

أفضل كل يوم
Better Everyday

Investor Presentation Sep 2020





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Note: The financial information is updated as of 30th Sep 2020, unless stated otherwise.



Bank Muscat Introduction

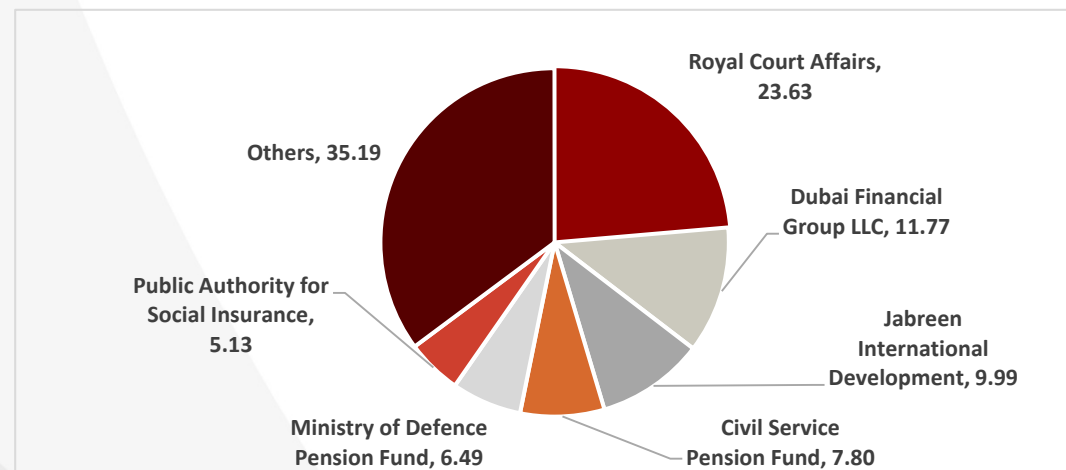
Bank Muscat at a glance



Overview

- #1 Bank in Oman with a significant active customer base with over 2 million clients and a workforce of 3,844 employees as of 30th Sep 2020.
- Established in 1982, headquartered in Muscat with 171 branches across Oman, 2 branches overseas, and 3 representative offices
 - Fully diversified commercial bank offering corporate and retail banking services
 - Primarily domestic dominated operations with over 95% of operating income generated in Oman
 - Meethaq – pioneer of Islamic Banking services in Oman, officially launched in January 2013 with full fledged product and services offering
- Listed on the Muscat Securities Market (with a market cap of USD 3,055 million as of 30th Sep 2020), London Stock Exchange & Bahrain Stock Exchange

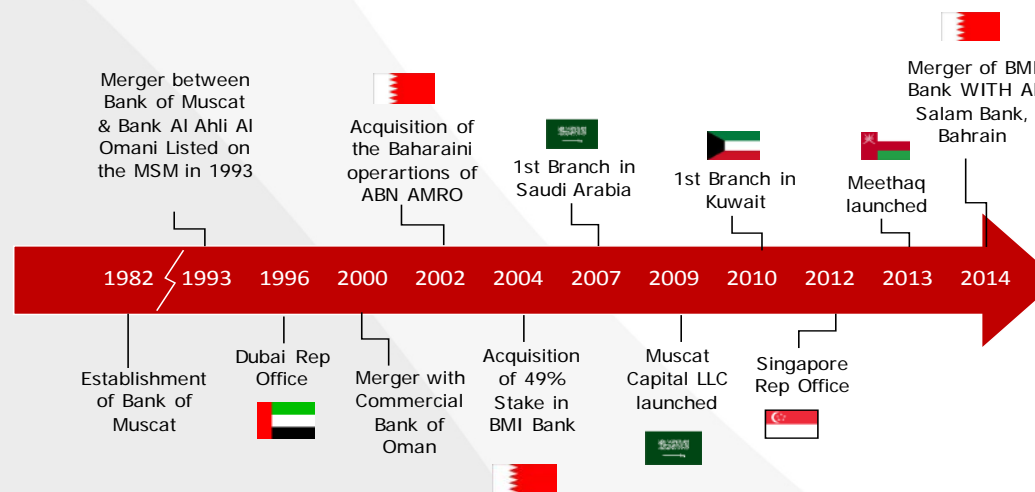
Major Shareholders as of Sep 2020



Key Financials

In US\$ Millions, unless otherwise stated	Sep'20	2019	2018	2017
Total Assets	33,016	31,925	31,917	28,959
Gross Loans	23,982	23,875	24,073	22,484
Deposits	22,634	20,894	21,981	19,271
Operating Income	875	1,227	1,160	1,132
Net Profit	294	482	467	459
Tier 1	19.11%	18.78%	17.98%	16.87%
Total CAR	20.20%	19.72%	19.22%	18.45%
Loans to Deposit Ratio	101.52%	110.37%	105.63%	112.26%
NPL Ratio	3.62%	3.25%	3.09%	2.94%
Cost/Income	40.73%	41.50%	42.61%	42.22%
ROA	1.21%	1.51%	1.53%	1.61%
ROE	8.32%	10.73%	10.88%	11.44%

Bank Muscat Foot Steps



Bank Muscat – Key Highlights



Dominant Franchise in Oman

- Largest Bank in Oman by total assets of 36.0%, as of 31st Aug 2020, around the size of next 3 Omani banks combined.
- Market Capitalisation of USD 3,055 million as of 30th Sep 2020
- Largest branch network with 171 domestic branches
- The only bank in Oman to be designated a “D-SIB”

Strong Financial Metrics

- Stable and consistent financial performance
 - Solid topline income growth
 - Stable cost-to-income ratio despite business and infrastructure expansion
- Strong and sustainable profitability metrics:
 - Operating income 2015-2019 CAGR of 3.7%
 - Net profit 2015-2019 CAGR of 1.4%

Solid Capital Position

- Strong capitalization levels offering room for substantial growth
- CAR of 20.20% as of 30th Sep 2020

Highest Government Ownership

- Highest Government Ownership among Omani Banks
 - Royal Court Affairs: 23.63%
- Significant direct and indirect Government ownership through various entities.

Stable Operating Environment

- Stable banking sector
 - Prudential regulatory environment
- Stable political system in the Oman with excellent diplomatic relationship in the region
- Economic growth in Oman supported by increase in hydrocarbon production, strengthening and growing local demand, and disciplined fiscal policy measures

Stable Asset Quality

- Conservative lending approach
- Strong risk architecture and policies
- Adequate asset quality metrics

Management

- Stable and experienced management with proven track record of successful organic and inorganic growth
- Good corporate governance





Operating Environment

Sultanate of Oman - Overview



Overview

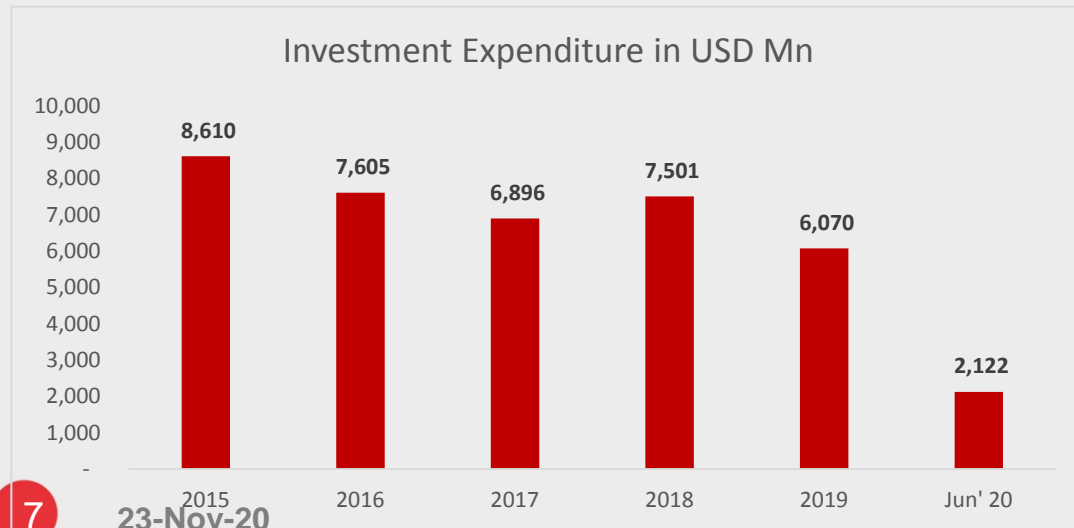
- 2nd Largest country in the GCC with an area covering approx. 309.5 thousand km², strategically located, sharing borders with Saudi Arabia, & UAE.
- Stable Political System, excellent diplomatic relations in the region
- Oman explicitly aims to create a neo-liberal free market economy, where the private sector is the driver of the economy as opposed to the state
- Population of 4.48mn as of Aug 2020 - predominantly represented by Omani Nationals who account for 61.0% of the total population
- The economy will continue to grow with the following drivers:
 - The increase in hydrocarbon production
 - The Government's balanced support for the economy with disciplined fiscal policy measures
 - Strengthening and growing local demand; increasing services and activities contribution to GDP
 - Govt. initiated a dedicated program called "Tanfeedh" to focus on economic diversification through focus on key sectors in phase 1 viz. manufacturing, logistics and tourism



Key Indicators ⁽¹⁾	2019	2020
Sovereign Ratings Moody's\S&P	Ba1/BB	Ba3/B+
Budget Surplus\Deficit in OMR	-2.65 Bn (Dec '19)	-0.82 Bn (Jun '20)
Surplus\Deficit % of total revenue	-25% (Dec '19)	Est. '-23% (Dec '20)
Net Public Debt (% GDP)	53%-55%	Est 55%-60%

(1) Source: National Center for Statistics (Sep'20), Rating Reports: Moody's as of Jun'20 & S&P as of Oct'20

