

أفضل كل يوم  
Better Everyday

# MSX Investor Road Show



September 2022

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# Contents



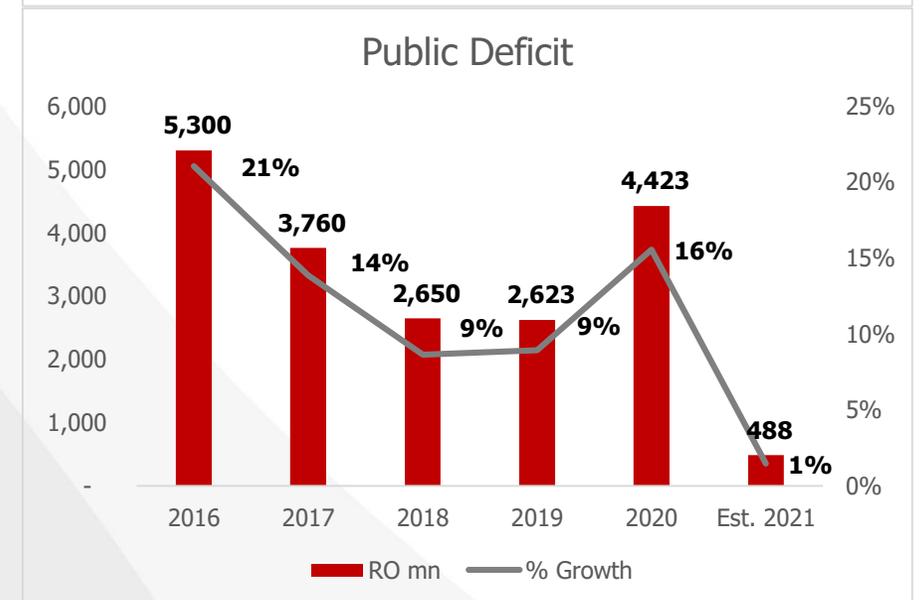
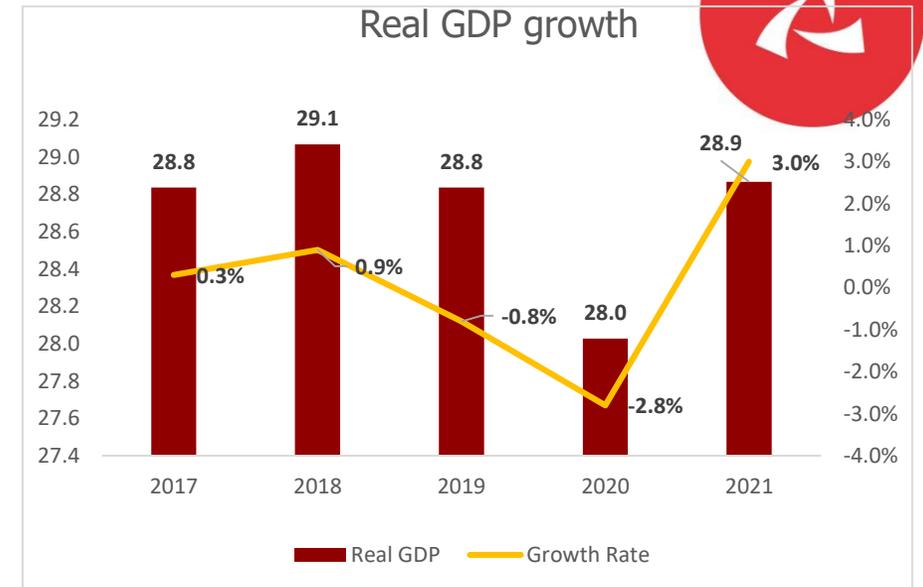
- Operating Environment
- Banking Sector
- Bank Muscat Strategy and Business Lines
- Key financial highlights H1-2022
- The Bank's Capital Structure Optimization



# Operating Environment

# Oman Macro Overview

- ❖ Oman's growth prospects remain promising due to recovery of oil prices and strong fiscal measures.
- ❖ Oman's commitment to its Medium Term Fiscal Plan which targets balancing the fiscal budget by 2025 remains an anchor on the positive outlook for the economy.
- ❖ The Oman Vision 2040 has seen the adoption of many strategic initiatives to improve financial performance and boost Oman's economic growth in the backdrop of increase in oil prices in 2022.
- ❖ Efforts aimed at the diversification of exports, strong growth in hydrocarbon production and the recovery in the tourism sector will support the GDP growth in 2022. Investment will benefit from capital spending earmarked in budget'22. Private consumption is expected to recover post uplift of pandemic restrictions.
- ❖ Budget'22 is an expansionary budget with investment layout of RO 5 bn to improve business environment & expand public-private partnership projects.
- ❖ Key Government proposed measures includes Supply Chain Financing (SCF) scheme, public debt law, and merger of pension funds.
- ❖ Budget'22 projects a fiscal deficit of RO 1.5 bn, down 32% y-o-y, as growth in state spending is outpaced by a stronger growth in revenues due to higher O&G receipts.
- ❖ As per Fitch report (dtd:Jun22), with the ongoing macro conditions and higher oil prices, Oman is anticipated to achieve a real GDP growth of 4.4% in 2022 and a fiscal surplus of 5.5% of GDP22. Fitch upgraded Oman sovereign rating to BB with outlook stable in Aug'22.





