

Highlights of the Discussion Session on the Bank's results for the year ended 31 December 2023

Oman Arab Bank would like to inform the investors and analysts that the discussion session on 2023 results was held on 24 March 2024. Due to technical issues, the session was not recorded. Hence, the minutes of the session are provided below.

- The meeting was hosted by Mr. Sulaiman Al Harthi – CEO, Mr. CB Ganesh – Deputy CEO and Mr. Ahmed El Damaty – CFO and attended by a group of investors and analysts.
- The CEO welcomed and thanked the participants for attending the session. He provided his views on the operating environment and the Bank. Afterward, the CFO presented the financial highlights of the Bank for 2023. The presentation is attached to this disclosure.
- The presentation was followed by a Q&A session where the following questions were asked:
 - **Q1:** We noted that the Bank declared dividends in the form of mandatory convertible bonds (MCBs). When will the bank start paying cash dividends?
 - **CEO answer:** This is the first year the bank distributes dividends (subject to AGM approval) since 2021. It follows the notable improvement in the Bank's performance over the past two years and is a proof of our commitment to the shareholders. Reinstating cash dividends takes time in general and the MCBs is a good start as the investors will earn interest on the MCBs.
 - **Q2:** Net interest income (NII) was down year on year (YoY). What is the Bank's view on NII, NIM (net interest margin) and cost of funds?
 - **CEO answer:** As we have pointed out in the presentation, the high interest rate environment led to a material increase in the cost of funds. The market now expects that the FED may cut interest rates in the second half of the year which will have an impact on OMR rates. However, we believe that the impact on the banks' cost of fund will take longer time as the customers have already locked in high rates on the deposits for the majority of 2024. Accordingly, the NIM in general is still expected to be under pressure in 2024.

أبرز نقاط الجلسة النقاشية حول النتائج المالية للسنة المنتهية في 31 ديسمبر 2023

يود بنك عمان العربي إعلام المستثمرين والمحللين الماليين بأن الجلسة النقاشية حول النتائج المالية لعام 2023 قد عقدت بتاريخ 24 مارس 2024. بسبب بعض المشاكل الفنية لم يتم تسجيل الجلسة وعليه، نورد أدناه محضر الجلسة.

- حضر الاجتماع/الفاضل/ سليمان الحارثي – الرئيس التنفيذي، والفاضل/ سي بي جانيش – نائب الرئيس التنفيذي، والفاضل / أحمد الدماطي – الرئيس المالي، وكما حضر أيضا نخبة من المستثمرين والمحللين.
- رحب الرئيس التنفيذي بالمشاركين وشكرهم على حضورهم الجلسة. وقدم الرئيس التنفيذي رؤيته حول بيئة الأعمال والبنك. بعد ذلك، قام الرئيس المالي بعرض أبرز النتائج المالية للبنك لعام 2023. والعرض مرفق بهذا الإفصاح.
- عقب العرض تم عقد جلسة أسئلة وأجوبة، حيث تم طرح الأسئلة التالية:
 - **السؤال الأول:** لاحظنا أن البنك أعلن عن توزيعات أرباح على شكل سندات إلزامية التحويل (MCBs). متى سيبدأ البنك بتوزيع أرباح نقدية؟
 - **إجابة الرئيس التنفيذي:** هذه هي السنة الأولى التي يقوم فيها البنك بتوزيع الأرباح (تخضع لموافقة الجمعية العمومية) منذ عام 2021. ويأتي ذلك بعد التحسن الملحوظ في أداء البنك خلال العامين الماضيين ودليل على التزامنا تجاه المساهمين. وبشكل عام تستغرق إعادة توزيعات الأرباح النقدية وقتاً، وتعد السندات إلزامية التحويل (MCBs) بداية جيدة حيث سيحصل المستثمرون على فائدة على هذه السندات (MCBs).
 - **السؤال الثاني:** انخفض صافي دخل الفوائد على أساس سنوي. ما هي وجهة نظر البنك بشأن صافي دخل الفوائد، صافي هامش الفائدة و تكلفة الأموال؟
 - **إجابة الرئيس التنفيذي:** كما أشرنا في العرض التقديمي، فإن بيئة أسعار الفائدة المرتفعة أدت إلى زيادة كبيرة في تكلفة الأموال. وتتوقع الأسواق حالياً أن يقوم بنك الاحتياطي الفيدرالي بتخفيض أسعار الفائدة في النصف الثاني من العام مما سيكون له تأثير على أسعار الفائدة على الريال العماني. ومع ذلك، نعتقد أن التأثير على تكلفة أموال البنوك سيستغرق وقتاً أطول حيث أن العملاء قد قاموا بالفعل بتثبيت أسعار الفائدة المرتفعة على غالبية الودائع لعام 2024. و بالتبعية فإنه من المتوقع أن تستمر الضغوطات على صافي هامش الفائدة.

- **Q3:** What is your target cost to income ratio and the timelines to decrease the ratio?
- **CEO answer:** The cost to income ratio went down over the past two years albeit it remains much higher than the market average. For the past two years, operating expenses were down YoY in line with our cost discipline initiatives we lunched two years ago. On the other hand, the high interest rate environment had a negative impact on operating income. We believe that the ratio will transform in the right direction to be in line with the market average in the medium term.
- **Q4:** The Bank has a high restructured loans ratio. What is the status of these loans?
- **CEO answer:** Since COVID-19, the Bank has taken a proactive approach to support its clients. In line with the regulations and the status of each client, we have differed the repayment of some exposures. On the other hand, over the past three years, the Bank has built a considerable level of provisions. Our cost of risk was on the higher side ensuring that the Bank has adequate coverage. As of now, we did not see any adverse behaviour in the restructured cases.
- **Q5:** What is your expectation for the quarterly net impairment charges (provisions)?
- **CEO answer:** Provisions are subject to different factors including the credit status of the client, macroeconomic variables, repayments and past dues, regulatory requirements, etc. It would not be prudent for us to comment on quarterly expectations but we believe that provisions should be considered for the full year.