Gov't Investment Expenditure

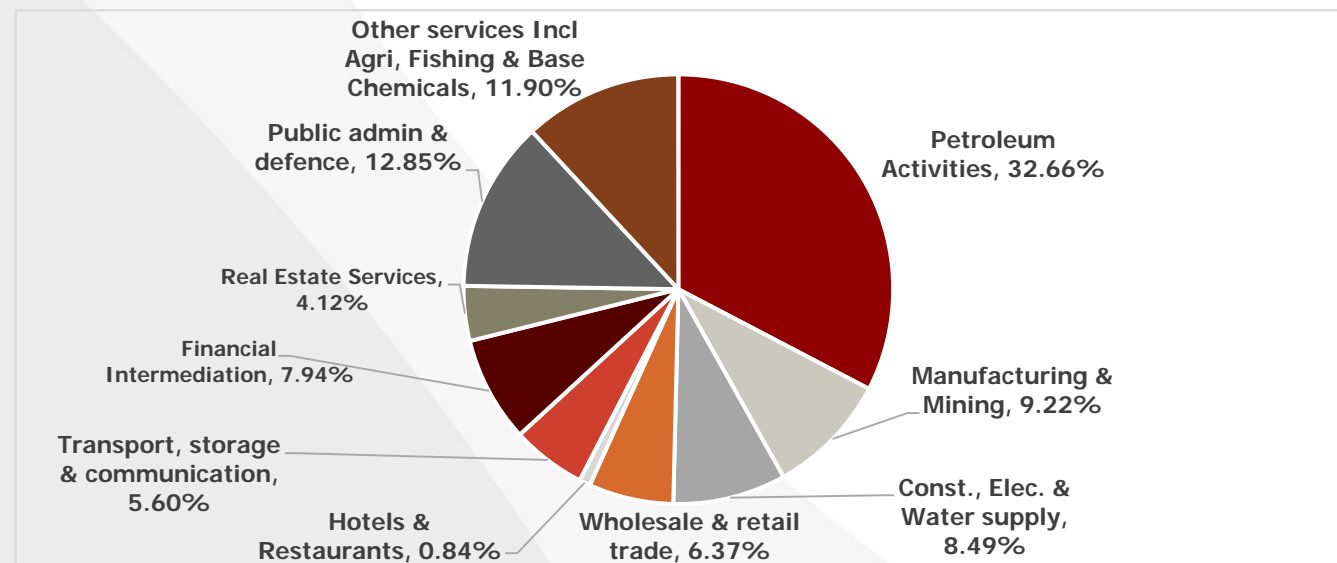


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23-Nov-20

Note: Investment expenditure includes Civil Ministries development & Capital expenditure, Oil & Gas production

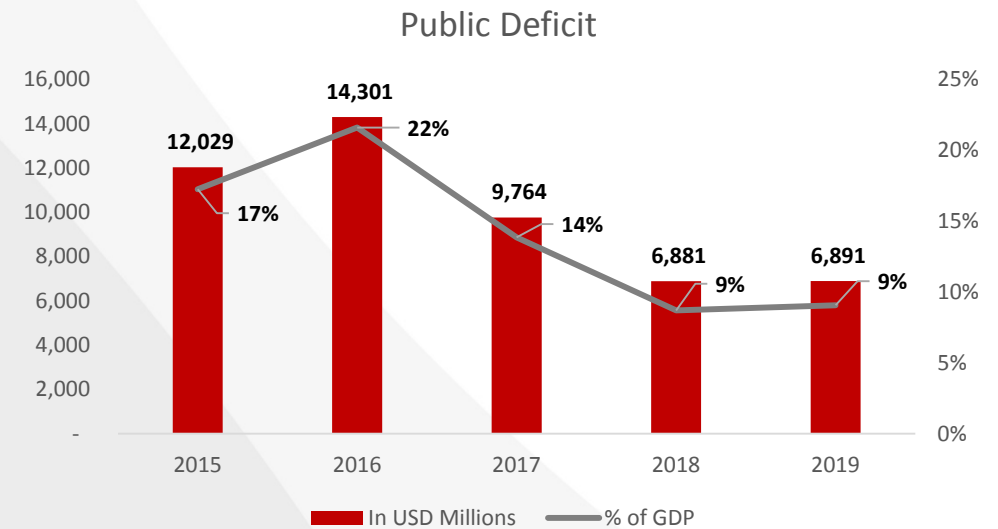
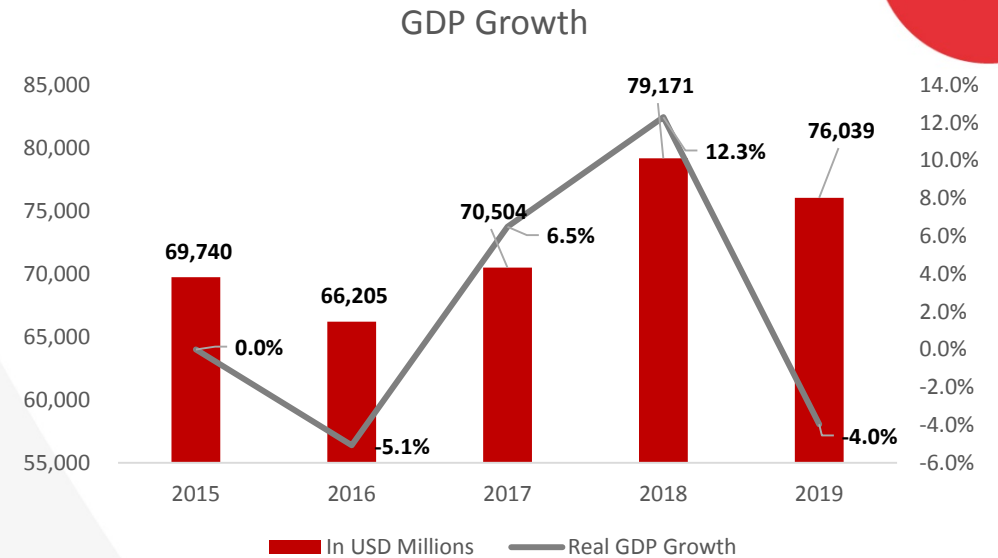
GDP Composition as of June 2020



Oman Macro Overview



- ❖ Oman's economy has been some extend resilient to strong headwinds in spite of low oil prices in the past 5 years.
- ❖ However, current pandemic situation coupled with further pressure on oil prices has increased the stress level of the government's fiscal position.
- ❖ Government has been taking major steps towards economic diversification and specific relief measures to support the economy:
 - Tanfeedh initiatives, Duqum developments, number of large projects in certain sectors including oil & gas, infrastructure, tourism and so on.
 - Introduction of or revising key legislations with regard to foreign investments, Public Private Partnership, Bankruptcy law, Banking law, Tax laws, Commercial Companies law etc.
 - Key framework for Vision 2040 to navigate the economy in the long term.
 - Short terms measures include job sector reforms initiated, Job Security Fund established, prioritization of Govt. capital expenditure, key development projects worth RO 300 million, rationalizing current and administrative expenditure of various ministries and government entities.
 - Announced number of relief measures to support the economy and businesses in the near term which include tariff reduction or waiver, deferral instalments and others.
- ❖ Local and international borrowings by sovereign and government entities to address the fiscal deficit.
- ❖ According to IMF, due to the outbreak of the COVID-19, GDP growth is expected to fall to -2.8% in 2020 and pick up to 3% in 2021.



Source: Real GDP growth rate & Public Deficit forecast as per IMF reports as of Apr' 20

Oman Banking Sector - Overview

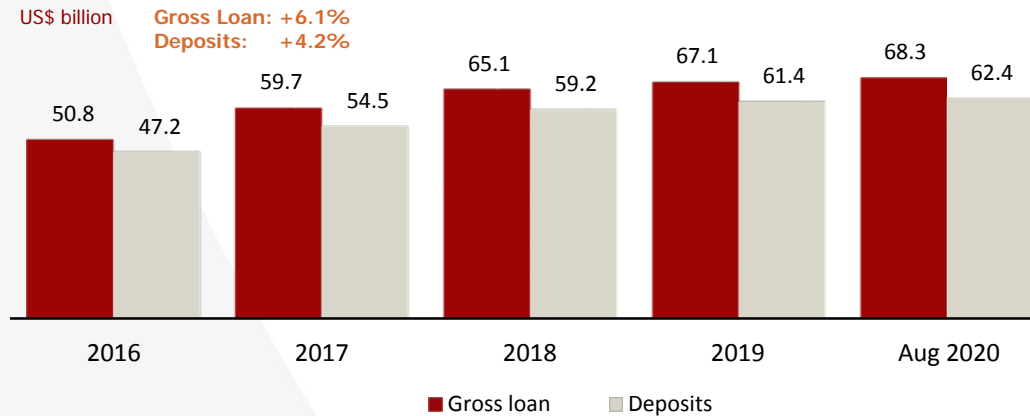


Amounts in USD Bn

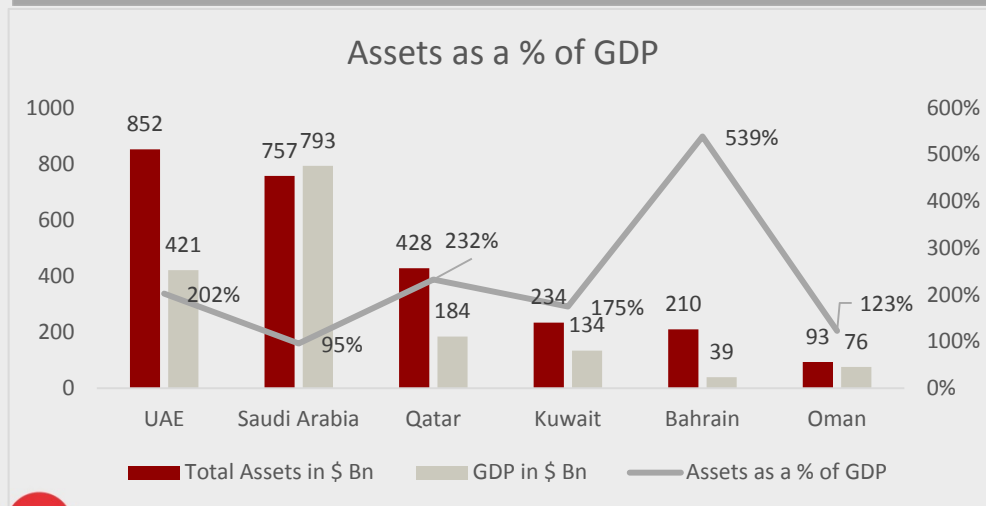
Overview

- The Omani banking sector comprises of 7 local banks, 2 specialized banks, 9 foreign commercial banks and two full fledged Islamic Banks
 - The top 3 banks after bank muscat contribute around 35.5% of total sector assets. bank muscat represents 36.0% of total banking sector assets as of Aug 2020
- Conservative and Prudent Regulator
 - A number of regulations and caps in place to support the growth, stability and sustainability of the Omani banking sector
- Adequate asset quality with relatively low impaired assets and sound capitalization

