

أفضل كل يوم
Better Everyday

Investor Presentation Mar 2020



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Note: The financial information is updated as of 31st Mar 2020, unless stated otherwise.





Bank Muscat Introduction



20-May-20

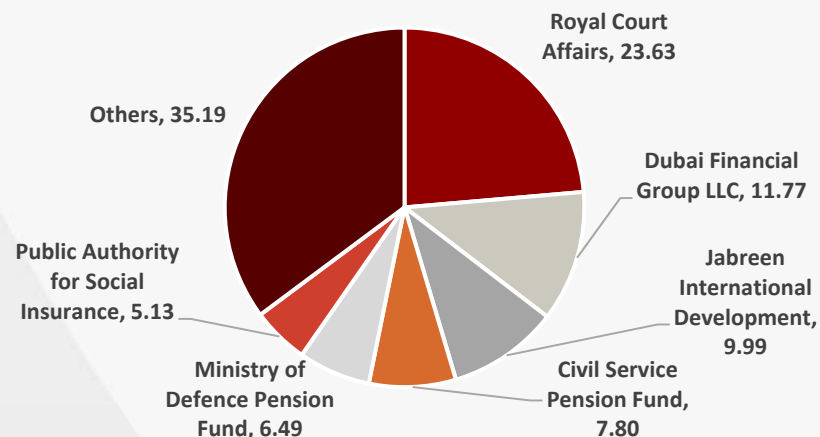
Bank Muscat at a glance



Overview

- #1 Bank in Oman with a significant active customer base with ~2 million clients and a workforce of 3,837 employees as of 31st Mar 2020.
- Established in 1982, headquartered in Muscat with 169 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 2,717 million as of 31st Mar 2020), London Stock Exchange & Bahrain Stock Exchange

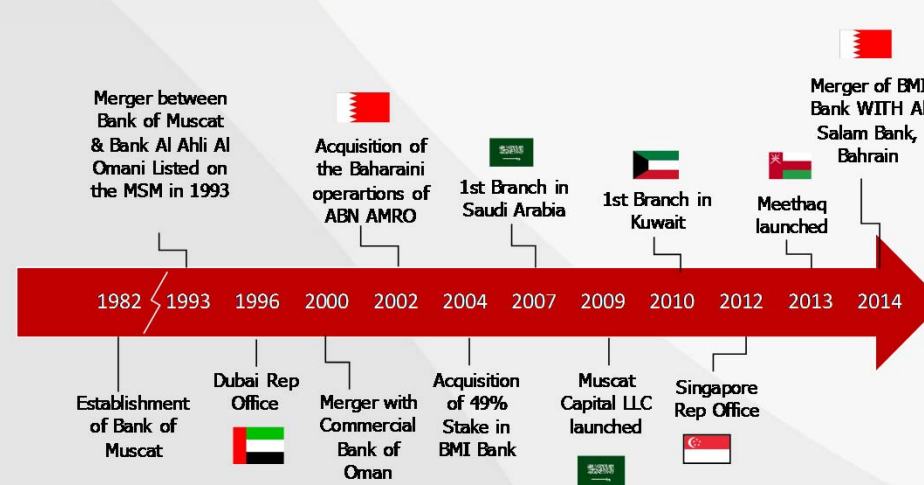
Ownership as of Mar 2020



Key Financials

In US\$ Millions, unless otherwise stated	Mar' 20	2019	2018	2017
Total Assets	31,796	31,925	31,917	28,959
Gross Loans	24,390	23,875	24,073	22,484
Deposits	21,299	20,894	21,981	19,271
Operating Income	300	1,227	1160	1132
Net Profit	86	482	467	459
Tier 1	18.36%	18.78%	17.98%	16.87%
Total CAR	19.17%	19.72%	19.22%	18.45%
Loans to Deposit Ratio	110.33%	110.37%	105.63%	112.26%
NPL Ratio	3.43%	3.25%	3.09%	2.94%
Cost/Income	43.78%	41.50%	42.61%	42.22%
ROA	1.08%	1.51%	1.53%	1.61%
ROE	7.51%	10.73%	10.88%	11.44%

Bank Muscat Footsteps



20-May-20

Bank Muscat – Key Highlights



Dominant Franchise in Oman

- Largest Bank in Oman by total assets of 35%, as of 29th Feb 2020, around the size of next 3 Omani banks combined.
- Market Capitalisation of USD 2,717 million as at 31st Mar 2020
- Largest branch network with 169 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 19.17% as of 31st Mar 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 discipline 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



20-May-20

Sultanate of Oman - Overview



Overview

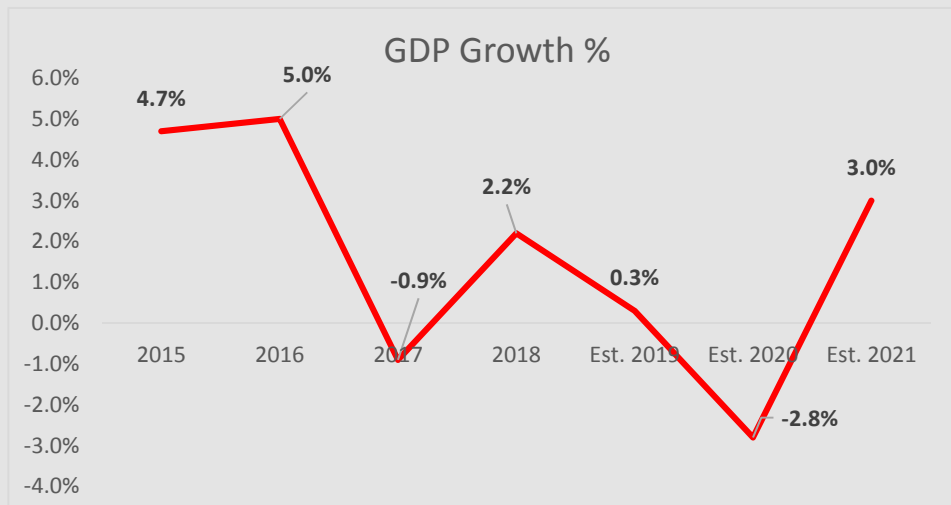
- 2nd Largest country in the GCC with an area covering approx. 309.5 thousand km², strategically located, sharing borders with Saudi Arabia, & UAE.
- Stable Political System, excellent diplomatic relations in the region
- Oman explicitly aims to create a neo-liberal free market economy, where the private sector is the driver of the economy as opposed to the state
- Population of 4.62mn as of Apr 2020 - predominantly represented by Omani Nationals who account for 58.6% 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	Ba2/BB-
Budget Surplus\Deficit in OMR	-2.65 Bn (Dec '19)	-0.34 Bn (Jan '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 (Dec '19), Rating Reports: Moody's and S&P as of Apr 2020

