	Operating Income Contribution ⁽¹⁾
Retail Banking		<ul style="list-style-type: none"> Primarily positioned as the Bank of choice for Omani nationals Over half a million retail customers Strong emphasis on technology: innovative and advanced digital banking capabilities 	<ul style="list-style-type: none"> US\$ 3.4bn – 36.7% of total assets 	<ul style="list-style-type: none"> US\$ 149m – 44.4% 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 – 36.1% of total assets 	<ul style="list-style-type: none"> US\$ 135 m – 40.2% 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 – 11.3% of total assets 	<ul style="list-style-type: none"> US\$ 41m – 12.4% 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 – 16.0% of total assets 	<ul style="list-style-type: none"> US\$ 10m – 3.1% of operating income

Asset Contribution ⁽¹⁾



Total: US\$ 9.3bn

Operating Income Contribution ⁽¹⁾



Total: US\$ 335m

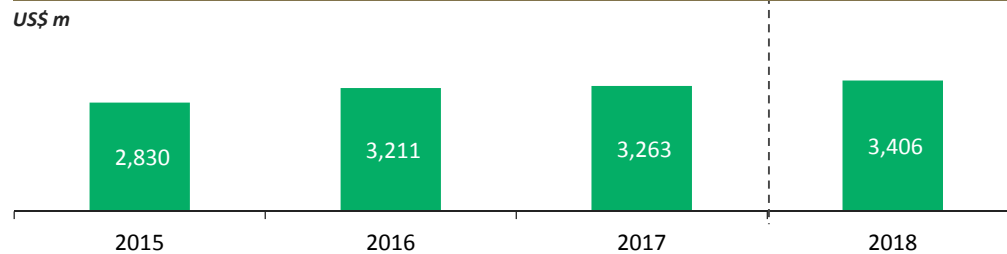
(1) As of Dec 31, 2018;

Retail Banking Group

Overview

- Primarily positioned as the bank of choice for Omani nationals with the retail customer portfolio split as: 55.6% Omani nationals and 44.2% expatriates.
- Consistent 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
- Focus on 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 resulting in exercising 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 and 2018, it organized 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 Dec 2018, the Bank had a network of 66 branches operating in Oman, 190 automatic teller machines ("ATMs") and 74 cash and cheque deposit machines ("CCDMs") and provided banking services to more than half a million customers

Asset Growth



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

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 Dec 31, 2018, total deposits amounted to US\$ 6.4bn with 40.7% as time deposits, 23.8% as savings deposits and 35.5% as current and call accounts

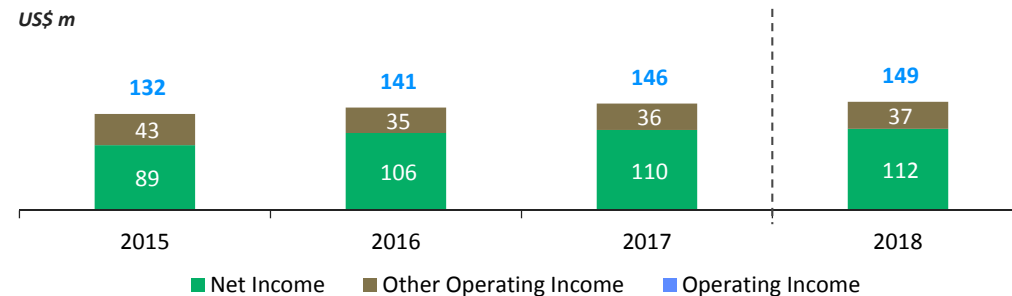
Lending

- 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 Dec 31, 2018, 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 e.g.. 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

Operating Income ⁽¹⁾



■ Net Income ■ Other Operating Income ■ Operating Income

Wholesale Banking Group

Corporate Banking

- Corporate Banking Division is a part of the Wholesale Banking Group
- It delivers financial solutions and corporate credit facilities tailored to meet the needs of every type of corporate customer
- Employs seasoned 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 Dec 2018, the Bank provided banking services to c. 8,500 corporate customers

