

Our Purpose

الغاية

سوّياً نفتح آفاقاً جديدة

To unlock

*opportunities* as one.

Values

قيمنا

أساسنا الأصالة والحفاوة  
Authentic, first and foremost

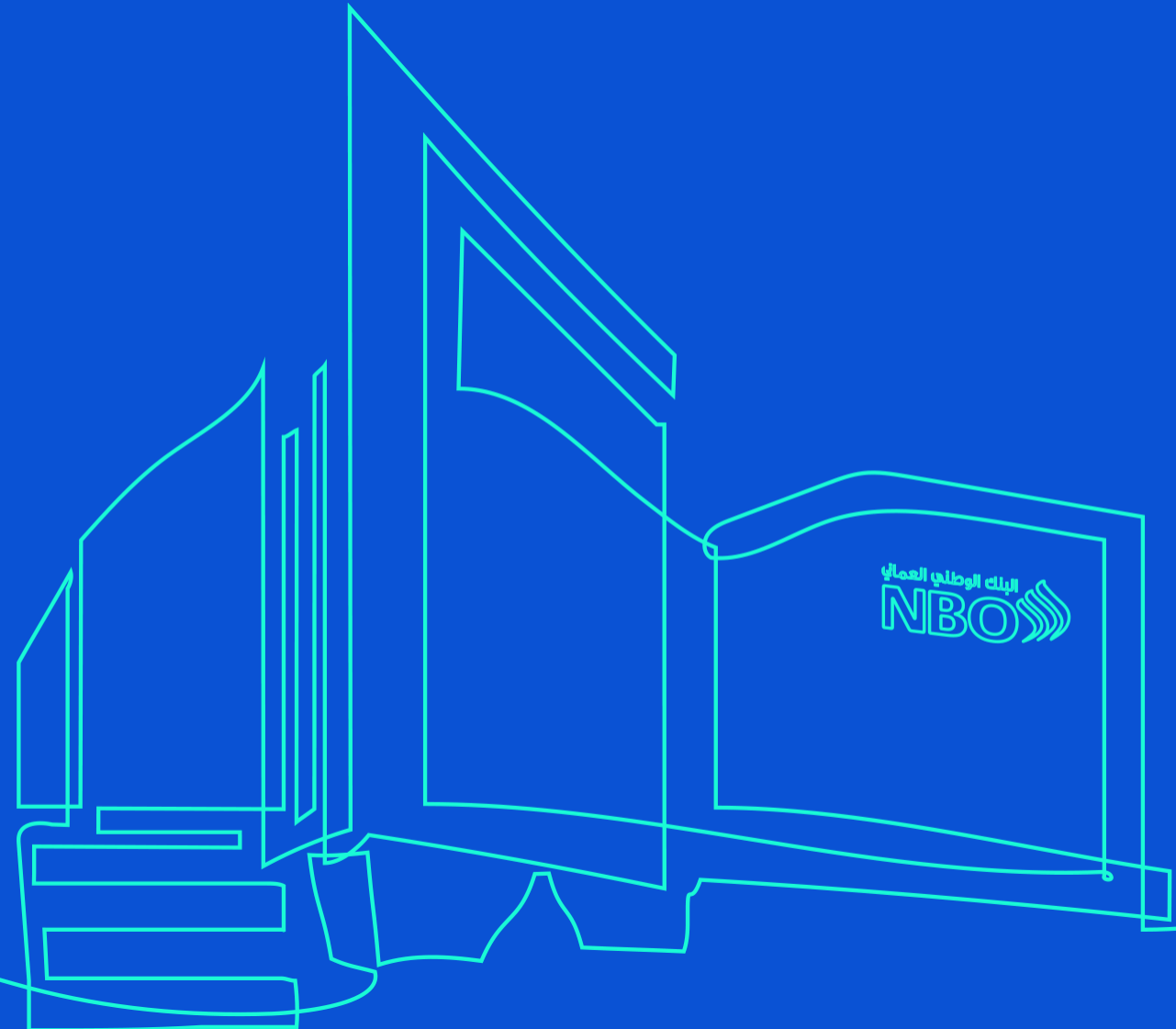
نتعاون لتقديم قيمة ملموسة  
Creating value through connection

الريادة بلا حدود  
Relentlessly pioneering

نقدم تجربة بسيطة وسلسة  
Pursuing simplicity



# Investor Presentation



31<sup>st</sup> December 2023  
nbo.om

## Disclaimer

Comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in the consolidated financial statements

