

Investor Presentation

National Bank of Oman

September 2018



- **National Bank of Oman Introduction**

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

National Bank of Oman Introduction

The First Omani Commercial Bank

Overview

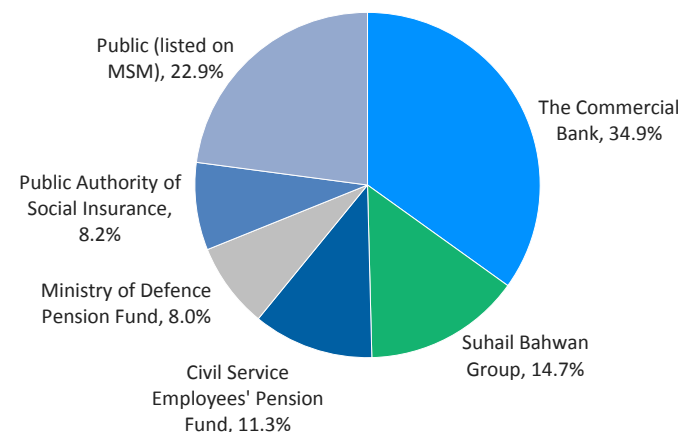
- National Bank of Oman SAOG (“NBO” or the “Bank”) was the **first incorporated Bank** in the Sultanate of Oman (“Oman”) - established in 1973 as a joint stock company, providing conventional and Islamic banking services
- The Bank’s shares are listed on the Muscat Securities Market (“MSM”)
- The Bank has 1,510 employees as at 30 June 2018 and is the **third largest bank** by total assets in Oman accounting to US\$ 8.9 billion, as at 30 June 2018
- As at 30 June 2018, NBO serves approximately **491,785 retail customers** and **24,282 corporate and SME customers** via 66 branches and 213 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 31 March 2018, NBO had approximately **11.18% market share** in loans and **11.65% market share** in deposits in Oman
- The Bank has won awards for excellence in banking from a number of Government and other private sector bodies, recognizing the Bank’s contribution to the development of the banking sector in Oman:
 - Best Retail Bank in Oman for 2017 by The Asian Banker’s Middle East and Africa Regional Awards Programme 2017
 - Best Islamic Bank in Oman for 2017 by Islamic Finance News Awards

Credit Rating



Rating Agency	Date	Long-term Rating	Outlook
MOODY'S	March 2018	Baa3	Negative
FitchRatings	May 2018	BB+	Negative

Ownership (as at 30 June 2018)



Source: Prospectus

Key Financials

US\$ millions	2015	2016	2017	H1 2018
Total Assets	8,476	9,176	9,014	8,958
Net Loans	6,582	6,936	6,893	6,928
Deposits	5,844	6,232	6,393	6,460
Total Operating Income	353	354	343	165
Net Income	156	145	114	66
Tier 1 Ratio	16.3%	16.0%	16.1%	15.2%
Total CAR	18.2%	17.4%	17.3%	15.9%
Loans to Deposit Ratio	112.6%	111.3%	107.8%	107.2%
NPL Ratio	1.9%	2.2%	3.5%	3.8%
Cost/Income	44.2%	46.0%	48.8%	47.5%

Key Investment Highlights

Strong and Established Franchise Delivering a Superior Customer Experience

Strong and Growing Franchise

- Founded in 1973 and is the oldest bank operating in Oman
- Long term relationships with prominent companies, Government related entities and individuals

491k customers

Presence in 3 countries

66 branches across Oman

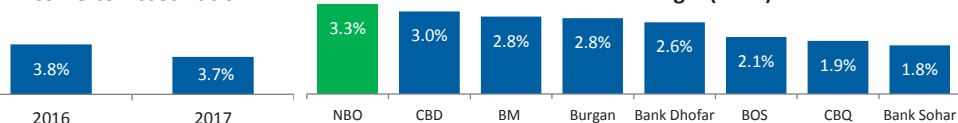
213 ATMs and CCDMs in Oman

1,510 employees

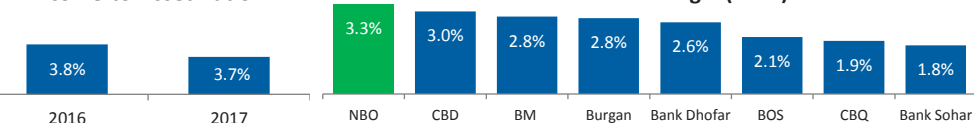
Strong Profitability Profile Among Peers

- NBO's Net Interest Margin ("NIM") is 3.30% as at December 2017 (3.20% as at 30 June 2018) is among the highest margins among its peer group
- The Bank has a healthy Income-to-Asset Ratio⁽¹⁾ of 3.7% (Dec 2017)

Income-to-Asset Ratio⁽¹⁾



Net Interest Margin (2017)



Offering Superior Customer Experience

- Significant investments in technology to offer customers more efficient digital channels
- Generate and manage a line of innovative solutions to increase range of products and services

Over 60% of customer transactions done using digital solutions

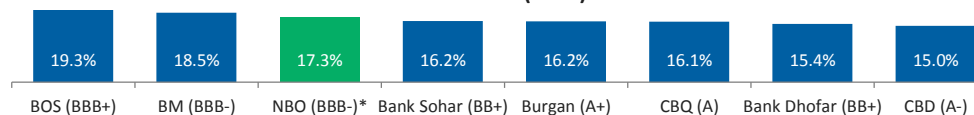
Customers using digital channels increased by >90% in 2017

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

Sound Capitalization and Liquidity

- Strong capitalization with total CAR of 17.3% as at December 2017 (15.9% as at 30 June 2018) offering room for growth
- As at December 2017, NBO's Net Stable Funding Ratio ("NSFR") and Liquidity Coverage Ratio ("LCR") was at 110% and 280% respectively

Total CAR (2017)



Experienced Management and Board

- Seasoned management with significant banking experience and a strong and influential board

11 Board members; all non-executive including 5 independent member

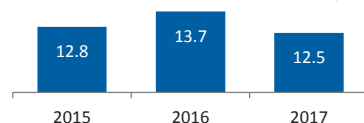
Experienced management team with several years of work experience

Supported by 5 Board committees and 10 management committees

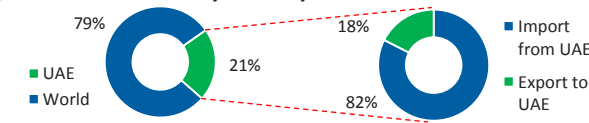
Leveraging the UAE Presence as an Emerging Trade Corridor

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

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



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



Shareholder Support

- Strong relationship with the Government on the back of the 27.5% ownership (as at 30 June 2018)
- Access to stable, significant and low cost deposits from Government and Government related entities

>27% ownership by the Government of Oman

Substantial stable and low cost deposits

High likelihood of support from the Omani Government

Note (1): Income-to-Asset Ratio: Interest Income plus Other Operating Income divided by Total Assets

Note (2): Source, Bloomberg as at September 2018

Note (*): NBO was rated BBB- by Fitch by end of 2017. As at May 2018, NBO's Fitch rating is BB+

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 4.6 million, with Omani nationals comprising 2.6 million and expatriates comprising 2.0 million of the overall figure
- Oman's economy is expected to grow faster this year and next year as 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 neighbors 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	4.6 million (H1 2018)
Credit Rating	Moody's: Baa3 (Negative); S&P: BB (Stable); and Fitch: BBB- (Negative)
Nominal GDP	US\$ 72.5 billion (2017, Central Bank of Oman)
GDP per Capita	US\$ 15,668 (2017, World Bank)
Current Account Deficit forecast	c. 10.4% of GDP (2018, World Bank estimate)

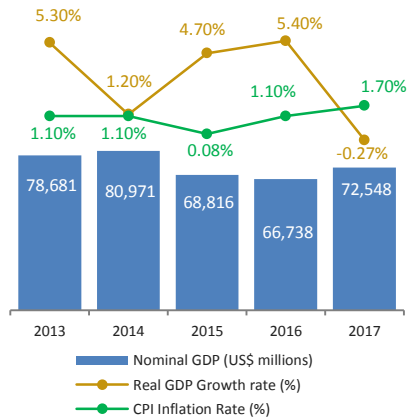
Sultanate of Oman



Source: World Bank, Central Bank of Oman

Healthy Macroeconomic Conditions with a well defined Economic Diversification Plan