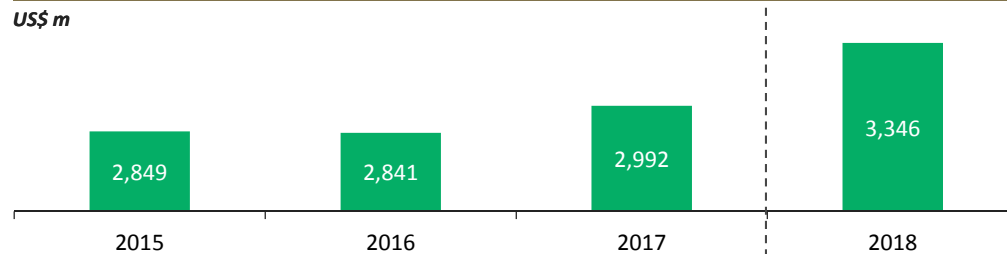
Investment Banking

- 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

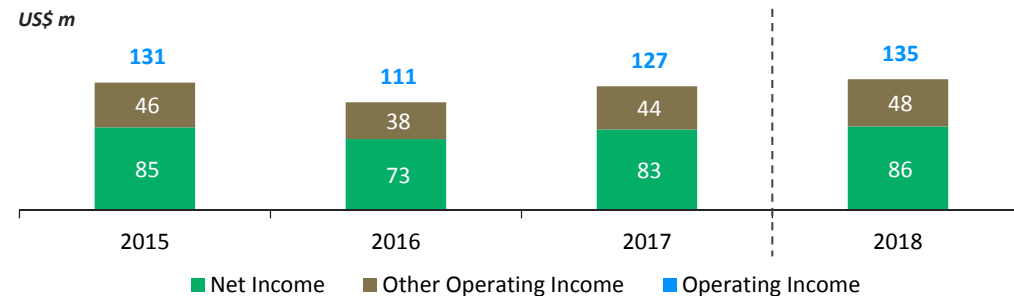
Treasury & International Banking

- 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

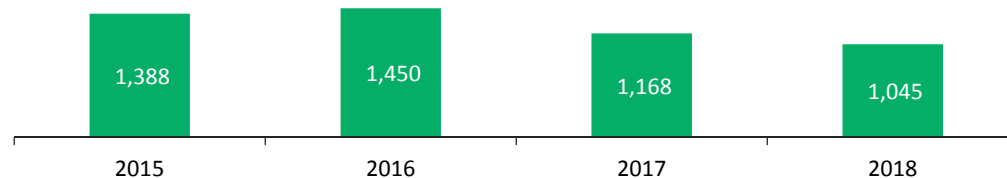
- Focused on products, brands, channels and services custom-made for SME customers
- In 2013, SME banking division offering products & services was introduced under "Tijarati" brand
- Existing retail branch network is used to strengthen SME offerings by providing SME customer service representatives within branches
- Corporates with turnover < OMR 3m are classified as SMEs
- As at 31 Dec 2018, provides banking services to over 15,000 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 Dec 2018, the Bank has opened six dedicated Islamic banking branches

Total Assets

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

3 Business Banking

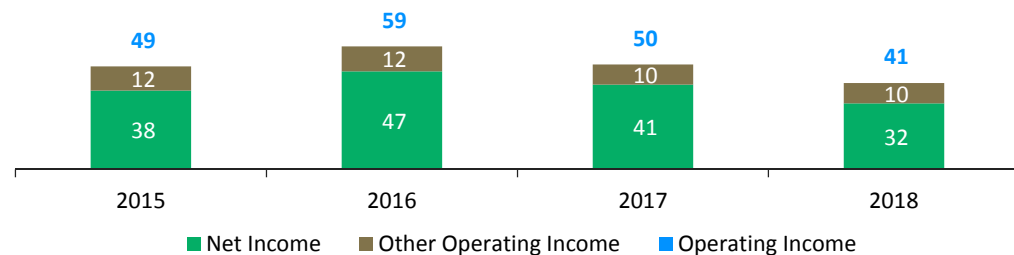
- Caters to mid-sized corporate entities between large corporates and SMEs
- In 2012, mid-sized corporate offering was re-launched with the implementation of a specific mid-sized corporate banking sub-division
- Offers tailor-made services to mid-sector companies whose banking requirements differ from those of larger corporates
- Corporates with turnover between OMR 3m and OMR 12.5m are classified as mid-corporate customers
- As at 31 Dec 2018, provides banking services to around 850 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 Dec 2018, international operations accounted for 3.5% of total assets