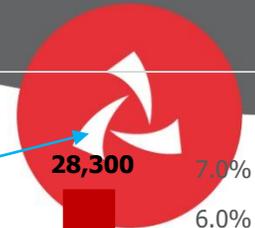
# Banking Sector

# Banking Sector Overview

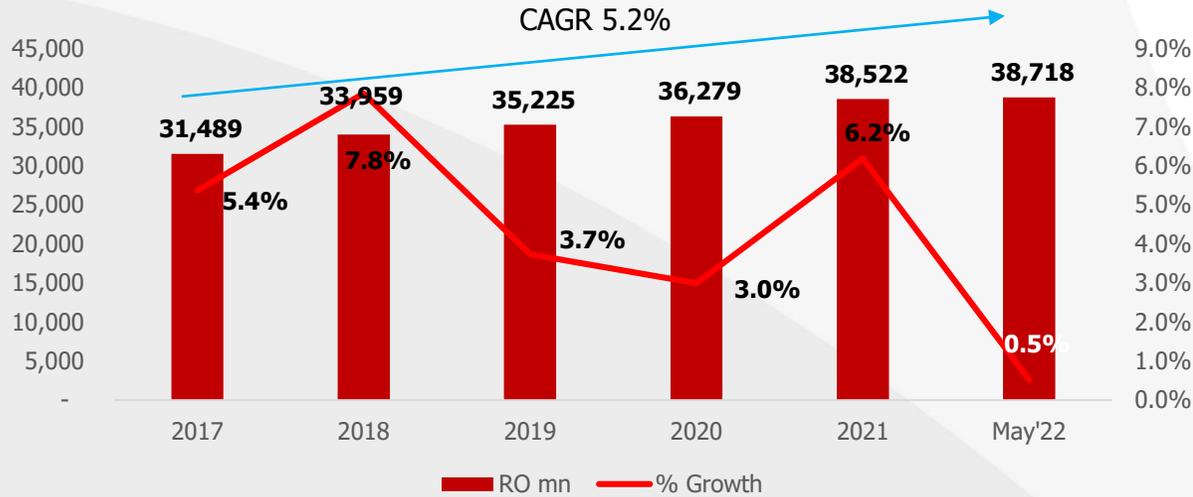


- ❖ Banking sector has performed relatively well in last few years in spite of lower oil prices & challenging economic situation.
- ❖ Though the year 2021 was challenging on different fronts, the banking sector has been largely resilient thanks to improvements in economic and business landscape and timely and proactive measures taken by the Government and the Central Bank of Oman (CBO).
- ❖ During 2021, credit portfolio increased by 4.4% to reach RO 27.9 bn. Deposits also grew by 6% to RO 25.6 bn. During 2020, due to the pandemic, ECL provisions were significantly higher. Hence net profits declined significantly by c25% in 2020. During 2021, however, industry net profits increased by c18%. Continuing the same trend, performance during H1-22 have further shown improvements due to increase in topline and lower provisions. Loans and deposits also showed a y-o-y May'22 growth of c4.5% to 3.2%.
- ❖ COVID19 related CBO regulations provided support to the banks in terms of liquidity, asset quality and capital. Some of these regulations also had negative impact on the profitability of banks since these were designed to support the borrowers and economy in general. Of these, CBO has extended the waiver/ deferment to laid off Omani citizens until December 31, 2022.
- ❖ Looking forward to 2022, Banks in Oman are well positioned with good capital and liquidity levels supported by promising economic prospects, lower budget deficit, elevated levels of oil prices and uplifting of pandemic related restrictions.
- ❖ Positives for Banking sector from Budget 2022 include improved liquidity and business opportunities stemming from various Public-Private Partnership (PPP) Projects related to Education, Healthcare, Fisheries, Logistics & Transportation and Tourism.

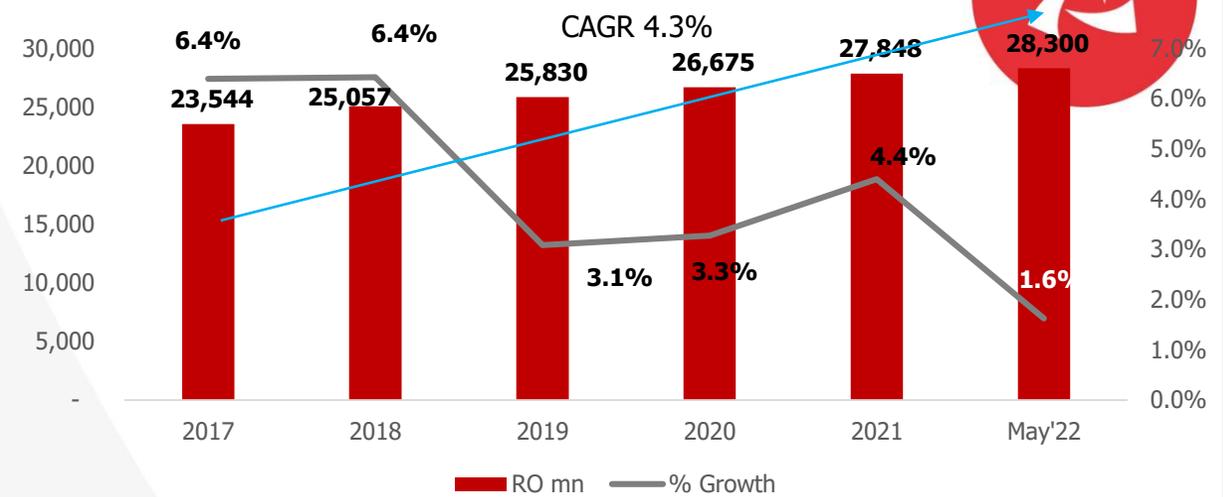
# Banking Sector Overview (Cont'd...)