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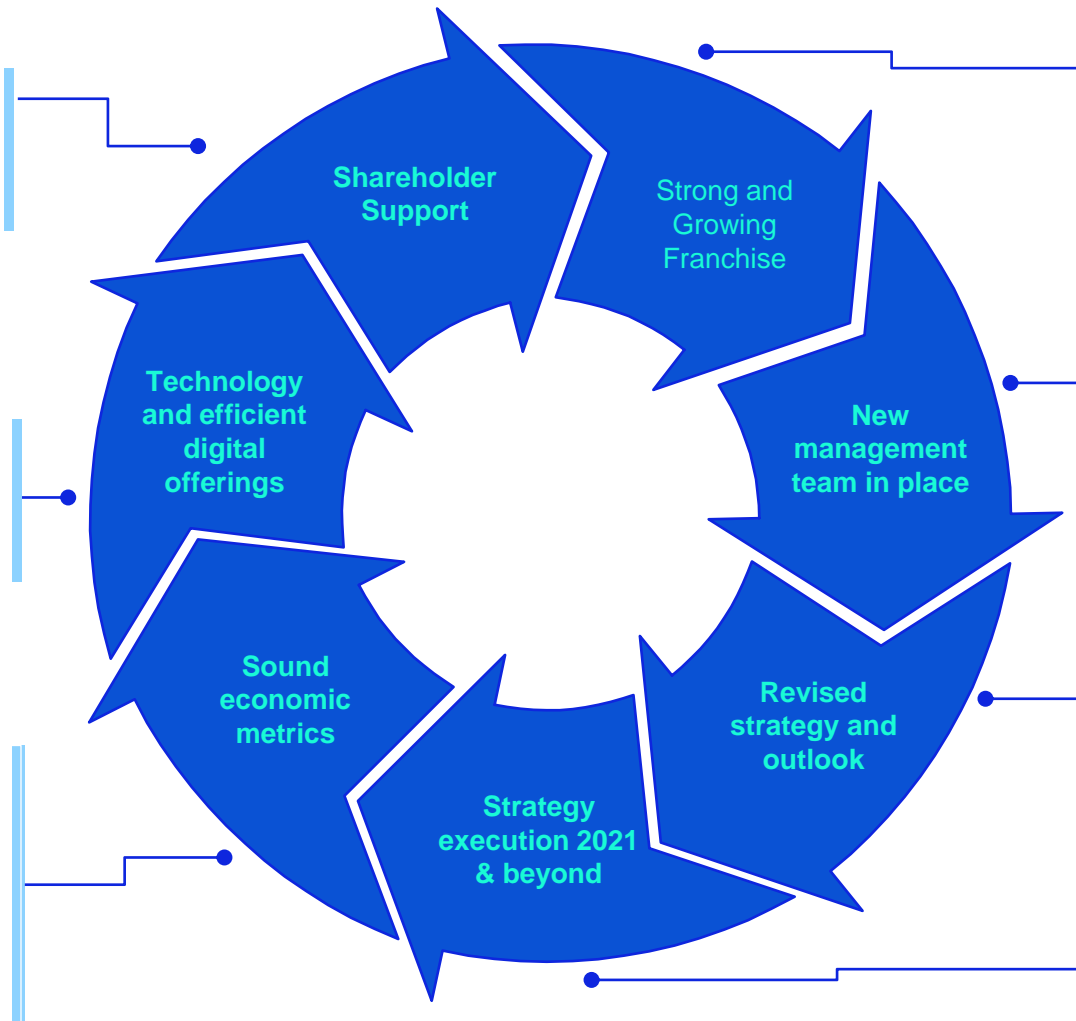
- Key Messages and Priorities
- Operating Environment
- National Bank of Oman Introduction
- Financial Performance
- Appendix

## Key Messages

- Strong shareholder base - Commercial Bank PQSC (CB) and Suhail Bahwan together hold over 49%.
- Strong relationship with Government institutions on the back of ownership >35%.

- Significant investment in technology to offer customers efficient digital experience.

- With prevailing oil prices, economic fiscal metrics are in a comfortable range.
- Well established and easy access to stable and significant deposits from Government and Government related entities.



- Founded in 1973 and is the oldest bank and the first local bank to complete 50 years.
- Long term relationships with prominent companies, Government related entities and individuals.

- New senior management team established between 2020-2021 with significant banking experience.
- The new team brings a collective experience of over 100 years in banking.

- A new 5 year strategic road map approved by board in 2020, with the overall objective to regain and increase market share while significantly increasing profitability metrics.

- In the first three years of five year plan of execution of the strategy, NBO has gained market share both in loans and deposits, after years of losing market share.
- We aim to execute on our strategic priorities and execute at pace.

# Our Priorities

## Strategic Priorities

### 1 | Safeguard

In context of the uncertain conditions ensure the bank maintain healthy levels of funding and capital, whilst guarding asset quality

### 2 | Value Creation

Actively drive cost optimization plus bolstering income by focusing on low risk revenues streams and leveraging existing client base & partnerships

### 3 | Sustainability

Continue to invest into build lasting capabilities and digitise the bank's operating model for greater appeal and scale

#### Balance Sheet

##### Liquidity



##### Capital



##### Asset Quality



#### Business Model

##### Revenue



##### Optimization



##### Partnership



#### Operating Model

##### Brand



##### Digital-Channel



##### People



# Oman's Economic Overview

## Economic Diversification Strategy With Fiscal Prudence



### MACRO ECONOMY



#### Oman's GDP

Was at RO 31.4 bn in Q3'23; with fiscal surplus of RO 0.79 Bn till Sep'23



**Rising Interest Rates** CBO is following lead from US Fed and increased the repo rates to 5.5%



#### Oil Price

Actual Brent crude price for 2023 exceeded \$80/barrel, higher than budgeted price of \$55/barrel



**Oman's Rating Outlook** S&P, Fitch & Moody's upgraded Oman's rating to "Positive"

### OVERVIEW

- The Sultanate of Oman is the second largest country by geographical area among the countries of the GCC region, after Saudi Arabia. It is spread over 309,500 km<sup>2</sup> and has a 2,092 km coastline. It is strategically placed at the mouth of the Arabian Gulf.
- Population of Oman is approximately 5.2 million (Nov 2023), with Omani nationals comprising 2.9 million and expatriates comprising 2.3 million of the overall figure. Population has increased by 5.4% YoY.
- Oman's nominal economy expanded by 30% percent YoY in 2022 and Real GDP increased by 2% YoY in the first 9 months of 2023
- Public Government debt as a percentage of GDP has fallen from 70% in 2020 to 38% as at end Sep 2023 as per S&P.
- Government's has achieved a fiscal surplus of USD 2 billion for 2023 and the budget was based on oil price at USD 55 per barrel
- Govt has budgeted a deficit of 1.5% of GDP in 2024 with an assumed oil price of USD 60 per barrel

### SOCIOLOGICAL



#### Child Welfare

New law focusing on financial inclusion of children



#### Rising CSR Expectations

Participation in all Governorate development plans, Smart City loans & Govt. Secondments



#### Benefits to Retirees

Enhanced benefits & extended financial inclusion of Pensioners



#### Demographic Profile

Gen Z constitutes ~40% of total population; high aptitude to embrace digital

### TECHNOLOGICAL



#### Digital Adoption

High uptake for digital services post pandemic; increased maturity levels



#### Phygital Investments

Banks continue to expand branches while they push for Digital investments



#### Digital Guidelines

Guidelines for eKYC, Open APIs launched by CBO to drive digital agenda



#### Lack of differentiation

Several innovative products dependent on release of common guidelines by CBO

### MARKET



#### Privatization

Multiple government owned companies accessing markets to raise funds via IPOs



#### Consolidation

Most banks actively pursuing inorganic activity to drive scale



#### Enhanced Collaboration

Various projects including Oman-Etihad Railway, Duqm Refinery in collaboration with other GCC



#### New Entrants

Two new GCC lenders; new local bank (OIB) & reorientation of OHB

### ENVIRONMENTAL



#### ESG

Preliminary guidelines issued by CBO on Climate Risk Mgmt.