Operating Income ⁽¹⁾

US\$ m



■ Net Income ■ Other Operating Income ■ Operating Income

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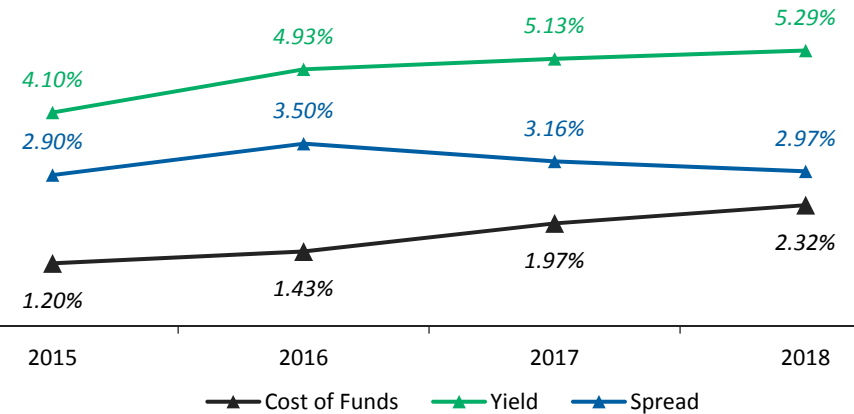
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Operating Performance

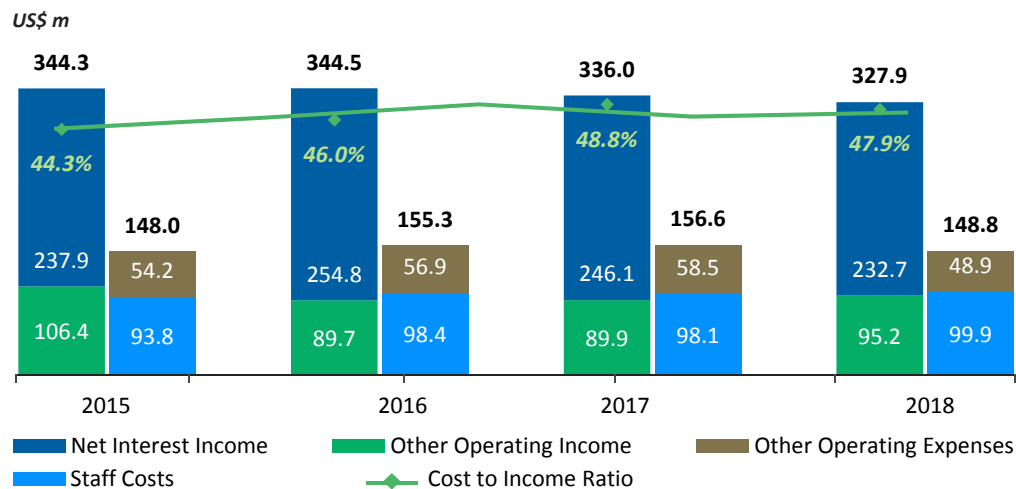
Overview

- 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 11.8% in 2018 (ex UAE operations constituting 97% of bank's assets)

