



Investor Presentation

June 2009

Agenda

- *Introduction*
- *Omani Economy*
- *BankMuscat Overview and Strategy*
- *Financial Performance and Capital*
- *Appendix*

Note:

All numbers in this presentation have been translated from the respective local currency into US\$ for convenience of the reader.
Exchange rates used: 1\$ = 0.385RO BankMuscat follows IFRS.

Introduction

BankMuscat Summary

#1 bank in Oman

- #1 Omani bank with a 41% market share by total assets (\$14.9 billion) at the end of Jun 30, 2009
- Established and well-recognised domestic brand

Well-positioned to benefit from growth opportunities in Oman

- Significant infrastructure development expected to contribute to banking sector growth
- Substantial product cross-sell opportunities
- Sizeable “unbanked market”; over 50% of population less than 19 years old

Focused geographic diversification

- Expansion in Gulf Co-operation Council (GCC) countries – presence in Bahrain and UAE, Saudi Arabia.
- Presence in India/Pakistan leveraging trade and customer links and market’s growth potential

Robust financials

- Return on average equity of 14.80% in 2008
- Net profit CAGR 2003 – 2008 of 28.2%
- Investment grade credit ratings

Strong shareholder support

- Only Omani bank to have the largest shareholding by Royal Court Affairs (Omani Government)
- Financial investment by Dubai Financial Group LLC with 15%

Stable and experienced management team

- Members of existing senior management team in place for over 10 years
- Proven track record of successful organic growth and acquisitions



■ *Omani Economy*

Sultanate of Oman

- Total size: approx. 309,500 square kilometres
- Population: 2.74 million*
- Political system: Monarchy (Sultanate) advised by Council of Ministers
- Constitution: Basic Law of the State issued in 1996
- Oman is a member of GCC, UN, IMF, IBRD, Islamic Development Bank and WTO
- Well-regulated banking and capital markets through Central Bank of Oman (CBO) and Capital Markets Authority (CMA)
- Credit ratings: A (S&P) and A2 (Moody's)

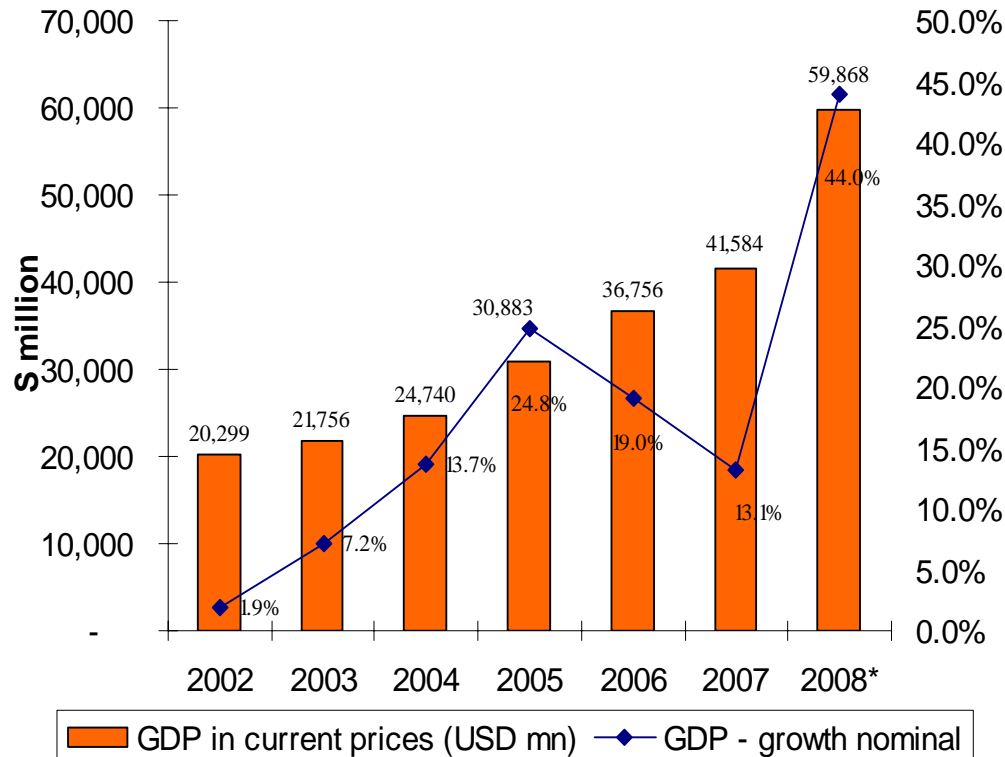


Source: Ministry of National Economy (MONE). Omani population per 2003 consensus 2.3 mn.

* Provisional 2007 estimate as per MONE.

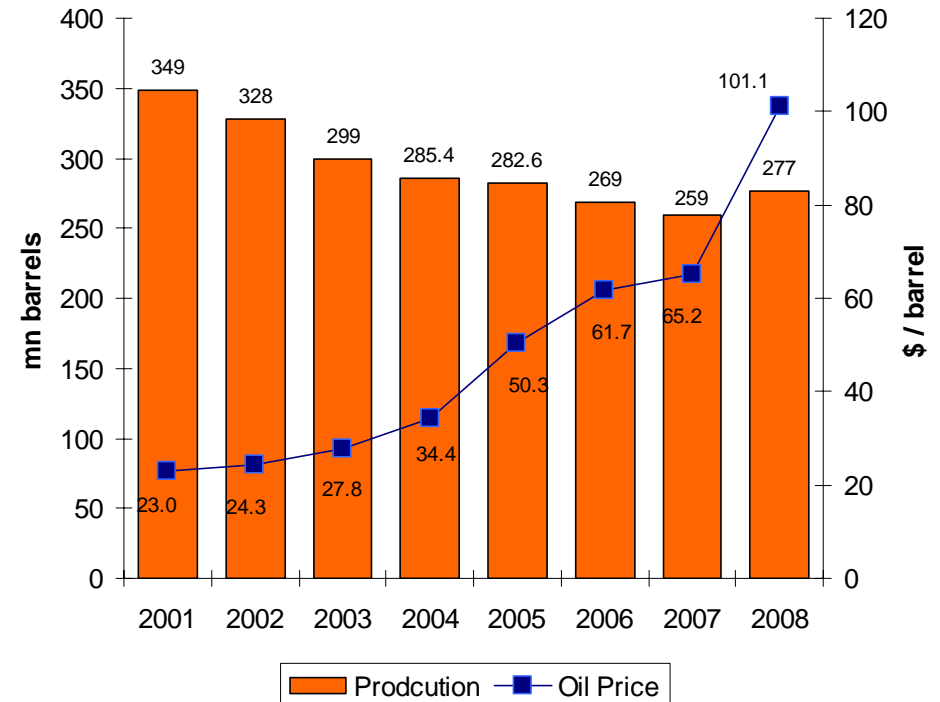
Robust GDP Growth

GDP growth in Oman has continued at a robust pace till 2008 with higher oil prices