#### Estidamah

MOFs National program for fiscal sustainability across Banking & Capital Markets



#### Smart Cities

Multiple sustainable future city projects announced across Oman, including Sultan Haitham City



#### Green Financing

All banks to contribute to the ongoing effort to secure green funds

# Oman's Economic Overview

## Economic Diversification Strategy With Fiscal Prudence



### SULTANATE OF OMAN ECONOMIC SNAPSHOT

Geography	309,500 km <sup>2</sup> , Oman is the second largest country in the GCC region
Population	5.2 million (Nov 2023)
Credit Rating	Moody's: Ba1 (Stable); S&P: BB+ (Stable); and Fitch: BB+ (Stable)
Nominal GDP	USD 114.5 billion (2022, NCSI)
GDP per Capita	US\$ 23,215 (NCSI)
Fiscal surplus	Surplus c. 2.68% of GDP (2022, NCSI / CBO)

### POSITIVE RATING OUTLOOK BY ALL RATING AGENCIES

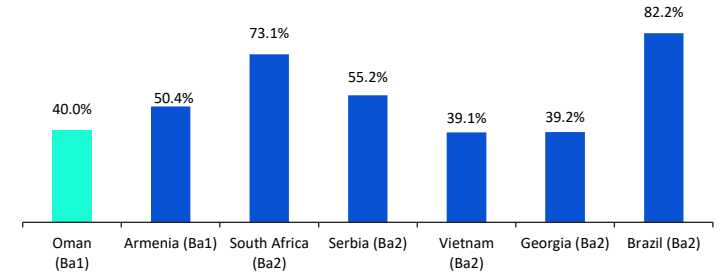
**Moody's:** The upgrade reflects Moody's expectation that the further improvements in Oman's debt burden. A lower debt burden increases the sovereign's resilience to potential future shocks, and the improving track record of fiscal prudence and policy effectiveness increases the likelihood that the stronger debt burden and debt affordability metrics will be maintained in the next few years even if oil prices become less supportive.

**S&P:** The stable outlook over the next 12 months balances the potential benefits of the government's fiscal and economic reform program against the economy's structural susceptibility to adverse oil price shocks.

**Fitch:** The upgrade reflects the use of high oil revenues to pay down debt and spread its maturity, spending restraint reducing external risks, and an increase in Fitch's oil price forecast. The upgrade also incorporates our view that the government will not backtrack on recent fiscal consolidation measures.

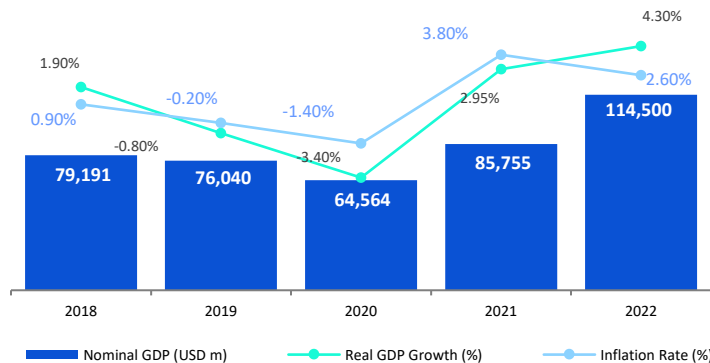
### MODERATE DEBT TO GDP LEVELS AS COMPARED TO Ba2 RATE PEERS

Gross Government debt to GDP (2022 estimates)



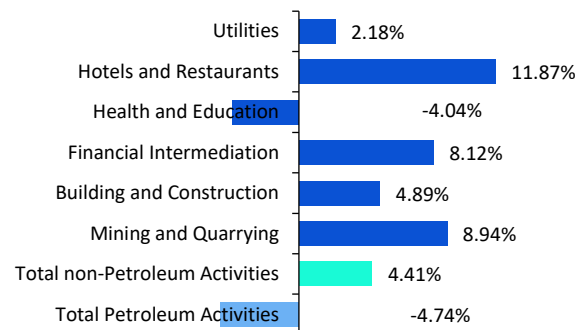
### CHALLENGING MACROECONOMIC CONDITIONS WITH A WELL DEFINED ECONOMIC DIVERSIFICATION PLAN

Headwinds to GDP Growth



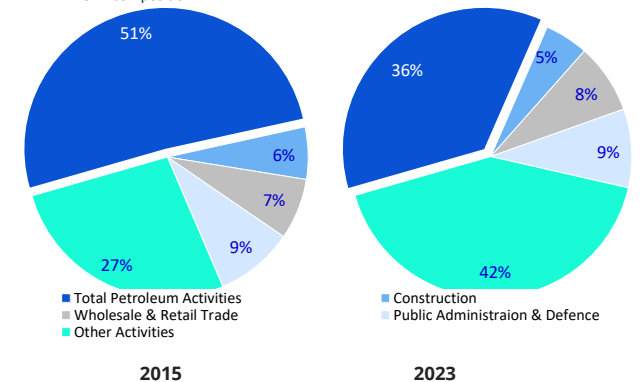
.. with Non-hydrocarbon sectors having the commendable growth