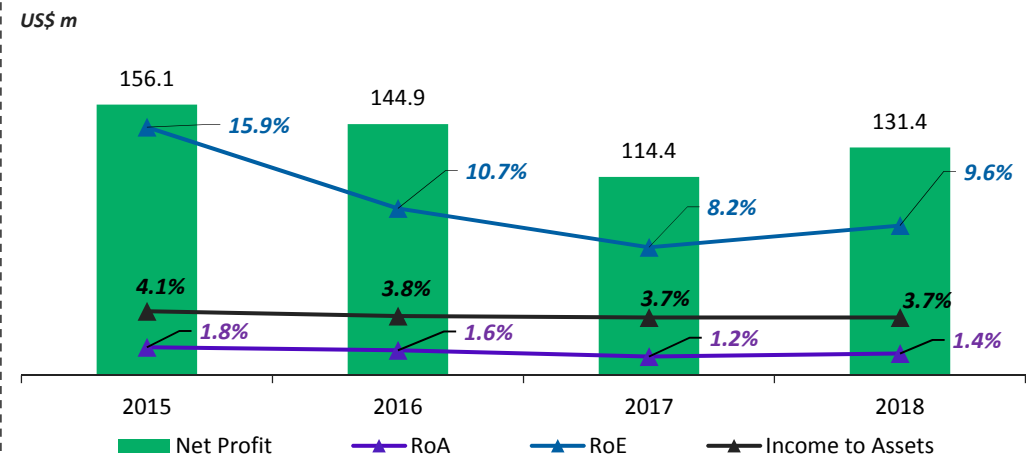
Net Interest Margin



Operating Income Composition



Profitability



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

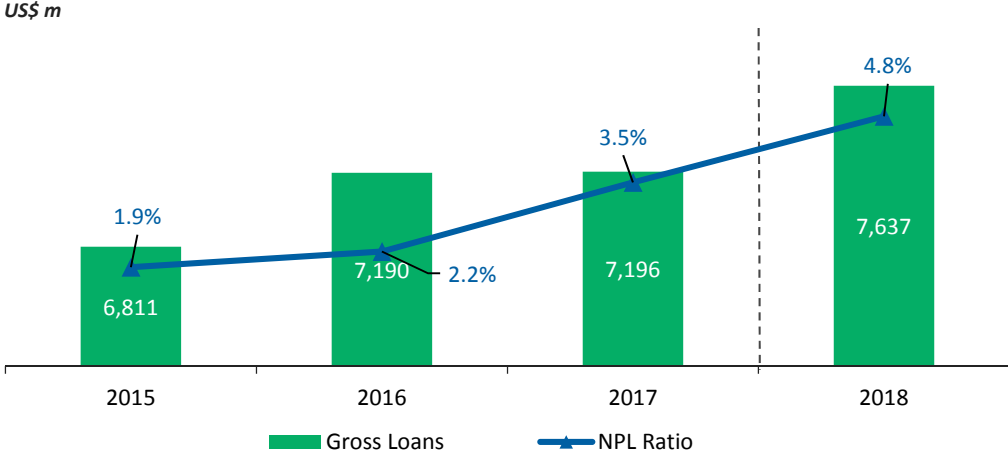
Note: Income-to-Assets Ratio: Interest Income plus Other Operating Income divided by Total Assets

Asset Quality

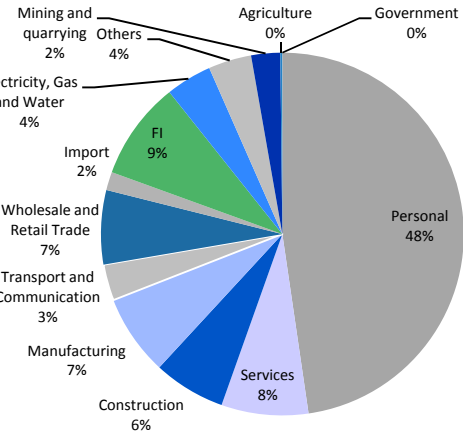
Overview

- Increase in net loans as of Dec 31, 2018 was primarily owing to the increase in both retail and corporate loans partially offset by increase in credit allowances due to IFRS 9 adoption
- Sustainable loan book growth of 4.2% in Oman (US\$ 6.6 from US\$ 6.3bn) despite UAE loan book reducing from US\$ 528m to US\$ 280m (Dec 2018 vs. Dec 2017 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 91.5% coverage of Bank's non-performing loans (Dec 31, 2018)