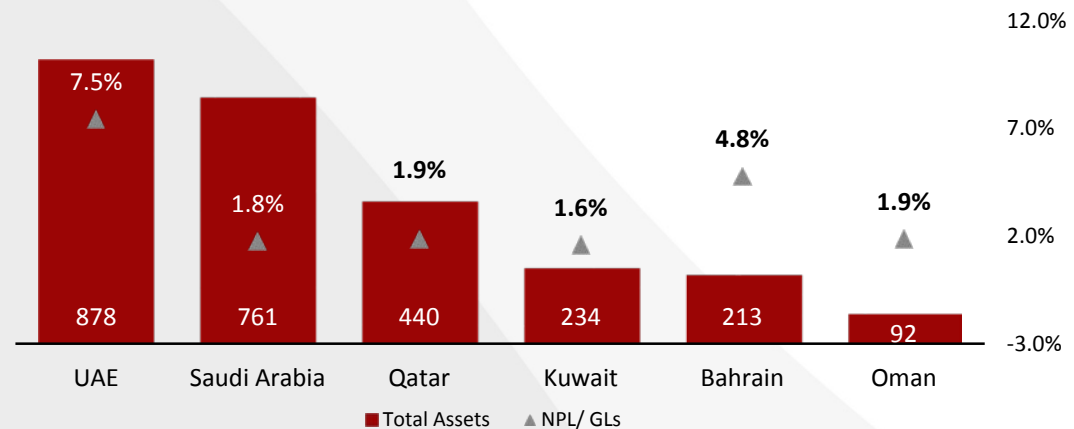
Loans and Deposit Growth



Oman in the GCC banking sector context⁽¹⁾



Asset Quality⁽²⁾



⁽¹⁾ GDP data is actual for FY 2019 (Source: World Bank, National Central Banks)

⁽²⁾ Source: Central Banks: Oman, KSA, UAE, Kuwait & Qatar as of Aug'20, Bahrain as of Jul'20.

Banking Sector Overview Cont'd...

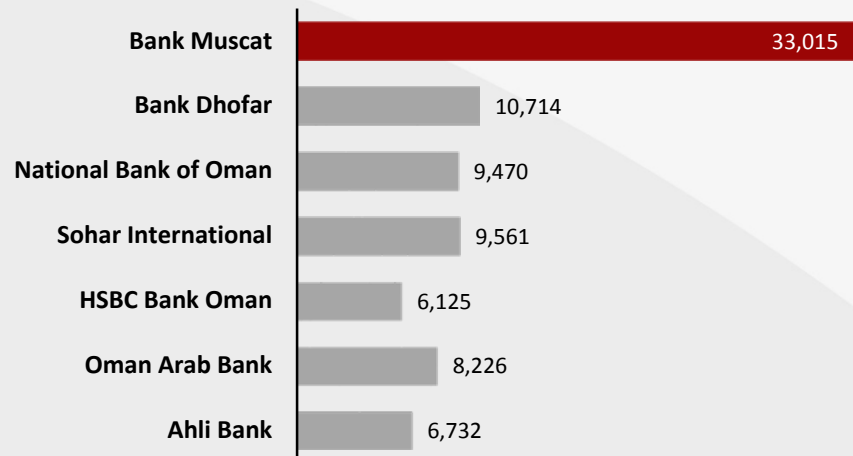


- ❖ Banking sector has performed relatively well in the last few years in spite of lower oil prices and challenging economic situation.
- ❖ However, in the current year, sector performance has come under pressure due to uncertainty arising from the pandemic.
- ❖ Central Bank of Oman (CBO) has been taking number of measures to support the economy and banking sector. Key measures include;
 - Loan installment deferral package offered to impacted businesses and individual borrowers
 - Waiver of interest in cases of job loss / salary reduction.
 - Waiver of certain fees for businesses and individuals
 - Relaxation in risk classification on availing deferral package
 - Additional liquidity support provided at concessional rates to banks
 - Lending ratio limit relaxed providing scope for additional lending
 - Capital stimulus by reducing regulatory limits. Prudential filter on IFRS 9 ECL introduced
- ❖ Banks in Oman are well positioned with good capital and liquidity level with these measures.

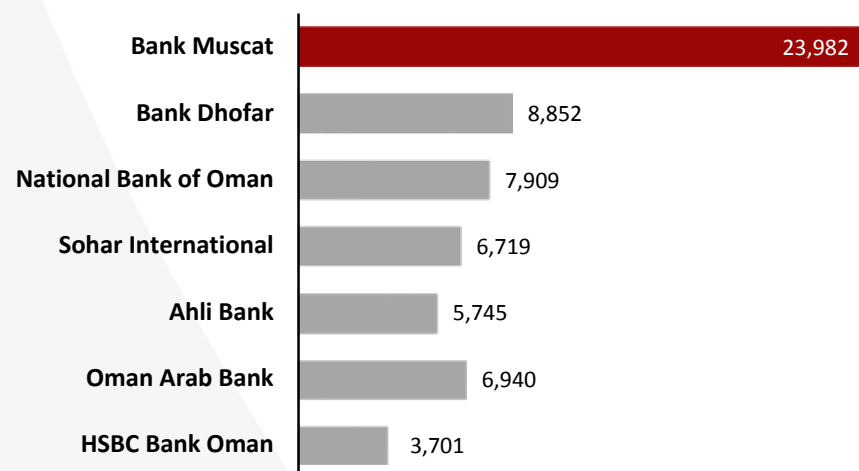
Bank Muscat – Unrivalled leading Market Position in Oman



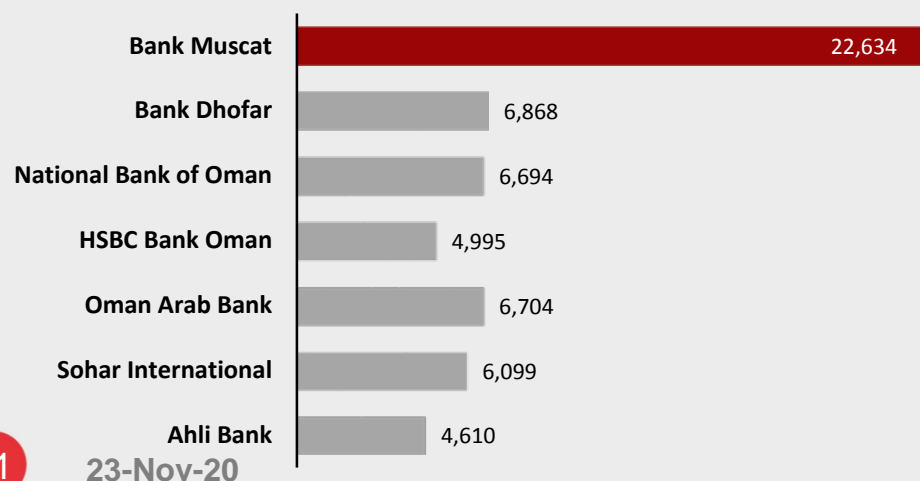
Total Assets (USD Mn)



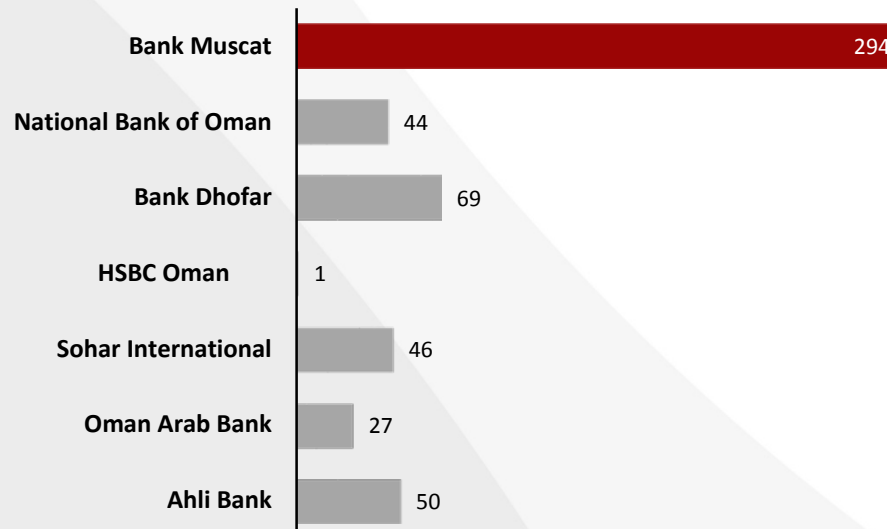
Gross Loans (USD Mn)



Deposits (USD Mn)



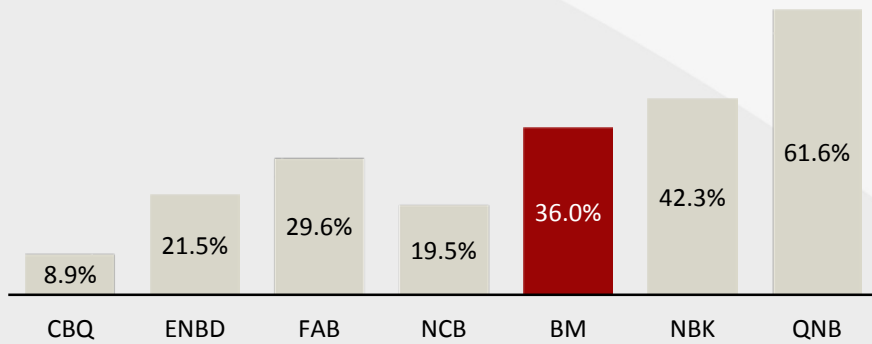
Net Profit (USD Mn)