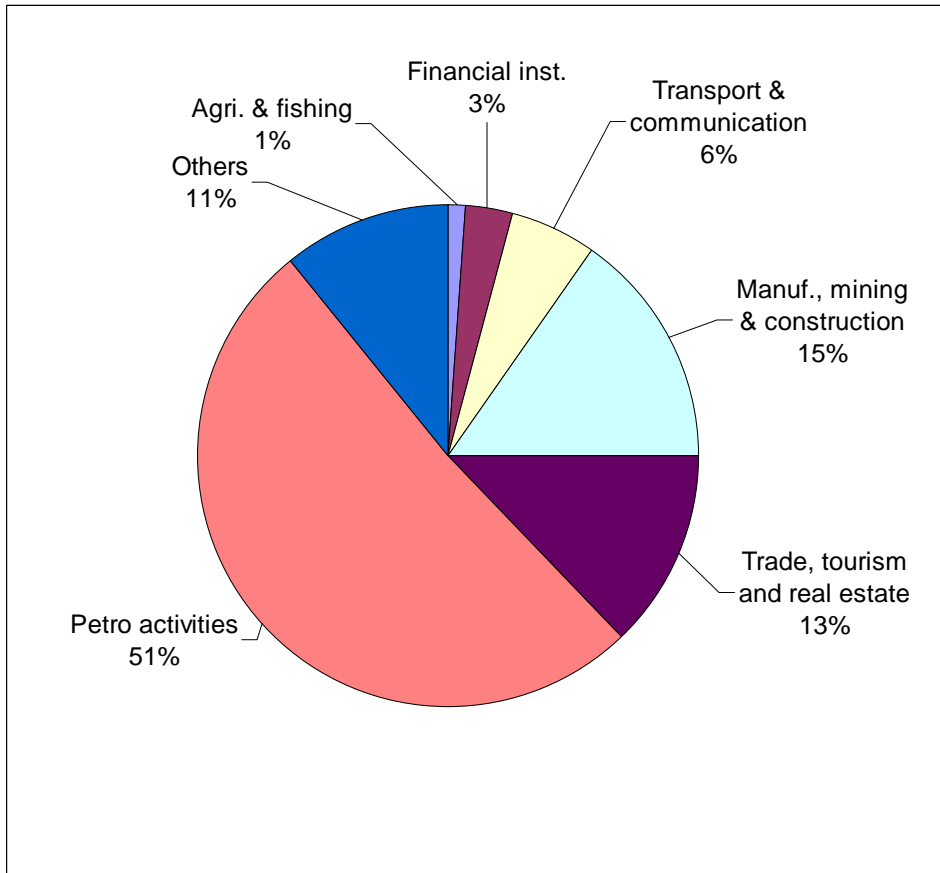
* Provisional

In 2009 - Oil prices under pressure but production has improved

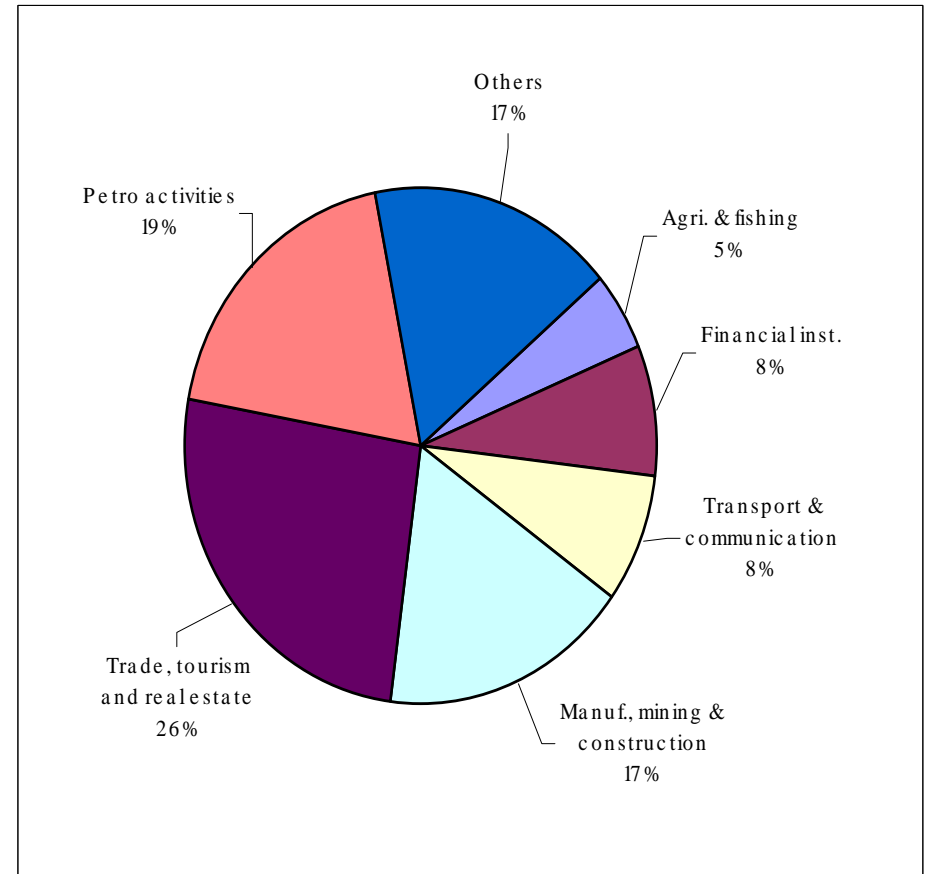


A New Omani Economy by 2020

GDP components at the end of 2008*



GDP components under "Vision 2020"



Source: MONE, Oman. * Omans GDP for 2008 information is provisional

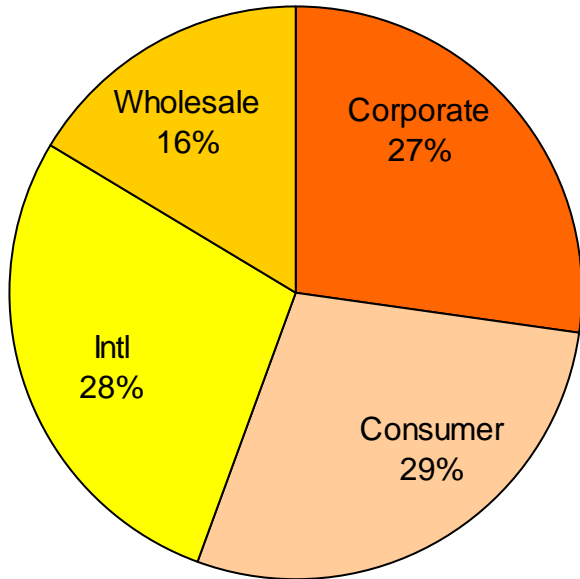
■ ***BankMuscat Overview and strategy***

BankMuscat – Oman's #1 Bank

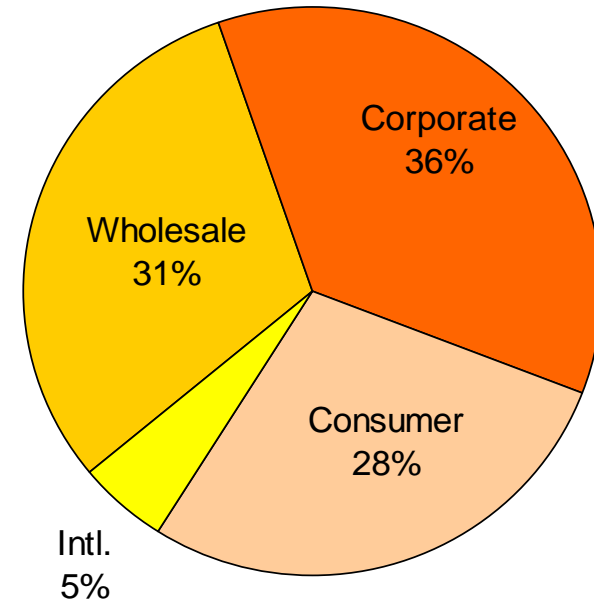
➤ Market capitalisation	\$2,328 million	
➤ Retail customers	834,028	
➤ Market share by assets	41.42%	
➤ Branches	121	
➤ Employees	2,527	
➤ Total customer deposits	\$8.5 billion (Customer deposits and CD's)	
➤ Total assets	\$14.9 billion	
➤ Net loans and advances	\$9.9 billion	
➤ Major shareholders	Royal Court Affairs (Omani Government)	24.84%
	Dubai Financial Group	15.00%
➤ Strategic investments	49% in BankMuscat International, Bahrain 43% in Mangal Keshav Holdings Limited, India 35% stake in Silk Bank Ltd, Pakistan	
➤ Other international locations	Dubai, UAE (representative office) & Riyadh Branch, Saudi Arabia	
➤ Long-term credit ratings	BBB+ (S&P – Jan 09), A2 (Moody's – Aug09), A- (Fitch – Nov08)	

Diverse Income and Asset Base ...