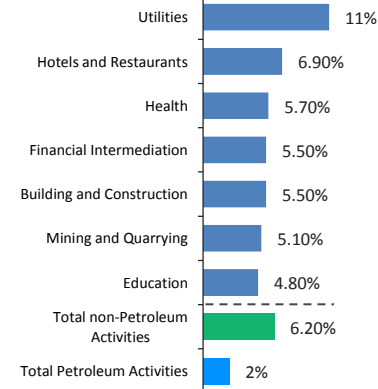
Positive GDP Growth



Source: Bloomberg, Central Bank of Oman

.. with Non-hydrocarbon sectors having the fastest growth

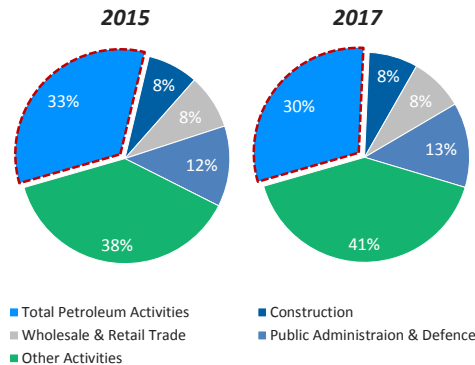
Real CAGR of selected sectors, 2011-2016



Source: National Center for Statistics & Information

.. leading to a more diversified economy

GDP composition

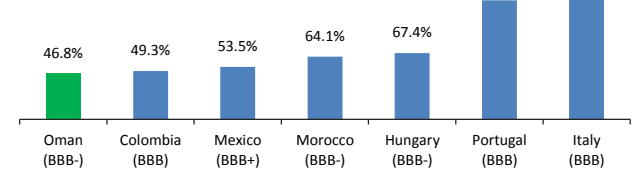


Source: Central Bank of Oman

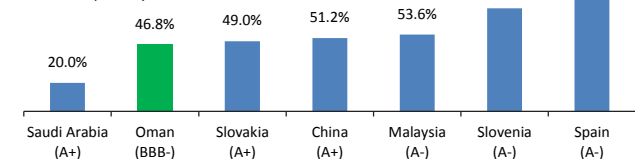
Manageable Debt to GDP Levels as Compared to Peers

Gross Government debt to GDP (2018 estimates)

.. vs. BBB rated peers by Fitch



.. vs. A rated peers by Fitch



Source: IMF World Economic Database, April 2018

The Oman Banking Sector

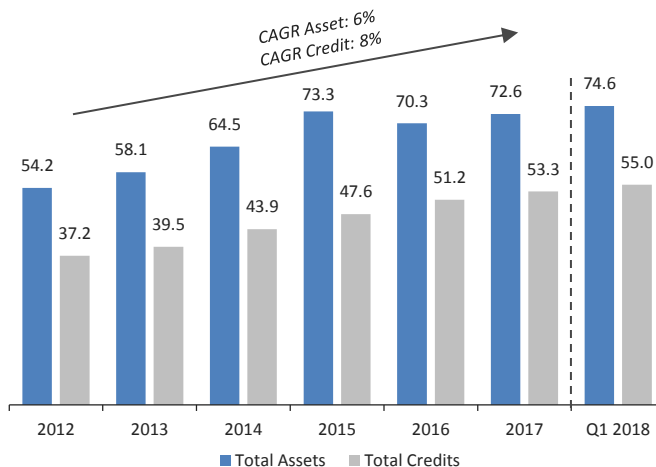
Well-capitalized, Liquid and Stable Operating Environment

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 from previous financial crisis as a result of:
 - Limitation on derivatives products
 - Strict monitoring of liquidity metrics
 - Tight regulations on overseas lending
 - Single Obligor Limits and lower debt burden ratios

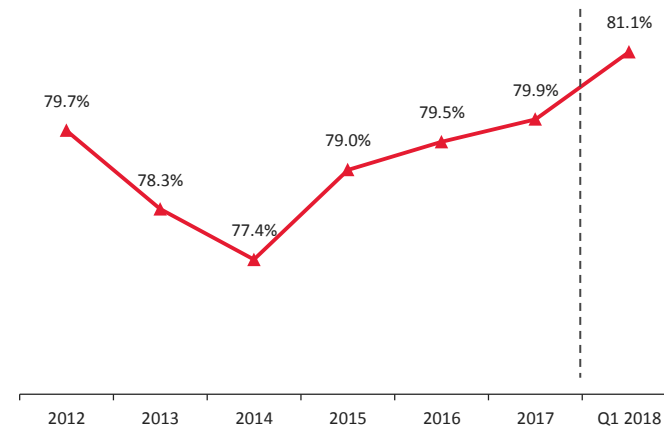
In 2017, total banking sector assets increased by 3.3%

US\$ billion



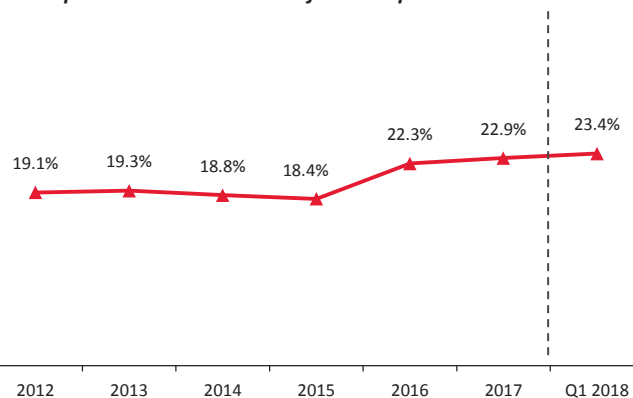
.. and credit continues to rise relative to deposits

Credit as a % of total funding



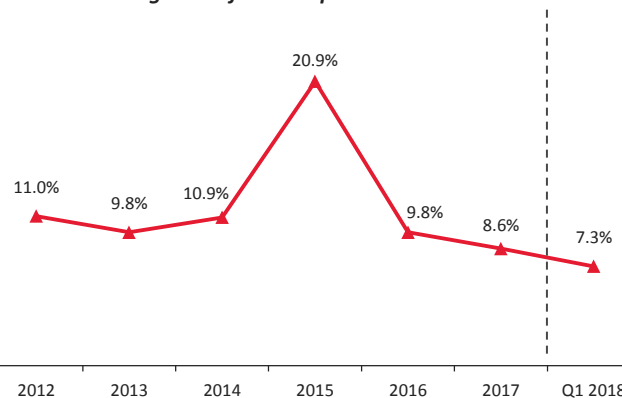
Banks in Oman are well capitalized

Core Capital and reserves as % of total deposits



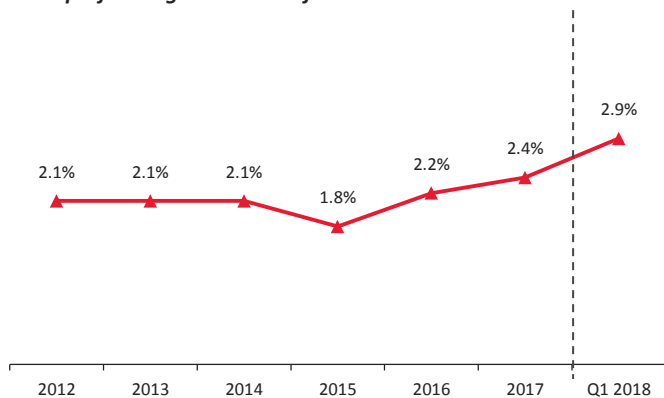
.. with adequate liquidity

Cash and clearing as % of total deposits



.. and healthy asset quality

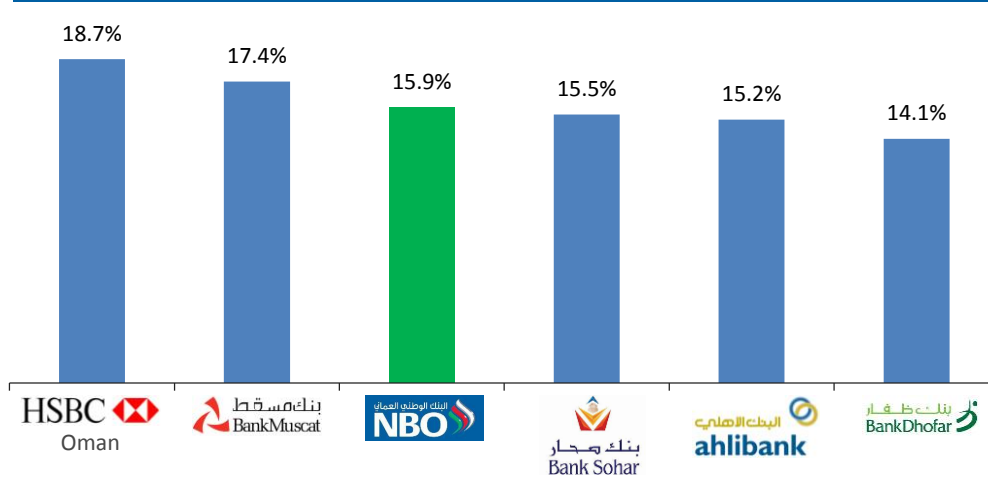
Non performing loans as % of total loans