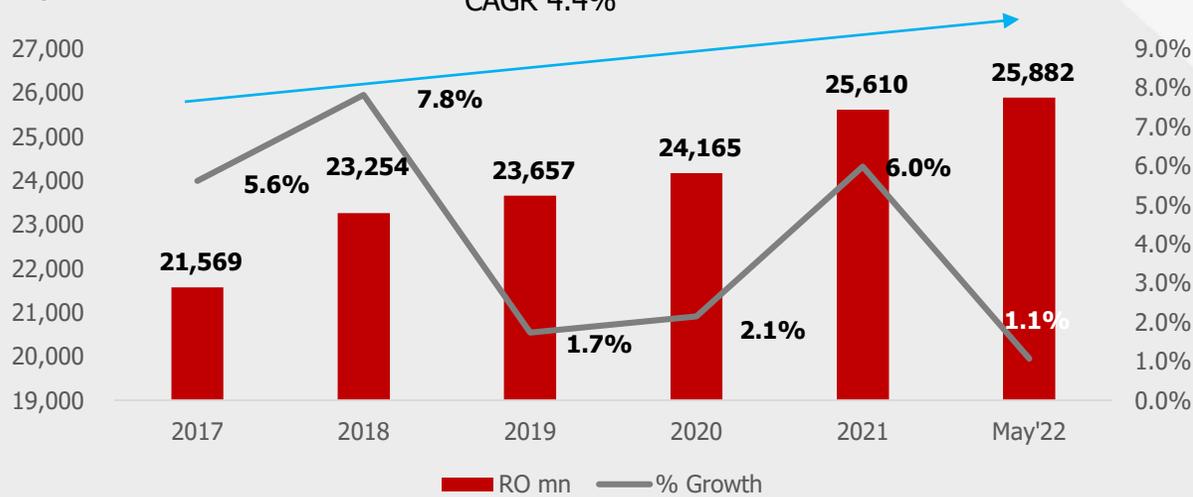
### Total Assets



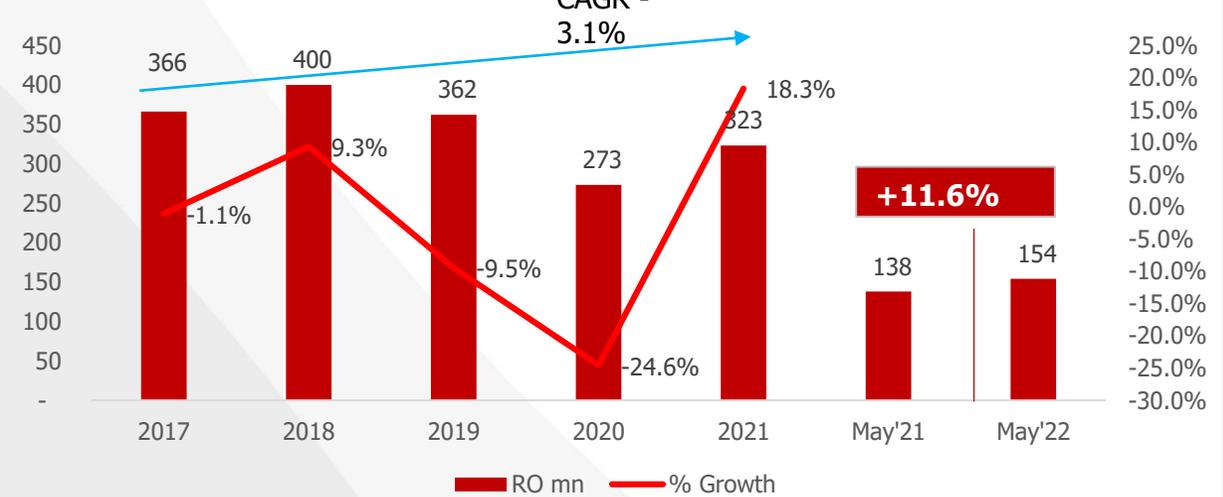
### Loan Growth



### Deposit Growth



### Profit Growth





# Bank Muscat Strategy and Business Lines

# Banks Vision & Strategic Pillars



## To serve you better, everyday.

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

### Bank Muscat Positioning

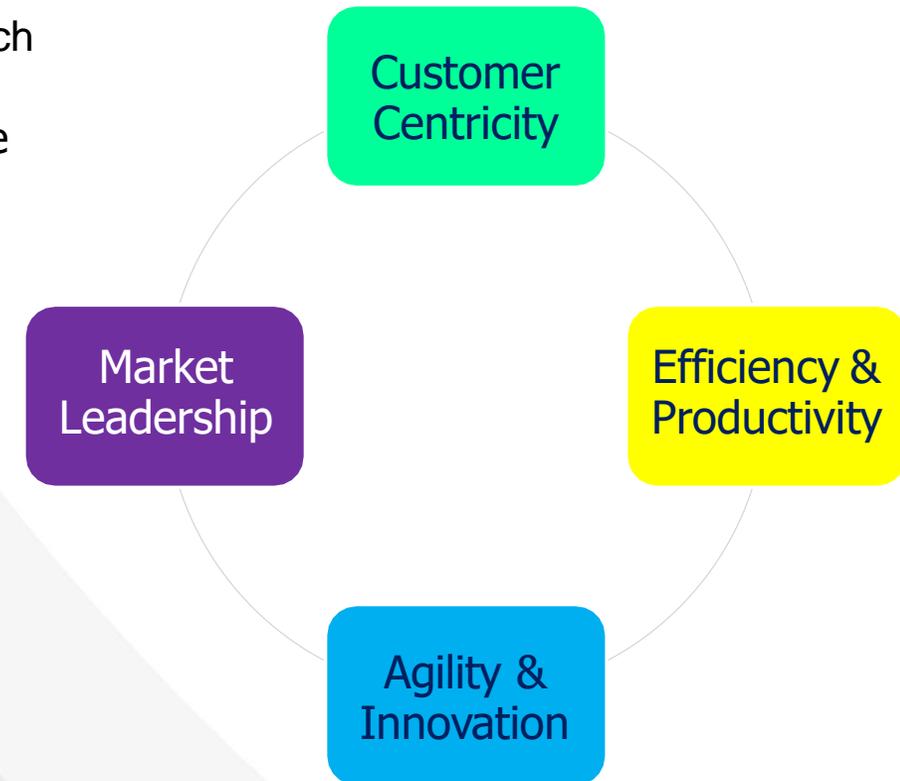
- ❖ Customer convenience, High Service Quality and Customer centric approach through “To Serve you better, everyday” philosophy
- ❖ Leading financial services provider with largest branch network & innovative product and service offering
- ❖ Technology driven with multiple digital channels for sales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

### Strong Financial Performance

- ❖ 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



# Bank Muscat Business Lines

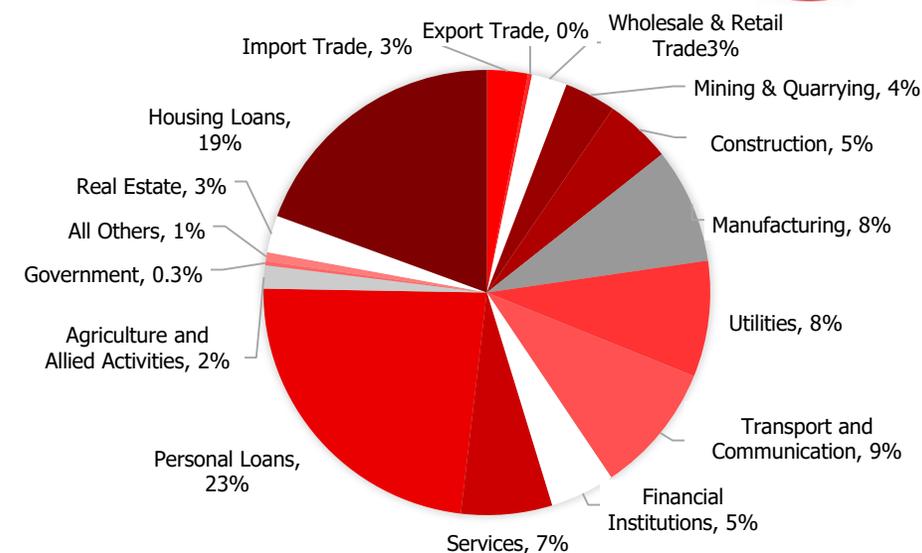


## Business Lines Breakdown

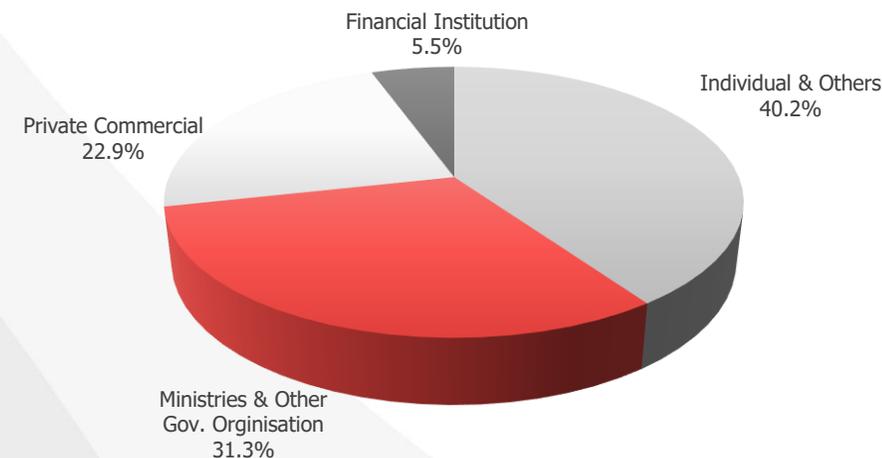
	Key Highlights	Asset Contribution	Profit Contribution
<b>Corporate Banking</b>	<ul style="list-style-type: none"> <li>» Leading corporate banking franchise offering the full array of corporate banking services</li> <li>» ~ 7K corporate customers in Oman</li> <li>» Strong expertise in project finance</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 4.09 bn</li> <li>• 31.8% of total assets</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 23.62 mn</li> <li>• 23.8% of total profit</li> </ul>