- **السؤال الثالث:** ما هي نسبة التكلفة إلى الدخل المستهدفة والوقت الزمني اللازم لتقليل هذه النسبة؟
- **إجابة الرئيس التنفيذي:** انخفضت نسبة التكلفة إلى الدخل خلال العامين الماضيين على الرغم من أنها لا تزال أعلى بكثير من متوسط السوق. على مدار العامين الماضيين، انخفضت نفقات التشغيل على أساس سنوي تماشيًا مع مبادراتنا الخاصة بضبط التكاليف التي أطلقناها قبل عامين. ومن ناحية أخرى، كان لبيئة أسعار الفائدة المرتفعة تأثير سلبي على الدخل التشغيلي. ونعقد أن النسبة سوف تتحول في الاتجاه الصحيح لتتوافق مع متوسط السوق على المدى المتوسط.
- **السؤال الرابع:** البنك لديه أعلى نسبة للقروض المعاد هيكلتها. ما هو وضع هذه القروض؟
- **إجابة الرئيس التنفيذي:** منذ انتشار فيروس كورونا (COVID-19)، اتخذ البنك نهجًا استباقيًا لدعم عملائه. تماشيًا مع اللوائح وحالة كل عميل، قمنا بتأجيل سداد بعض الإلتزامات. ومن ناحية أخرى، على مدى السنوات الثلاث الماضية، قام البنك ببناء مستوى كبير من المخصصات. وكانت تكلفة المخاطر لدينا تميل إلى الارتفاع لضمان وجود تغطية كافية لدى البنك. وحتى الآن، لم نر أي سلوك سلبي في الحالات المعاد هيكلتها.
- **السؤال الخامس:** ما هي توقعاتك لمستويات انخفاض قيمة الأصول أو المخصصات على أساس ربع سنوي؟
- **إجابة الرئيس التنفيذي:** مستوى المخصصات يعتمد على عدة عوامل من بينها الحالة الائتمانية للعميل، مؤشرات الاقتصاد الكلي، المدفوعات و المتأخرات عن السداد، متطلبات الجهات التنظيمية، إلخ. لن يكون من الحصادفة بالنسبة لنا أن نعلق على المستويات الربعية للمخصصات و لكننا نعتقد أنه من الأفضل أن ينظر إلى المخصصات على أساس سنوي.

Being no further questions, the CEO thanks the participants for attending and ended the session.

نظرًا لعدم وجود أسئلة أخرى، شكر الرئيس التنفيذي المشاركين على حضورهم وأنهى الجلسة.

Yours sincerely,

وتفضلوا بقبول فائق الإحترام والتقدير،




سليمان الحارثي
الرئيس التنفيذي
Sulaiman Al Harthi
Chief Executive Officer



بنك عُمان العربي
OMAN ARAB BANK



50 YEARS
عَمَّا مَعًا
TOGETHER

Investor Presentation

2023 Results



Agenda



Operating Environment



Oman Arab Bank Overview



Financial Performance

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Address| MUSCAT

Head office Sultan Qaboos Street
Al Ghubra North
Muscat , Oman
P .O . BOX 2010-Ruwi PC 112
Tel: +968 24797747
Email: contactus@oman-arababnk.com



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Operating Environment



Sultanate of Oman - Overview



2nd largest country by area in the GCC



Stable political system



Strategically placed at the mouth of the Arabian Gulf



Independent, pragmatic foreign policy, good relations with Oman's neighbours and globally

Oman Economy



5.1 M
Population



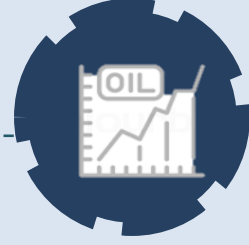
0.9%
Inflation

vs. global inflation of 8.7% in 2022 and 6.9% in 2023



OMR 0.9 Bn
Fiscal Surplus

vs. OMR1.3bn FY23 budget deficit and OMR1.1bn surplus for 2022



\$82
AVG Oil Price



2.2%
GDP Growth

Q3 2023



\$17.5 Bn
Foreign Reserves



6.0%
Repo Rate

FED rate range at 5.25% - 5.5%

S&P Global

- BB+
- Stable

FitchRatings

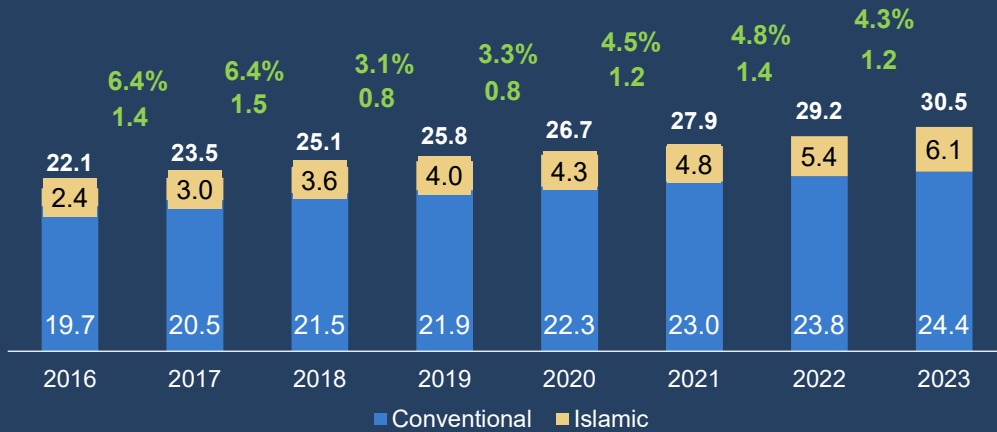
- BB+
- Stable

MOODY'S

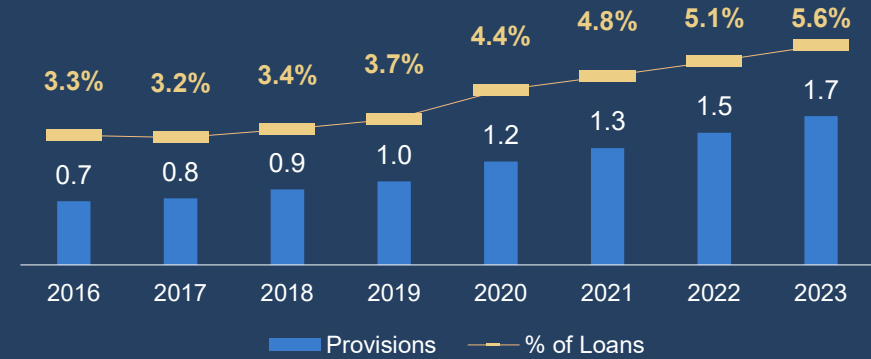
- Ba1
- Stable

Banking Sector – Credit and Lending

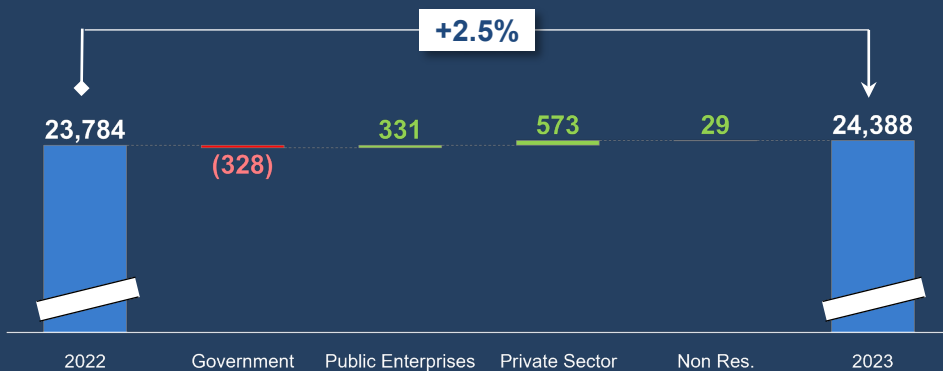
Gross Loans (OMR Bn)