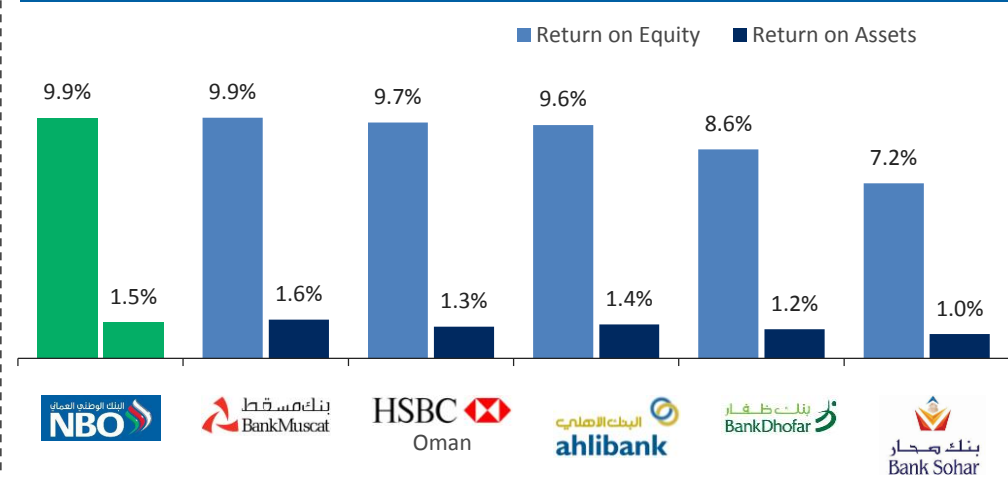
The Oman Banking Sector

Peer Benchmarking

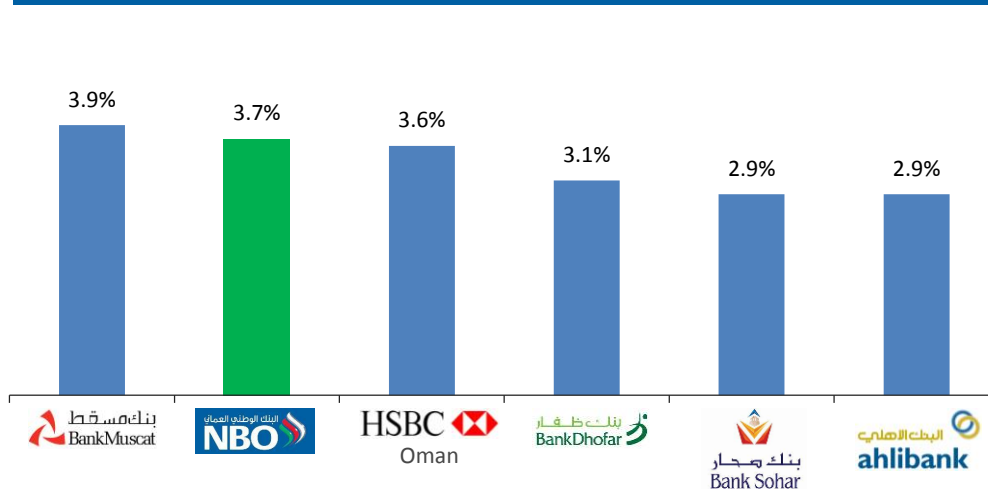
Capital Adequacy Ratio (H1 2018)



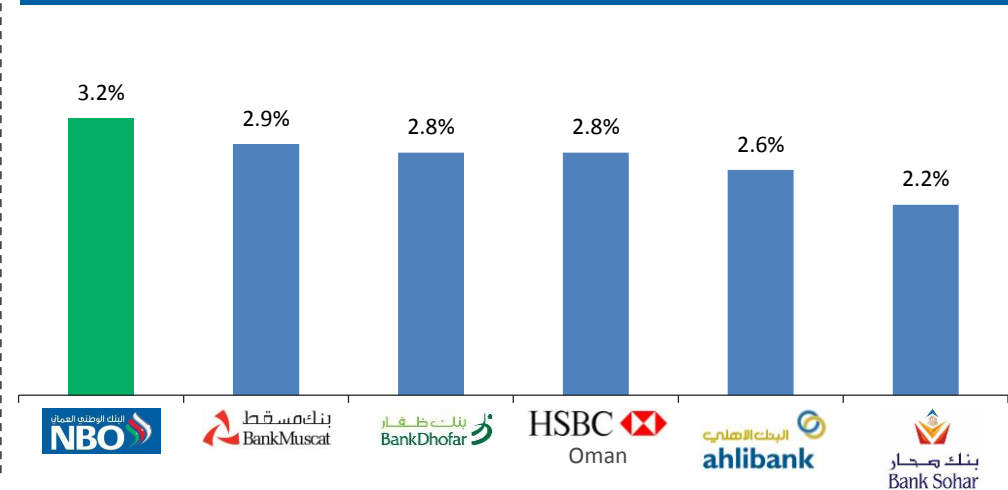
Return on Average Equity and Return on Average Assets (H1 2018)



Income to Average Assets (H1 2018)



Net Interest Margins (H1 2018)



Source: Financial Statements and National Bank of Oman; H1 numbers are annualized by multiplying by 365/181
 Income to Average Assets: Interest Income plus Other Operating Income divided by Average Assets

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Business Strategy

Provide a Continuously Superior Customer Experience

Strategic Priorities

NBO's focus is to expand its retail, corporate and investment banking units where it can have a broader and deeper relationship with its customers in the medium and long-term

1

Delivering Compelling Solutions
& a Superior Customer
Experience

2

Continuously Improve
Operational Efficiency to
Optimize Cost Structure

3

Deepening Relationships with the
Private and Government Sector

4

Leverage Presence in the UAE to
Capture Trade Flows with Oman

The Bank's long-term strategic goal is to be the **bank of choice** for both individual and corporate customers

Focus Areas

Deliver
Superior
Customer
Service

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

.. while
Improving
Operational
Efficiency

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

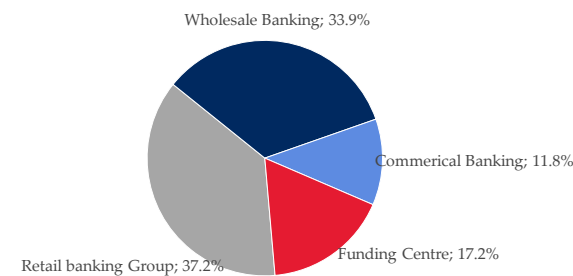
.. and Focusing
on Developing
a Market-
leading
Workforce

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

Key Business Lines

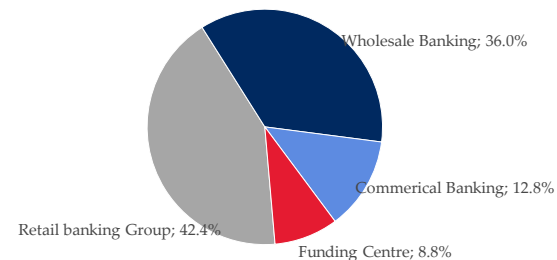
Business Lines		Key Highlights	Asset Contribution ⁽¹⁾	Operating Income Contribution ⁽²⁾
Retail Banking		<ul style="list-style-type: none"> Primarily positioned as the Bank of choice for Omani nationals c. 491,785 retail customers Strong emphasis on technology: innovative and advanced digital banking capabilities 	<ul style="list-style-type: none"> US\$ 3.3bn – 37.2% of total assets 	<ul style="list-style-type: none"> US\$ 70.1m – 42.4% 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\$ 3.0bn – 33.9% of total assets 	<ul style="list-style-type: none"> US\$ 59.4m – 36.0% 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\$ 1.1bn – 11.8% of total assets 	<ul style="list-style-type: none"> US\$ 21.0m – 12.8% 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 – 17.2% of total assets 	<ul style="list-style-type: none"> US\$ 14.5m – 8.8% of operating income