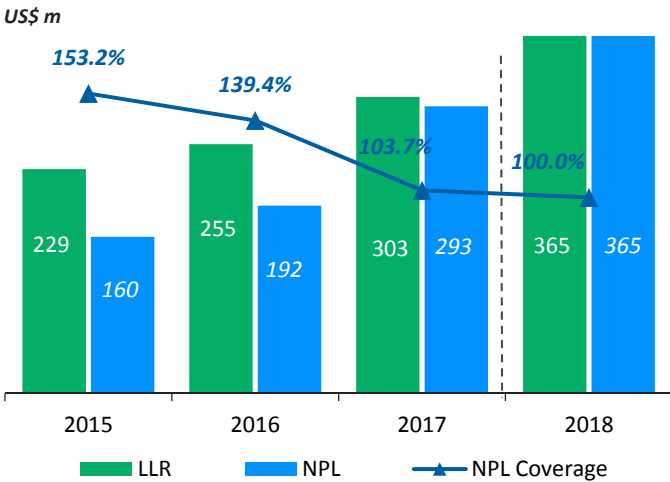
Loan Growth



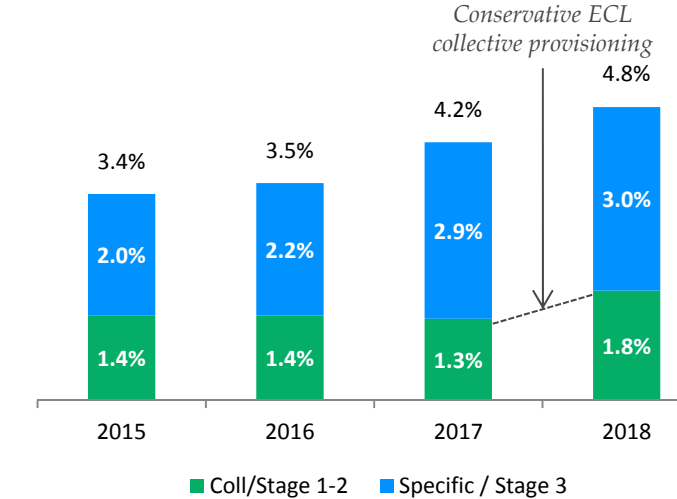
Gross Loans – Sector Breakup (Dec 31, 2018)



Impaired Assets and Provisioning



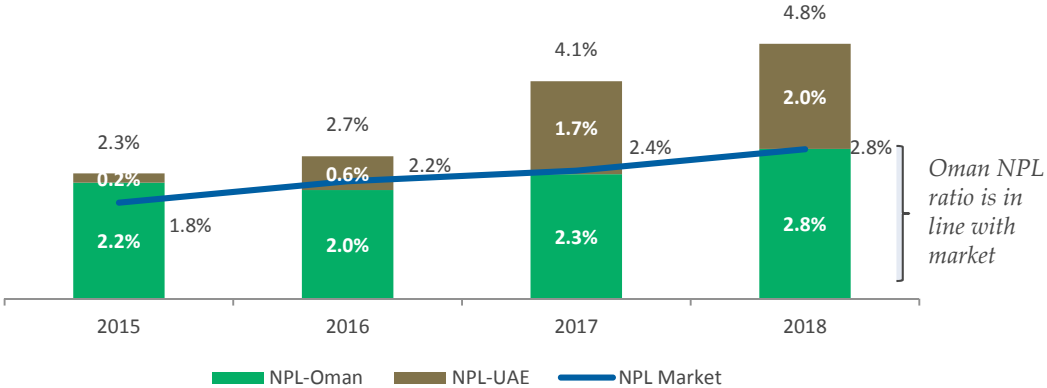
Loss provision held as % of Total Loans



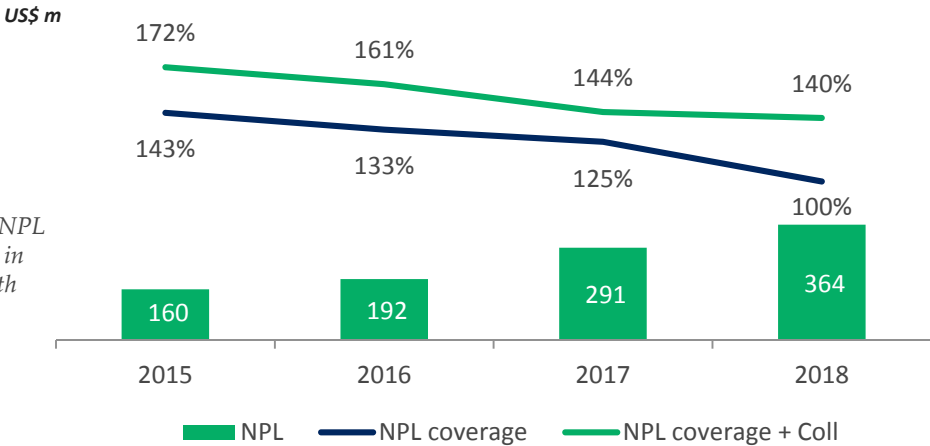
Source: National Bank of Oman and financial statements
1US\$ = OMR 0.3850