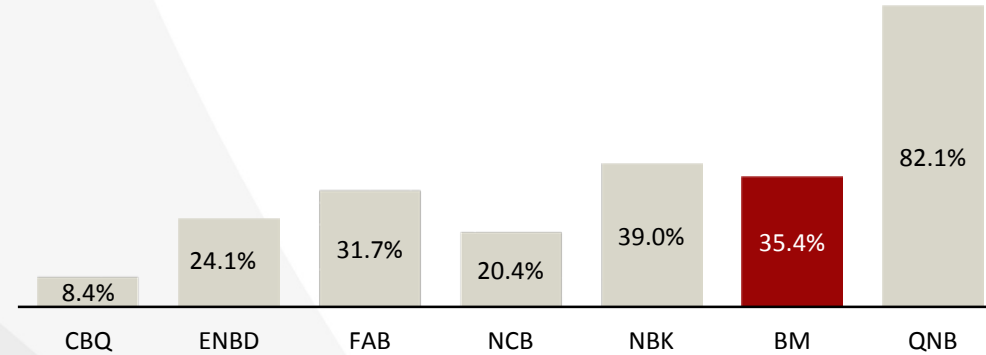
Bank Muscat – Dominant domestic franchise in the region



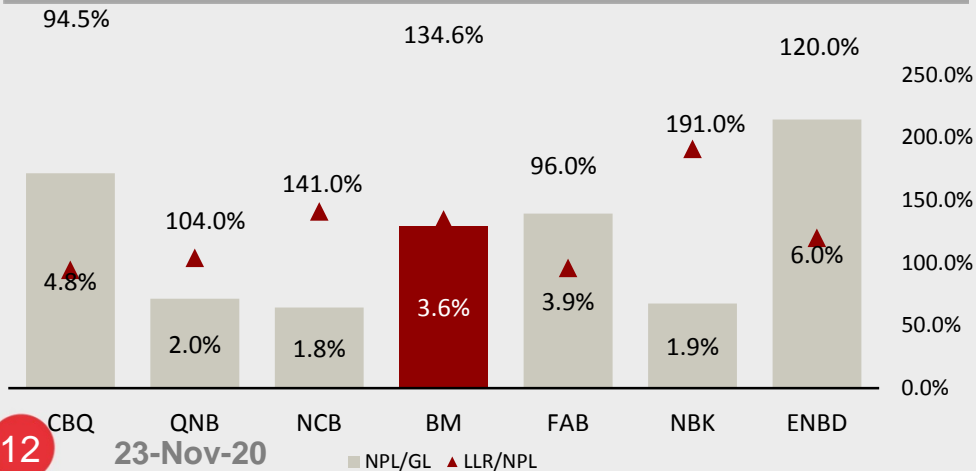
Market Share - Assets



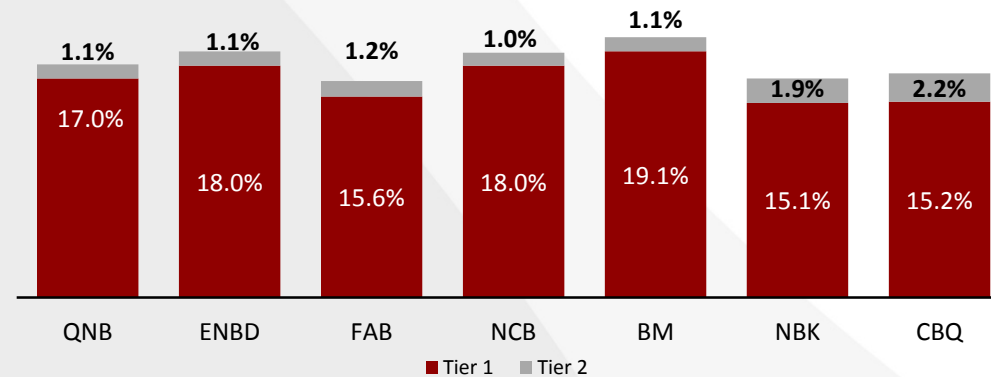
Market Share – Deposits



Asset Quality



Strong Capitalization





Bank Muscat Business Overview

Banks Vision & Strategic Pillars



To serve you better, everyday.

Leading in everything we do by offering simplified & integrated banking solutions.

Bank Muscat Brand value

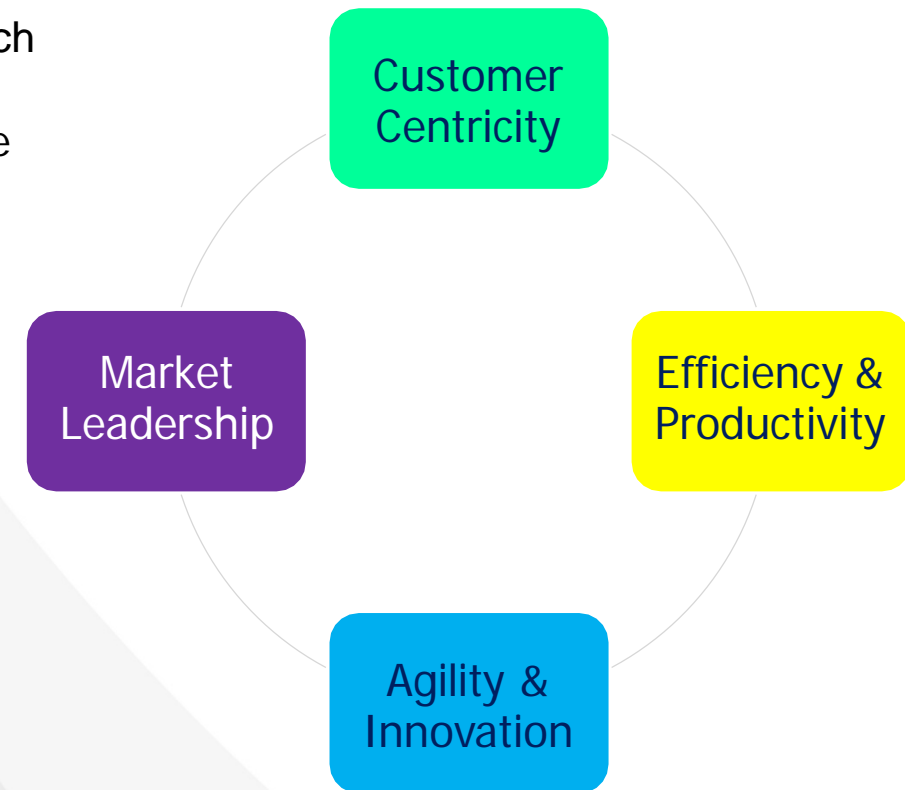
- ❖ Customer convenience, High Service Quality and Customer centric approach through “To Serve you better, everyday” philosophy
- ❖ Leading financial services provider with largest branch network & innovative product and service offering
- ❖ Technology driven with multiple digital channels for sales and services
- ❖ Dominant position size & proven resilience

Strong Financial position

- ❖ Strong financial position, Business capabilities & Shareholding
- ❖ Strong Capital and Liquidity
- ❖ Lending Power / Single Borrower size
- ❖ Strong Profitability coupled with conservative credit provisioning policies
- ❖ Market share leadership in loans and deposit.

Human Resource strength

- ❖ Capable Management
- ❖ Talented and Young workforce



Current Situation and Strategy



“Safety, Security and Sustainability”

Health Risk

- ❖ The Bank has been managing the current situation with a well planned approach.
- ❖ Focus has been to support customers with number of measures while providing safe and secure working environment to our employees

Liquidity Risk

- ❖ Very strong liquidity position to ensure long-term sustainability
- ❖ Continue to focus on stable deposit growth

Capital Position

- ❖ Continue to have a highest capital adequacy ratio
- ❖ Capital mix is driven by strong core equity ratio

Credit Risk

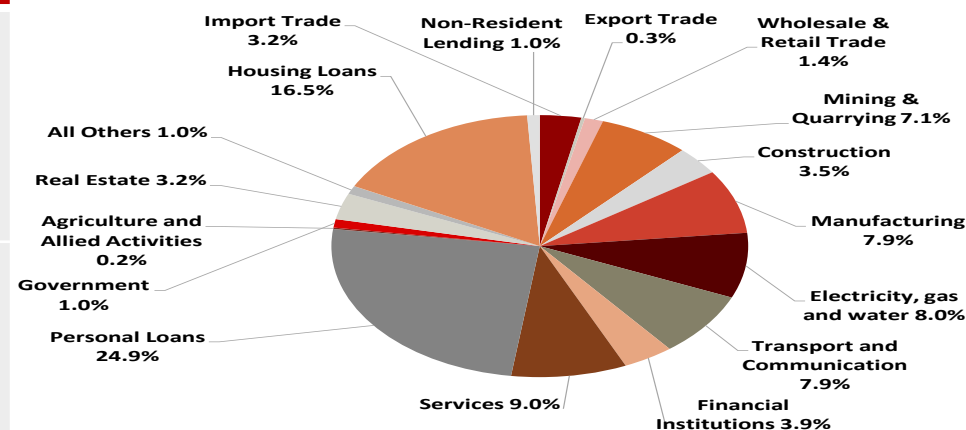
- ❖ Continue to follow a conservative and prudent credit policy
- ❖ Prudent provision policy and good level of provision coverage