Asset Contribution ⁽¹⁾



Total: US\$ 8.9bn

Operating Income Contribution ⁽¹⁾



Total: US\$ 165.1m

(1) As of June 30, 2018;
 (2) For 6 months ending June 30, 2018

Retail Banking Group

Overview

- Primarily positioned as the bank of choice for Omani nationals with the retail customer portfolio split as: 56.4% Omani nationals and 43.4% expatriates
- Sturdy retail lending revenues with significant progress in new non-lending products such as insurance, savings and cards to back up the growth in retail banking revenues
- Strong focus on developing a compelling wealth management offering for high net worth clients
- Significant investments in technology and increased the adoption of customers to use more efficient digital channels
- Over 60% of all its customer service transactions are done using digital banking solutions: number of customers using digital banking services increased by more than 90% in 2017
- The Bank is actively reducing its retail customer servicing costs, where possible, by offering alternatives to the traditional branch network including internet banking, ATMs and CCDMs, telephone banking and mobile banking
- Innovative efforts through developing and testing propositions around block chain technology, mixed reality and natural language based interfaces. In 2017, it organised a Hackathon, thereby engaging the regional fintech and universities to garner new ideas
- Key selling points are breadth of services and products offered, quality of personnel, innovative and advanced digital banking capabilities, physical distribution and reach of its branch network
- As at 30 June 2018, the Bank had a network of 66 branches operating in Oman, 213 automatic teller machines ("ATMs") and cash and cheque deposit machines ("CCDMs") and provided banking services to c. 491,800 customers

Principal Products & Services Offered

Current, savings and term deposit accounts

- Wide range of deposit products in local and foreign currencies including savings accounts, current accounts, corporate salary accounts, call deposits and fixed deposits.
- As of June 30, 2018, total deposits amounted to US\$ 2.1bn with 17.2% as time deposits, 69.2% as savings deposits and 13.6% as current and call accounts

Lending

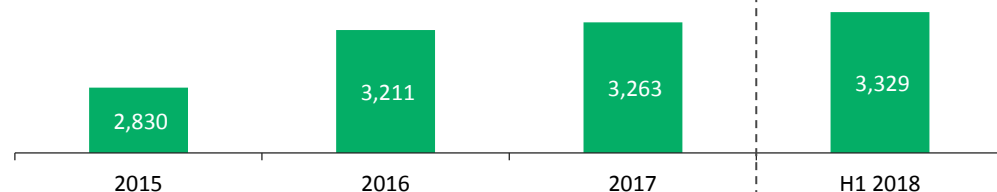
- Offers two main products: general purpose unsecured loans and secured housing loans
- General purpose unsecured loans are supported by salary transfers and regarded as salary related unsecured loans
- As of June 30, 2018, total loans to retail customers amounted to US\$ 3.2bn with 72.1% as unsecured loans, 27.9% as secured loans
- Internal cap on retail mortgages is equal to the statutory limit of 15%

Other Products

- Credit & debit cards:** Focused on increasing card usage among retail customers, for eg. through introduction of "Nuqati" card reward points
- Sadara Wealth Management Services:** Designed to offer an enhanced customer service to the Bank's high net worth retail customers
- Private Investment Banking:** Private banking services including access to exclusive investment products and international mutual funds to customers with a minimum of US\$ 1m in available funds

Asset Growth

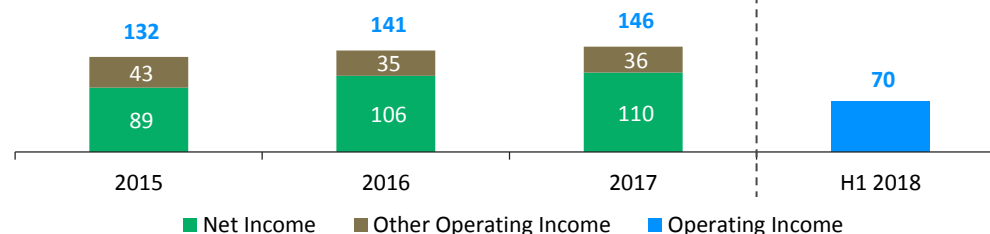
US\$ m



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

Operating Income ⁽¹⁾

US\$ m



Wholesale Banking Group

Corporate Banking

- Corporate Banking Division is a part of the Wholesale Banking Group
- Seeks to deliver financial solutions and corporate credit facilities tailored to meet the needs of every type of business and industry customer
- Very experienced account relationship managers serve the Bank's corporate customers across the branch network
- Corporates with turnover over OMR 12.5m as large corporates
- Operations are split into the following sub-divisions:
 - Large corporate banking:** focuses on multinational and large corporate customers
 - Government banking:** services the Government, GREs, sovereign wealth funds and pension funds within Oman
 - Transaction banking:** offers customized transaction solutions to corporate customers
 - Remedial management division:** manages the Bank's impaired financial assets, pursues delinquent corporate accounts and undertakes account rehabilitation
- Key products include working capital finance, term loans, short-term loans, syndicated loans and trade finance
- As at 30 June 2018, the Bank provided banking services to c. 8,000 corporate customers

Investment Banking

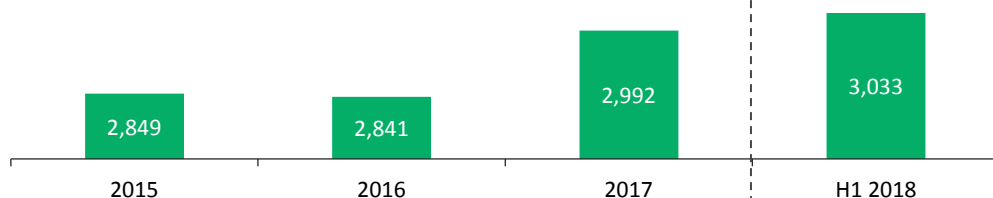
- Provides independent financial advice, in addition to transaction execution assistance across various investment products and services
- The principal investment banking services are:
 - Asset Management:** Manage NBO's proprietary domestic & international investment portfolios. Asset Manager of choice for institutional investors seeking external portfolio managers in Oman
 - Corporate Finance and Advisory:** Focus on public offerings, debt security offerings, rights issues and equity private placements. Collecting bank for several local IPOs
 - Brokerage:** One of the longest standing brokers on the Muscat Securities Market with a domestic and international clientele

Treasury & International Banking

- Treasury Division manages the funding and liquidity requirements of the Bank
- Established correspondent relationships with international banks and undertakes risk participation, both funded and un-funded through primary and secondary market deals
- The principal treasury services include
 - FX and Derivatives Sales Desk:** Offers FX, commodities, interest rates & derivative solutions
 - Money Markets Desk:** Manages the Bank's liquidity and deposits with the Government
 - Interbank Desk:** Mitigates the Bank's market risks arising due to customer transactions
 - Government Treasury Services:** Primary dealer for OMR-denominated Government bonds