<b>Personal Banking</b>	<ul style="list-style-type: none"> <li>» Leading Retail Bank platform in Oman</li> <li>» &gt; 2 million retail customers in Oman</li> <li>» 150 branches, largest conventional branch network in Oman</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 3.66 bn</li> <li>• 28.5% of total assets</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 35.16 mn</li> <li>• 35.4% of total profit</li> </ul>
<b>Wholesale Banking</b>	<ul style="list-style-type: none"> <li>» Comprise of treasury, corporate finance, asset management and financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 3.18 bn</li> <li>• 24.7% of total assets</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 32.9 mn</li> <li>• 33.1% of total profit</li> </ul>
<b>Meethaq – Islamic Banking</b>	<ul style="list-style-type: none"> <li>» Officially launched in Jan-13,</li> <li>» RO 120m of assigned capital</li> <li>» 24 full fledged Islamic branches currently</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 1.69 bn</li> <li>• 13.1% of total assets</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 6.2 mn</li> <li>• 6.2% of total profit</li> </ul>
<b>International Operations</b>	<ul style="list-style-type: none"> <li>» 1 branch each in Saudi Arabia &amp; Kuwait</li> <li>» 3 Rep offices across Asia</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 0.24 bn</li> <li>• 1.9% of total assets</li> </ul>	<ul style="list-style-type: none"> <li>» OMR 1.4 mn</li> <li>• 1.4% of total profit</li> </ul>