Real CAGR of selected sectors, 2014-2021



.. leading to a more diversified economy

GDP composition



# The Oman Banking Sector



## OVERVIEW

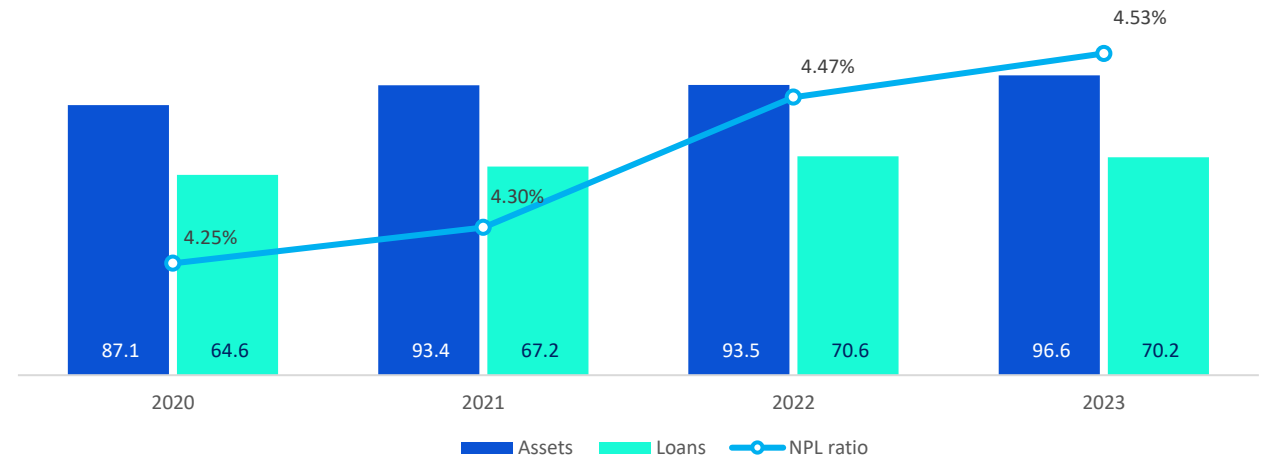
- Oman's Banking sector risk is assessed to be "BB" by Fitch which is underpinned by the sector's strong capitalization.
- Aggregate deposits for the banking sector in 2023 showed a YoY growth of 7.3%. The loans for the same period declined by 0.5% YoY.
- However, the Omani banking system is fairly concentrated with top four banks (NBO included) accounting for nearly three fourth of total credit and banking profits.
- The banking assets have shown 3.3% CAGR in 2023 over last 5 years and there has been an improvement in banks profitability and asset quality metrics since 2020.
- CBO a strict but supportive regulator has introduced various regulation to support banks as well as borrowers.

## Rating outlook – Banking sector

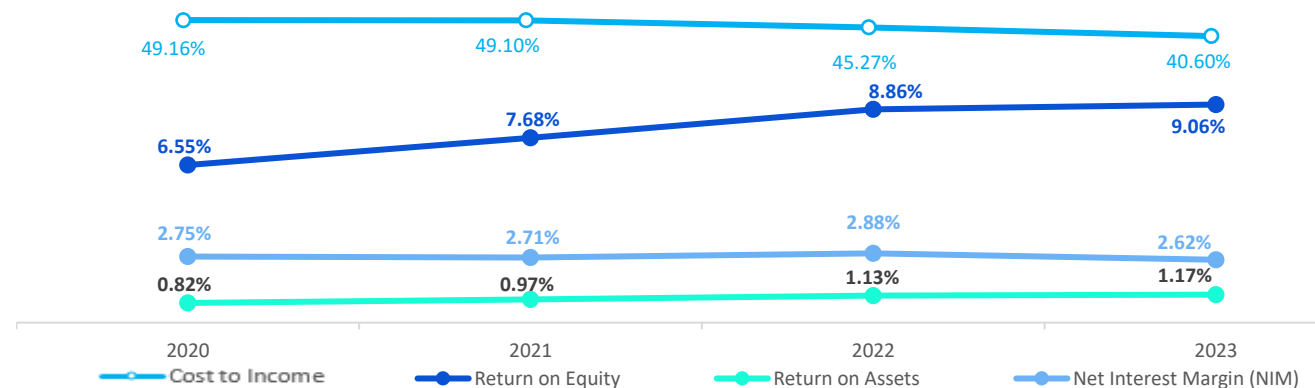
- The rating agency has changed outlook for the Omani banking system to stable from negative. The rating outlook is a balance of supportive operating conditions with tighter funding and weaker asset quality.
- As per the report expect economic growth to accelerate to 4% in 2022, fuelled by a boost in oil production, before slowing to 2.4% in 2023.
- Loan growth will likely accelerate slightly as the economy recovers and strengthening business and consumer confidence increases demand for credit.
- Profitability will remain steady and the banks will maintain solid capital buffers. Deposit growth will continue to lag loan demand, keeping funding flows relatively tight. Overreliance on government deposits remains a key risk for the banks.
- Oman banking sector has ample liquid resources, however, which are adequate to cover their market funding exposure.