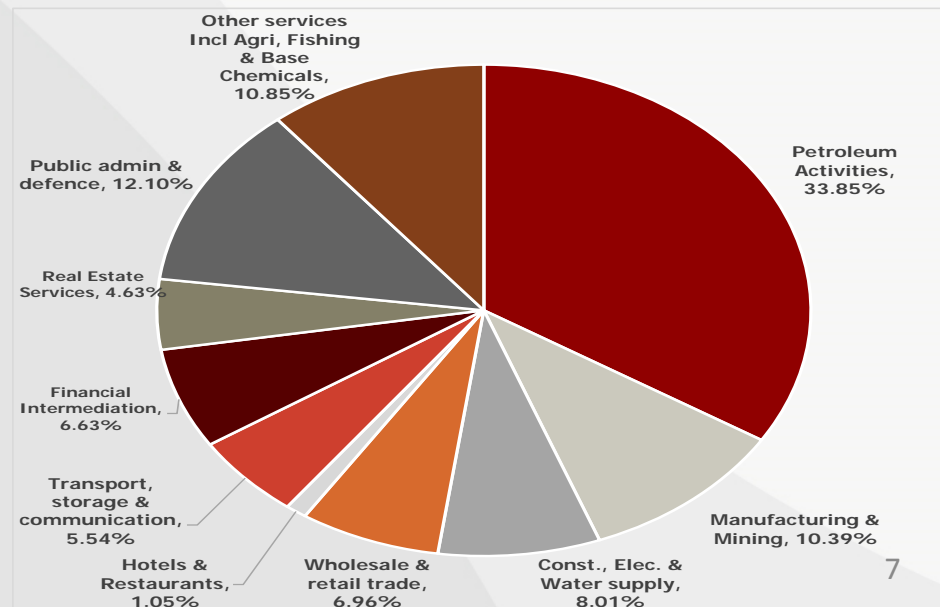
GDP Growth



Source: IMF & World Bank as of Apr 2020

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GDP Composition as of Dec 2019



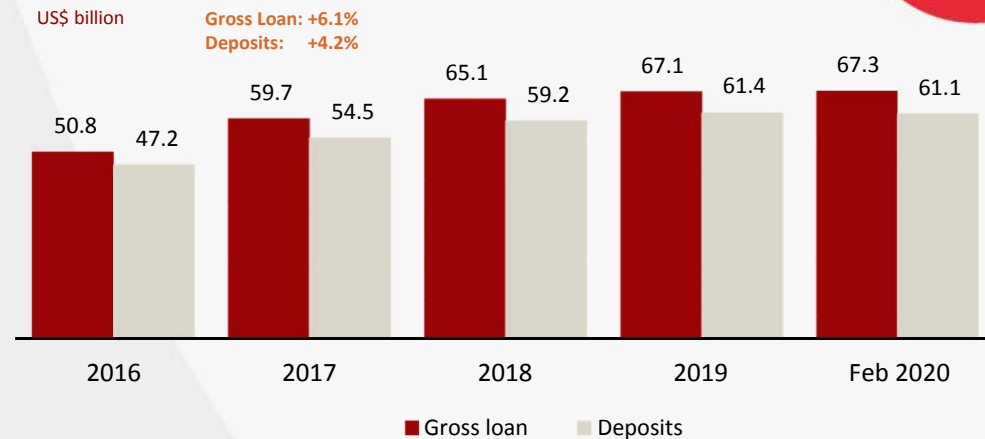
Oman Banking Sector - Overview



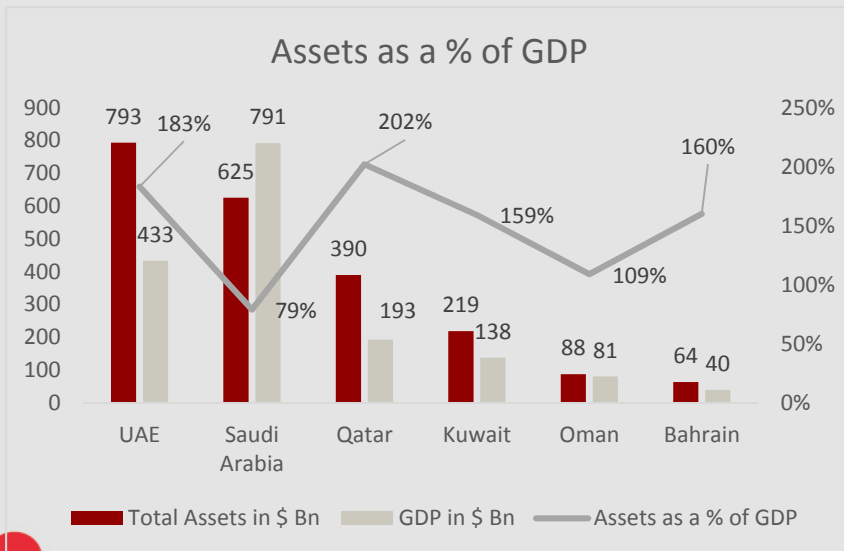
Overview

- 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 36.6% of total sector assets. bank muscat represents 35% of total banking sector assets as of Feb 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
- Implemented Basel 3 regulation with effect from Jan 2014

Loans and Deposit Growth



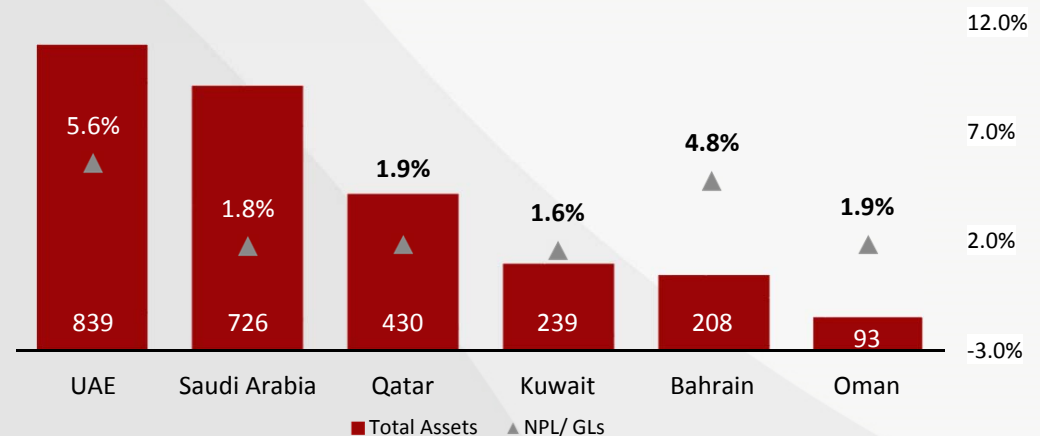
Oman in the GCC banking sector context⁽¹⁾



20-May-20

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

Asset Quality⁽²⁾

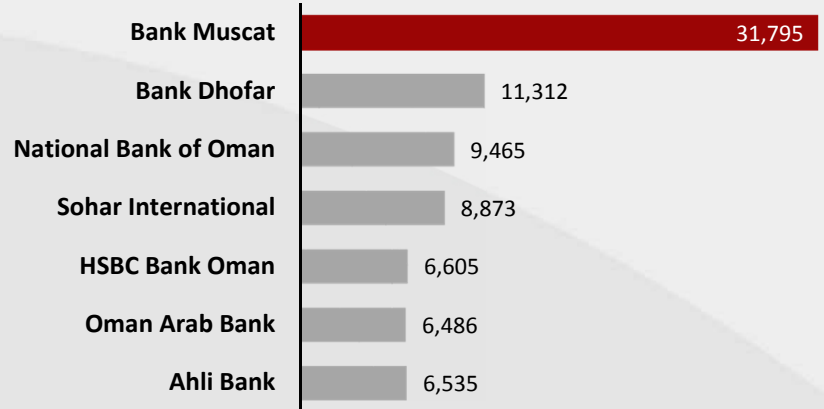


⁽²⁾ Source: Central Banks: UAE as of Jan' 20, Oman Bahrain & Qatar as of Feb' 20, KSA & Kuwait as of Mar' 20.