Net income by Group



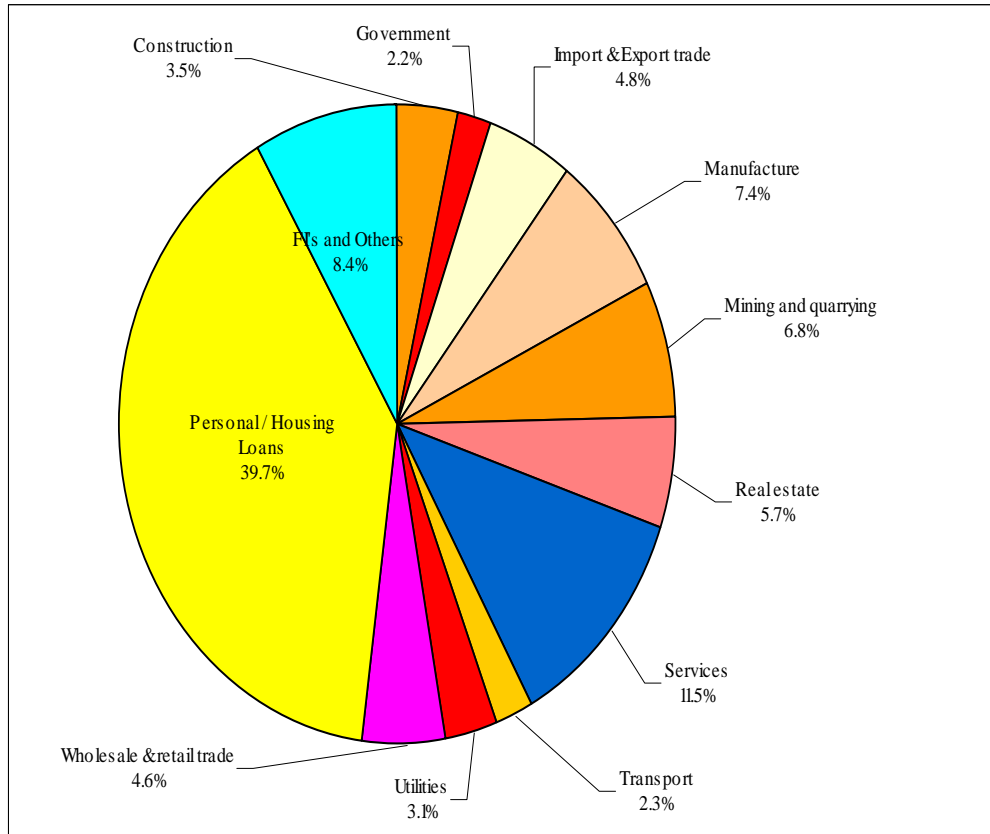
Assets by Group



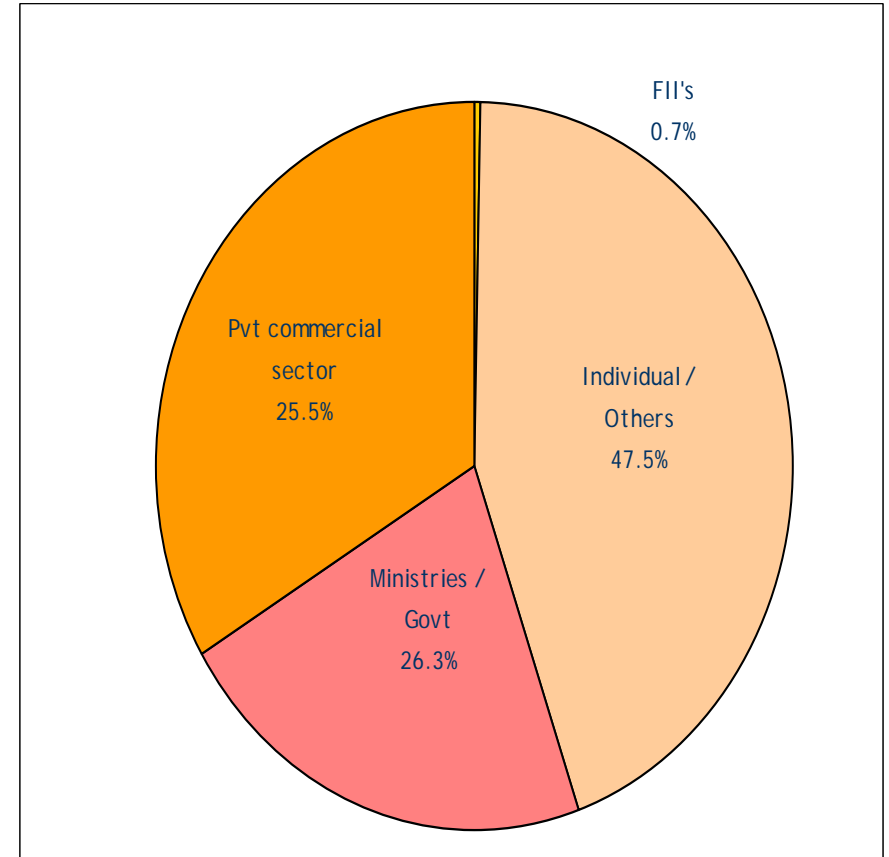
- International group include associate operations in India, Bahrain and Pakistan and gain from sale of HDFC bank investment.
- Share of losses from associates was US\$ 12.2 million in 2009.

Loan and Deposit Portfolio Breakdown

Loans and advances by segment



Deposits by segment



BankMuscat Strategy

- **Consolidate leading position in Oman**
 - Capitalise on growth opportunities in Oman
 - Infrastructure development projects and Government focus on economic diversification and developing tourism
 - Omanis entering the workforce; over 50% of the population less than 19 years old
 - Enhance banking solutions to offer new products in expanding business areas and capitalise on cross-sell opportunities such as bancassurance, investment banking, private banking and cards.
- **Increase efficiency through further cost management and new technology**
- **Strengthen regional presence through focused and controlled expansion in GCC countries**
 - Presence in Bahrain, UAE, and Saudi Arabia.
- **Leverage trade and customer links between GCC and India/Pakistan.**

"Our vision is to have over one million satisfied customers by 2010 through continuous enhancement of stakeholder value."