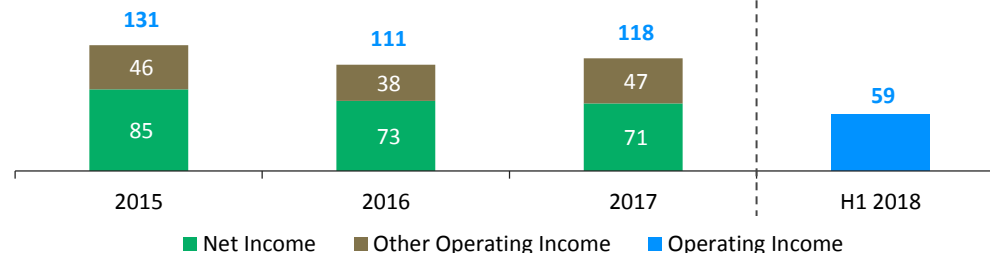
Asset Growth

US\$ m



Operating Income ⁽¹⁾

US\$ m



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

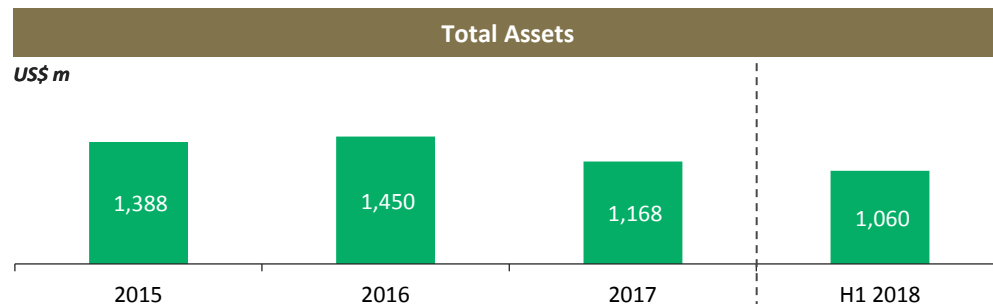
Commercial Banking Group

1 "Tijarati" SME banking

- Focused on developing products, brands, channels and services for SME customers
- In 2013, SME banking division offering products & services was introduced under "Tijarati" brand
- Existing retail branch network is used to strengthen SME offerings by providing SME customer service representatives within branches
- Corporates with turnover < OMR 3m are classified as SMEs
- As at 30 June 2018, provides banking services to 15,415 SME banking customers

2 Muzn Islamic Banking

- In 2013, "Muzn" Islamic Banking Window was launched to offer Shari'a-compliant products
- Focused on targeting affluent and HNW clients by offering them privileged banking services
- Awarded 'Best Islamic Bank in Oman' for 2017 by Islamic Finance News Awards
- All activities conducted are independent from the conventional banking operations
- Separate Islamic Risk and Asset & Liability Committee to review Bank's Islamic banking activities
- As at 30 June 2018, the Bank has opened six dedicated Islamic banking branches



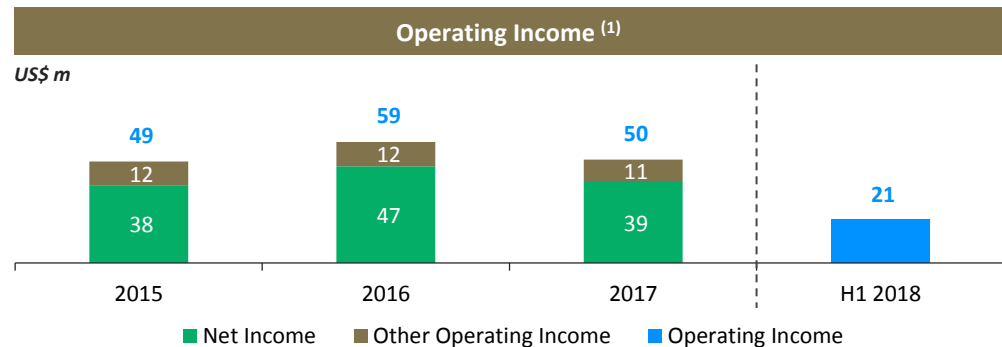
Source: National Bank of Oman and financial statements
 1US\$ = OMR 0.3850; (1) Breakdown of segment information is presented in full year financials

3 Business Banking

- Caters to mid-sized corporate entities between large corporates and SMEs
- In 2012, mid-sized corporate offering was re-launched with the implementation of a specific mid-sized corporate banking sub-division
- Offers tailor-made services to mid-sector companies whose banking requirements differ from those of larger corporates
- Corporates with turnover between OMR 3m and OMR 12.5m are classified as mid-corporate customers
- As at 30 June 2018, provides banking services to 854 mid-sized corporate customers

4 International Operations

- Presence in UAE (2 branches, one in Dubai and one in Abu Dhabi): Bank holds a banking license (both conventional and Islamic) to operate in UAE
- Currently 1 branch is operational in Egypt, the future of the branch is under review
- Has expanded its operations in the UAE to take advantage of the trade and business flow between UAE and Oman
- Unique proposition centered on creating seamless cross-border experience when serving Omani mid-sized corporates & nationals operating in UAE as well as serve UAE based firms in Oman
- As at 30 June 2018, international operations accounted for 3.7% of total assets



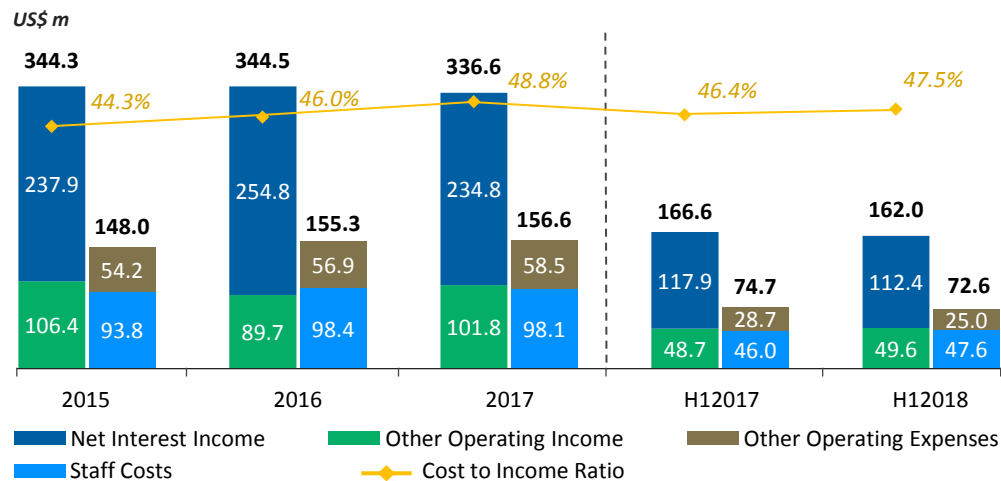
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Operating Performance

Overview

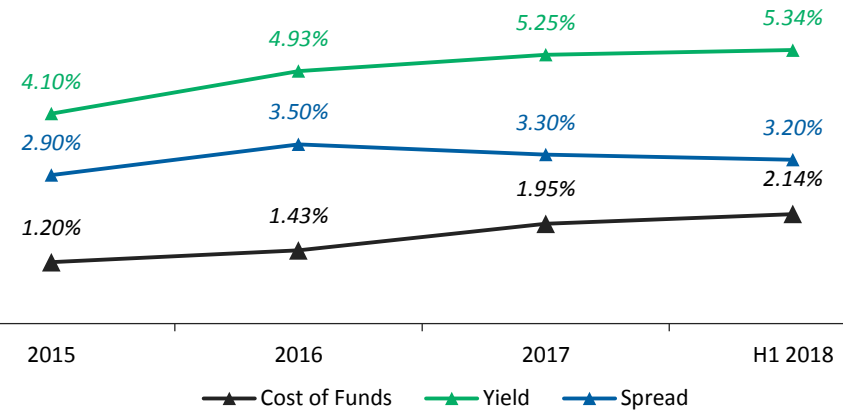
- Strong financial performance despite challenges faced in the UAE which has been affected by credit losses and drop in asset volumes
- Focus on maintaining asset quality and highest loan spreads among competitors
- Highest Interest Margins and income on assets amongst the banks in Oman: Interest Margins continue to be stable despite rising cost of funds globally and domestically
- Bank continues to focus on diversifying its non-fund based sources of income which is evident by increase in other operating income
- Significant investments in automation and technology to improve the bank's cost to income ratio in the long term
- Healthy Return on Average Assets at 1.5% and Return on Average Equity at 10.3% in 2017 (ex UAE operations constituting 95% of bank's assets)