Asset Quality

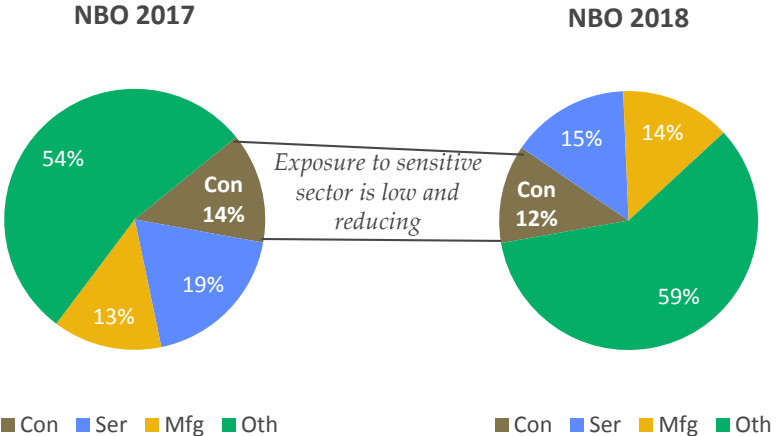
NPL Ratio contribution by country



NPL & collateral coverage

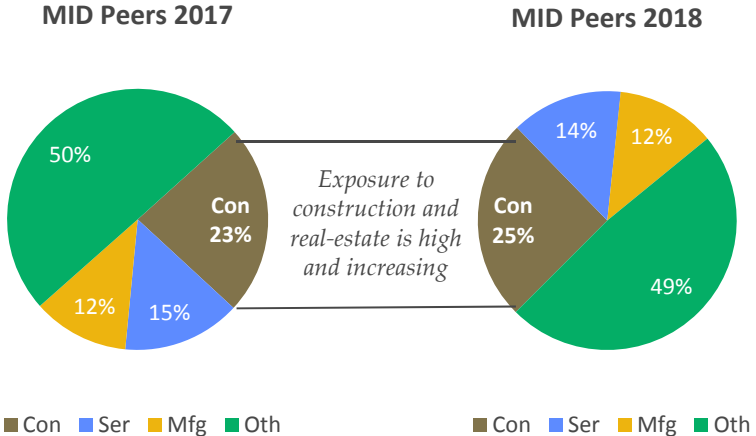


Corporate asset composition NBO



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

Corporate asset composition MID Peers



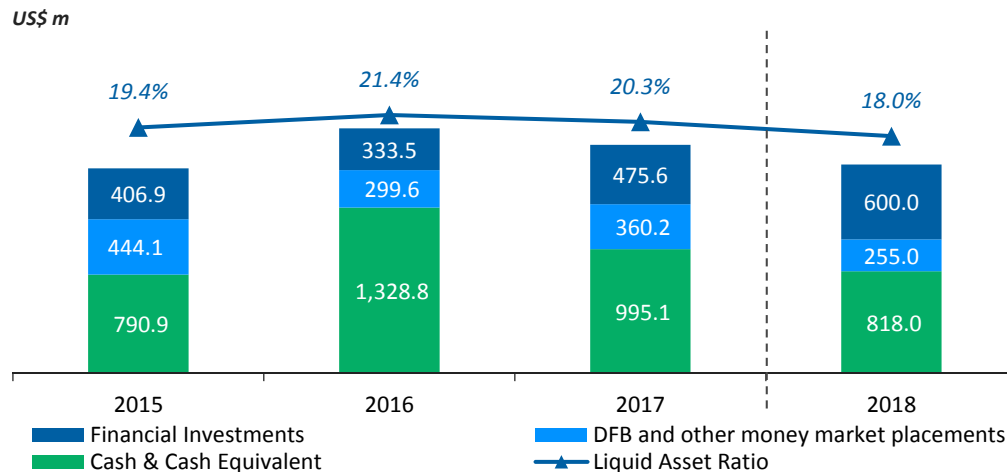
Source: National Bank of Oman and financial statements
1US\$ = OMR 0.3850