Corporate Banking (Commercial Bkg Group)

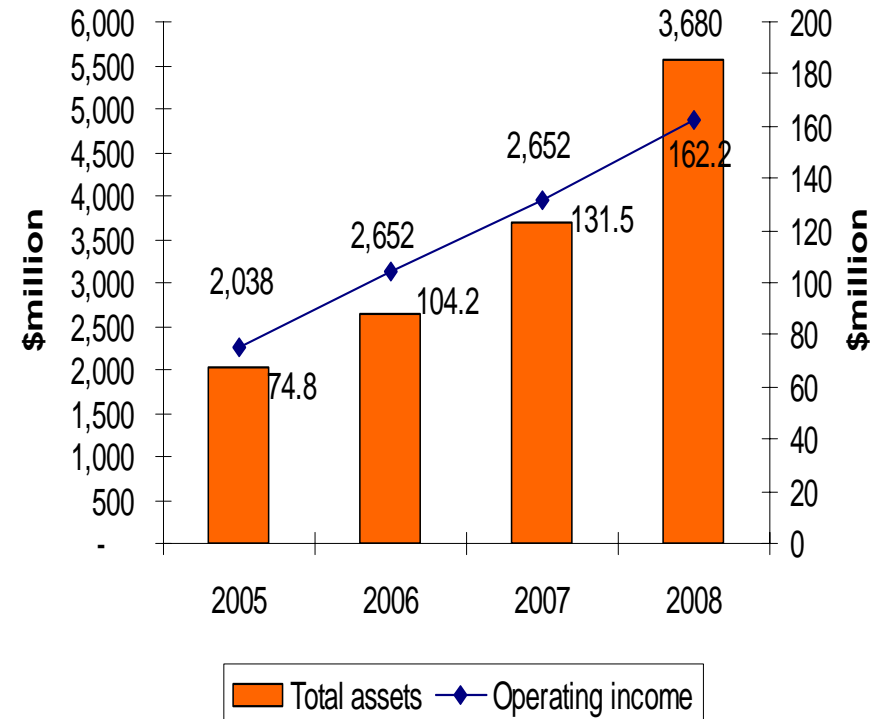
Overview

- Market leader in corporate banking
- Extensive and expanding range of products and services
- Ancillary businesses, such as project finance, of prime importance; BankMuscat plays a prominent role in the financing of nearly all major Omani projects
- Technology-led developments
- Commitment to maintain strong control over asset quality

Opportunities

- Large number of infrastructure projects in the pipeline
- Additional expenditure by Government to support private sector investment
- Increase in foreign trade with GCC and other countries (e.g. India) offers trade finance opportunities

Corporate Banking financial performance



Consumer Banking (Commercial Bkg Group)

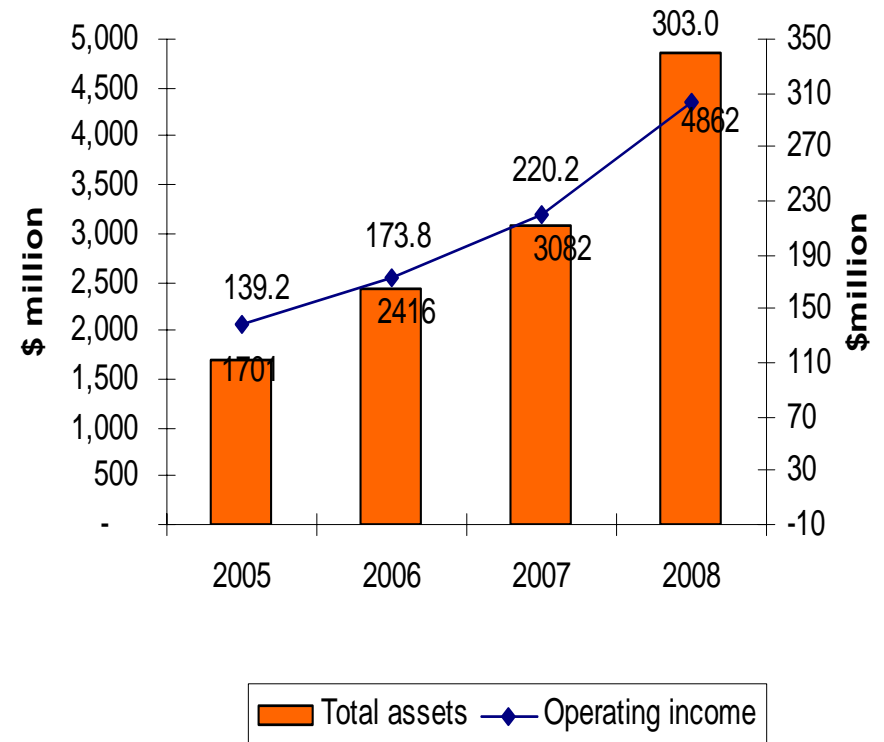
Overview

- Over 834,028 customers – June 09
- Customer-focus and service-oriented approach
- Focus on improving delivery of services and customer acquisition channels, such as e-banking. Currently largest delivery channel network in Oman.
- Innovative products have been successful
- Substantial low cost retail deposit base
- Front-runner in card services segment, bancassurance, remittance etc. Merchant acquiring market share of over 77% by volume in 2008

Opportunities

- Total retail credit in 2008 amounts to approx. 16% of GDP of 2008.
- Favourable demographics; over 50% population less than 19 years old
- Cross-sell; e.g. penetration of insurance products remains low, but acceptance gaining momentum
- Housing finance

Consumer Banking financial performance



Wholesale Banking Group

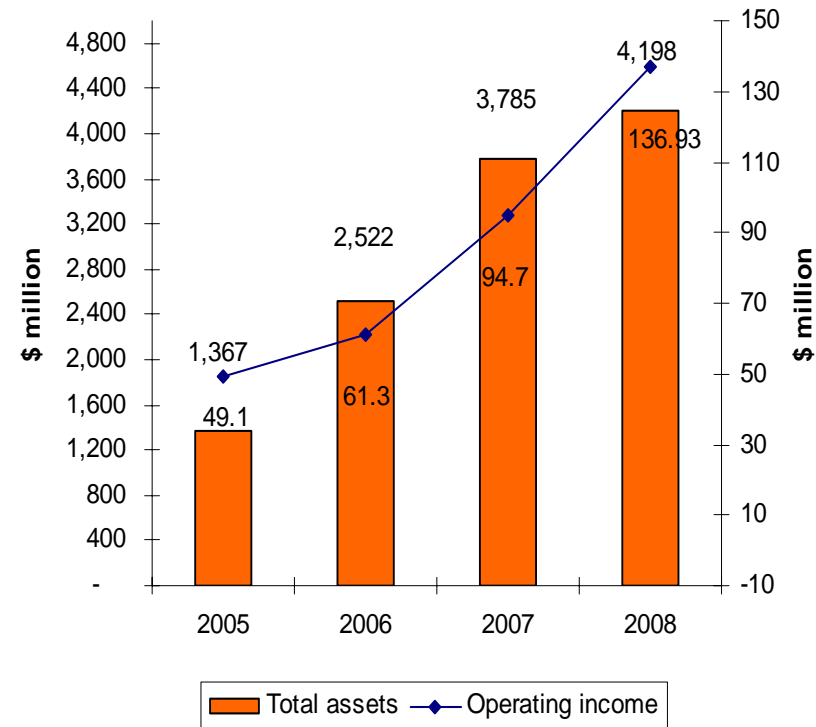
Overview

- **Treasury:** Manage funding and asset and liability management requirements and offer structured solutions (e.g. derivatives) to corporate clients
- **Brokerage:** Leadership position on Muscat Securities. Strong client base.
- **Corporate Finance:** Leader in corporate advisory with a series of successful transactions. Able to build track record outside Oman.
- **Asset Management:** Largest Omani mutual fund manager with potential for growth. Expanding fund management outside Oman.
- **Private Banking:** Banking and investment solutions for high net worth individuals

Opportunities

- Significant cross-sell opportunities
- 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

Wholesale Banking financial performance



International Group – GCC countries

Overview

- Strategy of expanding cautiously, targeting high-quality lending and fee-based income
- **Bahrain:** Operations through 49%-owned BMI
 - Total asset size as on June 30, 2009 – US\$ 1.5 bn
 - Focused on retail banking, corporate banking, private banking, treasury services, premier banking and Islamic financial services
 - Operating with 8 branches and 26 ATM's in Bahrain.
 - Holds a strategic stake of 21.33% in Gulf African Bank, a green field first Islamic Bank in Kenya
 - Holds a strategic stake of 50% in an offshore bank in Seychelles
 - Set up an office in QFC, Qatar
 - Strategy of Organic and Inorganic growth in Bahrain, MENA, Central-Asia and East Africa
 - Share of net loss of US\$ 7.2 million in 2008
- **UAE:** Representative office in Dubai.
- **Saudi Arabia:** 100% owned branch in operation from Q1-07. Asset size more than US\$ 457 mn as on June 09. Set up 95% investment company.