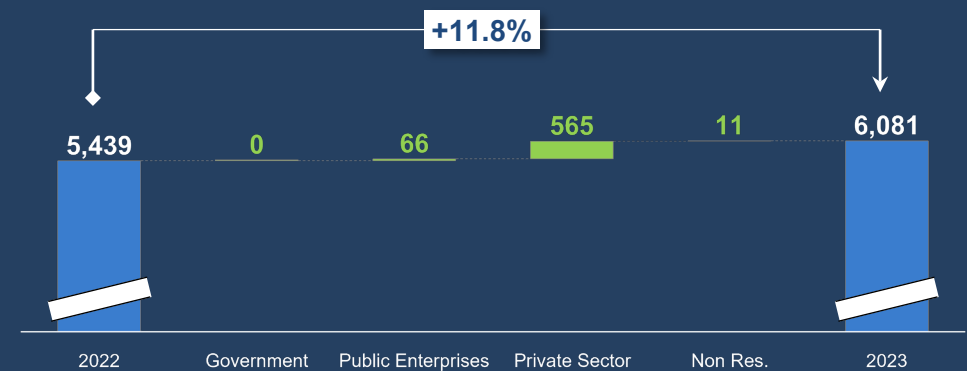
Provisions (OMR Bn) & Coverage



Conventional Loans 2023 Growth (OMR Mn)

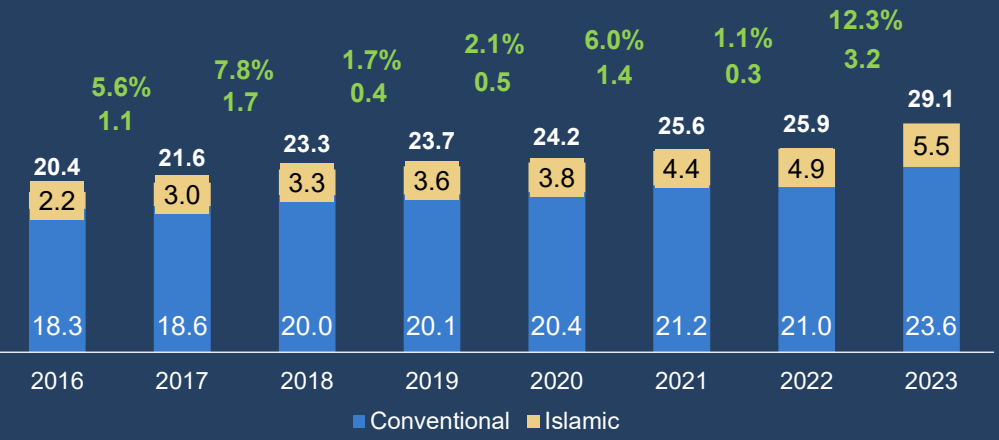


Islamic Financing 2023 Growth (OMR Mn)

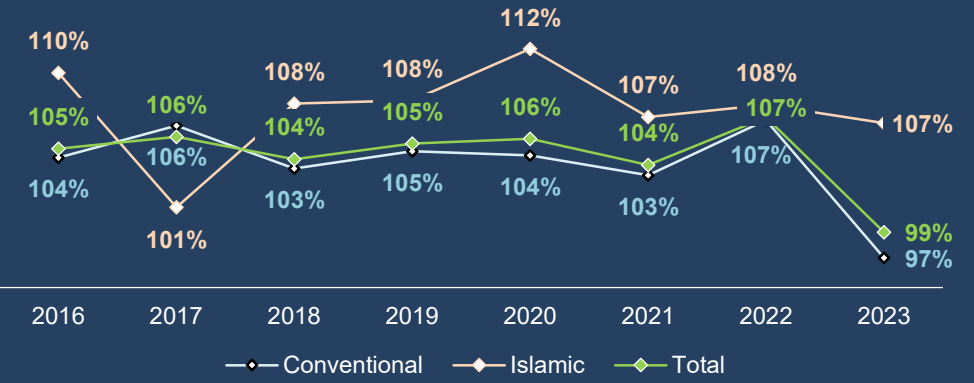


Banking Sector – Customer Deposits

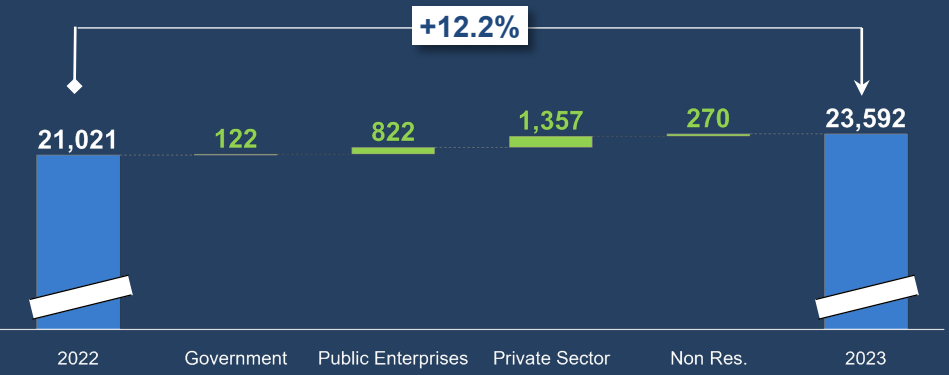
Customer Deposits (OMR Bn)



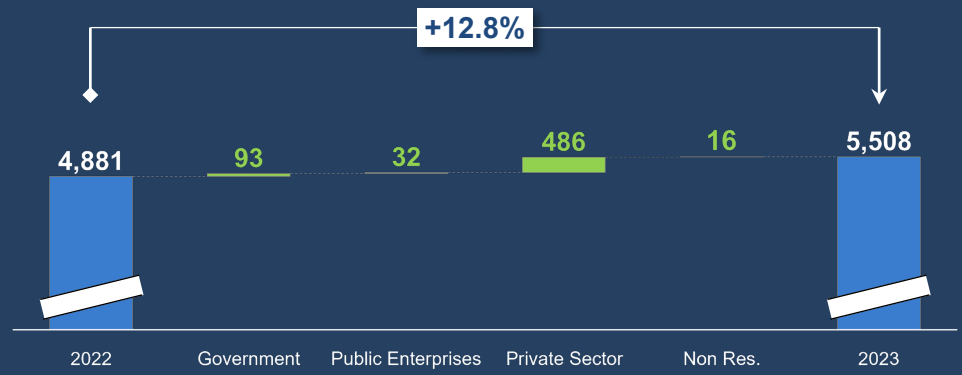
(net) Loans / Deposits (%)



Conventional Deposits 2023 Growth (OMR Mn)