## MAJOR BANKS ASSETS AND LOANS GROWN

USD billion



## KEY RATIOS OF MAJOR BANKS



# The First Omani Commercial Bank



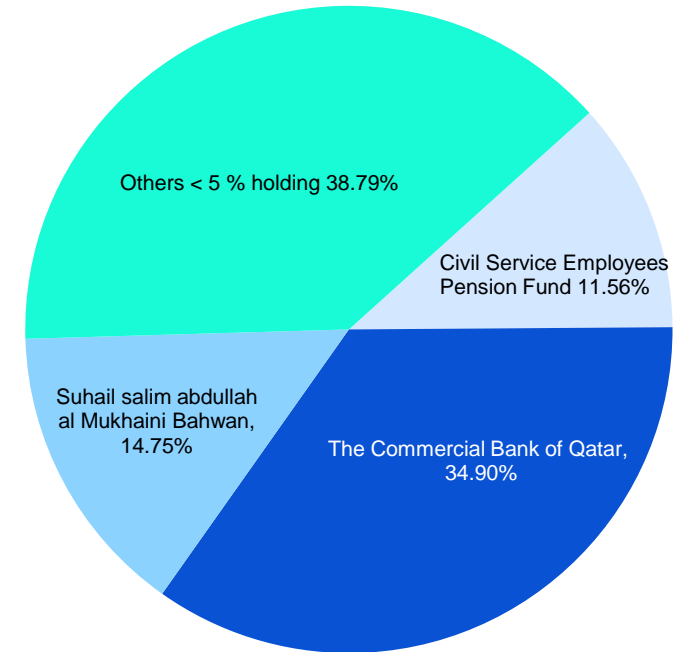
## OVERVIEW

- 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 Stock Exchange (“MSX”).
- The Bank employed 1,413 employees as of 31st December 2023 and considered as one of the largest banks with total assets amounting to USD 12.5 billion as at 31st December 2023.
- As at 31st December 2023, NBO serves approximately half a million retail customers and 26,700 corporate and SME customers via 67 branches and 214 ATM and CCDM units.
- In addition, the Bank has two overseas branches in the **UAE (Dubai and Abu Dhabi)** and legal closure of Egypt branch is in progress.
- The Bank operates via four main segments namely, retail banking, wholesale banking, international banking and Islamic banking.
- As at 31st December 2023, approximately NBO had 12.9% market share of loans and 13.1% market share of deposits.

## KEY FINANCIALS - NBO

In USD Millions	2020	2021	2022	2023
Total Assets	9,435	10,600	11,153	12,525
Net Loans	7,501	8,022	8,711	9,080
Deposits	6,564	7,579	7,915	9,281
Operating Income	304	320	359	379
Net Profit	47	79	125	151
Tier 1	15.4%	15.0%	16.3%	16.3%
Total CAR	16.4%	15.8%	16.9%	16.9%
Loans to Deposit Ratio	114.3%	105.9%	110.1%	97.8%
NPL Ratio	5.6%	5.3%	4.9%	4.5%
Cost/Income	54.6%	51.5%	43.8%	42.4%

## OWNERSHIP (as at Dec 2023)



## CREDIT RATING

Rating Agency	Period	Long-term Rating	Outlook
MOODY'S	May 2023	Ba2	Positive
FitchRatings	October 2023	BB	Stable

# Key Financial Highlights

Net Profit for the year 2023 was USD 150.7 million, strong growth by 20.4 per cent over corresponding period last year.

Cost to Income ratio for 2023 improved to 42.4 per cent compared to 43.8 per cent for the corresponding period last year.

Gross loans and advances as of 31st December 2023 are at USD 9.5 billion, grown by 4.0 percent over same period last year.

Bank's core equity ratio and total capital adequacy ratio stands at 12.1 per cent and 16.9 per cent respectively for 2023.

Net Interest Income for the year 2023 was USD 287.1 million, increased by 6.8 per cent compared to last year.

Net Impairment for the year 2023 was USD 40.8 million, compared to USD 52.6 million for the corresponding period last year, reduced by 22.5 per cent.

Customer deposits as of 31st December 2023 are at USD 9.3 billion, grown by 17.2 percent over same period last year.

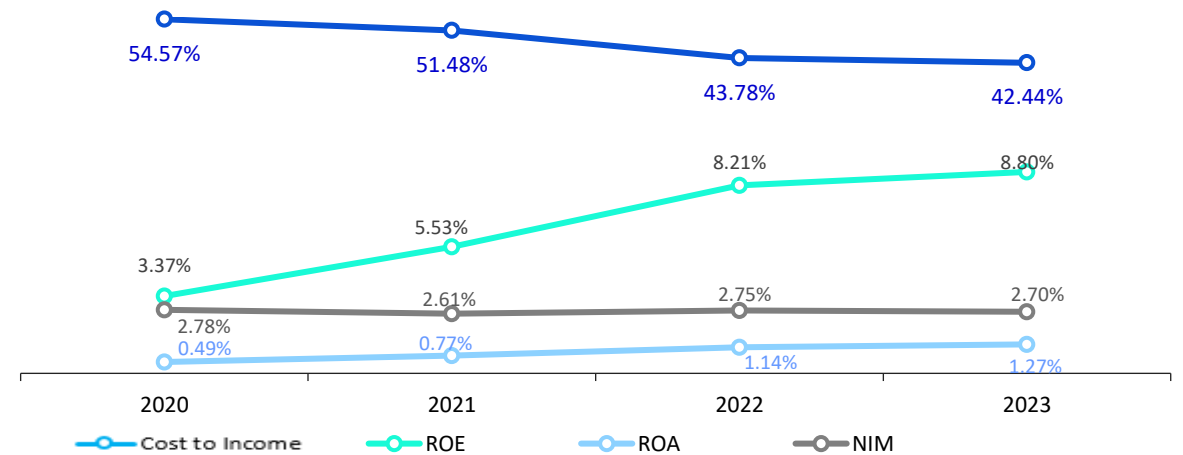
# NBO - Operating Performance



## OVERVIEW

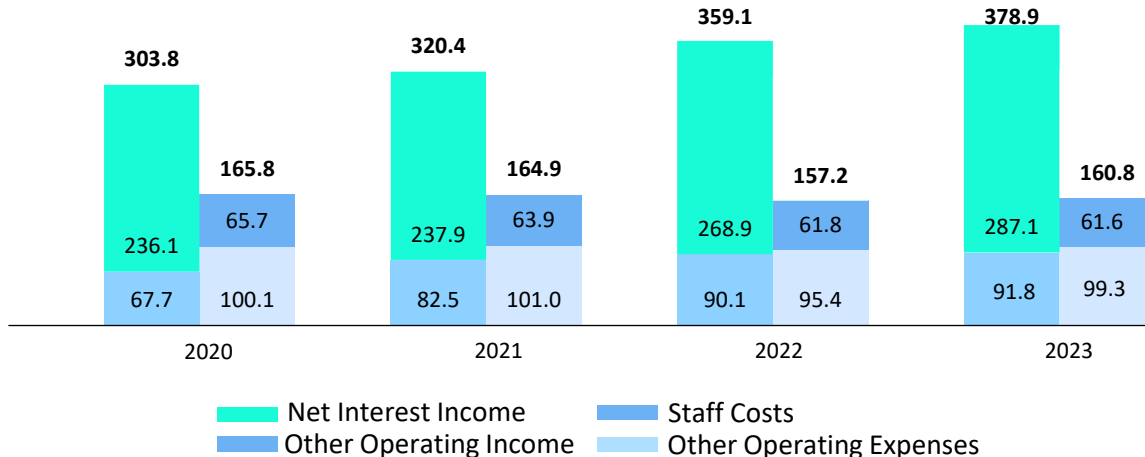
- Net Interest income for the year 2023 increased by 6.8% compared to previous year. This is driven by strong growth in loan volumes and improved margins.
- The bank continued to invest in people and technology, despite that, Cost-to-Income ratio for the year 2023 improved to 42.4% compared to 43.8% for the corresponding period last year on the back of strong revenue growth and robust control on operating expenses.
- Return metrics improved - ROA for the year 2023 was 1.27% compared to 1.14% in 2022. ROE for the year 2023 was 8.80%, up by 59 bps as compared to 8.21% in 2022.
- Net Impairment for the year 2023 decreased by 22.5%. The reduction is on account of conservative provisioning approach undertaken in the previous years, subsequently there has been improvement to the economic activities and borrower profiles reflected in the lowered expected credit losses.