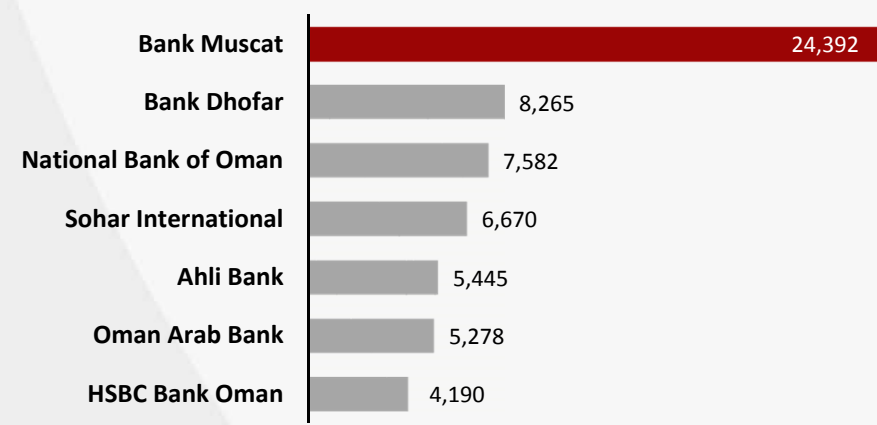
Bank Muscat – Unrivalled leading Market Position in Oman



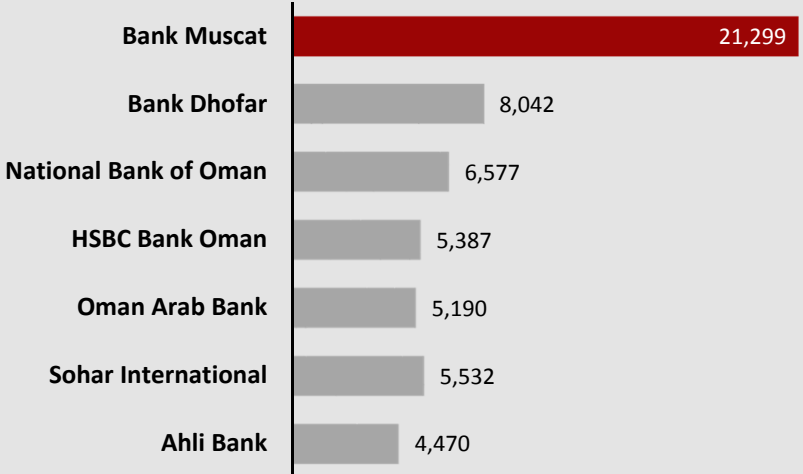
Total Assets (USD Mn)



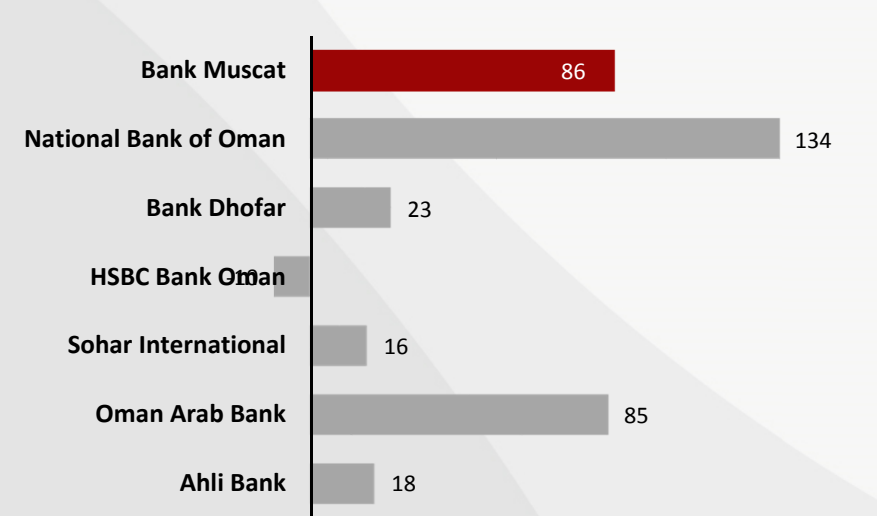
Gross Loans (USD Mn)



Deposits (USD Mn)



Net Profit (USD Mn)



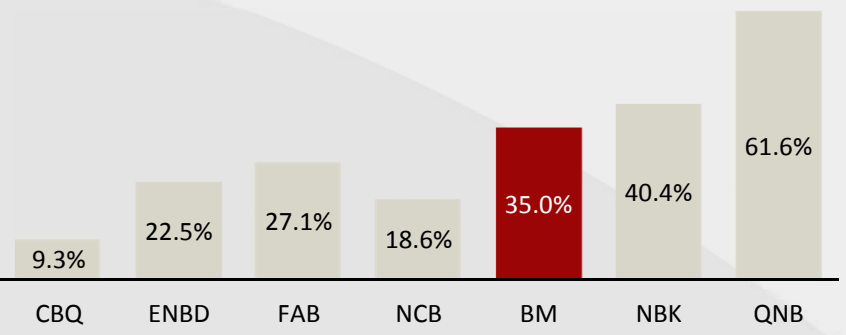
20-May-20

Note: Total assets, deposits, & Net profit as of Dec' 19 for OAB, & NBO, while gross loans for OAB, NBO, BD, & Ahli as of Dec' 19