Capitalization, Funding and Liquidity

Overview

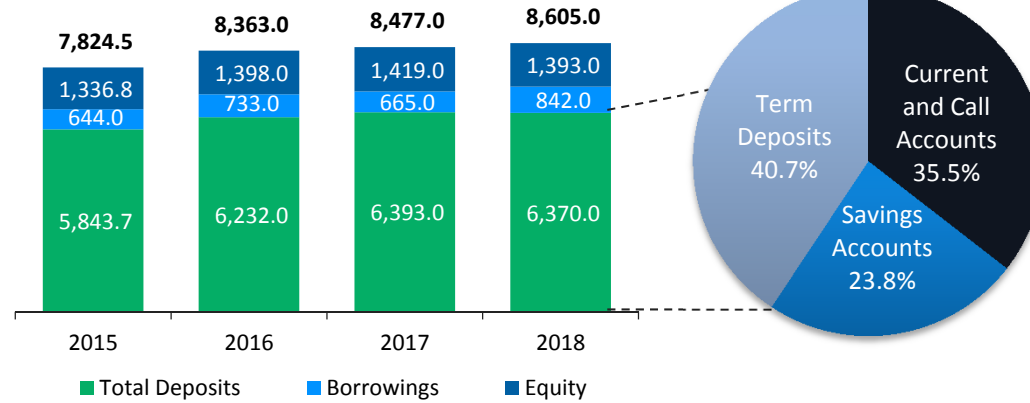
- Low cost deposits from Government-related entities (12.5% of total deposits as of Dec 31, 2018) has contributed to stability of banks' deposit base and lower cost of funds for the Bank
- Decline in equity in Dec 2018 vs. Dec 2017 is primarily due to IFRS 9 adjustments
- Decrease in cash balance with 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 18.0% of total assets and a high liquidity coverage ratio of 262% (Dec 2018)
- Adequate capitalization levels of 16.3% (Dec 2018 excluding interim profits) vs. minimum total capital adequacy ratio of 12.875% (Central Bank of Oman guidelines)