## KEY PROFITABILITY METRICS



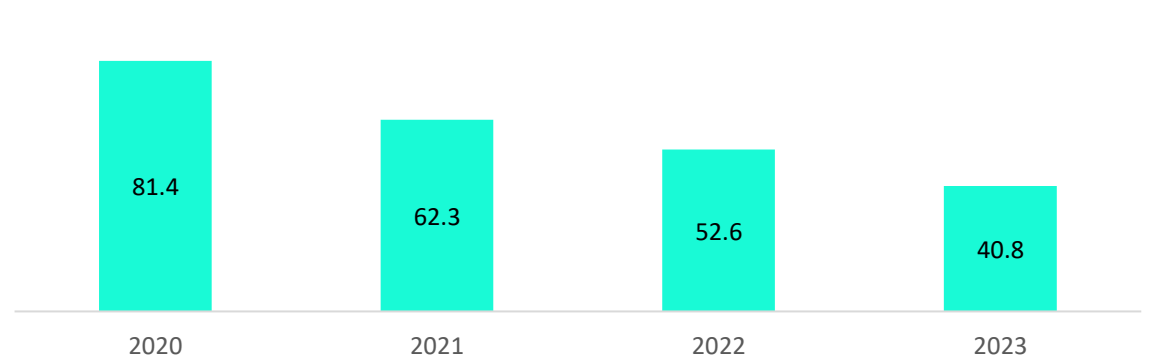
## OPERATING INCOME COMPOSITION

USD million



## NET IMPAIRMENT

USD million



# Asset Quality

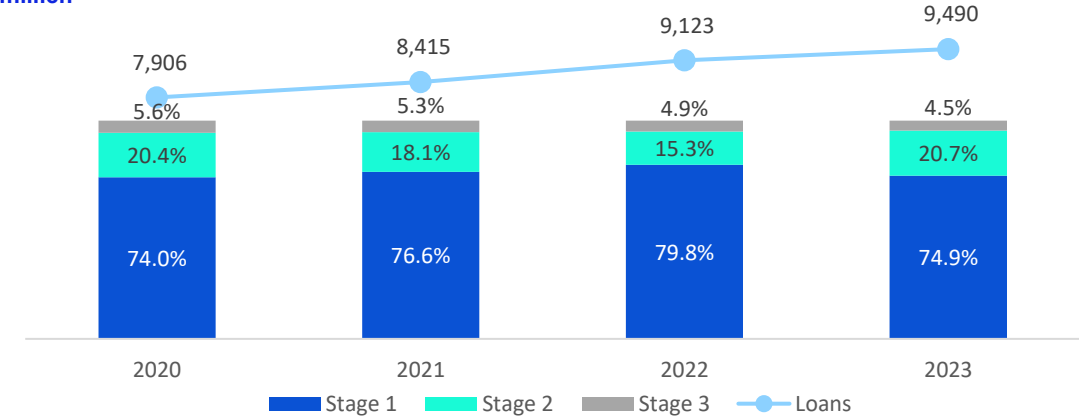


## OVERVIEW

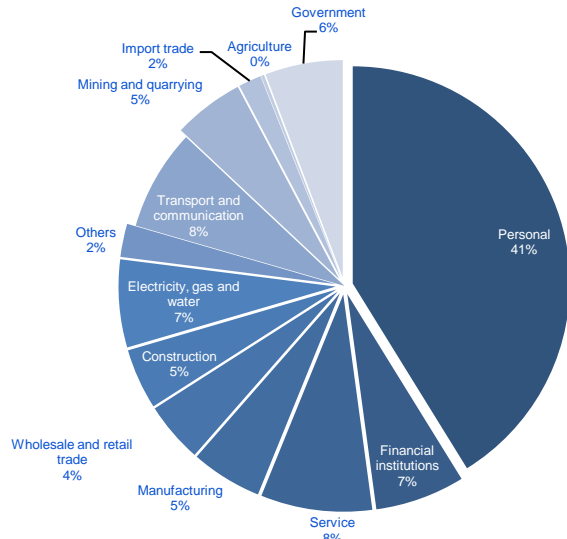
- During the year 2023, the loan book grew by 4.2%.
- The Bank has diversified portfolio of loans/financing activities across economic sectors through both conventional and Islamic banking.
- With the continuous build up of Stage 1-2-3 provisions, total provision as percentage of loans stands at 4.5%. As a result, provision coverage ratio improved to 99.5% in 2023 from 93.4% in 2022.
- NPL ratio for the year 2023 was at 4.5% compared to 4.9% in 2022.