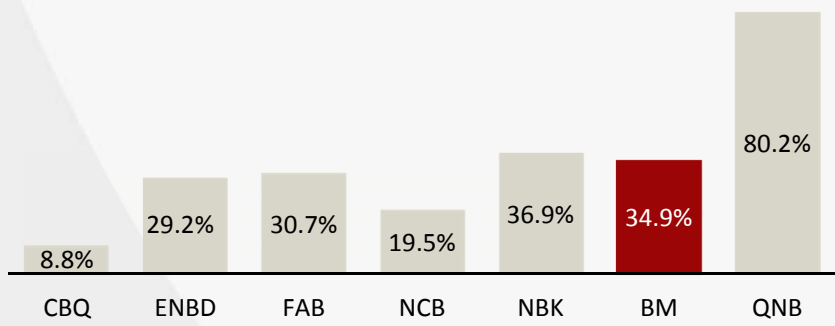


Bank Muscat – Dominant domestic franchise in the region

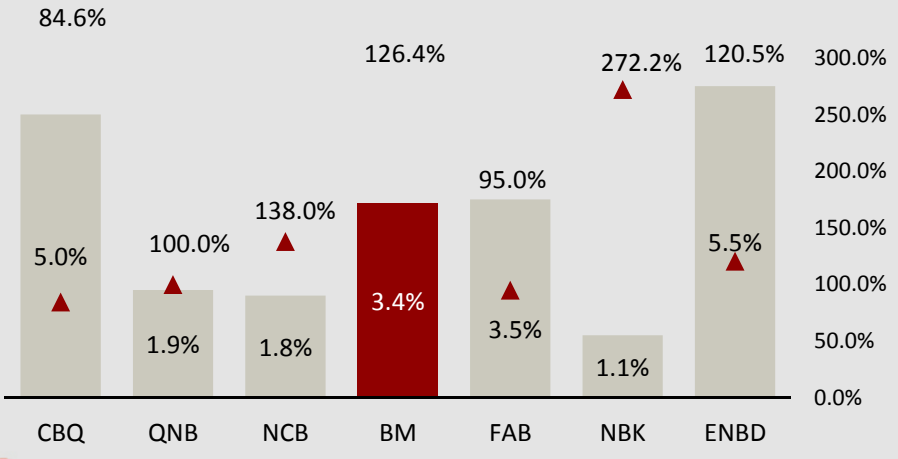
Market Share - Assets



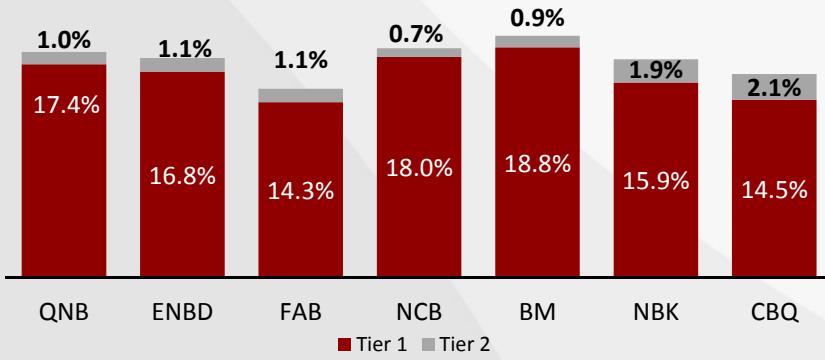
Market Share – Deposits



Asset Quality



Strong Capitalization



20-May-20
 Note: BM, FAB, ENBD, & CBQ as of Mar' 20, NCB & NBK as of Dec' 19.



Bank Muscat Business Overview



20-May-20

Bank Muscat Strategy – Key Pillars



Consolidate Leading Position in Oman

- Capitalize on growth opportunities in Oman
 - Infrastructure development projects and Government focus on economic diversification and developing tourism
 - Omanis entering the workforce; over 45% of the population is less than 19 years old
- Leverage large network of branches and other delivery channels
 - Platform to focus on the growth potential
 - Cross sell opportunities among business lines and customer segments
 - Continue to focus on customer acquisitions and retention
- Focus on fee based income
 - Scale up fee driven businesses both in the wholesale banking (transaction banking, investment banking,

Financial strength

- Further enhance financial strength
 - Strong capitalization and stable returns
 - Further enhance the diversified funding mix and large CASA deposit base.
 - Efficient management of operating costs

Leverage on technology and infrastructure investments

- Pioneering investments in technology supporting growth plans
 - Multiple digital banking channels for sales and services
 - Technology driven banking to enhance customer experience and improve internal efficiency
- Customer Convenience and Service Quality
 - Innovative products and services offering
 - Customer centric approach through “To Serve you better, everyday” philosophy

Regional Expansion

- Strengthen regional presence through focused and controlled expansion in GCC
 - Leverage existing regional presence to scale up business growth
 - Focus on opportunities for controlled expansion in GCC and the region

Focus on Islamic Banking Developments in Oman

- Meethaq – Islamic banking platform
 - Be the market leader in Islamic Banking Business
 - Endeavor to offer full fledged products and services
 - Expansion of branch and channel network

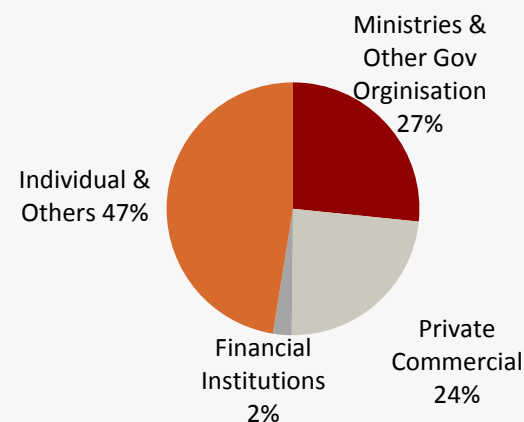


Bank Muscat – Business Lines

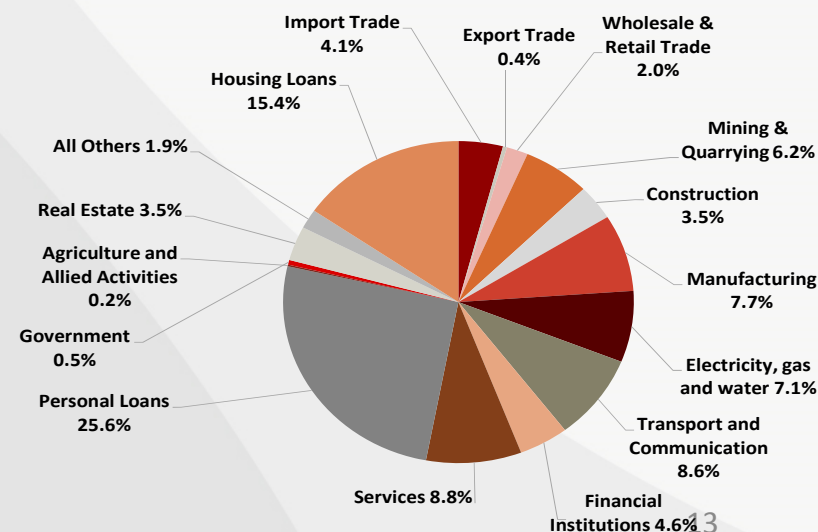


	Key Highlights	Asset Contribution	Profit Contribution
Corporate Banking	<ul style="list-style-type: none"> ➤ Leading Corporate Bank Franchise offering the full array of corporate banking services ➤ ~ 7,200 corporate customers in Oman ➤ Strong expertise in project finance 	<ul style="list-style-type: none"> ➤ US\$ 11.6bn ▪ 36.6% of total assets 	<ul style="list-style-type: none"> ➤ US\$ 30.81mn ▪ 35.7% of total profit
Global Institutions, Investment Banking & Treasury	<ul style="list-style-type: none"> ➤ Comprise of treasury, corporate finance, and asset management ➤ Financial Institutions 	<ul style="list-style-type: none"> ➤ US\$ 6.3bn ▪ 19.8% of total assets 	<ul style="list-style-type: none"> ➤ US\$ 21.49mn ▪ 24.9% of total profit
Personal Banking	<ul style="list-style-type: none"> ➤ Leading Retail Bank platform in Oman ➤ ~ 2 million retail customers in Oman ➤ Largest distribution network 	<ul style="list-style-type: none"> ➤ US\$ 8.9bn ▪ 27.9% of total assets 	<ul style="list-style-type: none"> ➤ US\$ 34.53mn ▪ 40.0% of total profit
Meethaq – Islamic Banking	<ul style="list-style-type: none"> ➤ OMR 70mn (c.US\$181mn) capital assigned to this business ➤ Officially launched in January 2013. Currently operating through 20 full fledged Islamic branches. 	<ul style="list-style-type: none"> ➤ US\$ 3.7bn ▪ 11.8% of total assets 	<ul style="list-style-type: none"> ➤ US\$ 5.02mn ▪ 5.8% of total profit
International Operations	<ul style="list-style-type: none"> ➤ Presence in GCC, Iran and Singapore through overseas branches, rep offices and subsidiary 	<ul style="list-style-type: none"> ➤ US\$ 1.2bn ▪ 3.9% of total assets 	<ul style="list-style-type: none"> ➤ US\$ (5.5)mn ▪ -6.4% of total profit

Deposits



Loans & Advances



Corporate Banking

Amounts in USD mn.