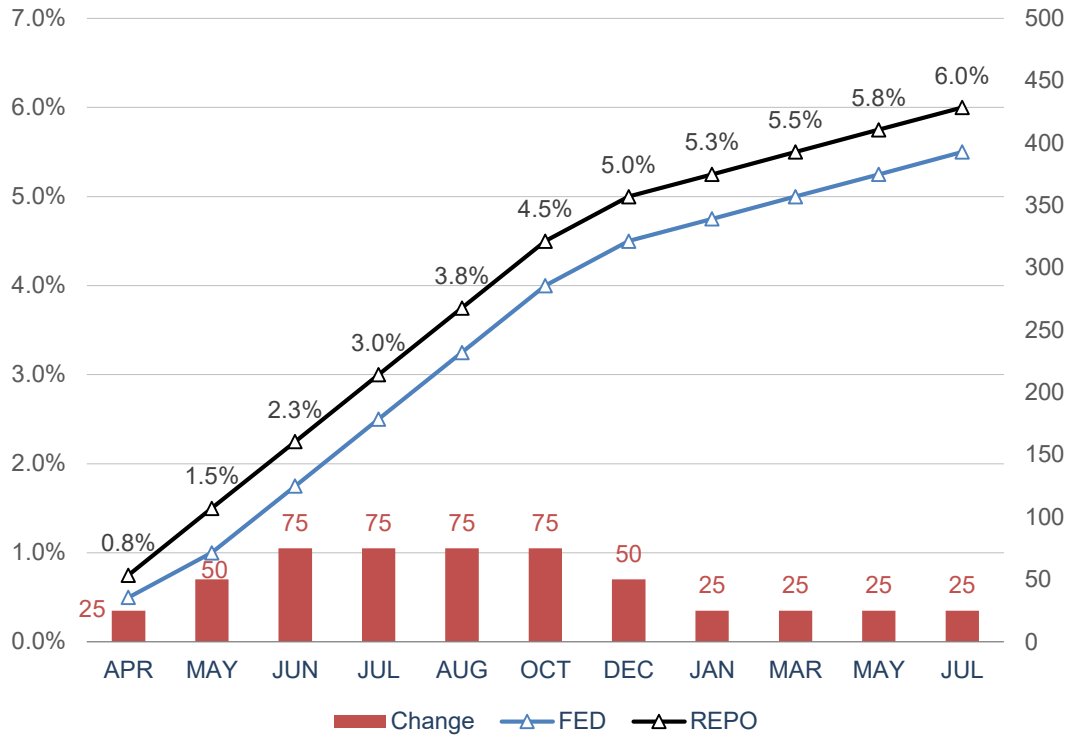


Islamic Deposits 2023 Growth (OMR Mn)



Rising interest rates pressures banks' margins

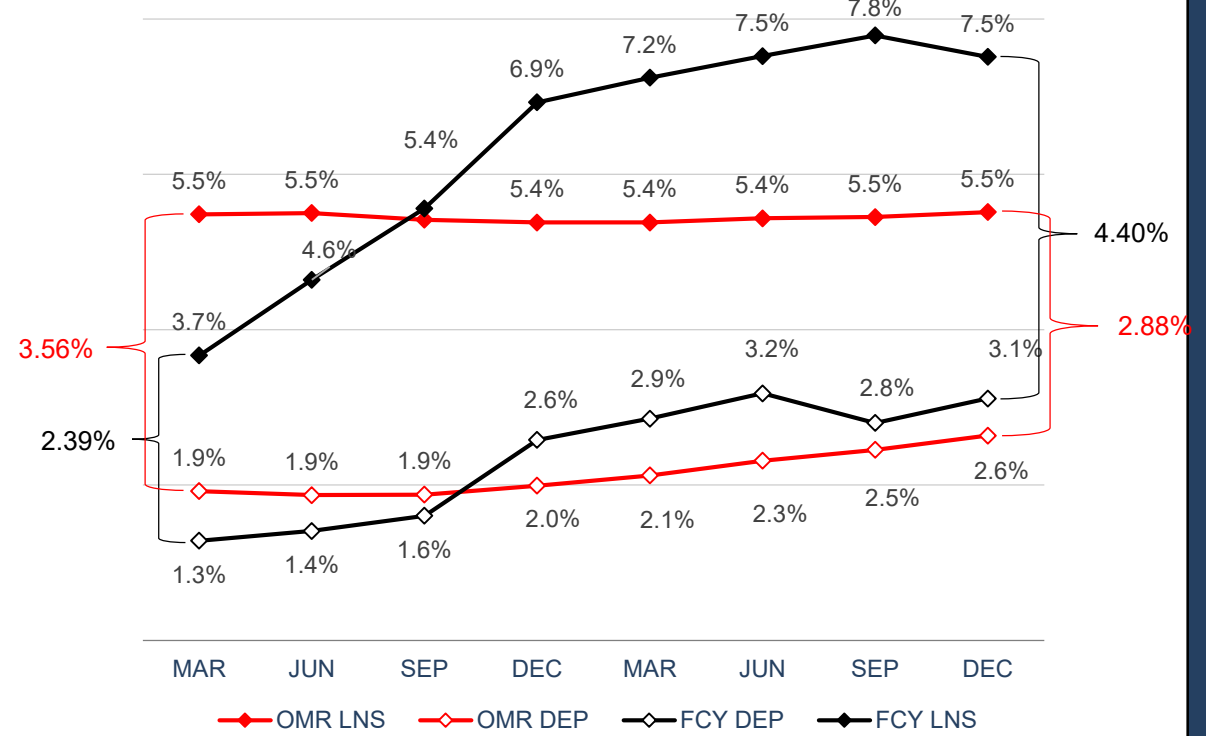
FED and CBO policy rate evolution



2022

2023

Local loans and deposits rate (industry average)



2022

2023



Sources: Central Bank of Oman and Federal Reserve

Oman Arab Bank Overview



بنك عُمان العربي
OMAN ARAB BANK

We are Supported by Strong Shareholders



البنك العربي
ARAB BANK

One of the largest financial institutions
in the Middle East

Covering key financial markets
including London, Dubai, Singapore,
Geneva, Paris, Frankfurt, Sydney and
Bahrain

+600

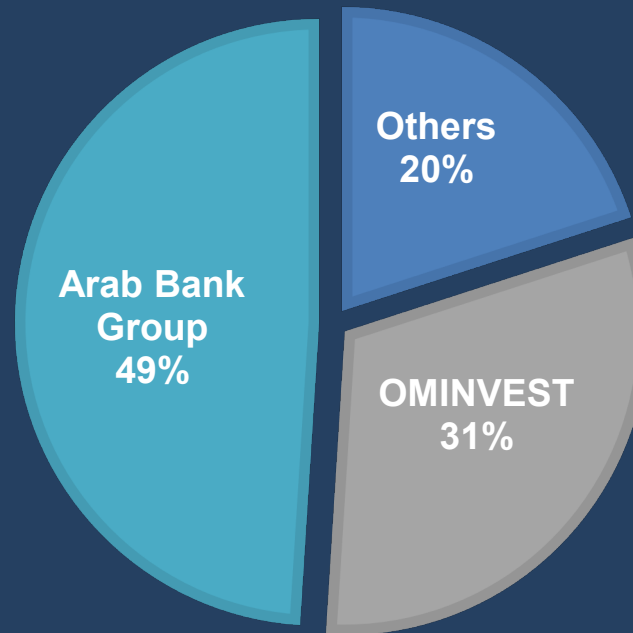
Branches across 5
continents and 29
countries