## Loan, Advances & Deposits Breakdown

### Loans & Advances



### Deposits





# Key Financial Highlights

# Financial Highlights – for six months ended 30 June 2022 (H1'22)



Bank continued to weather the global/regional challenges & achieved a **Net Profit** of RO 99.3m during H1'22, an increase of 4.9% vs. H1'21

**Net Interest/Islamic financing income** reached RO 166.3m in H1'22, marginally lower by 1.3% vs.H1'21, mainly due to higher interest expenses

**Other operating income** in H1'22 was RO 81.4m, 9% higher vs. H1'21, mainly due to higher income on sale of investments

**Operating expenses** were RO 102.7m in H1'22, c. 8% higher compared to H1'21

**Operating Profit** reached RO 145m in H1'22, a 2% decrease vs H1'21, demonstrating Bank's strong and steady revenue generation capabilities despite the ongoing global challenges

**Net Impairment** was RO 28.4m, RO 6.9m lower vs H1'21. The decrease is mainly attributable to the improving oil prices and the precautionary and collective provisions made in H1'21 due to ongoing pandemic situation

**Net Loans** decreased by RO 236m or 2.6% to RO 9,002m compared to RO 9,238m in H1'21, mainly due to large repayments during H1'22. **Customer Deposits** increased y-o-y by RO 164 m or 1.9% to RO 8,834 m reflecting trust of customers in the Bank