Opportunities

- Increasing interdependence and trade between GCC countries
- High growth Saudi Arabia banking market
- Efficiency; rationalisation of back-office costs

International Group – India and Pakistan

Overview

Silk Bank Ltd. (Saudi Pak Commercial Bank Ltd.) Pakistan

- 35% strategic shareholding
- Other stakeholders include prominent names like: Nomura Intl, International Finance Corporation, Sinthos Capital
- Growing network of 65 online branches spanning 24 cities across Pakistan
- Total assets of USD 777 million as at 30 June 2009.

Mangal Keshav Holding Ltd

- 43% strategic shareholding
- Network of 20 branches and 220 franchises across India

Opportunities

- Growing trade finance links between GCC and India/ Pakistan.
- Wide range of non-resident Indian/Pakistani business

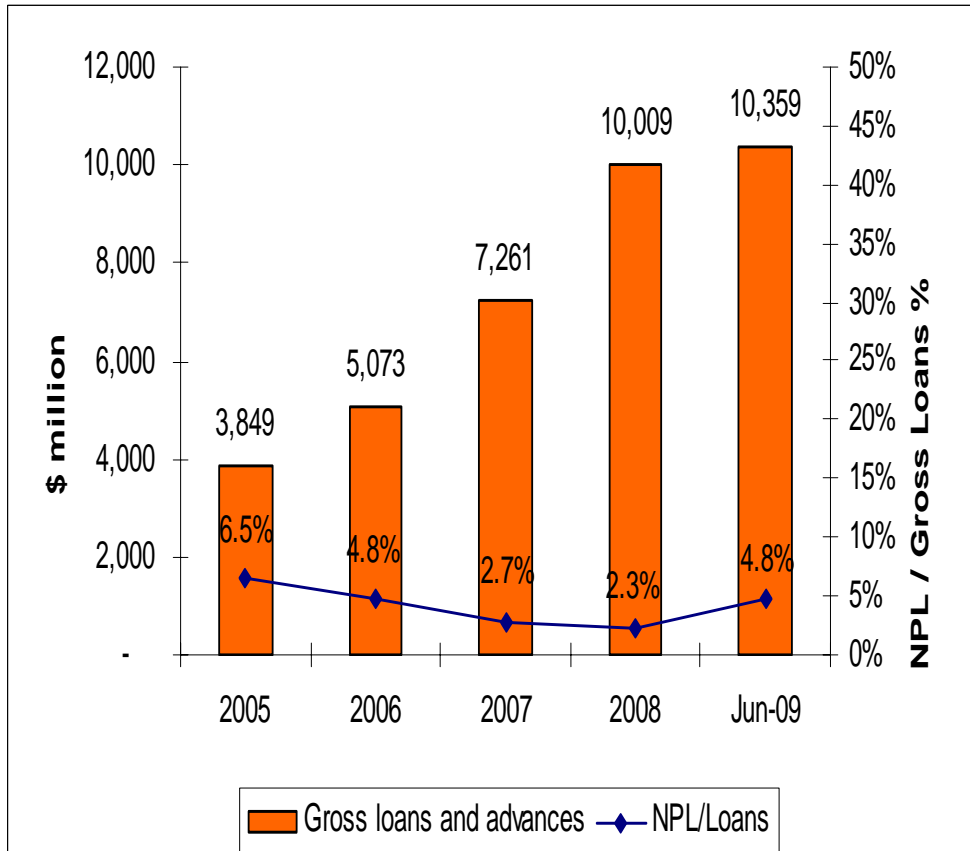
■ *Financial Performance and Capital*

Financial Highlights – First Half 2009

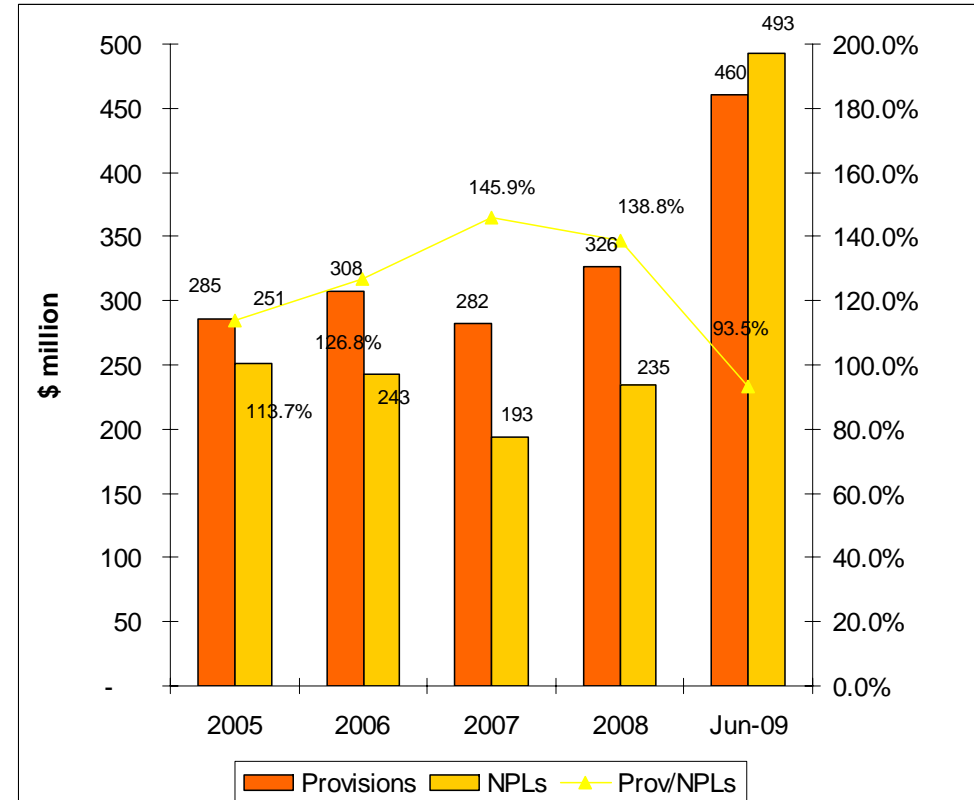
- Achieved a Net Profit of US\$ 157 mn, an increase of 5% over Jun 2008
- Annualized Basic EPS of US\$ 0.164 for every US\$ 0.260 share of the Bank
- Annualized ROAE of 10.32%; Annualized ROAA of 1.15%
- Capital Adequacy Ratio of 15.03% (Basel II)
- Net Interest Income at US\$ 216 mn, higher by US\$ 23 mn (12%) over Jun 2008
- Revenue mix of (NII : Other income) 73% : 27% (excluding investment gain / losses)
- Cost to Income ratio of 36.9% (excluding investment gain / losses)
- Growth of US\$ 1,608 mn (19.4%) in Net Loans over Jun 2008
- Growth of US\$ 1,033 mn (14%) in customer deposits over Jun 2008.
- Exceptional one time profit of USD 157 million on account of sale of HDFC Bank shares as at 30 June 2009.
- Growth of 13.9% in shareholders' funds over Jun 2008.