\$4.1Bn

Market Cap (USD)

\$11.4Bn

Total Equity



OMINVEST

One of the largest publicly listed investment
companies in the MENA region

Diversified portfolio into

- Banking
- Insurance
- Leasing
- Real Estate
- Education
- Private Equity
- Investment Banking

\$0.75Bn

Market Cap (USD)

and Guided by Team of Experts



Mr. Rashad Al Zubair
Chairman

Chairman - Zubair Corporation, Chairman - Oasis Water Co, Vice Chairman - Barr Al Jissah Resort Co, Vice Chairman and Founder Member of Muscat University.



Mr. Wahbe Tamari¹
Deputy Chairman

Chairman - Arab Bank Switzerland, Chairman - Arabia Insurance Company, Board Member in Arab Bank Plc, Sucafina SA, Solidere International, Tamari Foundation. Member of Young Presidents' Organization (YPO).



Ms. Randa Sadik
Director

Chief Executive Officer - Arab Bank, Chairwoman – Jordan Capital and Investment Fund, Board member in Arab National Bank, Jordan Capital and Investment management fund. Chairwoman - Al Arabi Finance Holdings Lebanon, Chairwoman



Mr. Abdulaziz Al Balushi
Director

Chief Executive Officer - OMINVEST, Deputy Chairman - Jabreen Capital, Board Member in Liva (NLGIC), National Finance, Member of Oman American Business Center. "Second Best CEO in Arab Banking World" - Forbes Magazine, November 2012.



Mr. Imad Sultan
Director

Vice Chairman & Managing Director - W. J. Towell LLC, Vice chairman of National Hospitality Institute, Member of the Executive Committee of Muscat Stock Exchange. Member of Young Presidents' Organization (YPO).



Mr. Walid Samhouri
Director

Executive Vice President, Jordan Country Head Arab Bank, Chairman - Arab Sudanese Bank, Board Member in Arab Tunisian Bank, Jordan Loan Guarantee Corporation.



Mr. Nasri Malhame
Director

Board member in Arab Bank Switzerland (Lebanon), AB Fund Managers-Guernsey, Ubhar Capital, Oman, and Chambre de commerce Arabo-Suisse, Geneva.



Mr. Mohammed Al Ghanma
Director

Executive Vice President and Head of Credit Division - Arab Bank, Deputy Chairman - Islamic International Arab Bank, T-Bank Turkey. Board Member in Arab National Bank, Arab Bank Syria.



Mr. Yasir Aqil Badri
Director

Vice President , Financial Services at Mubadala Investment Company.

We were one of the earliest banks in Oman, a prominent player today

The journey

2022

Issuance of OMR 50M AT1 securities

2021

Issuance of USD250M AT1 securities

2020

Acquisition of Alizz Islamic Bank and becoming a public joint stock company and a subsidiary of Arab Bank

1992

In-organic Expansion through acquiring retail branches of Omani European Bank

1984

OAB was established following the acquisition of Arab Bank's branches in Oman

1973

Arab Bank commences operations in Oman

Today

Branches

Conventional

49

Islamic

14

Group

63

Loans

10.2%

9.0% 9.7%

DEC21 DEC22

16.7%

17.1% 17.4%

DEC21 DEC22

11.5%

10.4% 11.1%

DEC21 DEC22

Market Share

Deposits

9.9%

9.3% 9.9%

DEC21 DEC22

18.4%

19.2% 18.5%

DEC21 DEC22

11.5%

11.0% 11.5%

DEC21 DEC22

Awards & Recognitions

ASIAN BANKING & FINANCE

Best Domestic Retail Bank



Website of the year (Islamic)



Best SME Payment Solutions



Excellence in Shari'a Compliant Wholesale Banking



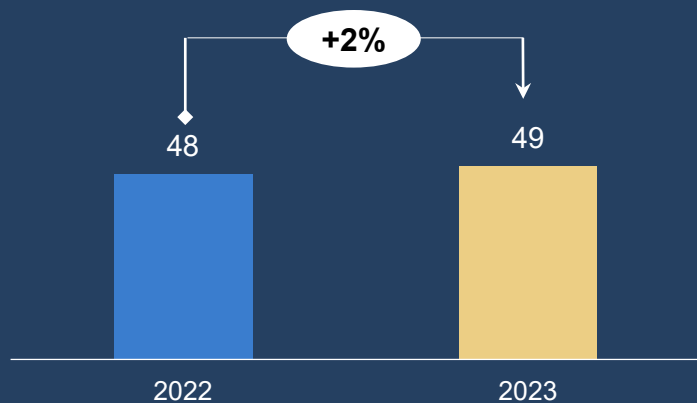
(Islamic)

Financial Performance

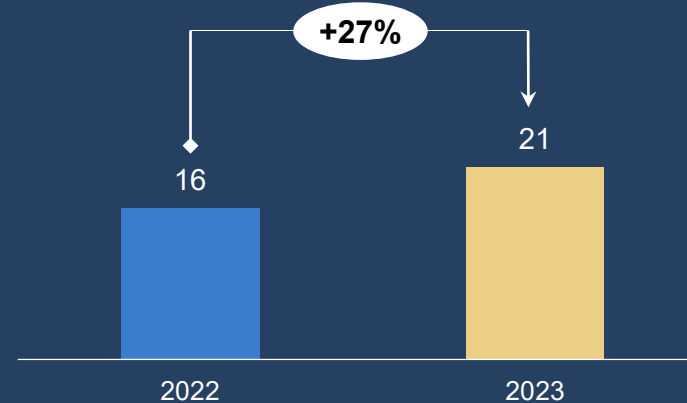


Healthy growth in loans and third fastest growing bank in deposits

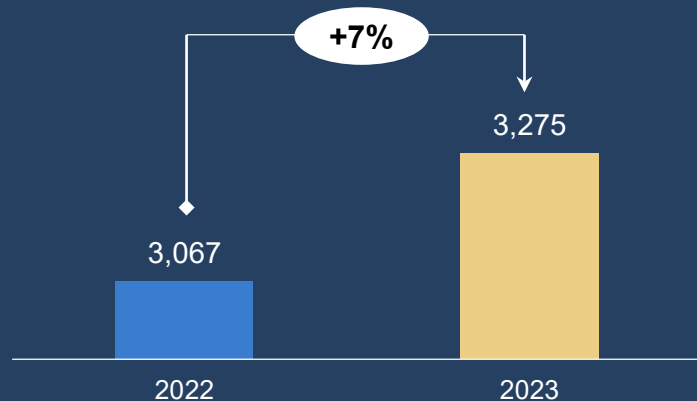
Operating Profit (OMR Mn)