Bank Muscat Business Lines

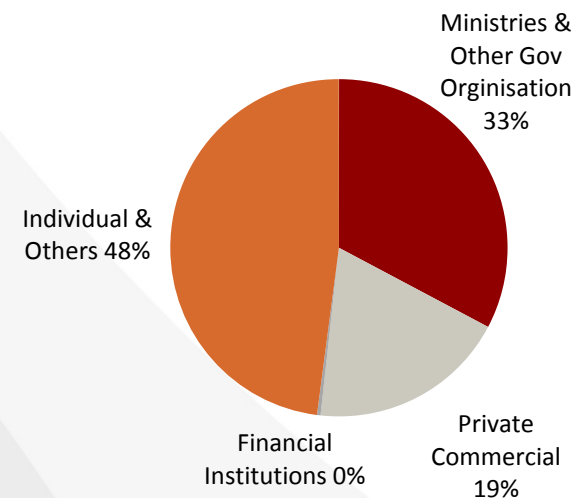


	Key Highlights	Asset Contribution	Profit Contribution
Corporate Banking	<ul style="list-style-type: none"> ❖ Leading Corporate Bank Franchise offering the full array of corporate banking services ❖ ~ 7,200 corporate customers in Oman ❖ Strong expertise in project finance 	<ul style="list-style-type: none"> ❖ USD 11.42 bn ▪ 34.6% of total assets 	<ul style="list-style-type: none"> ❖ USD 115.28 mn ▪ 39.2% of total profit
Wholesale Banking	<ul style="list-style-type: none"> ❖ Comprise of treasury, corporate finance, asset management and financial institutions 	<ul style="list-style-type: none"> ❖ USD 7.91 bn ▪ 24.0% of total assets 	<ul style="list-style-type: none"> ❖ USD 93.55 mn ▪ 31.8% of total profit
Personal Banking	<ul style="list-style-type: none"> ❖ Leading Retail Bank platform in Oman ❖ Over 2 million retail customers in Oman ❖ Largest distribution network (149 conventional branches) 	<ul style="list-style-type: none"> ❖ USD 8.77 bn ▪ 26.6% of total assets 	<ul style="list-style-type: none"> ❖ USD 97.34 mn ▪ 33.1% of total profit
Meethaq – Islamic Banking	<ul style="list-style-type: none"> ❖ RO 120 mn (c.US\$ 311 mn) capital assigned to this business ❖ Officially launched in January 2013, currently operating through 21 full fledged Islamic branches. 	<ul style="list-style-type: none"> ❖ USD 3.80 bn ▪ 11.5% of total assets 	<ul style="list-style-type: none"> ❖ USD 17.04 mn ▪ 5.8% of total profit
International Operations	<ul style="list-style-type: none"> ❖ Presence in Saudi Arabia & Kuwait through a branch network, and 3 Rep offices across Asia. 	<ul style="list-style-type: none"> ❖ USD 1.09 bn ▪ 3.3% of total assets 	<ul style="list-style-type: none"> ❖ USD -29.17 mn ▪ -9.9% of total profit

Loans by sector:



Deposits by segment:



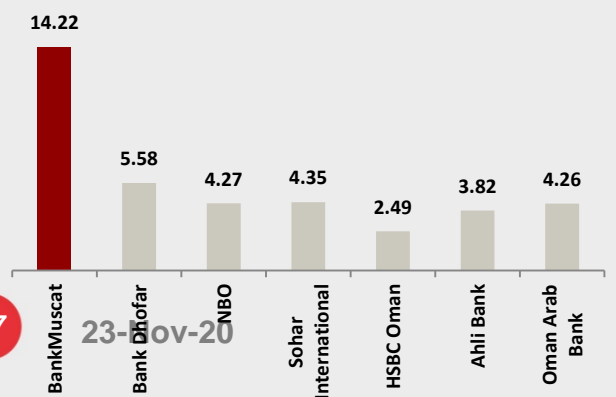
Corporate Banking

Amounts in USD mn.

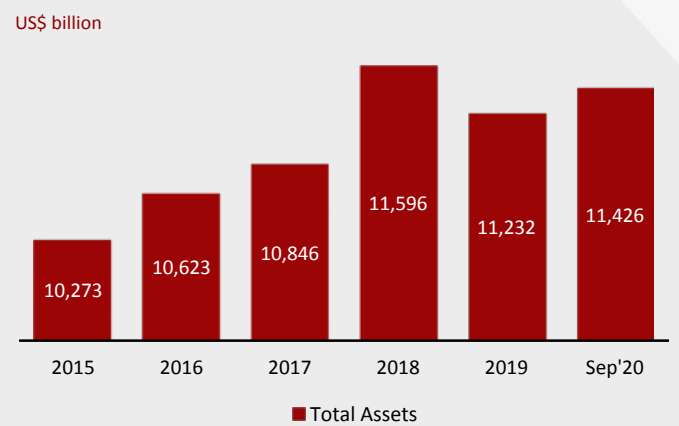


Overview	Opportunities	Strategy
<ul style="list-style-type: none"> ➤ Leading Corporate Banking Franchise <ul style="list-style-type: none"> ▪ Extensive and expanding range of products and services ▪ Strong project finance capabilities ➤ Large corporate client portfolio with c.7,200 customers and lead bank for top tier Omani corporate entities ➤ High level of sophistication differentiated through technology led investments ➤ Commitment to maintain strong control over asset quality 	<ul style="list-style-type: none"> ➤ Large number of infrastructure/ Industrial projects in the pipeline ➤ Privatisation and diversification drive by Government ➤ Increasing business flows between Oman and regional countries 	<ul style="list-style-type: none"> ➤ Leverage on leading position and expertise <ul style="list-style-type: none"> ▪ Reinforce presence in Oman across all segments in the value chain ▪ Benefit from large infrastructure and industrial projects in Oman ➤ Focus fee income generating business <ul style="list-style-type: none"> ▪ Transaction banking business to enhance fee income ▪ Explore cross sell opportunities among business lines ➤ Utilize presence in regional markets <ul style="list-style-type: none"> ▪ Grow GCC trade flows share

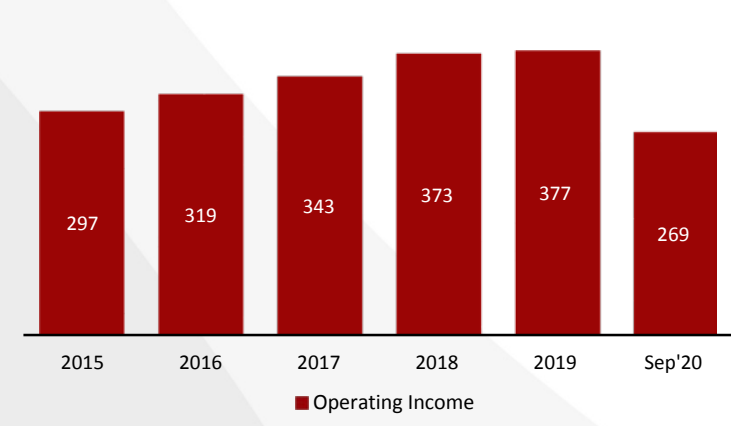
Corporate Loans- Peer comparison



Asset Growth



Operating Income



Note: OAB Financials as of Jun' 20

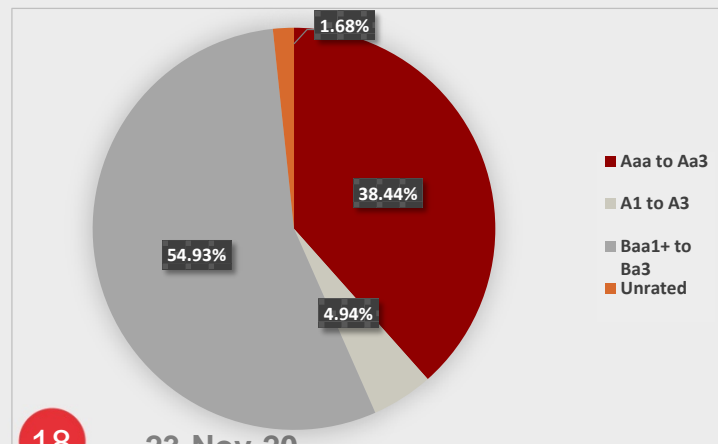
Wholesale Banking – Global Financial Institutions, Investment Banking & Treasury

Amounts in USD mn.

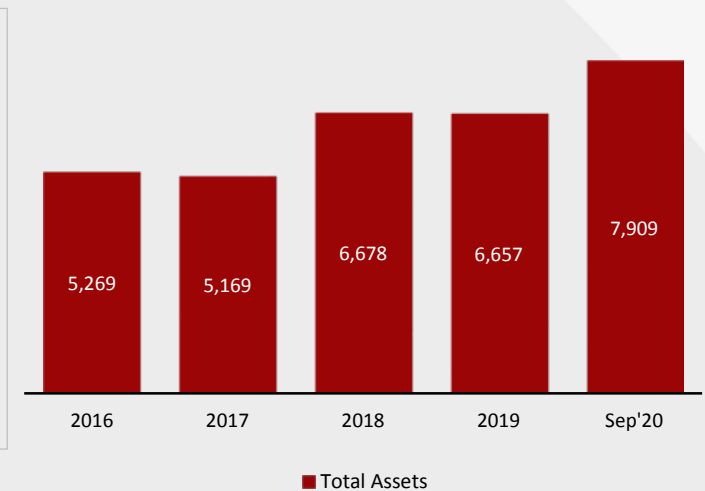


Overview	Opportunities	Strategy
<ul style="list-style-type: none"> ➤ Treasury: funding, asset and liability management requirements, offer structured solutions to corporate clients ➤ Corporate Finance: Leader in corporate advisory: series of successful transactions and track record outside Oman ➤ Financial Institutions: trade, DCM and correspondent banking services ➤ Asset Management: Largest Omani mutual fund manager with potential for growth & expanding outside Oman. Investment solutions for high net worth individuals 	<ul style="list-style-type: none"> ➤ Significant cross-sell opportunities to other wholesale banking clients ➤ Leverage transaction experience in attracting new corporate finance mandates ➤ Leverage regional expansion to introduce new products ➤ Strong growth potential in the high net worth market segment 	<ul style="list-style-type: none"> ➤ Strengthen Bank Muscat's leading position in specialised areas ➤ Utilize the presence in regional markets to expand business ➤ Leverage specialised product expertise in other markets ➤ Leverage on expertise built to further grow the market share and increase the market potential

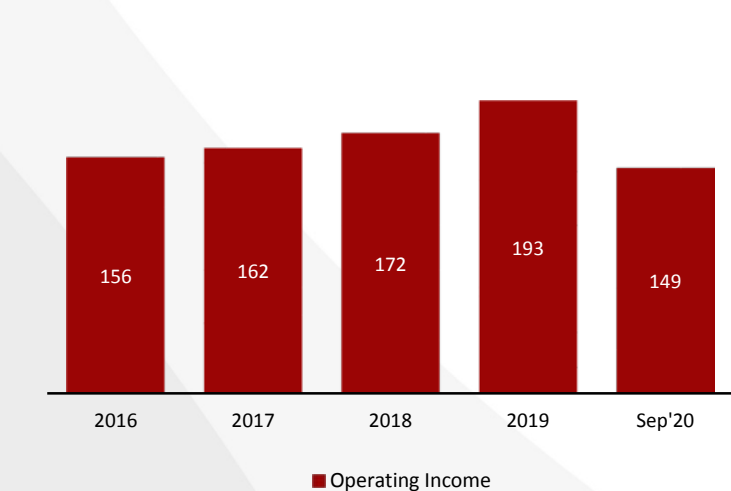
Securities Portfolio



Asset Growth



Operating Income



Personal Banking

Amounts in USD mn.