Liquid Assets

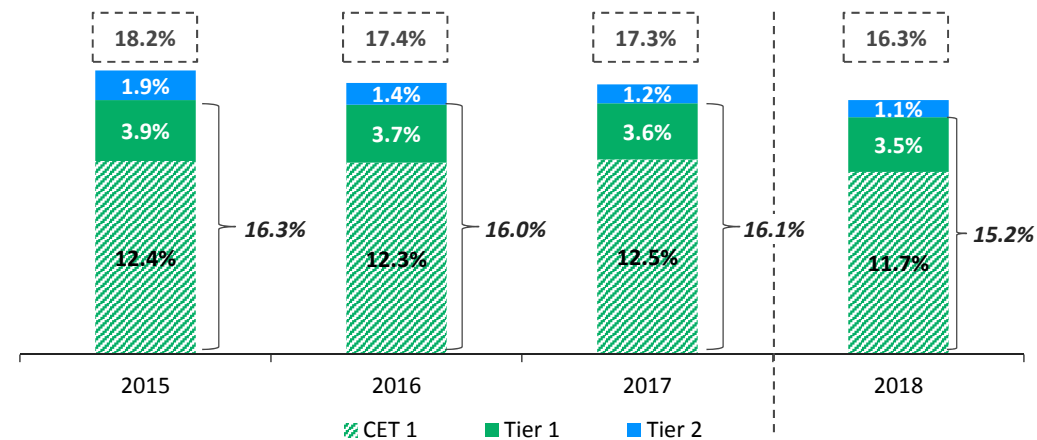


Funding Mix

US\$ m



Capitalization



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

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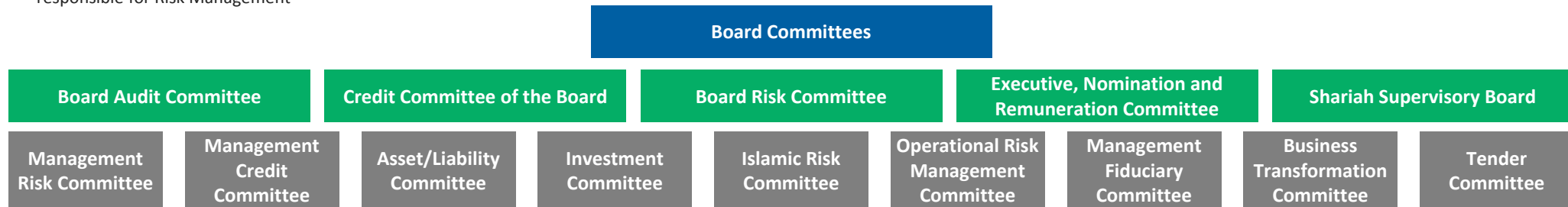
Risk Management Framework

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 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 December 2018	As at 31 December 2017	As at 31 December 2016
Assets			
Cash and balances with Central Banks	818,325	995,094	1,328,816
Due from banks and other money market placements (net)	254,712	360,182	299,558
Loans, advances and financing activities for customers (net)	7,297,940	6,893,171	6,935,795
Financial investments	600,387	475,636	333,462
Premises and equipment	167,169	170,896	120,377
Other assets	141,783	118,922	157,792
Total assets	9,280,316	9,013,901	9,175,800
Liabilities			
Due to banks and other money market deposits	405,062	326,642	585,026
Customers' deposits and unrestricted investment accounts	6,369,823	6,392,901	6,232,107
Euro medium term notes	797,787	599,756	605,468
Other liabilities	242,945	190,512	207,953
Taxation	27,062	20,301	19,236
Subordinated debt	44,156	64,935	127,532
Total liabilities	7,886,835	7,595,047	7,777,322
Equity			
Share capital	422,325	402,213	383,060
Share premium	89,519	89,519	89,519
Legal reserve	140,774	134,070	127,686
Other non-distributable reserves	42,964	61,010	119,990
Proposed cash dividend	67,571	60,332	60,982
Proposed stock dividend	-	20,112	19,153
Retained earnings	330,328	351,598	298,088
Total shareholders' equity attributable to the equity holders of the bank	1,093,481	1,118,854	1,098,478
Tier 1 perpetual bond	300,000	300,000	300,000
Total equity	1,393,481	1,418,854	1,398,478
Total liabilities, subordinated debt and equity	9,280,316	9,013,901	9,175,800

Income Statement

<i>Amounts in USD '000</i>	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest income	396,506	389,288	354,434
Interest expense	(163,810)	(143,145)	(99,613)
Net interest income	232,696	246,143	254,821
Other operating income	95,158	89,862	89,735
Income from Islamic finance and investment activities	16,296	15,138	12,974
Unrestricted investment account holders share of profit	(9,047)	(7,951)	(3,990)
Net income from Islamic financing and Investment activities	7,249	7,187	8,984
OPERATING INCOME	335,103	343,193	353,540
Staff costs	(99,886)	(98,125)	(98,395)
Other operating expenses	(48,906)	(58,514)	(56,930)
Depreciation	(11,577)	(10,940)	(7,439)
Total operating expenses	(160,369)	(167,579)	(162,764)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX	174,734	175,614	190,776
Credit loss expense - customers' loan	(48,021)	(65,229)	(51,029)
Recoveries and releases from provision for credit losses	11,751	7,810	6,673
Recoveries from loans and advances written off	17,075	16,805	18,678
Credit Losses on Investments	(231)	-	-
Impairment losses on available for sale investments	-	(1,787)	(545)
Credit loss (expense) / write back - bank loans	213	(68)	161
TOTAL IMPAIRMENT LOSSES (NET)	(19,213)	(42,469)	(26,062)
PROFIT BEFORE TAX	155,521	133,145	164,714
Taxation	(24,073)	(18,792)	(19,834)
PROFIT FOR THE YEAR	131,448	114,353	144,880
OTHER COMPREHENSIVE INCOME			
Net movement on FVOCI investments	(5,673)	(11,473)	(2,450)
Impairment losses on available-for-sale investments already recognized in comprehensive income	-	1,787	(545)
Tax effect of net results on FVOCI financial investments	(244)	317	(174)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR	(5,917)	(9,369)	(3,169)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR.	125,531	104,984	141,711

Thank You

Investor Presentation

National Bank of Oman

March 2019