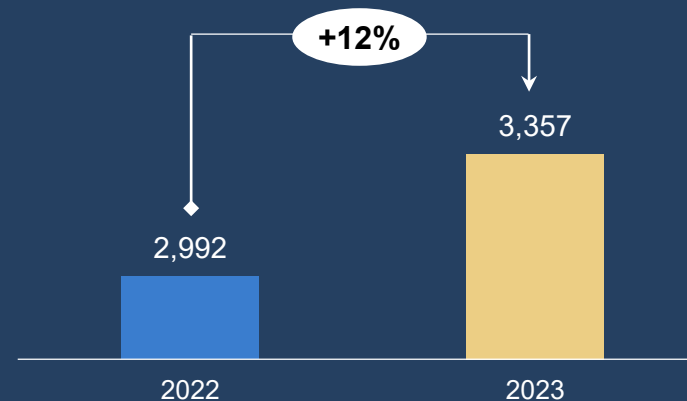
Net Profit (OMR Mn)



Loans & Advances (OMR Mn)

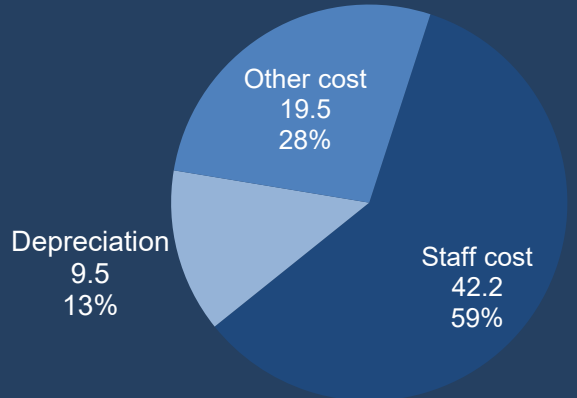


Customer Deposits (OMR Mn)

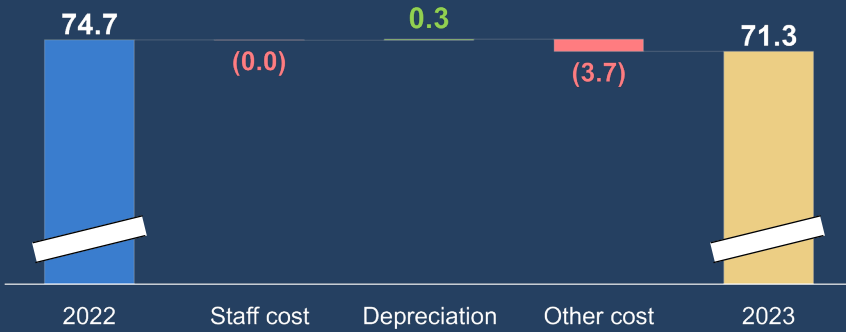


Leading to an improvement in return on equity

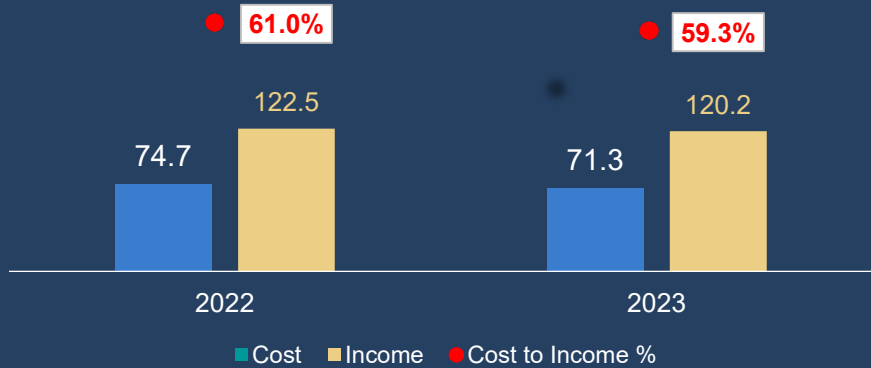
Cost Base (OMR Mn)



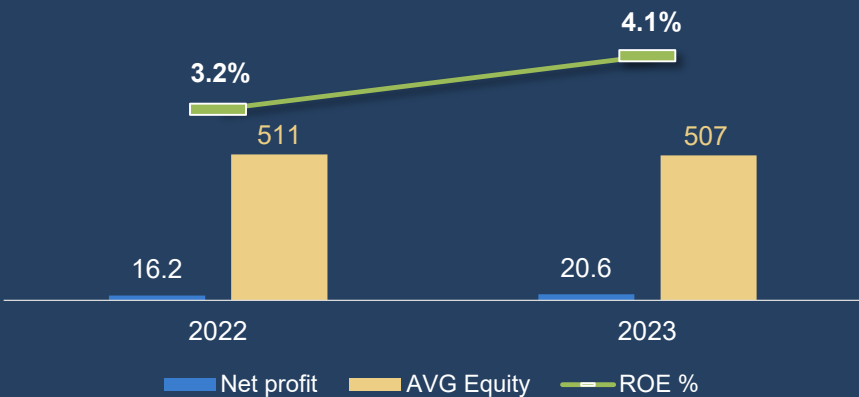
Cost Movement (OMR Mn)



Cost / Income (%)