Operating Income Composition

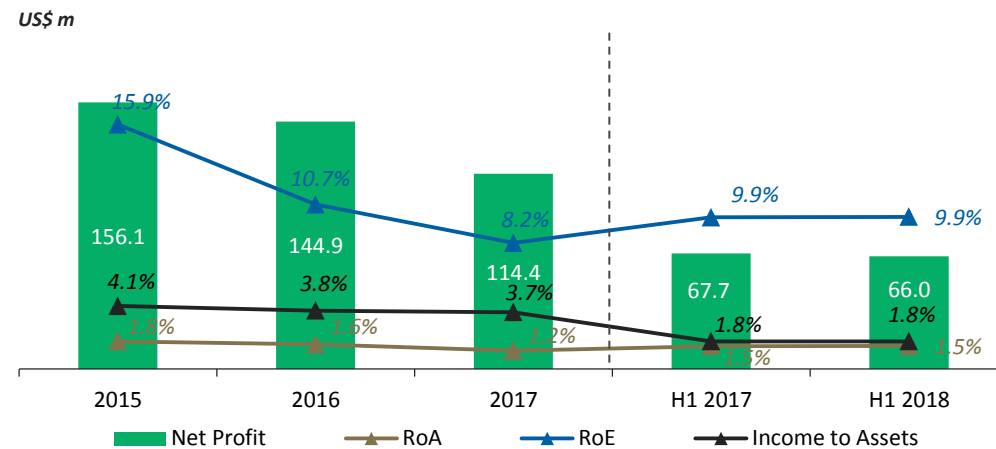


Source: National Bank of Oman and financial statements
1US\$ = OMR 0.3850

Net Interest Margin



Profitability



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

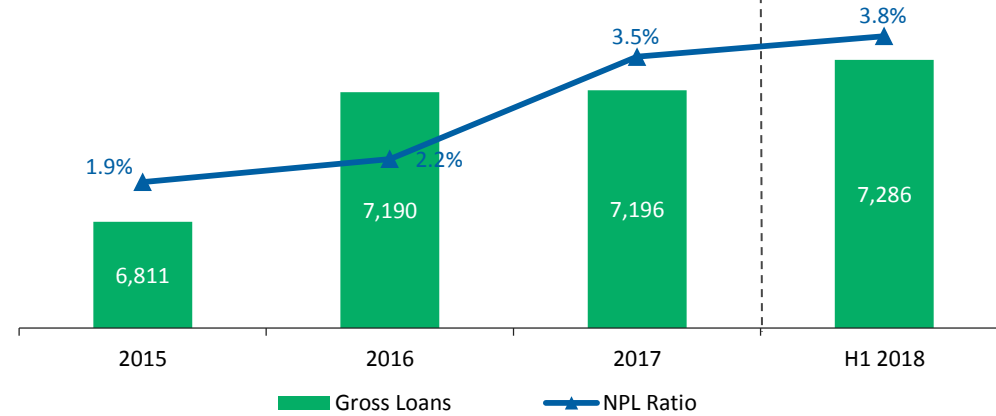
Asset Quality

Overview

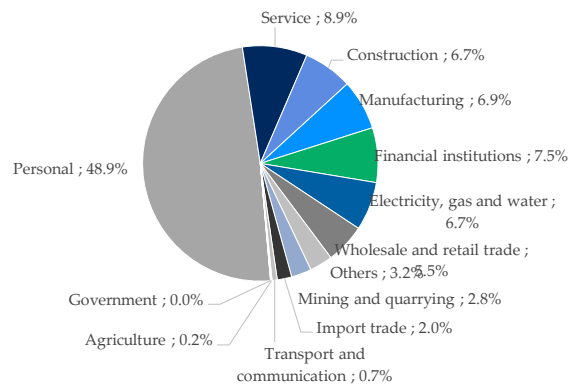
- Increase in net loans as of June 30, 2018 was primarily owing to the increase in both retail and corporate loans partially offset by increase in credit allowances due to IFRS 9 adoption
- Sustainable loan book growth of 4.2% in Oman (US\$ 6.6 from US\$ 6.3bn) despite UAE loan book reducing from US\$ 528m to US\$ 280m (Dec 2017 vs. Dec 2016 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 121.8% coverage of Bank's non-performing loans (June 30, 2018)

Loan Growth

US\$ m



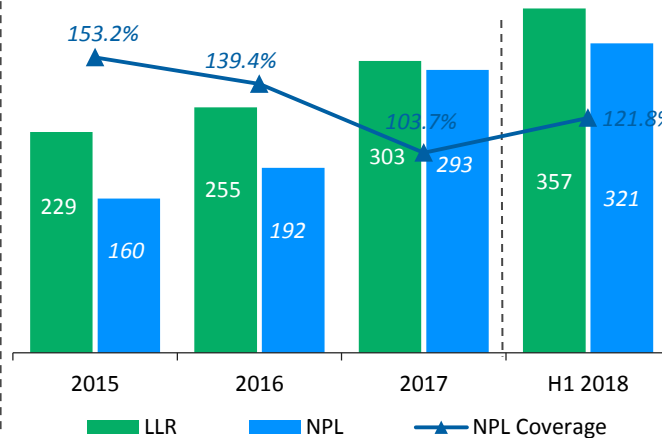
Gross Loans – Sector Breakup (June 30, 2018)



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

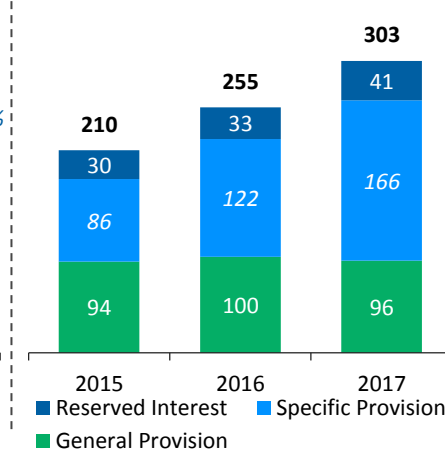
Impaired Assets and Provisioning

US\$ m



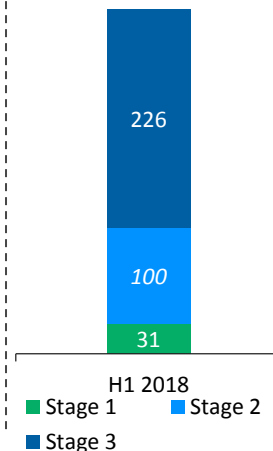
General Vs. Specific Provisions

US\$ m



Expected Credit Loss

US\$ m



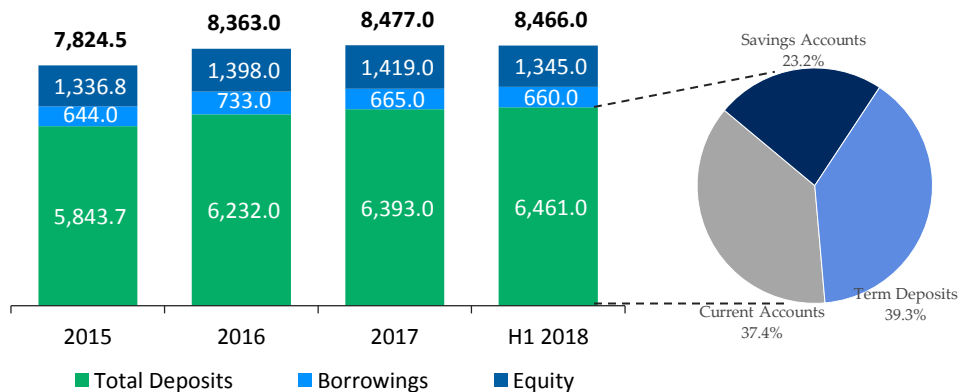
Capitalization, Funding and Liquidity

Overview

- Low cost deposits from Government-related entities (26.8% of total deposits as of June 30, 2018) has contributed to stability of banks' deposit base and lower cost of funds for the Bank
- Decline in equity in June 2018 vs. Dec 2017 is primarily due to dividend paid out to shareholders
- 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 19.2% of total assets and a high liquidity coverage ratio of 247% (June 2018)
- Adequate capitalization levels of 15.9% (June 2018 excluding interim profits) vs. minimum total capital adequacy ratio of 12.875% (Central Bank of Oman guidelines)