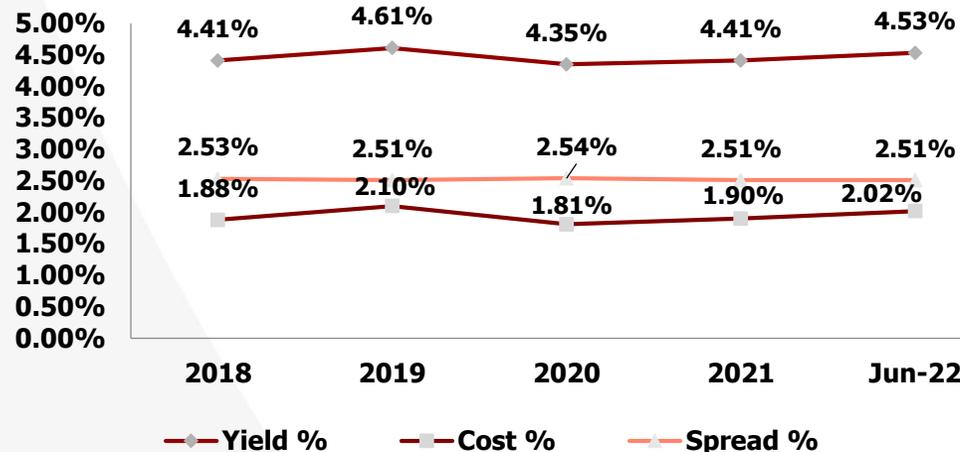
# Operating Performance & Profitability



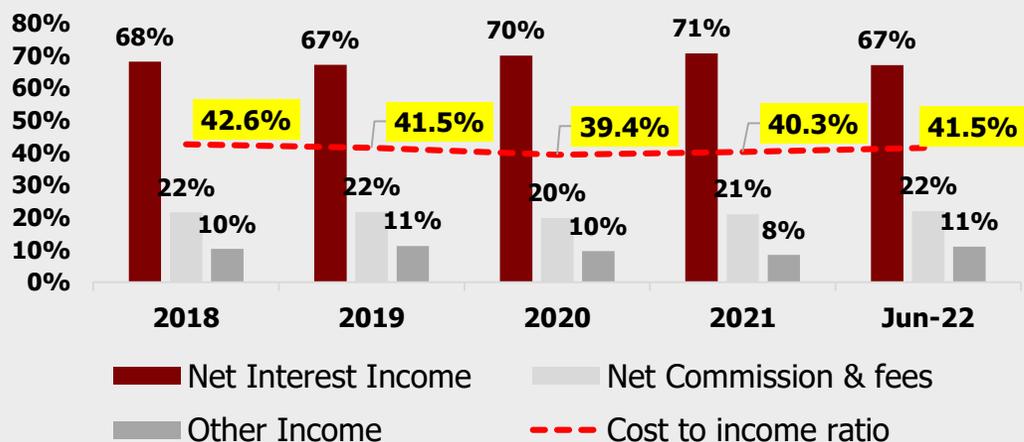
## Overview

- » Resilient operating performance
  - Stable top line income growth over the years
- » Stable cost to income ratio and ongoing cost control measures:
  - Solid profitability
  - Stable Return on Assets
- » Strong core revenue generation with net interest income and commission & fees c.90% of total operating income
  - Increasing focus on top line commission & fee income generation
- » Stable Net Interest Margin over the last few years