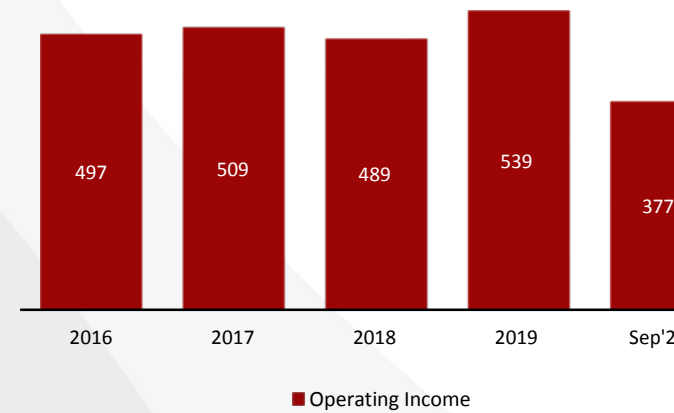
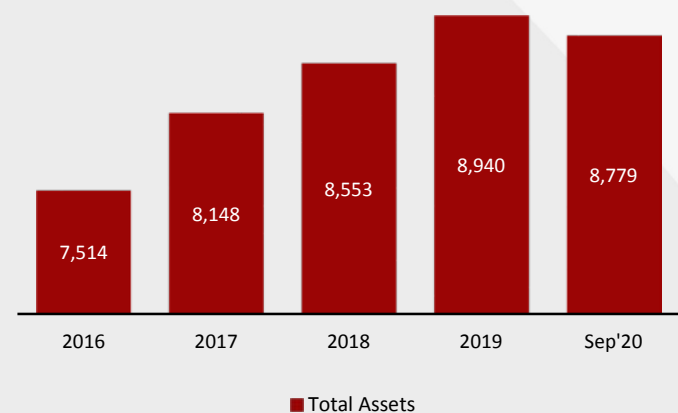
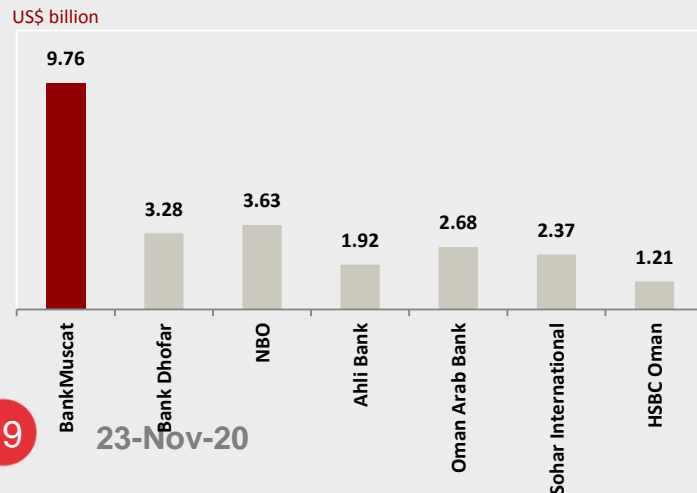


Overview	Opportunities	Strategy
<ul style="list-style-type: none"> ➤ Leading Personal Banking Franchise in Oman <ul style="list-style-type: none"> ▪ Over 1.90 million customers ▪ Front-runner across retail banking segments including cards, Bancassurance and remittances ➤ Largest delivery channel network in Oman (171 branches, 470 ATMs, 128 CDMs, 158 FFM and the best online platform in Oman) ➤ Substantial low cost retail deposit base ➤ Merchant acquiring market share of over 70% by volume as of Sep 2020 and leading e-commerce business in Oman 	<ul style="list-style-type: none"> ➤ Government spending resulting in job creation ➤ Increase in salaries through various government initiatives ➤ Favorable demographics <ul style="list-style-type: none"> ▪ Over 45% of the population less than 19 years old ➤ Housing finance 	<ul style="list-style-type: none"> ➤ Leveraging on leading presence in the retail segment <ul style="list-style-type: none"> ▪ Increase penetration and cross sell ▪ Explore new business and product lines ➤ Technology-led product development and service offerings ➤ Enhance process efficiency and customer convenience ➤ Focus on development and utilization of e-delivery channels

Personal Loans- Peer comparison

Asset Growth

Operating Income



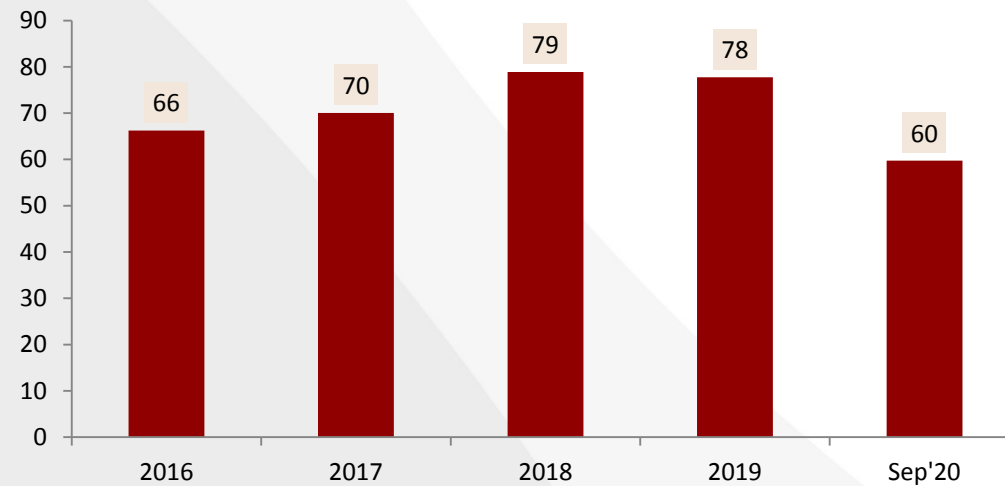
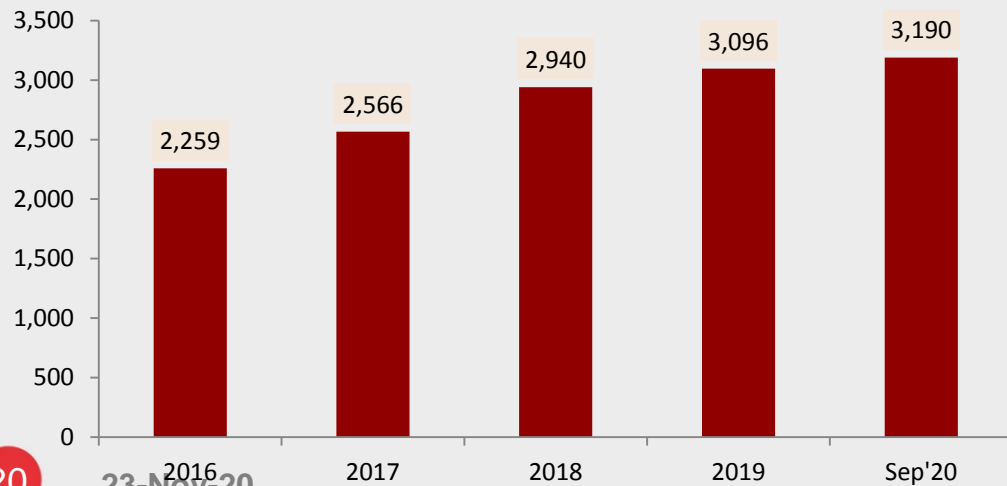
Meethaq – Islamic Banking

Amounts in USD mn.



Overview	Opportunities	Strategy
<ul style="list-style-type: none"> ➤ One of the most successful Islamic banking operation in Oman since 2013 ➤ 22 dedicated branches become operative throughout the Sultanate ➤ Innovation in product offering and services to create a niche ➤ Established Sharia Board comprising of experienced and reputable Sharia scholars 	<ul style="list-style-type: none"> ➤ Growth momentum continued since the launch indicating potential in the market ➤ Shari'a governance structure ensures transparent banking ➤ Large network at disposal to leverage business ➤ Awareness drives on Shari'a compliant banking to increase customer base 	<ul style="list-style-type: none"> ➤ To be the market leader by far ➤ Full fledged product and service offerings ➤ Increase Meethaq exclusive branch network to an optimum level ➤ Customer Centric approach and transparency ➤ Technology driven customer service delivery within the Shari'a compliance ambit

Financing Portfolio	Operating Income
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Financial Performance

Financial Highlights – Q3 2020



- ❖ Net Profit of USD 294.04 mn vs. USD 367.34 mn, a decrease of USD 73.30 mn or 20.0% over 2019
- ❖ Net Interest / Net financing Income at USD 623.57 mn, higher by USD 5.45 mn or 0.90% over 2019
- ❖ Other income at USD 251.22 mn, lower by USD 44.26 mn or 15.0% lower than 2019, mainly due to subdued business conditions due to COVID-19 related lockdowns in Q2 and Q3 2020 and waiver of certain fees due to regulatory measures
- ❖ Operating expenses at USD 356.33 mn, was lower by 5.1% compared to 2019
- ❖ Net Impairment on financial assets of USD 168.35 mn, higher by USD 69.30 mn. The increase is mainly due to precautionary and collective provisions made in the first half of 2020 on a forward looking basis given the emerging stress in economic conditions as a result of the impact of COVID-19 and continued depression in oil prices.
- ❖ Operating profit decreased by 3.7% to USD 518.46 mn over 2019.
- ❖ Net loans decreased by USD 305 mn or 1.3%; reflecting prepayments of certain large exposures in Q4 2019 and also the general macro economic conditions evolving amidst the ongoing pandemic during the year
- ❖ Customer deposits increased by USD 1,428 mn or 6.7% reflecting trust of customers in the bank

Operating Performance & Profitability

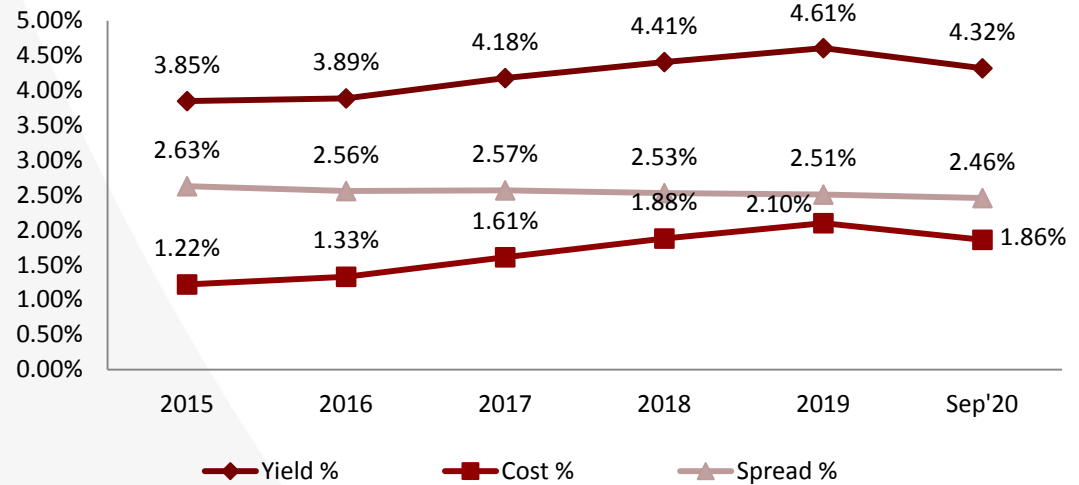
Amounts in USD mn.