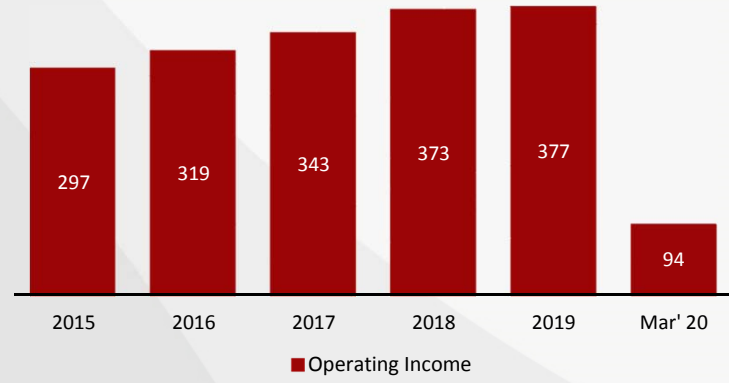
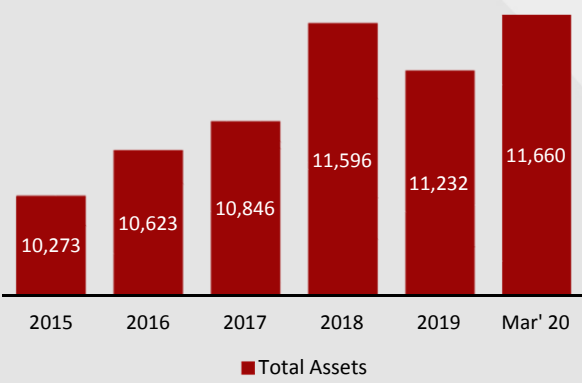
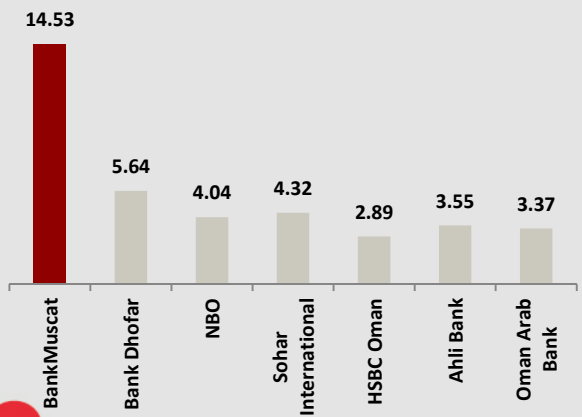


Overview	Opportunities	Strategy
<ul style="list-style-type: none"> ➤ Leading Corporate Banking Franchise <ul style="list-style-type: none"> ▪ Extensive and expanding range of products and services ▪ Strong project finance capabilities ➤ Large corporate client portfolio with c.7,200 customers and lead 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 US\$ billion

Asset Growth

Operating Income



20-May-20 Note: OAB, Ahli, NBO & Bank Dhofar as of Dec' 19

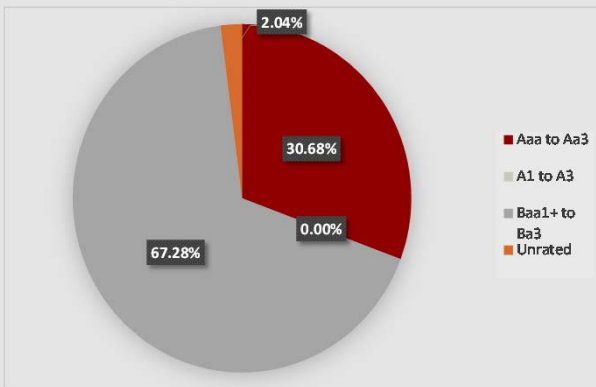
Wholesale Banking – Global Financial Institutions, Investment Banking & Treasury



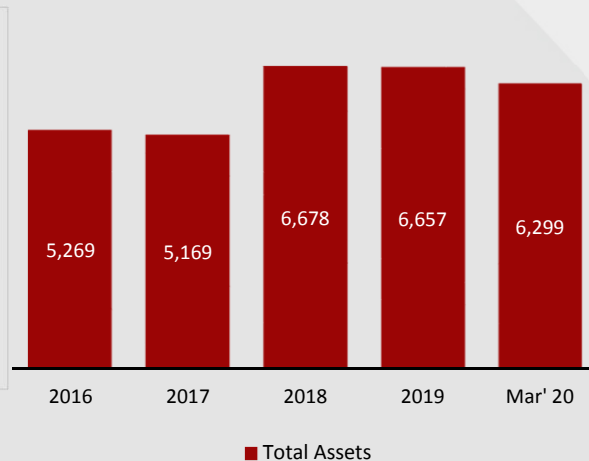
Amounts in USD mn.

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

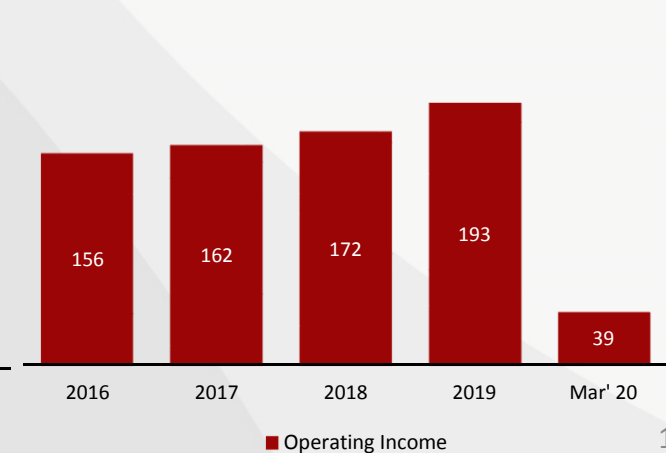
Securities Portfolio



Asset Growth



Operating Income



Personal Banking

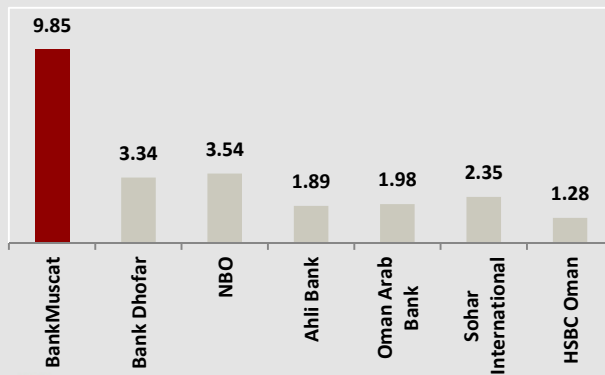


Amounts in USD mn.