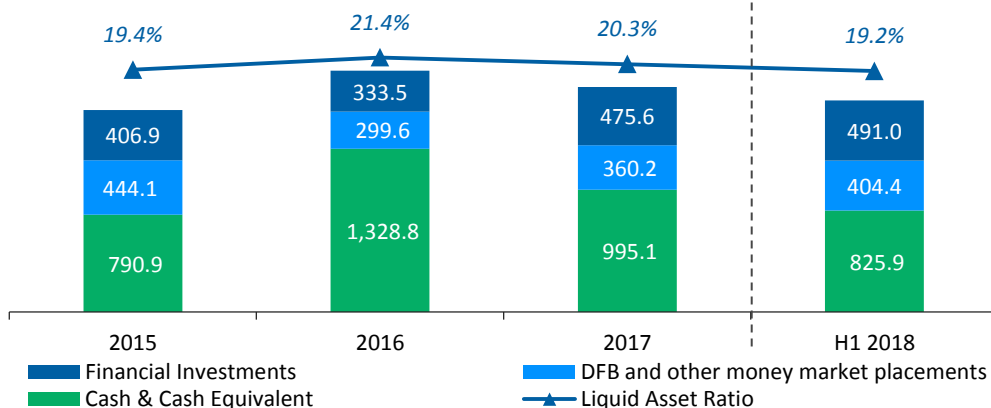
Funding Mix

US\$ m

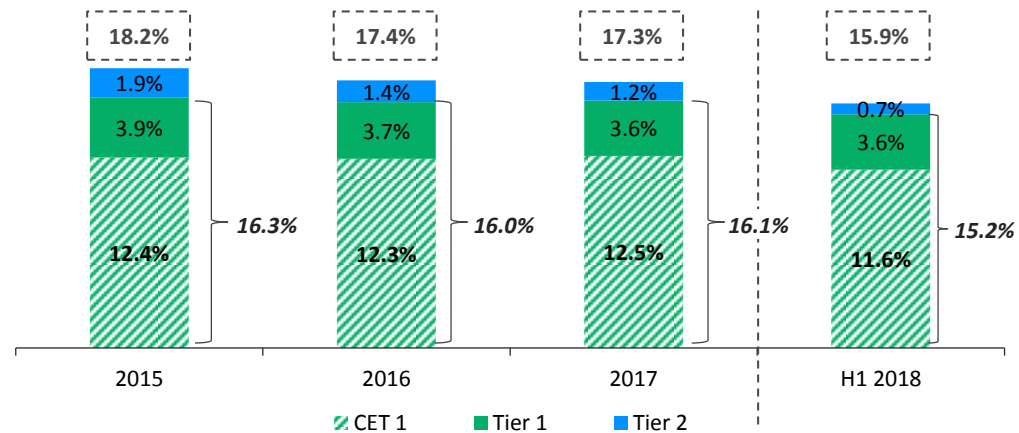


Liquid Assets

US\$ m



Capitalization



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

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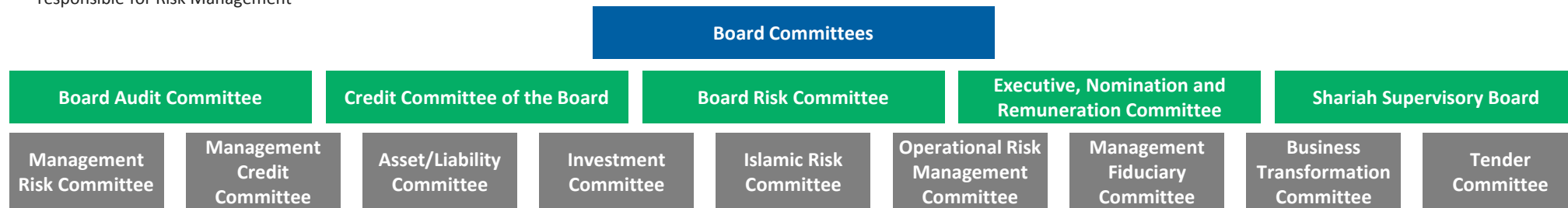
Risk Management Framework

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

Corporate Governance

- The Board of Directors consists of 11 non-executive members with representation from the Government, shareholders and the private sector
- The Board is responsible for the overall direction of the Bank and meets at least four times per year; each director is appointed for a term of three years



Sayyida Rawan Ahmed Al Said, Chairperson

- Select Roles: Chairperson of the ENRC, CEO of Takaful Oman, Chairperson of Al Kawther Fund, Board member of the Sultan Qaboos University Council, First and only woman to hold a CEO position in a public listed company in Oman



Sheikh Abdullah Ali Al Thani, Deputy Chairman

- Select Roles: Chairman of The Commercial Bank (Q.S.C.) and Director of United Arab Bank



Amal Suhail Bahwan, Director

- Select Roles: Vice Chairperson of Suhail Bahwan Group Holding LLC, Chairperson of Al Jazeera Steel Products, Director at National Pharmaceutical Industries and Director at Oman Oil Marketing Company



Hamad Mohammad Hamood Al Wahaibi, Director

- Select Roles: Director of Investment at Ministry of Defense of Pension Fund, Voltamp Energy Company and ACWA Power Barka



Mohammed Ismail M Mandani Al Emadi, Director

- Select Roles: Board member – The Commercial Bank (Q.S.C.), Board member – Alternatifbank Turkey



Rahul Kar, Director

- Select Roles: Financial Advisor to the Chairman of Suhail Bahwan Group Holding LLC, Director at National Pharmaceutical Industries and Director at Oman United Insurance Company



Joseph Abraham, Director

- Select Roles: CEO of The Commercial Bank, Vice-Chairman of the Board of Directors of Alternatif Bank and a Board Director of the United Arab Bank



Najat Ali Al Lawatia, Director

- Select Roles: Deputy Director General-Support Services with Civil Service Employees Pension Fund, Director and Chairperson of Audit Committee of Oman Cement Company SAOG



Fahad Abdul Rahman Badar, Director

- Select Roles: Board Member at Alternatif Bank, Alease and United Arab Bank



Rashid Bin Saif Al-Saadi, Director

- Select Roles: CEO of TANMIA, Chairman of board of directors of Takaful Oman SAOG and A'saffa Foods SAOG

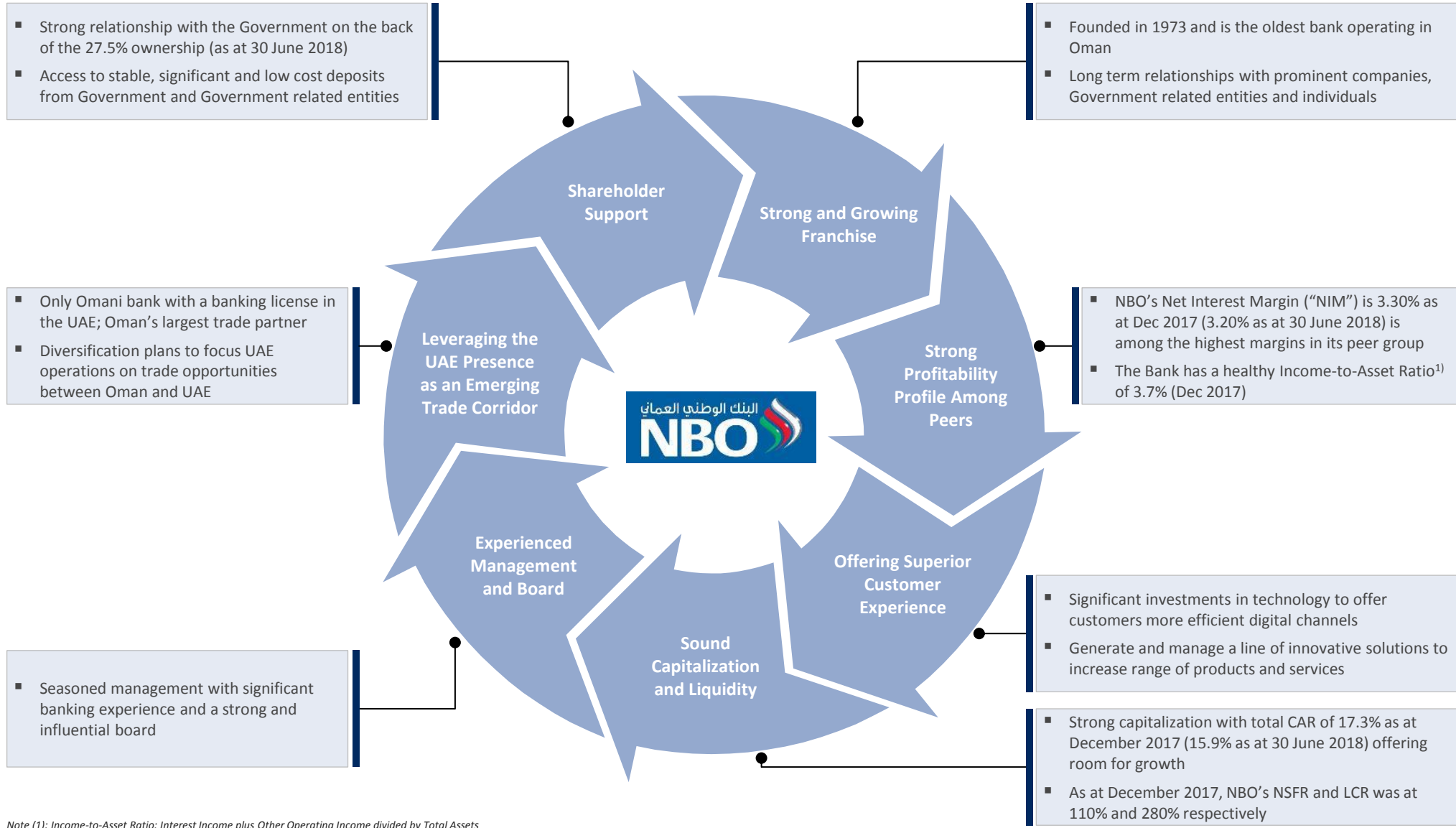


Ghassan Khamis Al Hashar, Director

- Select Roles: Director at National Life and General Insurance Company and Board Director at Oman National Investments Development Company SAOC (TANMIA)