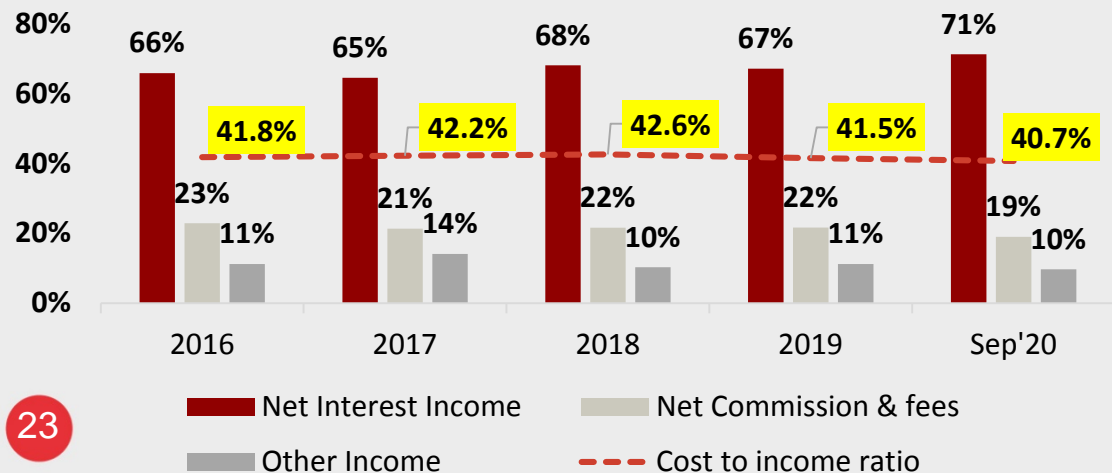
Overview

- Resilient operating performance
 - Stable top line income growth – 5 year CAGR of 3.7%
- Stable cost to income ratio with marginal growth in costs
- Strong core revenue generation with net interest income and commission & fees over 90% of total operating income
 - Increasing focus on top line commission & fee income
- Stable net interest margin in spite of increasing cost of funds

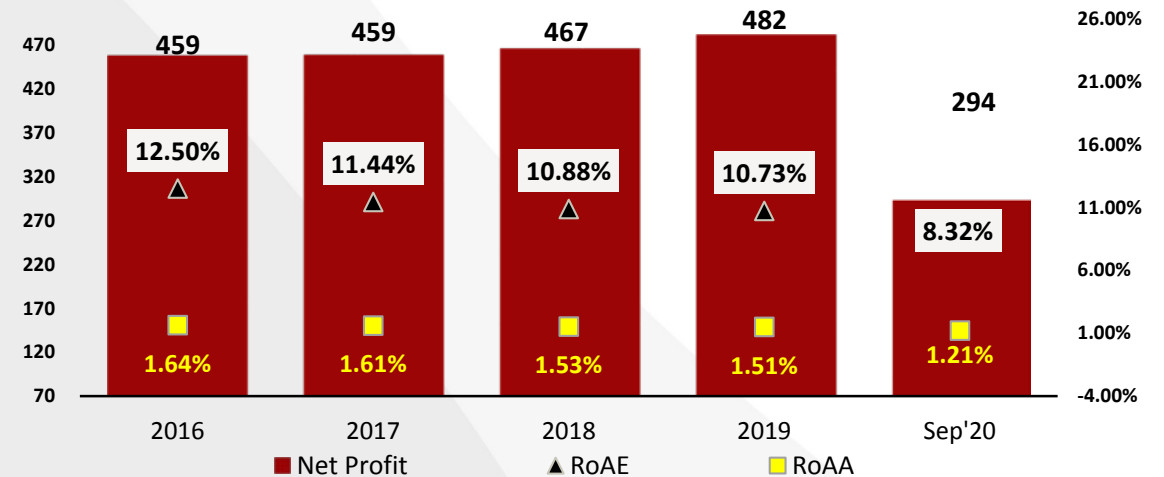
Net Interest Margins



Operating Income & Cost to Income



Profitability



Asset Quality

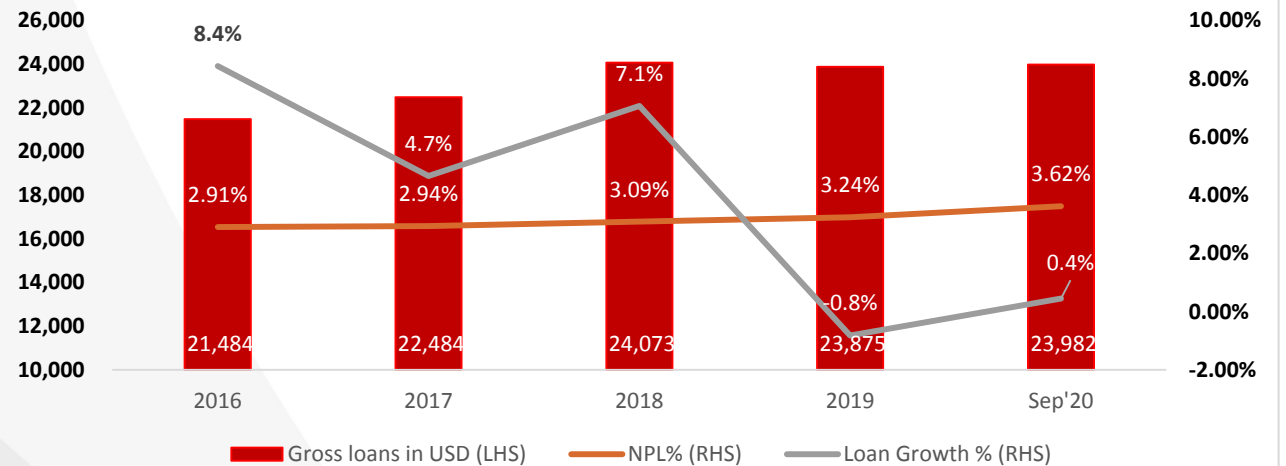
Amounts in USD mn.



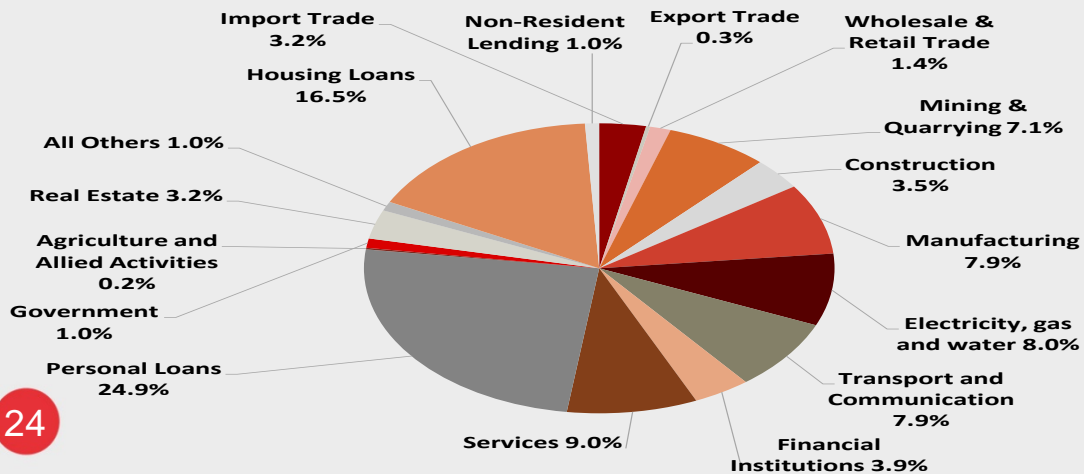
Overview

- Stable loan book growth
 - Conservative lending approach
 - Focus on high quality assets with access to top tier borrowers
- Strong project finance capabilities
- Diversified loan portfolio across sectors
- Conservative provisioning approach compliance with IFRS 9