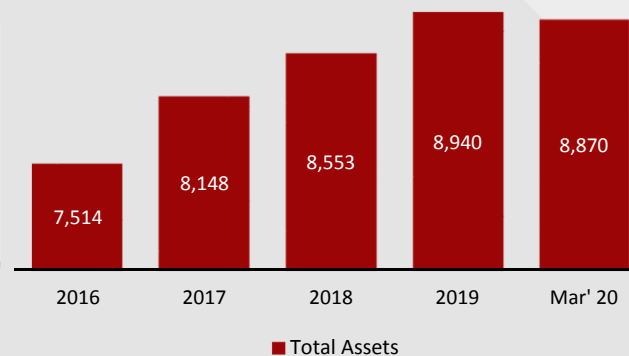
Overview	Opportunities	Strategy
<ul style="list-style-type: none"> ➤ Leading Personal Banking Franchise in Oman <ul style="list-style-type: none"> ▪ Over 1.90 million customers ▪ Front-runner across retail banking segments including cards, bancassurance and remittances ➤ Largest delivery channel network in Oman (169 branches, 467 ATMs, 128 CDMs, 147 FFM and the best online platform in Oman) ➤ Substantial low cost retail deposit base ➤ Merchant acquiring market share of over 75% by volume as of Apr 2020 and leading ecommerce 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

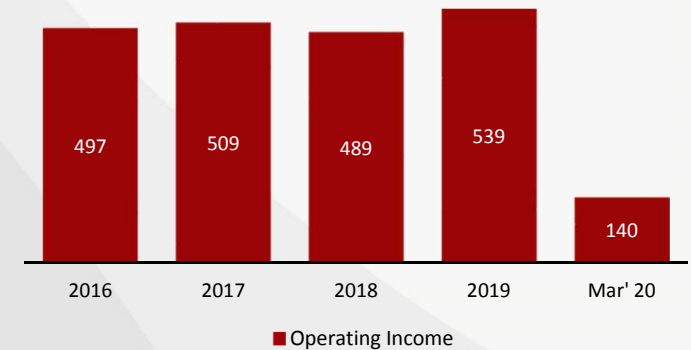
US\$ billion



Asset Growth



Operating Income



20-May-20 Note: OAB, Ahli, NBO & Bank Dhofar as of Dec' 19.

Meethaq – Islamic Banking



Amounts in USD mn.

Overview

- One of the most successful Islamic banking operation in Oman since 2013
- 20 dedicated branches become operative throughout the Sultanate
- Innovation in product offering and services to create niche
- Established Sharia Board comprising of experienced and reputable Sharia scholars