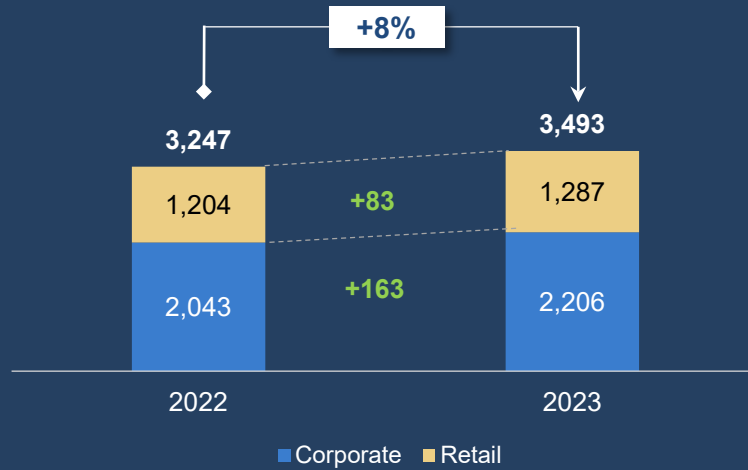
Return on Equity (%)¹



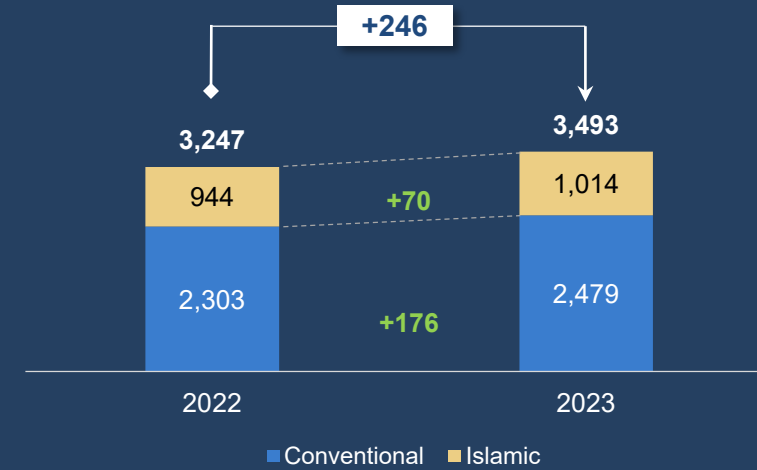
1. Net profit / average equity. On an adjusted basis (including the impact of perpetual bonds), ROE would have been 2.7% in 2023 vs. 1.5% in 2022.

We acquired ≈ 20% of new credit in Oman during 2023

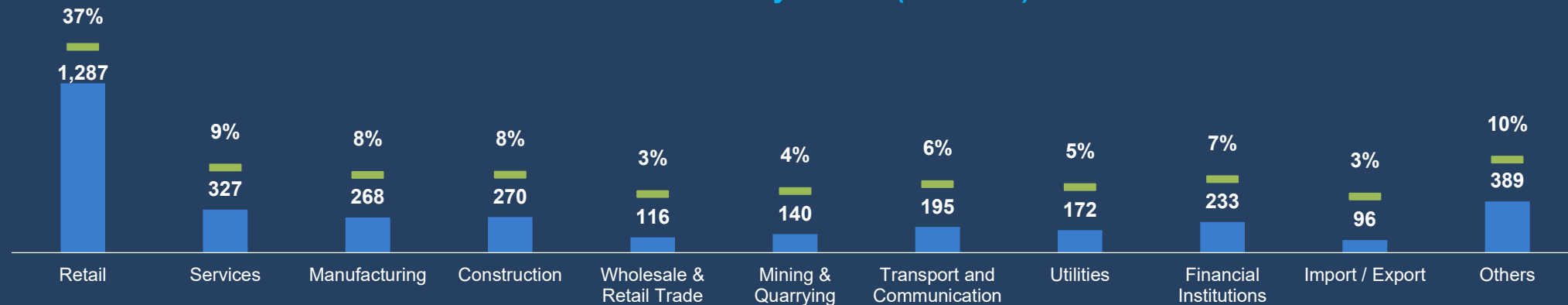
Gross Loans – By Segment (OMR Mn)



Gross Loans – By Type (OMR Mn)

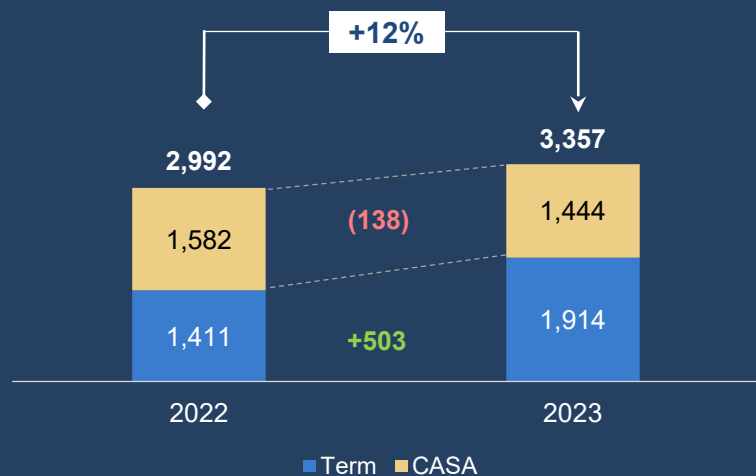


Gross Loans – By Sector (OMR Mn)

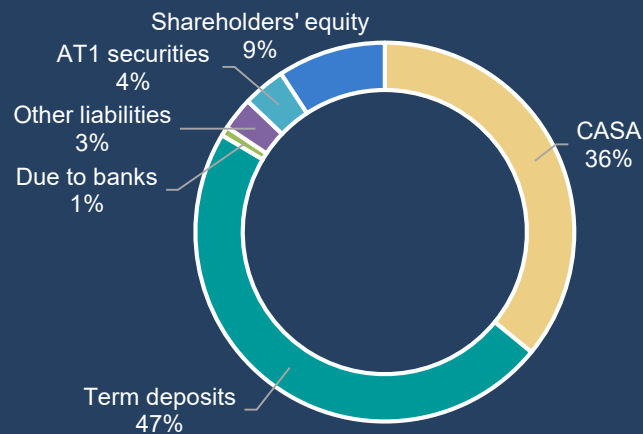
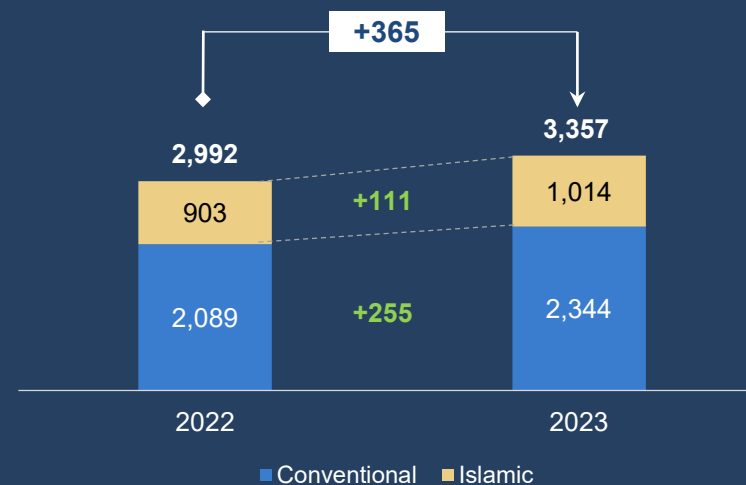


Healthy liquidity position and growth in customer deposits despite the high interest rate environment

Customer Deposits – By Product (OMR M)



Customer Deposits – By Type (OMR M)