Loan Growth and Asset Quality

Gross Loans and advances growth

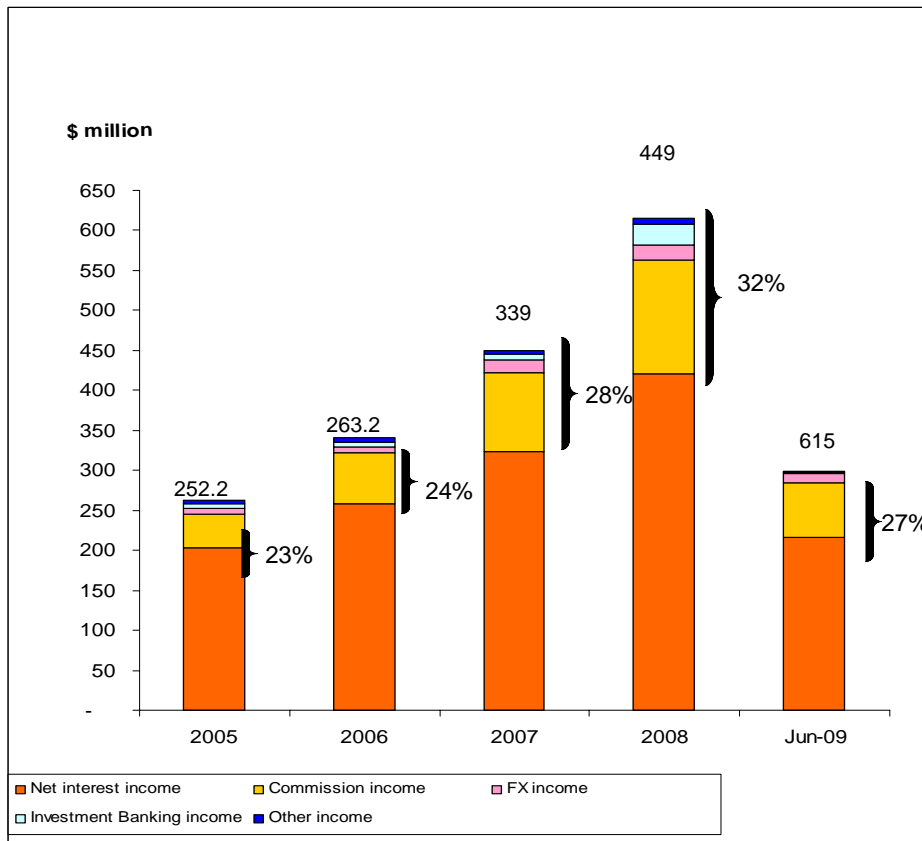


Coverage ratios

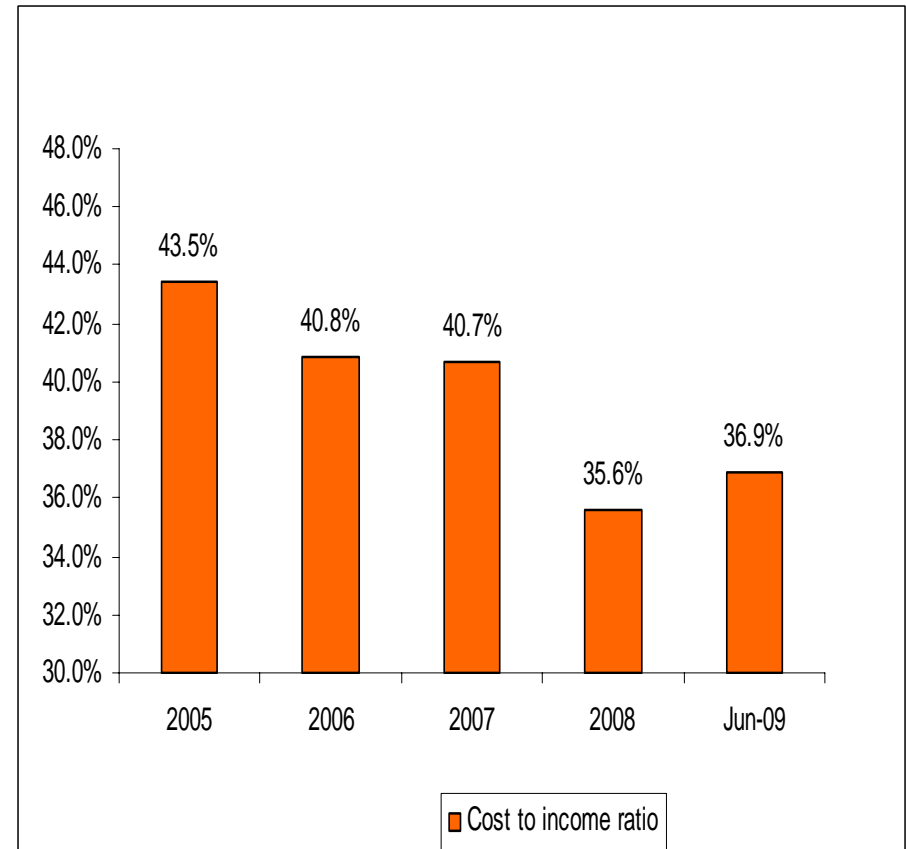


Revenue and Cost Control

Revenue growth



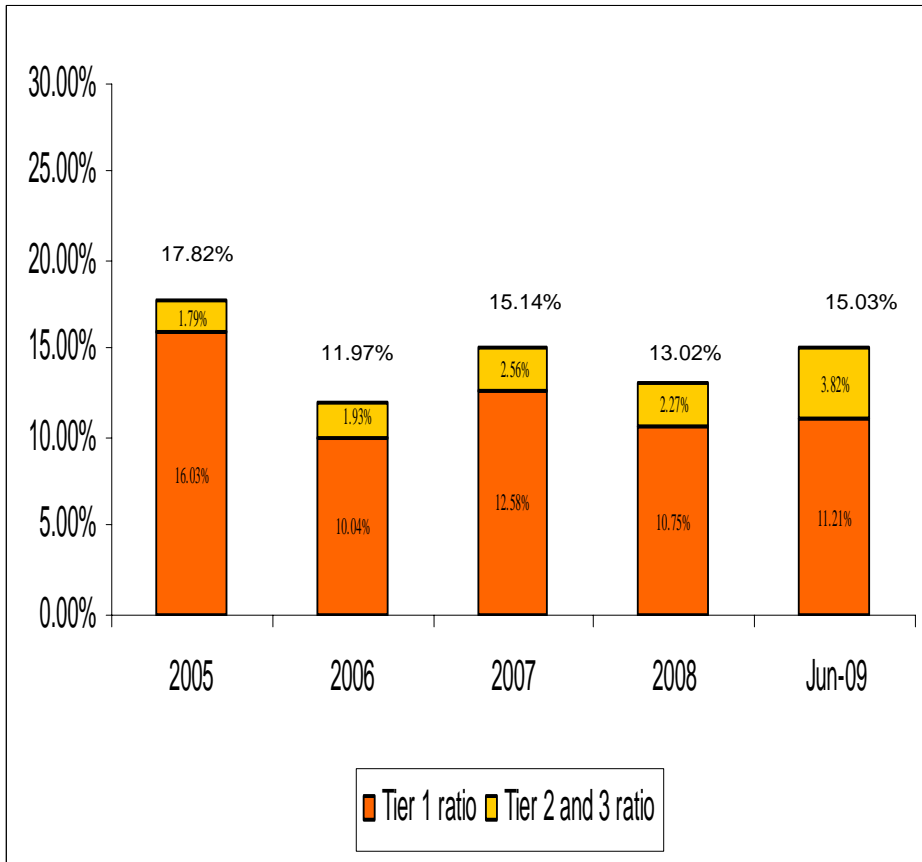
Declining cost-income ratio



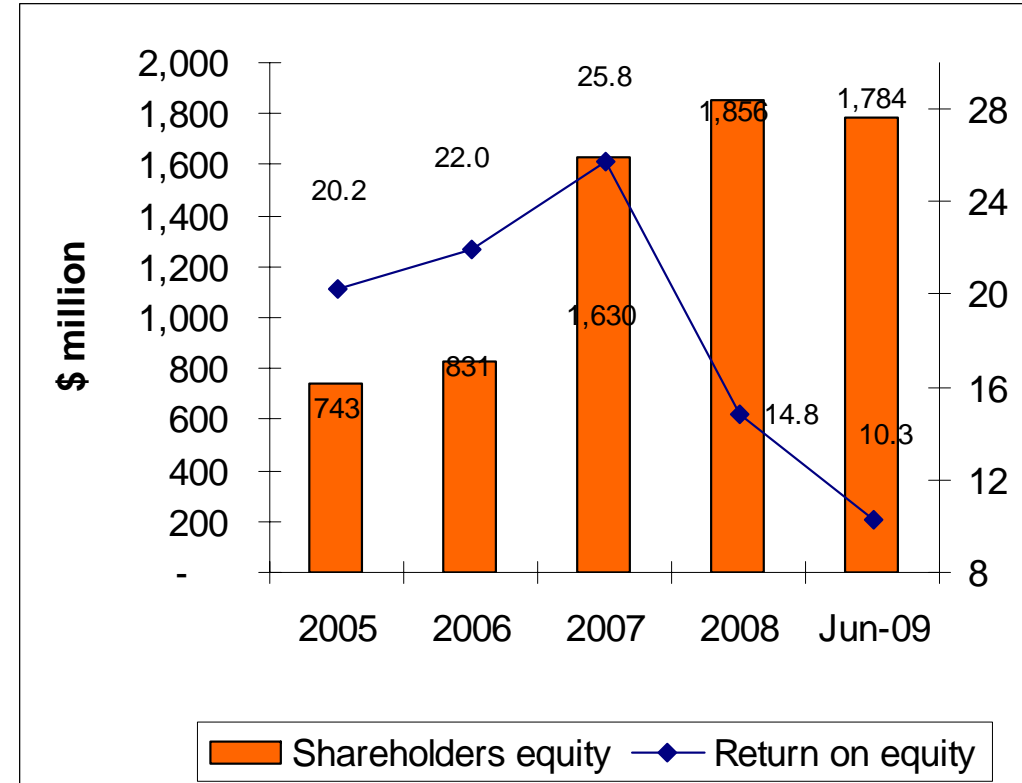
Excludes gain/ loss on investments in H1-09

Strong Capital Growth with Stable Returns

Robust capitalisation



Capital growth with stable returns



CAR for 2006 and 2007 is as per Basel II guidelines and for 2005 and 2004 is as per Basel I guidelines. CBO requirement of CAR of minimum 10% (Basel I -12%) is stricter than BIS requirement of minimum 8%(Basel I -10%).

 ***Thank You***

Appendix

Balance Sheet

Balance sheet

\$ (million)	30-Jun-09	31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05
Cash and bank (incl. placements)	3,732	3,975	2,794	1,665	908
Loans and Advances	9,899	9,682	6,979	4,765	3,563
Non trading investments	401	983	308	698	360
Tangible fixed assets	58	57	50	30	28
Other assets (incl. invt in associates)	788	960	825	517	319
Total assets	14,878	15,658	10,955	7,675	5,179
Bank deposits / FRNs	3,328	3,959	2,013	1,218	393
Customer deposits (incl. Bonds & CDs)	8,490	8,544	6,211	4,942	3,605
Other liabilities	786	1,003	820	583	335
Subordinated debt	490	295	282	100	103
Total liabilities	13,095	13,801	9,325	6,844	4,436
Share capital and premium	1,063	1,063	1,063	423	403
Total reserves	397	313	256	221	215
Cumulative changes in fair value	8	180	27	3	3
Retained profits	316	301	284	185	122
Shareholders' equity	1,784	1,856	1,630	831	743
Total liabilities + shareholders's equity	14,878	15,658	10,955	7,675	5,179

Key ratios

Loans and advances / customer depos	116.6%	113.3%	112.4%	96.4%	98.9%
Shareholders' equity / total assets	12.0%	11.9%	14.9%	10.8%	14.3%