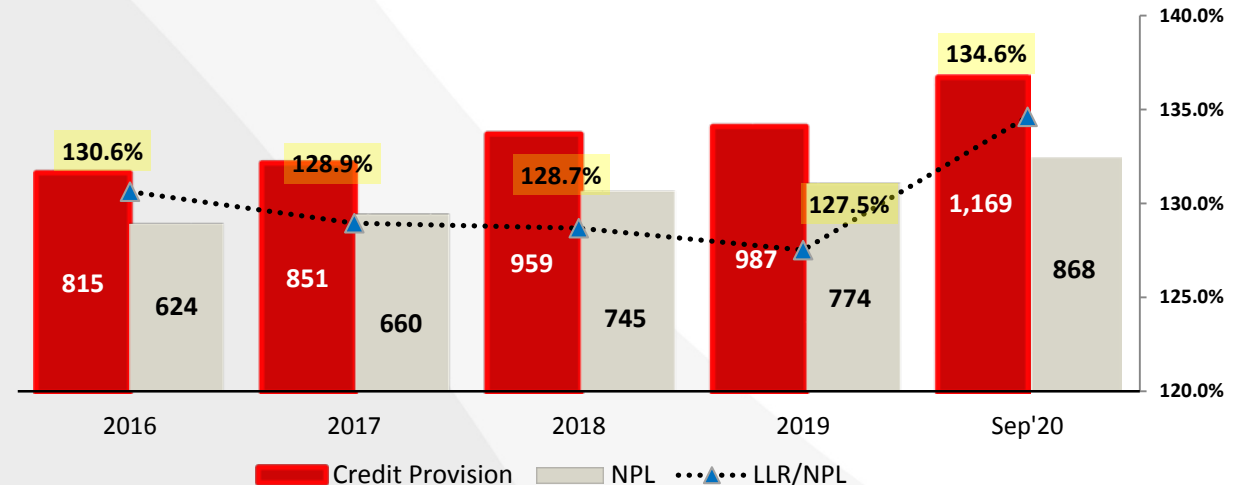
Loan Growth



Gross Loans by Sector



Impaired assets & Provisioning



Funding & Liquidity

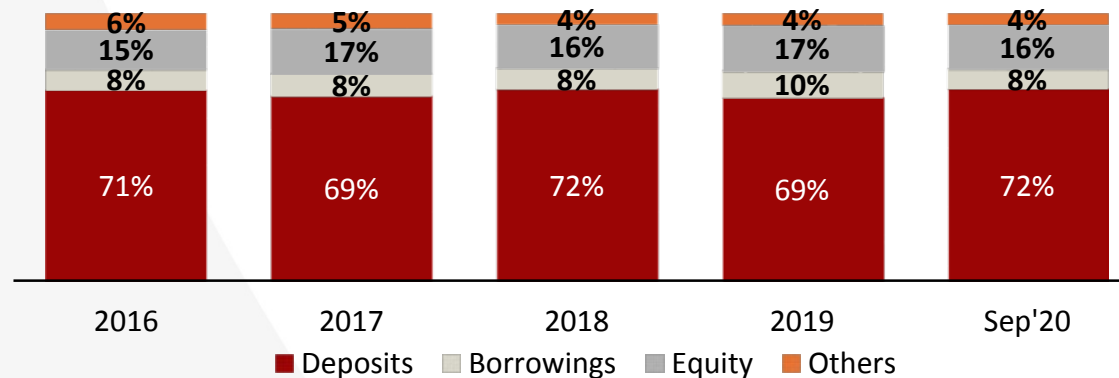
Amounts in USD mn.



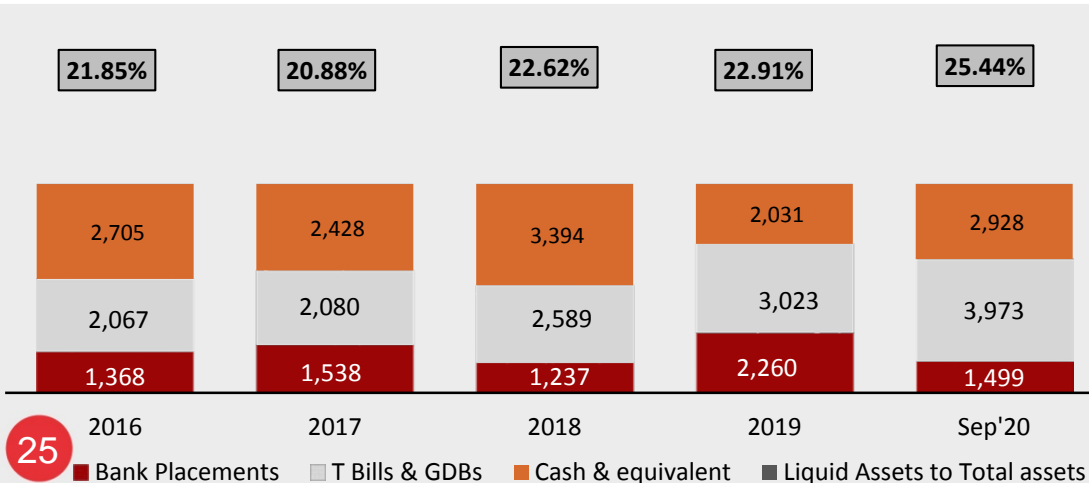
Overview

- Stable funding structure with a diversified funding base
- Largest deposit base in Oman with significant granularity
 - Retail deposits comprise 43% of total deposits
- Top 20 depositors represent 31% of total deposits and comprise of top tier Omani institutions
- Strong capitalization levels
 - Highest CAR in Omani peers and one of strongest in GCC peers
- Well capitalised with Total CAR at 20.20% & Tier 1 at 19.11%. Minimum regulatory requirement of 13.25 % and 11.25% respectively.

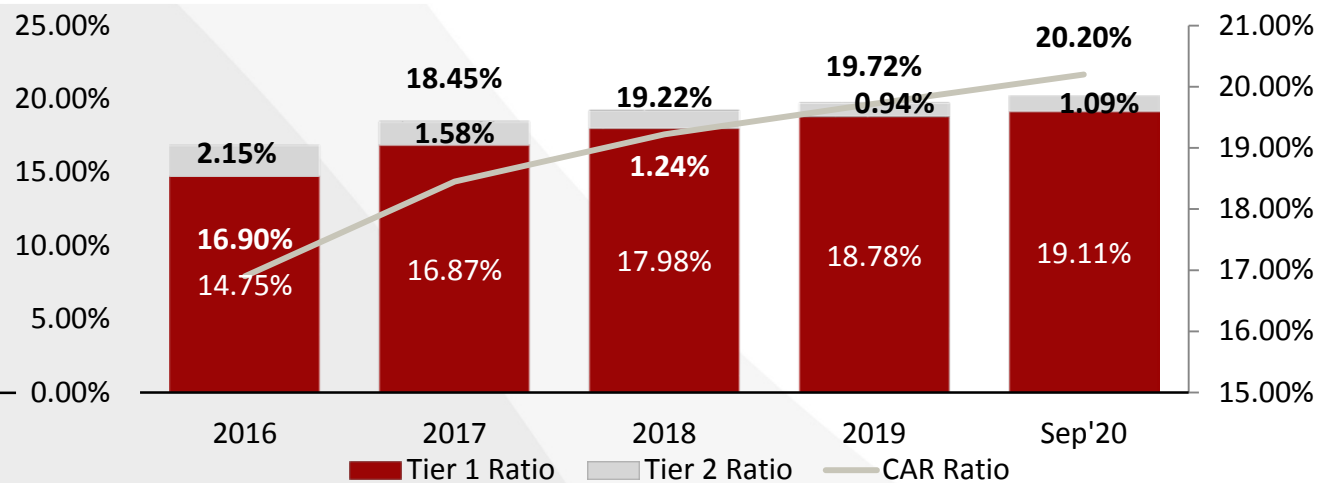
Funding Mix



Liquid Assets



Capital Adequacy Ratio





Annexures

Balance Sheet



Amounts in USD Mn	30-Sep-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
Cash and bal. with Central Bank	2,928	2,031	3,394	2,428	2,705	6,265
Due from banks	1,499	2,260	1,236	1,538	1,368	2,575
Loans and Advances	19,873	20,031	20,334	19,113	18,447	17,391
Islamic financing receivables	3,106	3,029	2,884	2,520	2,221	1,649
Non trading investments	4,696	3,753	3,298	2,668	2,748	4,068
Tangible fixed assets	173	205	181	187	194	199
Other assets (incl. invt in associates)	740	616	590	505	422	436
Total assets	33,016	31,925	31,917	28,959	28,104	32,582
Bank deposits/FRNs /Bonds	3,655	4,281	3,588	3,478	3,157	7,924
Customer deposits (incl. CDs)	20,007	18,210	19,491	16,778	17,389	17,502
Islamic Customer's Deposit	2,629	2,683	2,490	2,493	1,982	1,624
Other liabilities	1,491	1,478	1,239	1,087	962	1,034
Subordinated debt	51	68	102	315	430	625
Convertible bonds	0	0	0	84	167	246
Total liabilities	27,832	26,720	26,909	24,236	24,086	28,954
Share capital and premium	2,226	2,184	2,146	2,027	1,911	1,803
Total reserves	1,311	1,316	1,276	1,222	1,111	1,007
Cumulative changes in fair value	-14	-1	-13	44	50	50
Retained profits	1,323	1,369	1,261	1,092	945	769
Shareholders' equity	4,846	4,868	4,669	4,385	4,017	3,629
Perpetual Tier I Capital	338	338	338	338		
Total liabilities + shareholders' equity	33,016	31,925	31,917	28,959	28,104	32,582
Key ratios						
Loans and advances/customer deposits	101.5%	110.4%	105.6%	112.3%	106.7%	99.4%
Shareholders' equity/total assets	14.68%	15.25%	14.63%	15.14%	14.29%	11.14%
Subordinated debt/(debt + equity)	0.97%	1.28%	2.00%	6.71%	9.66%	14.68%
BIS total capital ratio	20.20%	19.72%	19.22%	18.45%	16.90%	16.10%

Profit & Loss Statement



Amounts in USD Mn	30-Sep-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
Net interest income	571	756	719	667	651	628
Net income from Islamic financing	52	68	72	64	61	48
Other operating income	251	403	370	402	369	382
Operating income	875	1,227	1,160	1,132	1,081	1,058
Operating costs	(356)	(509)	(494)	(478)	(452)	(444)
	518	718	666	654	629	614
Net impairment losses on financial assets	(168)	(145)	(112)	(112)	(102)	(108)
Gain/(loss) from associates	-	-	-	6	4	5
Profit before Tax	350	572	554	548	531	511
Taxation	(56)	(90)	(88)	(89)	(72)	(57)
Net Profit	294	482	467	459	459	454
Key ratios						
Cost/income ratio	40.7%	41.5%	42.6%	42.2%	41.8%	42.0%
Return on average assets	1.21%	1.5%	1.53%	1.61%	1.64%	1.72%
Return on average equity	8.32%	10.7%	10.88%	11.44%	12.50%	13.68%
Basic EPS (US\$)	0.090	0.023	0.023	0.062	0.065	0.065
Share price (US\$)	0.940	1.127	1.065	1.023	1.226	1.226

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