Liquidity Positions – Q4 2023

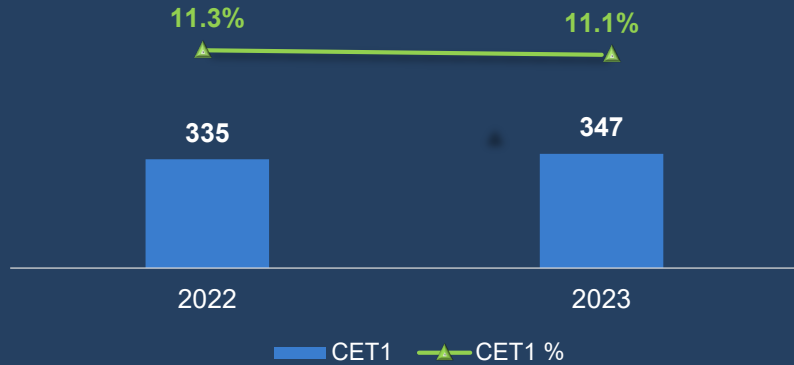
LCR
At 235%

NSFR
At 114%

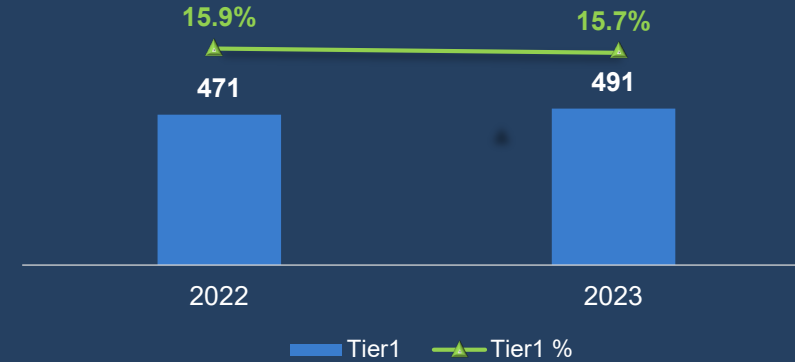
LTD
At 98%

With an efficient utilization of our capital

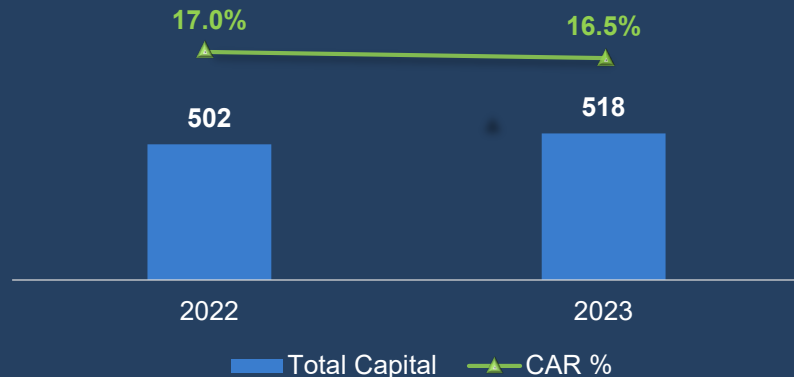
CET 1 Capital (OMR Mn)



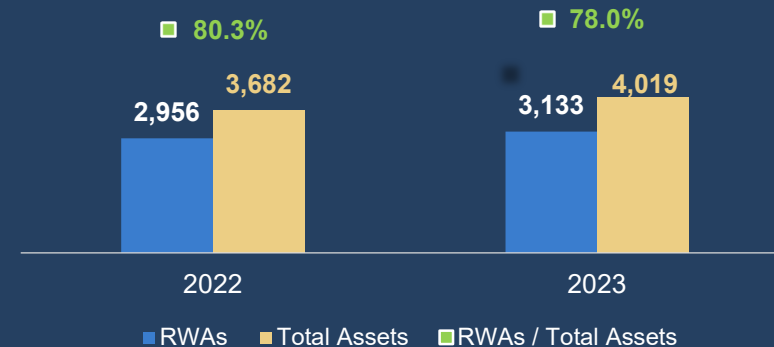
Tier 1 Capital (OMR Mn)



Total Capital (OMR Mn)



Risk Weighted Asset (OMR Mn)



Appendices



Balance Sheet Summary

	Parent				Consolidated			
	2023	2022	VAR	Growth	2023	2022	VAR	Growth
ASSETS								
Cash and balances with Central Bank	85	31	54	173%	152	100	52	52%
Due from banks	124	48	76	158%	130	54	76	142%
Loans, advances and financing to customers - net	2,306	2,165	141	7%	3,275	3,067	208	7%
Investment on subsidiary	107	107	-	-	-	-	-	-
Investment securities	254	268	(15)	-6%	327	332	(5)	-2%
Intangibles	-	-	0	-	7	7	(0)	-4%
Property and equipment	37	36	2	5%	43	38	5	12%
Other assets	54	55	(2)	-3%	86	84	2	3%
TOTAL ASSETS	2,967	2,711	256	9%	4,019	3,682	337	9%
LIABILITIES								
Due to banks	32	59	(27)	-45%	32	94	(62)	-66%
Customer deposits	2,344	2,089	254	12%	3,357	2,992	365	12%
Other liabilities	92	75	18	24%	112	98	14	15%
TOTAL LIABILITIES	2,468	2,223	245	11%	3,502	3,184	318	10%
EQUITY								
Total Shareholders' Equity	352	349	3	1%	371	359	12	3%
Perpetual Tier 1 capital securities	146	139	7	5%	146	139	7	5%
TOTAL EQUITY	499	488	11	2%	517	498	19	4%
TOTAL EQUITY AND LIABILITIES	2,967	2,711	256	9%	4,019	3,682	337	9%

Profit and Loss Summary

	Parent				Consolidated			
	2023	2022	VAR	Growth	2023	2022	VAR	Growth
Interest income	146.1	127.1	19.0	15%	145.7	127.1	18.6	15%
Interest expense	(75.0)	(52.6)	(22.4)	-43%	(75.0)	(52.6)	(22.4)	-43%
Net interest income	71.1	74.5	(3.4)	-5%	70.7	74.5	(3.8)	-5%
Net income from Islamic financing	0.0	0.0	0.0	-	26.2	25.7	0.5	2%
Net fee & commission income	14.4	14.2	0.2	1%	18.9	17.8	1.1	6%
Net income from investment securities	0.2	0.2	0.0	0%	0.3	0.2	0.1	28%
Other operating income	3.4	3.8	(0.3)	-9%	4.1	4.4	(0.2)	-5%
OPERATING INCOME	89.1	92.7	(3.6)	-4%	120.2	122.5	(2.3)	-2%
OPERATING EXPENSES	(52.9)	(55.2)	2.3	4%	(71.3)	(74.7)	3.5	5%
OPERATING PROFIT	36.2	37.5	(1.3)	-4%	49.0	47.8	1.2	2%
Net allowance for credit losses	(21.8)	(26.9)	5.1	19%	(24.7)	(30.3)	5.6	19%
PROFIT BEFORE TAX	14.4	10.6	3.8	35%	24.2	17.5	6.8	39%
Income tax expense	(2.4)	(0.4)	(2.0)	-505%	(3.7)	(1.3)	(2.4)	-188%
NET PROFIT	12.0	10.2	1.8	17%	20.6	16.2	4.4	27%



Thank You