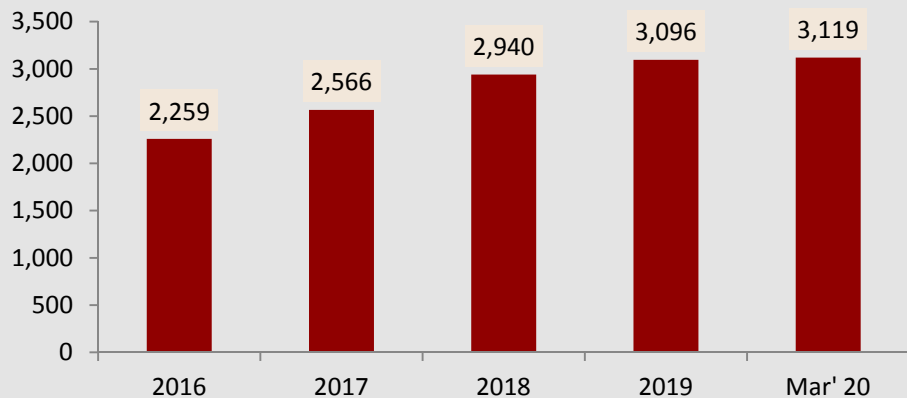
Opportunities

- 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

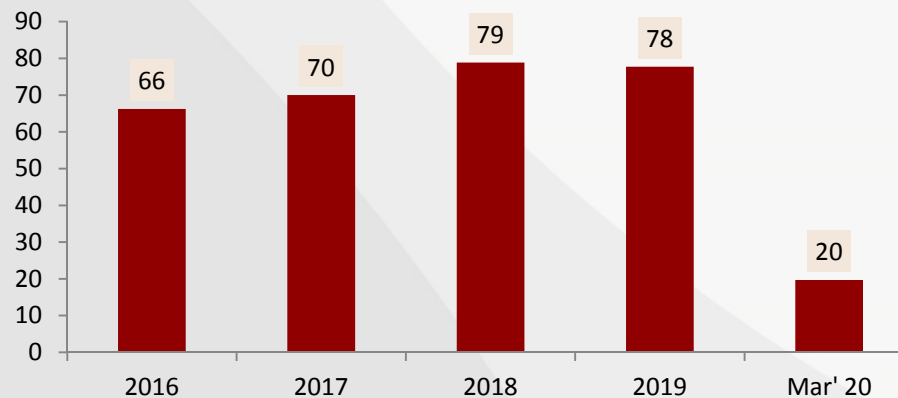
Strategy

- 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





Financial Performance



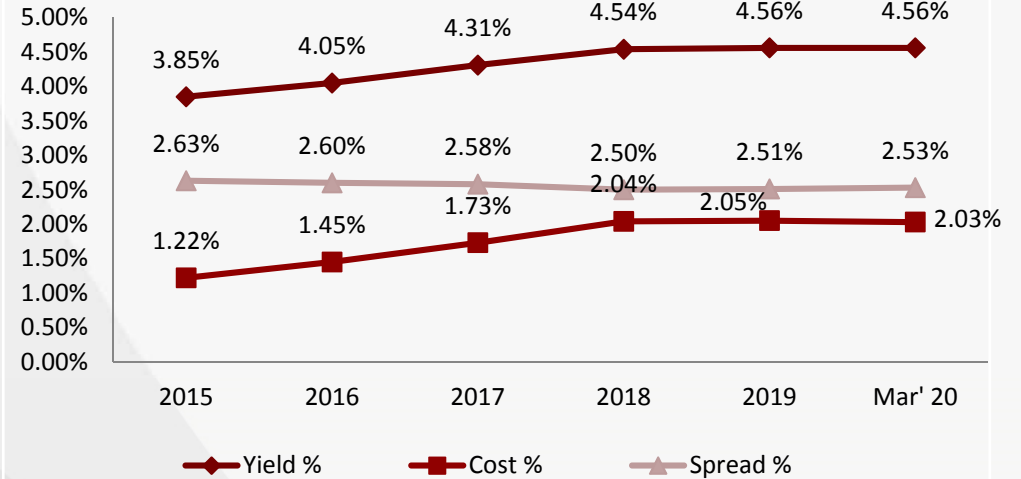
Operating Performance & Profitability



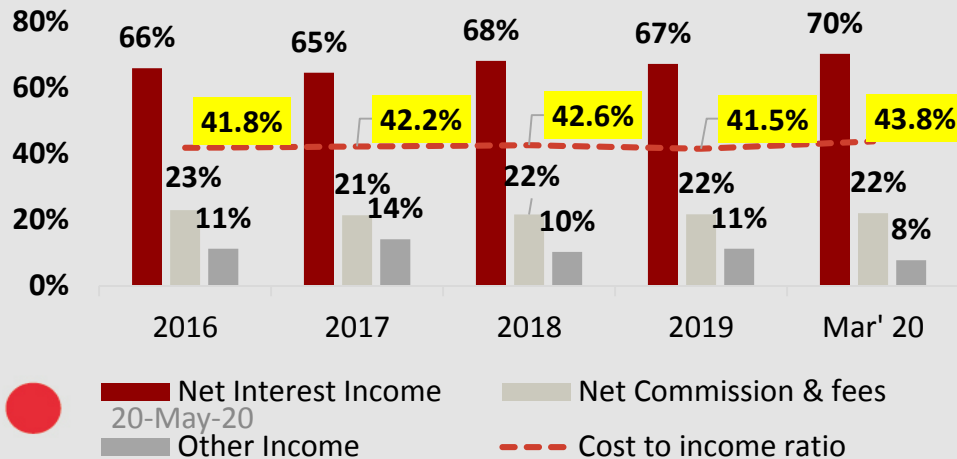
Overview

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

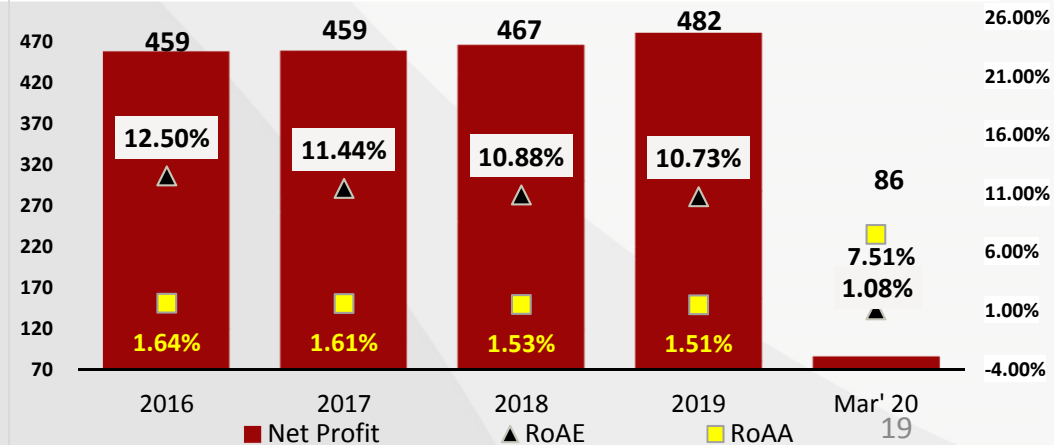
Net Interest Margins



Operating Income & Cost to Income



Profitability



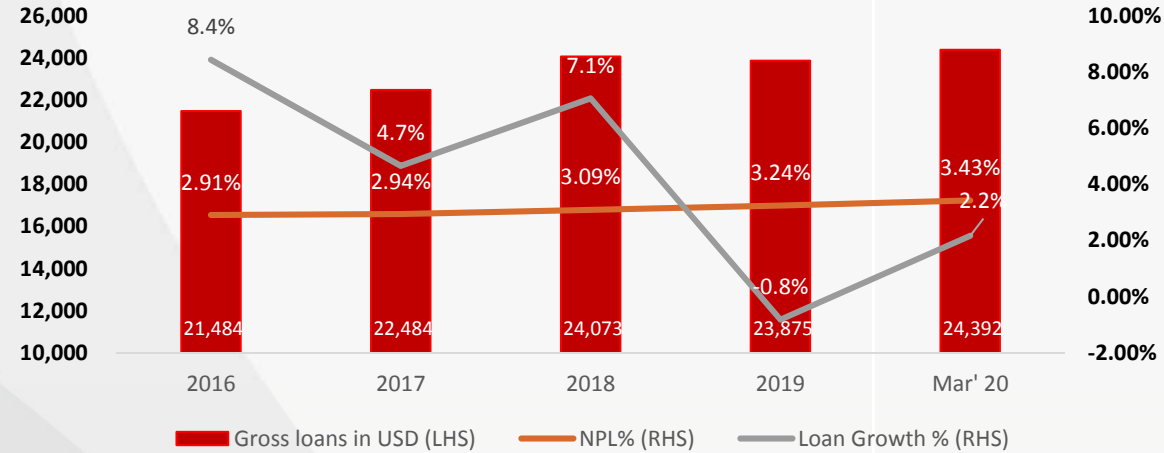
Asset Quality



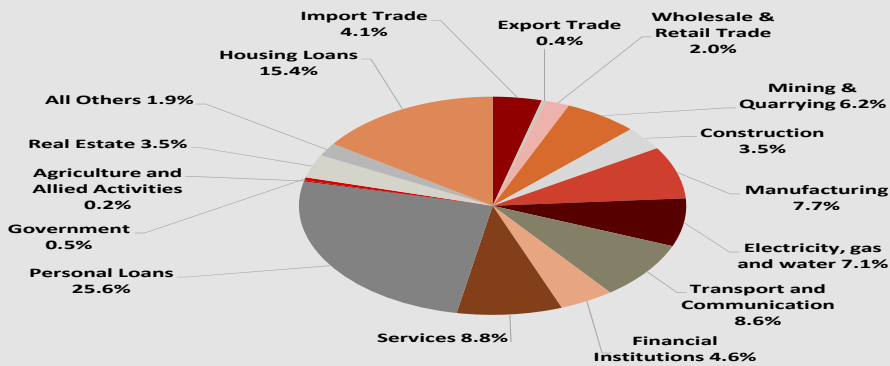
Overview

- 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
- Adequate provisioning of impaired asset
 - Conservative approach on provisioning
 - IFRS 9 fully implemented