Key Investment Highlights

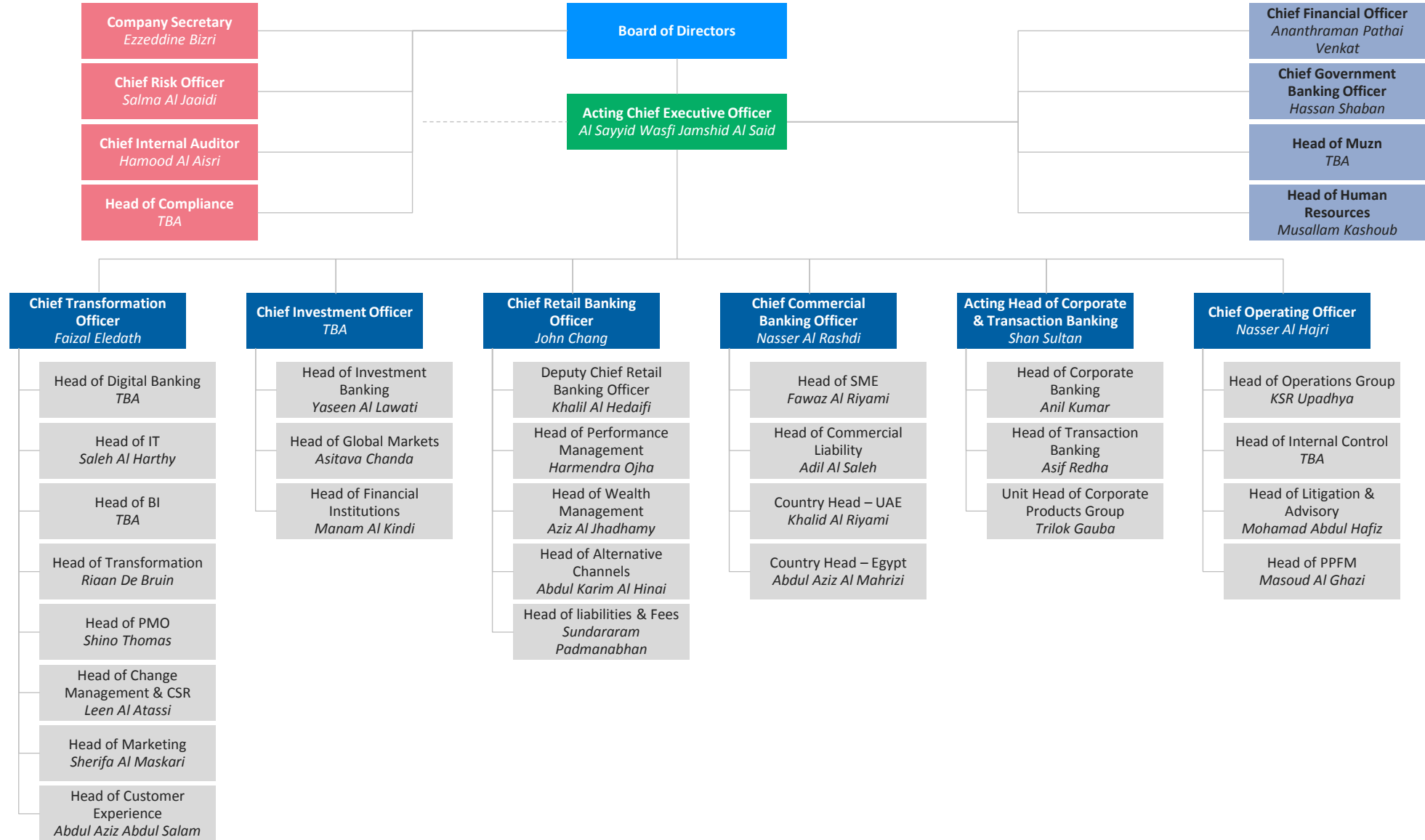
Strong and Established Franchise Delivering a Superior Customer Experience



Note (1): Income-to-Asset Ratio: Interest Income plus Other Operating Income divided by Total Assets

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Organization Structure



Balance Sheet

<i>Amounts in USD '000</i>	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016
Assets			
Cash and balances with Central Banks	825,909	995,094	1,328,816
Due from banks and other money market placements (net)	404,356	360,182	299,558
Loans, advances and financing activities for customers (net)	6,928,826	6,893,171	6,935,795
Financial investments	490,958	475,636	333,462
Premises and equipment	169,242	170,896	120,377
Other assets	138,914	118,922	157,792
Total assets	8,958,205	9,013,901	9,175,800
Liabilities			
Due to banks and other money market deposits	264,506	326,642	585,026
Customers' deposits and unrestricted investment accounts	6,460,584	6,392,901	6,232,107
Euro medium term notes	594,977	599,756	605,468
Other liabilities	211,361	190,512	207,953
Taxation	16,719	20,301	19,236
Subordinated debt	64,935	64,935	127,532
Total liabilities	7,613,083	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	134,070	134,070	127,686
Other non-distributable reserves	54,917	61,010	119,990
Proposed cash dividend	-	60,332	60,982
Proposed stock dividend	-	20,112	19,153
Retained earnings	344,291	351,598	298,088
Total shareholders' equity attributable to the equity holders of the bank	1,045,122	1,118,854	1,098,478
Tier 1 perpetual bond	300,000	300,000	300,000
Total equity	1,345,122	1,418,854	1,398,478
Total liabilities, subordinated debt and equity	8,958,205	9,013,901	9,175,800

Income Statement

<i>Amounts in USD '000</i>	For the six month period ended 30 June 2018	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest income	186,826	376,068	354,434
Interest expense	(74,395)	(141,288)	(99,613)
Net interest income	112,431	234,780	254,821
Other operating income	49,618	101,816	89,735
Income from Islamic finance and investment activities	7,348	14,548	12,974
Unrestricted investment account holders share of profit	(4,312)	(7,951)	(3,990)
Net income from Islamic financing and Investment activities	3,036	6,597	8,984
OPERATING INCOME	165,086	343,193	353,540
Staff costs	(47,642)	(98,125)	(98,395)
Other operating expenses	(25,023)	(58,514)	(56,930)
Depreciation	(5,803)	(10,940)	97,439)
Total operating expenses	(78,468)	(167,579)	(162,764)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX	86,618	175,614	190,776
Credit loss expense - customers' loan	(20,540)	(65,229)	(51,029)
Recoveries and releases from provision for credit losses	2,912	7,810	6,673
Recoveries from loans and advances written off	8,340	16,805	18,678
Impairment losses on available for sale investments	-	(1,787)	(545)
Credit loss (expense) / write back - bank loans	-	(68)	161
TOTAL IMPAIRMENT LOSSES (NET)	(9,288)	(42,469)	(26,062)
PROFIT BEFORE TAX	77,330	133,145	164,714
Taxation	(11,306)	(18,792)	(19,834)
PROFIT FOR THE YEAR	66,023	114,353	144,880
OTHER COMPREHENSIVE INCOME			
Net movement on FVOCI investments	(5,745)	(9,686)	(2,995)
Tax effect of net results on FVOCI financial investments	(166)	317	(174)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR	(5,912)	(9,369)	(3,169)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR.	60,112	104,984	141,711

Thank You

Investor Presentation

National Bank of Oman

September 2018