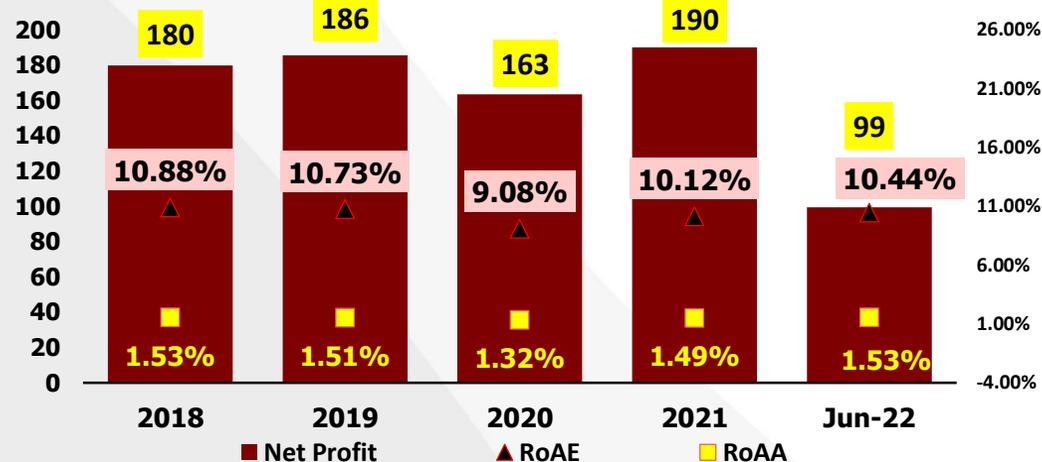
## Net Interest Spread



## Operating Income & Cost to Income



## Profitability



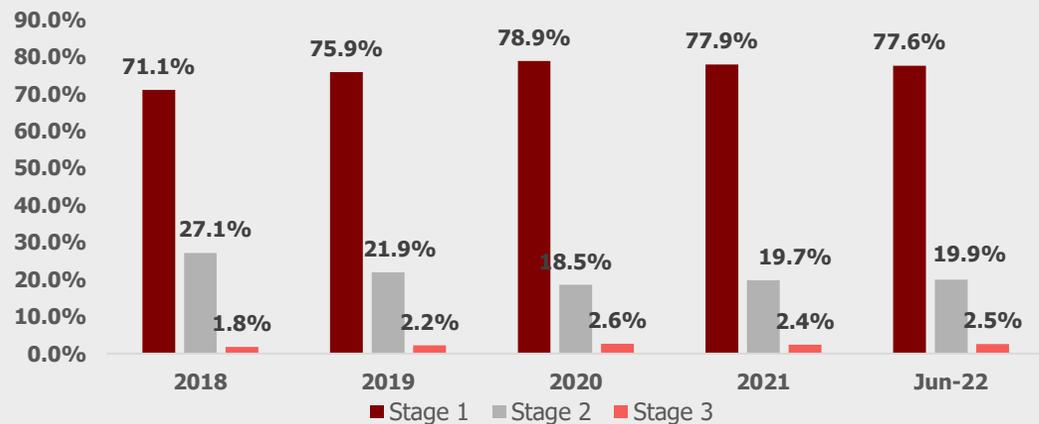
# Asset Quality



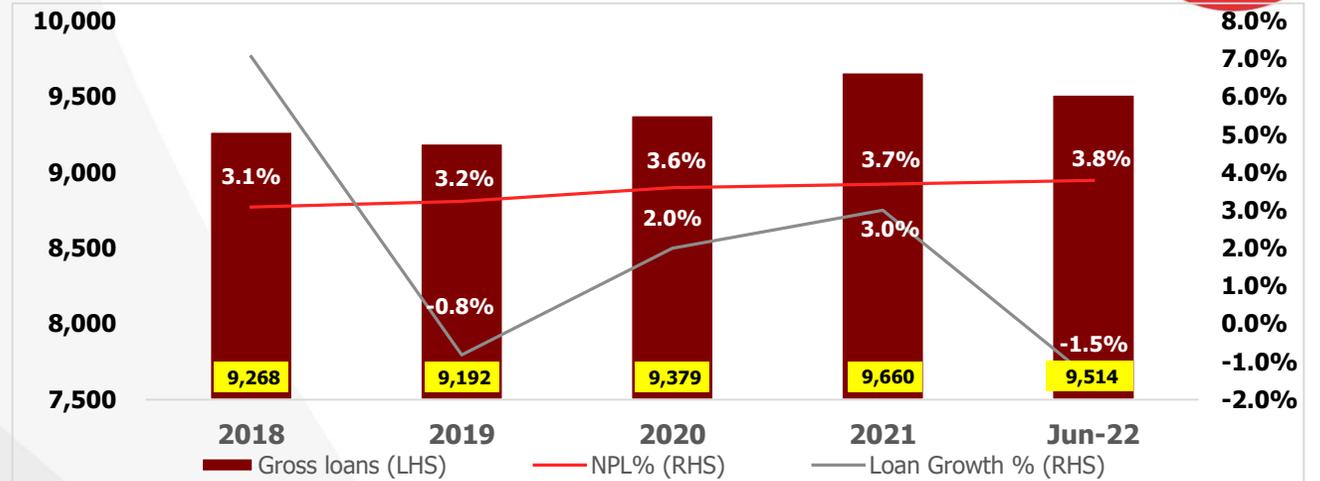
## Overview

- » 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
- » Conservative provisioning of impaired assets:
  - Provisioning in compliance with IFRS 9