## GROSS LOAN EXPOSURE BY STAGES

USD million

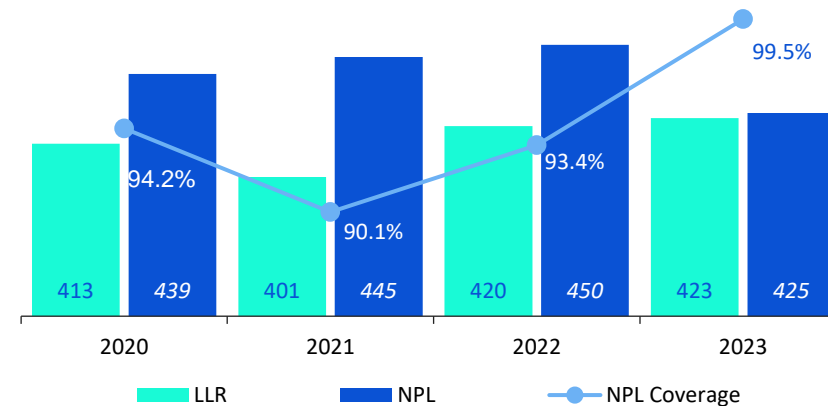


## GROSS LOANS – SECTOR BREAKUP (2023)

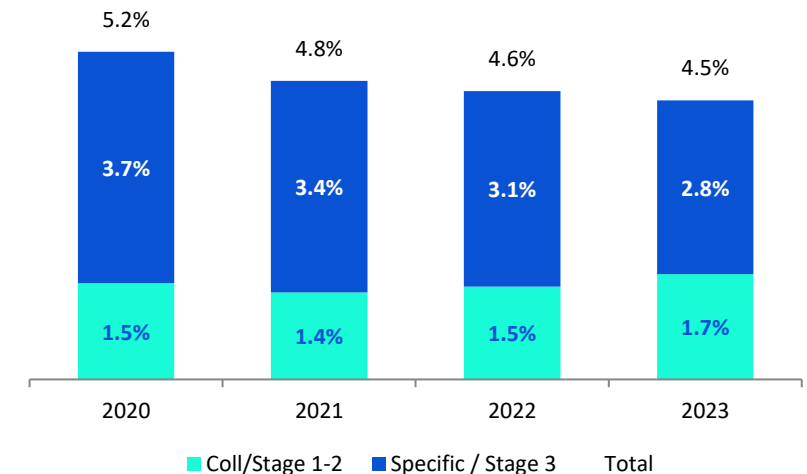


## IMPAIRED ASSETS AND PROVISIONING

USD million



## PROVISION HELD AS A % OF LOANS



# Capitalization, Funding and Liquidity

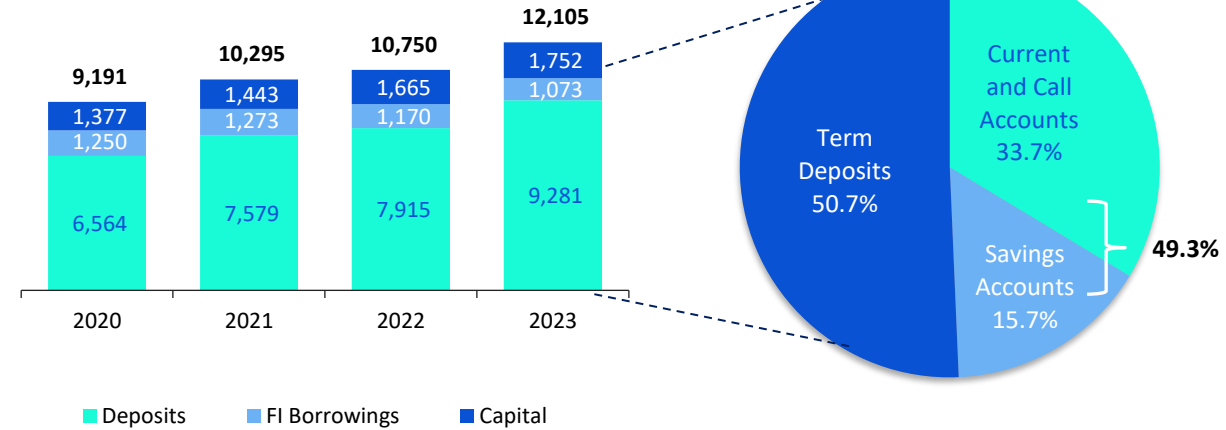


## Overview

- Current deposit mix, with improved share from term deposits (longer dated funding) have complimented the banks' deposit base with a stronger Net stable funding ratio of 115.2% while maintaining a consistent Net Interest Margin.
- Strong liquidity with liquid asset ratio representing 24.6% of total assets and a high liquidity coverage ratio of 384.8% for the year 2023.
- Capitalization levels of 16.9% for the year 2023 (including interim profits and excluding proposed cash dividend) vs. minimum total capital adequacy ratio of 12.25% (Central Bank of Oman guidelines) leaves a capital buffer of over 4.7%.
- The Bank's CET1 ratio at 12.1% is well above the regulatory minimum by 3.8%.