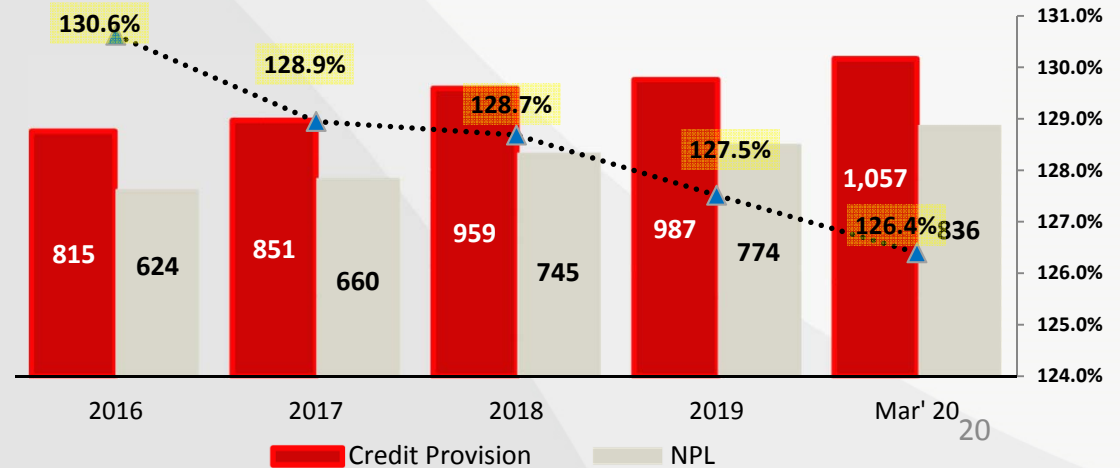
Loan Growth



Gross Loans by Sector



Impaired assets & Provisioning



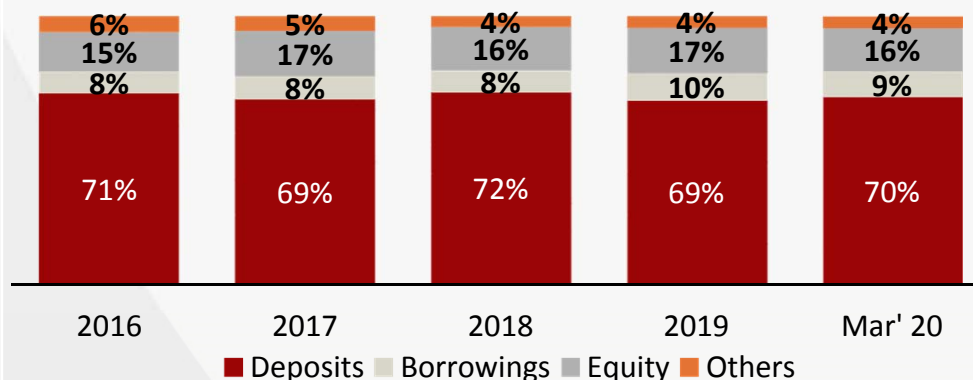
Funding & Liquidity



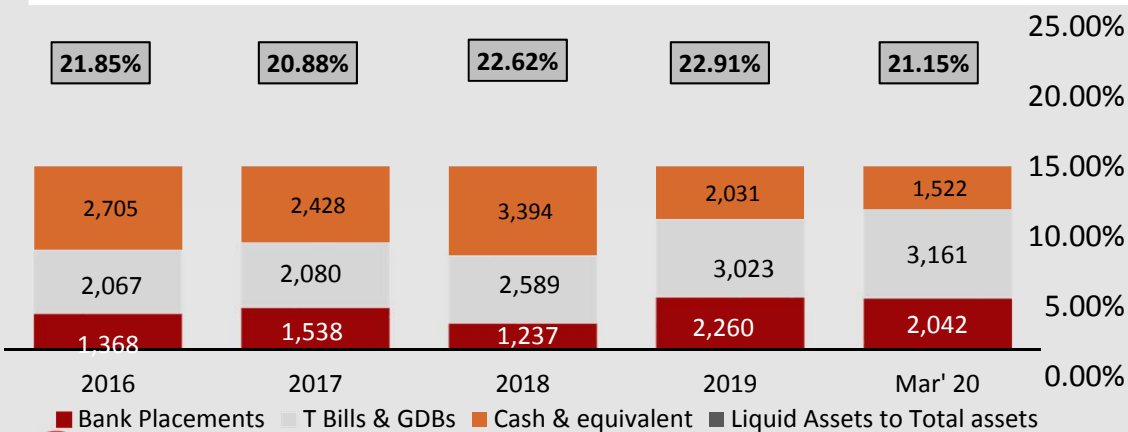
Overview

- Stable funding structure with a diversified funding base
- Largest deposit base in Oman with significant granularity
 - Retail deposits comprise 42% of total deposits
- Top 20 depositors represent 25% of total deposits and comprise of top tier Omani institutions
- Strong capitalization levels
 - Highest CAR among Omani peers and one of strongest among GCC peers
- Adequately capitalised, with total capital ratio at 19.17% and Tier 1 at 18.36%, above the minimum regulatory levels of 14.5% and 12.5% respectively.

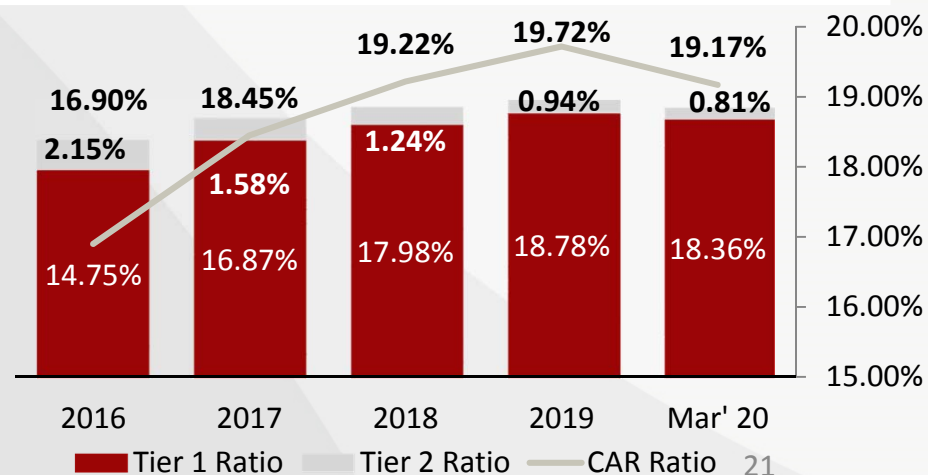
Funding Mix



Liquid Assets



Capital Adequacy Ratio





Annexures



Balance Sheet



Amounts in USD Mn	31-Mar-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Cash and bal. with Central Bank	1,522	2,031	3,394	2,428	2,705
Due from banks	2,042	2,260	1,236	1,538	1,368
Loans and Advances	20,449	20,031	20,334	19,113	18,447
Islamic financing receivables	3,049	3,029	2,884	2,520	2,221
Non trading investments	3,839	3,753	3,298	2,668	2,748
Tangible fixed assets	196	205	181	187	194
Other assets (incl. invt in associates)	699	616	590	505	422
Total assets	31,796	31,925	31,917	28,959	28,104
Bank deposits/FRNs /Bonds	4,086	4,281	3,588	3,478	3,157
Customer deposits (incl. CDs)	18,665	18,210	19,491	16,778	17,389
Islamic Customer's Deposit	2,634	2,683	2,490	2,493	1,982
Other liabilities	1,386	1,478	1,239	1,087	962
Subordinated debt	68	68	102	315	430
Convertible bonds	0	0	0	84	167
Total liabilities	26,838	26,720	26,909	24,236	24,086
Share capital and premium	2,226	2,184	2,146	2,027	1,911
Total reserves	1,314	1,316	1,276	1,222	1,111
Cumulative changes in fair value	-49	-1	-13	44	50
Retained profits	1,127	1,369	1,261	1,092	945
Shareholders' equity	4,618	4,868	4,669	4,385	4,017
Perpetual Tier I Capital	338	338	338	338	
Total liabilities + shareholders' equity	31,794	31,925	31,917	28,959	28,104
Key ratios					
Loans and advances/customer deposits	110.3%	110.4%	105.6%	112.3%	106.7%
Shareholders' equity/total assets	14.52%	15.25%	14.63%	15.14%	14.29%
Subordinated debt/(debt + equity)	1.34%	1.28%	2.00%	6.71%	9.66%
BIS total capital ratio	19.17%	19.72%	19.22%	18.45%	16.90%

Profit & Loss Statement



Amounts in USD Mn	31-Mar-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Net interest income	194	756	719	667	651
Net income from Islamic financing	17	68	72	64	61
Other operating income	89	403	370	402	369
Operating income	300	1,227	1,160	1,132	1,081
Operating costs	(132)	(509)	(494)	(478)	(452)
	168	718	666	654	629
Net impairment losses on financial assets	(67)	(145)	(112)	(112)	(102)
Gain/(loss) from associates	-	-	-	6	4
Profit before Tax	101	572	554	548	531
Taxation	(16)	(90)	(88)	(89)	(72)
Net Profit	86	482	467	459	459
Key ratios					
Cost/income ratio	43.8%	41.5%	42.6%	42.2%	41.8%
Return on average assets	1.08%	1.5%	1.53%	1.61%	1.64%
Return on average equity	7.51%	10.7%	10.88%	11.44%	12.50%
Basic EPS (US\$)	0.069	0.156	0.153	0.158	0.166
Share price (US\$)	0.836	1.127	1.065	1.023	1.226



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