Subordinated debt / (debt + equity)	21.5%	13.7%	14.7%	10.7%	12.2%
BIS total capital ratio	15.03%	13.02%	15.14%	11.97%	17.82%

Capital adequacy ratio (CAR) for 2006 to 2009 is as per Basel II guidelines and for 2005 and 2004 is as per Basel I guidelines.

Profit and Loss Account

Profit and loss account

\$ (million)	30-Jun-09	31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05
Net interest income	216.5	421.1	324.2	259.4	202.8
Other operating income	220.1	194.0	125.0	79.9	60.4
Operating income	436.7	615.1	449.2	339.4	263.2
Operating costs	(110.0)	(218.8)	(182.7)	(138.5)	(114.4)
	326.7	396.3	266.5	200.8	148.8
Recoveries from impairments	12.7	34.3	20.2	19.4	46.3
Credit loss impairments	(139.4)	(64.0)	(47.2)	(47.7)	(63.3)
Other impairments	-	(76.6)	-	(1.5)	(1.3)
Gain/(loss) from associates	(12.2)	(8.4)	14.3	10.8	9.5
Profit on sale of a branch	-	-	-	-	7.3
Share of trading loss in an associate	-	-	-	-	(10.2)
Profit before Tax	187.7	281.6	253.8	181.7	137.2
Taxation	(30.7)	(38.1)	(34.9)	(24.7)	(19.2)
Net Profit	157.0	243.5	218.8	157.0	118.0
Key ratios					
Cost/income ratio	36.9%	35.6%	40.7%	40.8%	43.5%
Return on average assets	1.15%	1.83%	2.35%	2.44%	2.33%
Return on average equity	10.32%	14.80%	25.83%	21.95%	20.18%
Basic EPS (US\$)	0.164	0.226	0.234	0.171	0.151
Share price (US\$)	1.829	2.070	4.990	2.980	2.320

Omani Banking Sector

Local and specialised banks

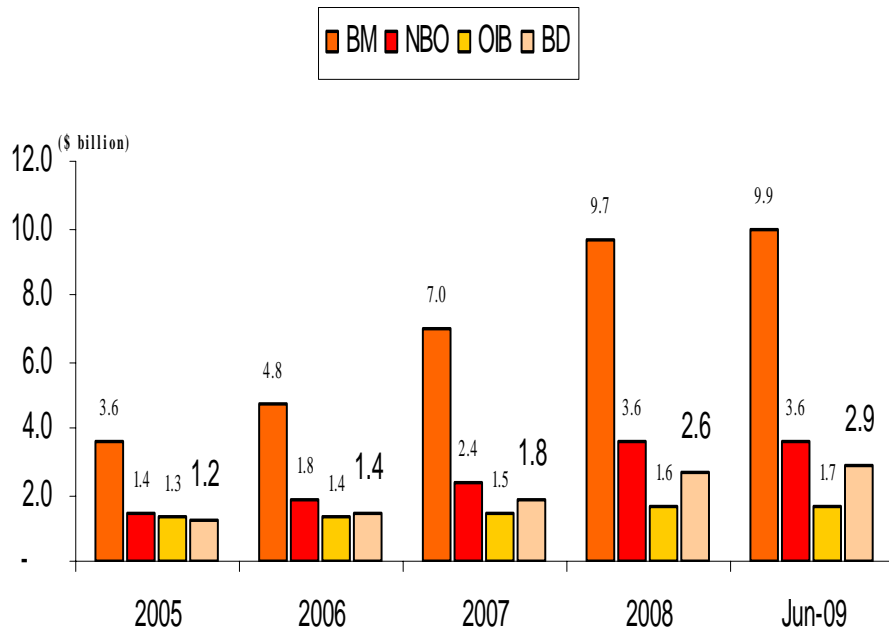
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. BankMuscat (BM)	121	1982
2. Oman Intl. Bank (OIB)	84	1979
3. Nat. Bank of Oman (NBO)	60	1973
4. Bank Dhofar (BD)	52	1990
5. Oman Arab Bank (OAB)	43	1973
6. Bank Sohar	13	2007
7. Ahli Bank	7	1998
	<hr/>	
	363	
1. Oman Development Bank	10	1977
2. Oman Housing Bank	9	1977
	<hr/>	
	19	