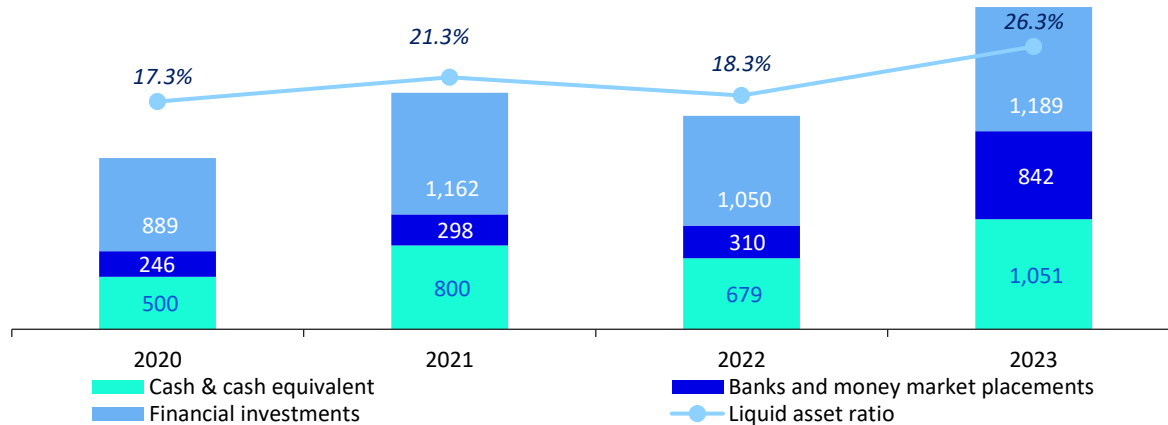
## Funding Mix

USD million

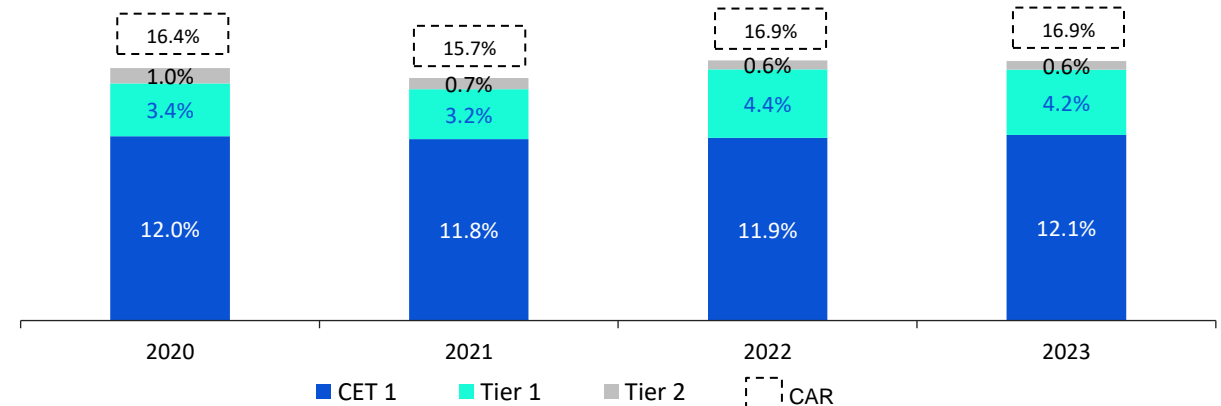


## Liquid Assets

USD million



## Capitalization



# Balance Sheet



Amount in USD Millions	2020	2021	2022	2023
<b>ASSETS</b>				
Cash & Central Bank	500	800	679	1051
Due From Banks	246	298	310	842
Loans & Advances (Net)	7,501	8,022	8,711	9,080
Investments	889	1,162	1,050	1,189
Fixed Assets	163	156	148	145
Other Assets	137	163	255	218
<b>Total Assets</b>	<b>9,435</b>	<b>10,600</b>	<b>11,153</b>	<b>12,525</b>
<b>SHAREHOLDERS EQUITY</b>				
- Share Capital	422	422	422	422
- Share Premium Reserve	90	90	90	90
- Legal and Other Reserves	145	155	157	161
- Retained Earnings	373	398	436	494
- Net Profit for the period	47	79	125	151
<b>Net Worth (A)</b>	<b>1,077</b>	<b>1,143</b>	<b>1,230</b>	<b>1,318</b>
Tier 1 Capital (B)	300	300	434	434
<b>Net Worth (C=A+B)</b>	<b>1,377</b>	<b>1,443</b>	<b>1,665</b>	<b>1,752</b>
<b>LIABILITIES</b>				
Customer Deposits	6,564	7,579	7,915	9,281
Due To Banks	750	773	680	1,073
Euro Medium Term Notes	500	500	491	-
Other Liabilities	244	306	403	419
<b>Total Liabilities</b>	<b>8,058</b>	<b>9,157</b>	<b>9,489</b>	<b>10,773</b>
<b>Total Net worth and Liabilities</b>	<b>9,435</b>	<b>10,600</b>	<b>11,153</b>	<b>12,525</b>

# Income Statement



## Amounts in USD Millions

## For the year ended

Details	31 December 2020	31 December 2021	31 December 2022	31 December 2023
- Interest Income-Conventional	423.9	430.1	475.7	587.9
- Interest Income-Islamic	23.2	25.3	28.2	42.0
<b>Total Interest Income</b>	<b>447.1</b>	<b>455.4</b>	<b>503.9</b>	<b>629.9</b>
- Interest Expenses-Conventional	(198.2)	(204.1)	(221.1)	(316.6)
- Interest Expenses-Islamic	(12.8)	(13.4)	(13.9)	(26.2)
<b>Total Interest Expenses</b>	<b>(211.0)</b>	<b>(217.5)</b>	<b>(235.0)</b>	<b>(342.8)</b>
<b>Net Interest Income</b>	<b>236.1</b>	<b>237.9</b>	<b>268.9</b>	<b>287.1</b>
Non funded Income	67.7	82.5	90.1	91.8
<b>Total Income</b>	<b>303.8</b>	<b>320.4</b>	<b>359.1</b>	<b>378.9</b>
- Staff Costs	(100.1)	(101.0)	(95.4)	(99.3)
- Other Operating Costs	(48.9)	(48.0)	(46.6)	(45.7)
- Depreciation	(16.8)	(16.0)	(15.2)	(15.8)
<b>Total Operating Expenditure</b>	<b>(165.8)</b>	<b>(164.9)</b>	<b>(157.2)</b>	<b>(160.8)</b>
<b>Operating Profit</b>	<b>138.0</b>	<b>155.5</b>	<b>201.9</b>	<b>218.1</b>
- Gross Provisions	(93.5)	(75.6)	(68.9)	(62.2)
- Recovery	12.1	13.3	16.3	21.4
<b>Net Loan Impairment</b>	<b>(81.4)</b>	<b>(62.3)</b>	<b>(52.6)</b>	<b>(40.8)</b>
<b>Net Profit Before Tax</b>	<b>56.6</b>	<b>93.2</b>	<b>149.3</b>	<b>177.3</b>
Taxation	(9.5)	(14.5)	(24.1)	(26.6)
<b>Net Profit for the period</b>	<b>47.1</b>	<b>78.6</b>	<b>125.2</b>	<b>150.7</b>



Thank you