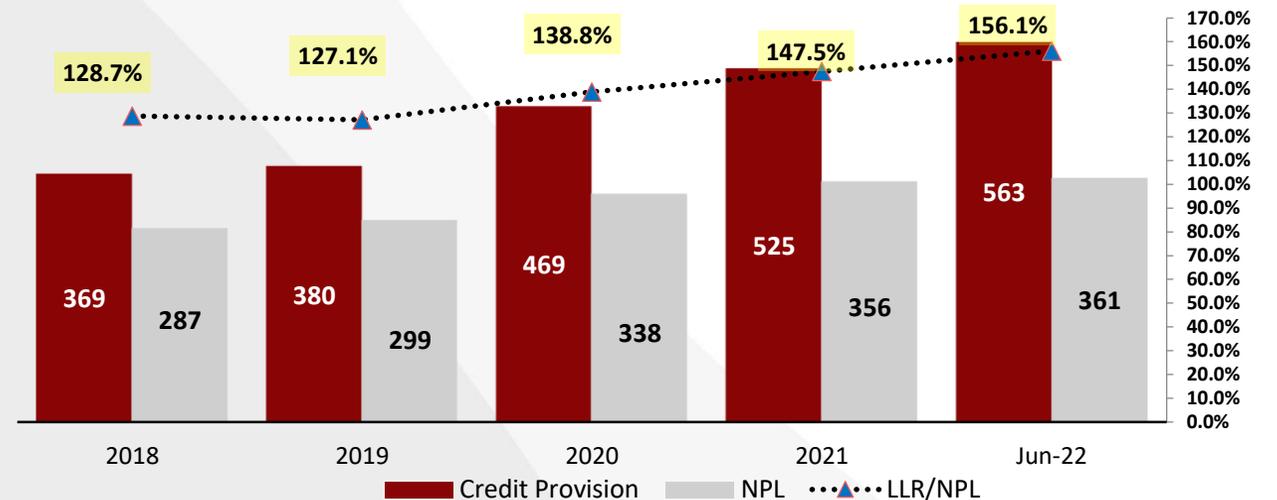
## Asset Quality



## Loan Growth (OMR Mn)



## Impaired Assets & Provisioning (OMR Mn)



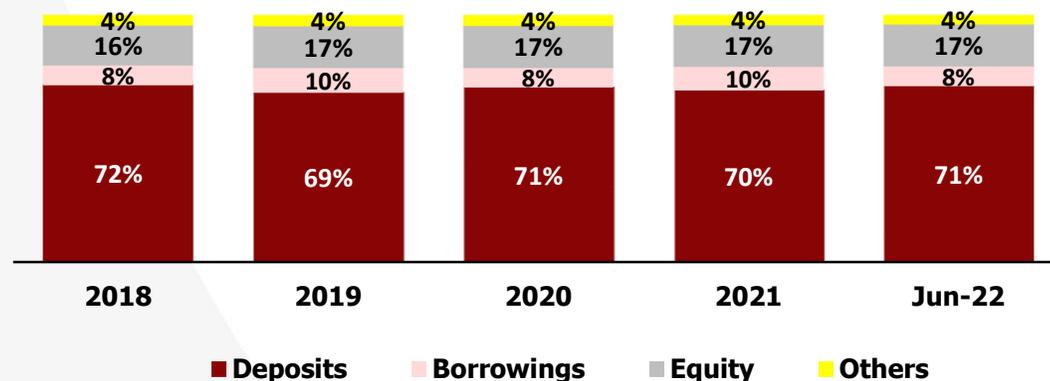
# Funding & Liquidity



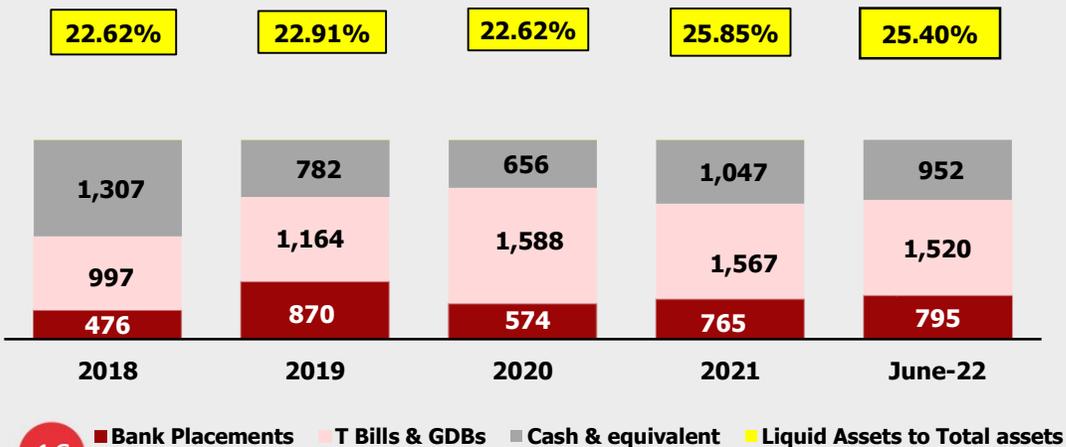
## Overview

- » Stable funding structure with a diversified funding base
- » Largest deposit base in Oman with significant granularity
  - Retail deposits comprise c40% of total deposits
- » Top 20 depositors represent 29% 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
- » Robust capital position
  - Total CAR at 20.58% & Tier 1 at 19.63%
  - Minimum regulatory requirement of 13.25 % and 11.25% respectively

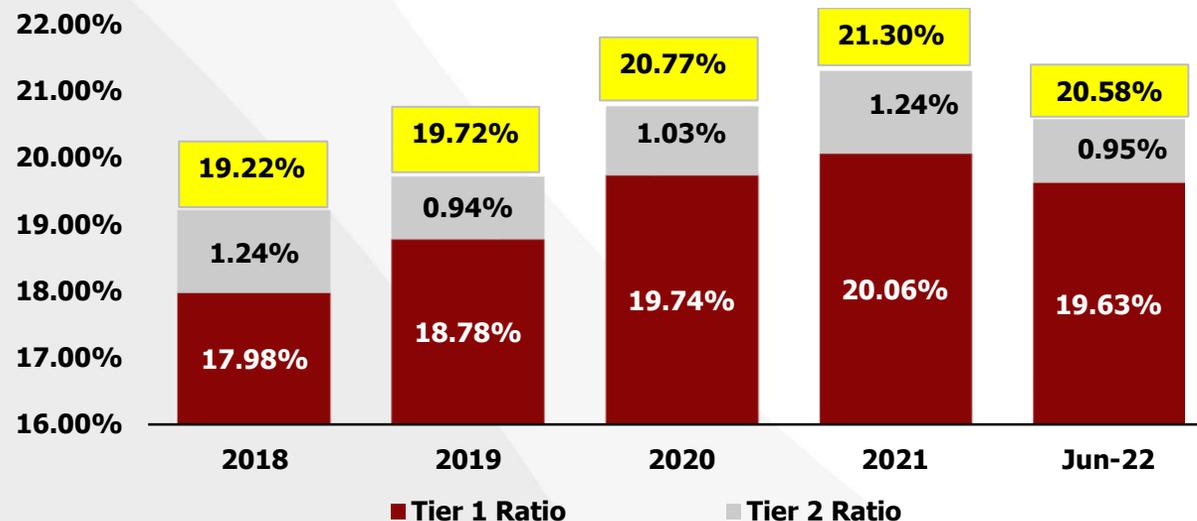
## Funding Mix



## Liquid Asset (OMR Mn)



## Capital Adequacy Ratio





# The Bank's Capital Structure Optimization

# The Bank's Capital Structure Optimization



The Bank has recently announced in the Muscat Securities Exchange (MSX) its capital structure optimization through “the Proposed Dividend” which is outlined below:

- 1 Bonus shares**
  - One Ordinary Share of RO 0.100 for each Ordinary Share aggregating to 3,753,198,531 shares equivalent to RO 375.320 million
- 2 Bonus bonds**
  - One Perpetual Bond of RO 1 for every 10 Ordinary Shares aggregating to 375,319,853 bonds equivalent to RO 375.320 million

The proposed perpetual bonds:

- Listed on the Muscat Stock Exchange
- Coupon of 4.25% per annum
- Part of the Bank's Tier 1 Capital
- No fixed maturity date and may be callable at Par at the option of the Bank after 5 years from the date of issuance

# Objectives



- In view of the Bank's strategic goals, objectives and strong financial performance over the past years, the Board of Directors of the bank has approved a proposal to optimize its current capital structure, by proposing the one-off dividend.
- Core Equity capital of the Bank has grown substantially over the past years with strong financial performance and retention of profits which also increased the overall capital adequacy of the Bank.
- The Proposed Dividend is designed to improve the efficiency of the Bank's capital and in turn improve returns to shareholders.
- The proposal has been structured to ensure that it does not have any effect on the Bank's liquidity, profitability and Total/Tier I capital ratios.
- Also, this ensures that the Bank will continue to be well capitalized to support its growth aspirations.
- The Proposed Dividend will help the Bank in achieving an optimal capital structure while meeting the requirements of all stakeholders.

## Next Steps



- The Proposed Dividend is subject to the approval of:
  - The shareholders of the Bank,
  - The Regulators.
- The Market will be notified of the record date of the event after obtaining all the necessary approvals.

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شكراً لكم  
Thank You