Foreign banks

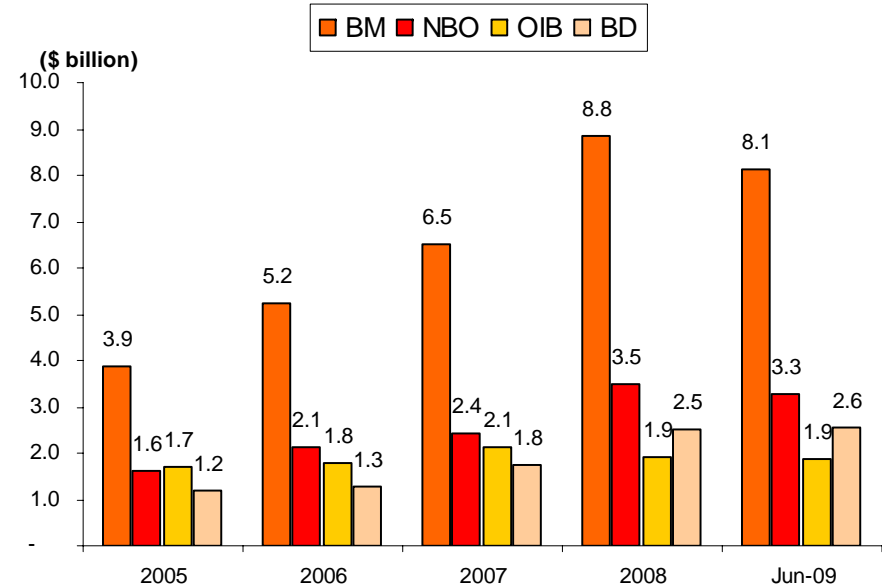
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. Habib Bank	8	1972
2. HSBC	6	1948
3. Bank of Baroda	3	1976
4. Standard Chartered	1	1968
5. Bank Saderat Iran	1	1976
6. National Bank of Abu Dhabi	7	1976
7. Bank Melli Iran	1	1974
8. State Bank of India	1	2004
9. Bank of Beirut	2	2006
10. Qatar National Bank	1	2007

Relative Loan and Deposit Volumes

Net loans



Total customer deposits & FRNs

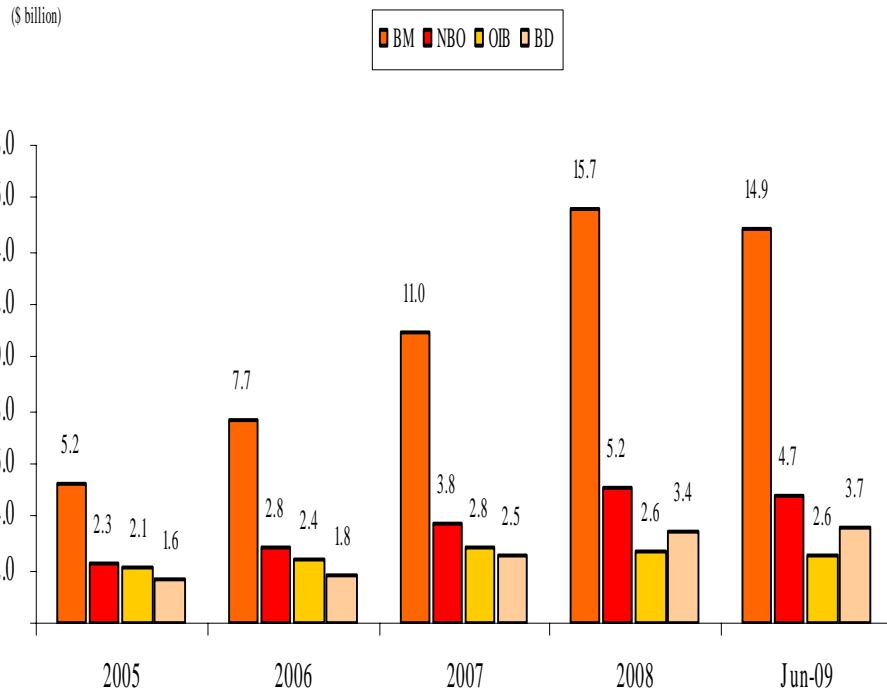


BM market share

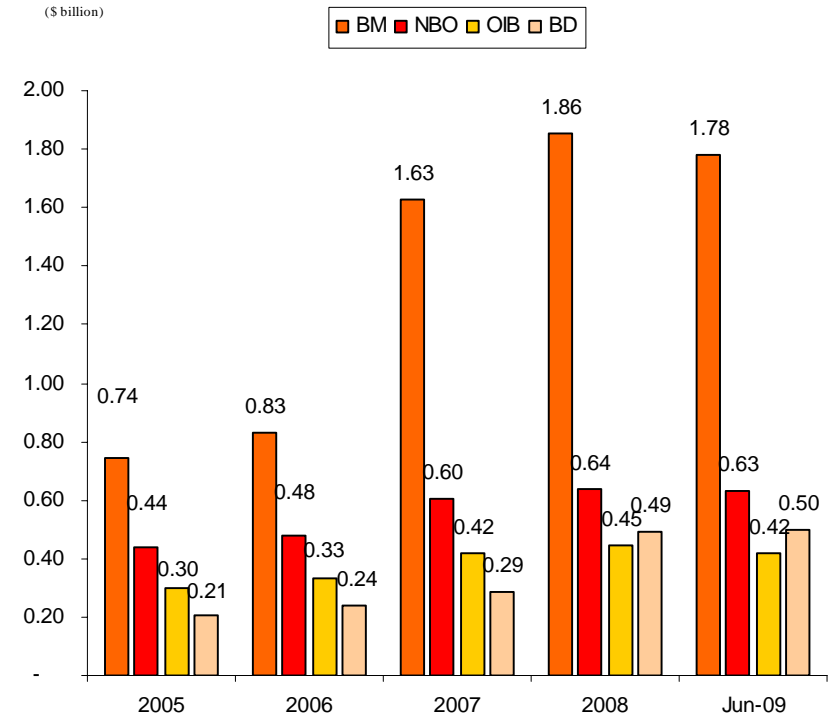
37%	42%	43%	40%	39.5%	35%	40%	36%	36%	35.2%
-----	-----	-----	-----	-------	-----	-----	-----	-----	-------

Relative Asset and Equity Bases

Total assets



Shareholders' equity



BM market share

37%	42%	41%	42%	41.4%
-----	-----	-----	-----	-------

BankMuscat Organisational Structure

