



Investor Presentation

September 2011

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 38.5% market share by total assets (\$16.6 billion) at the end of July 2011
- 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 – direct presence in Bahrain UAE, Saudi Arabia and Kuwait. In direct presence in Qatar.
- Presence in India leveraging customer links and market’s growth potential

Financial Strength

- Return on average equity of 15.2% in June 11
- Net profit CAGR 2003 – 2010 of 20.8%
- 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*

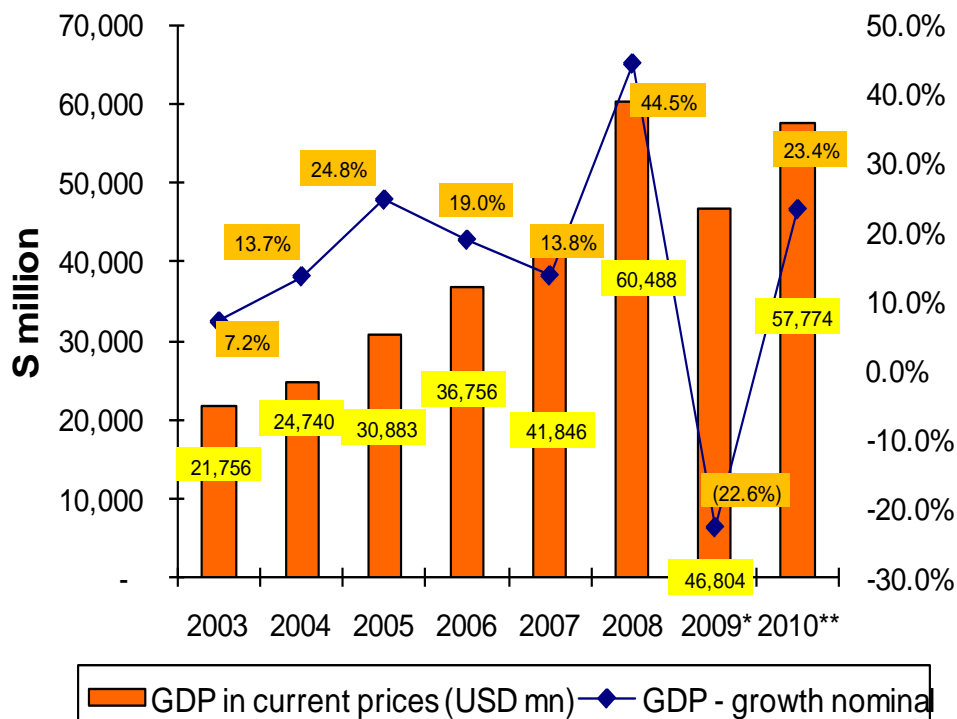
Sultanate of Oman

- Total size: approx. 309,500 square kilometres
- Population: 2.69 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 A1 (Moody's)



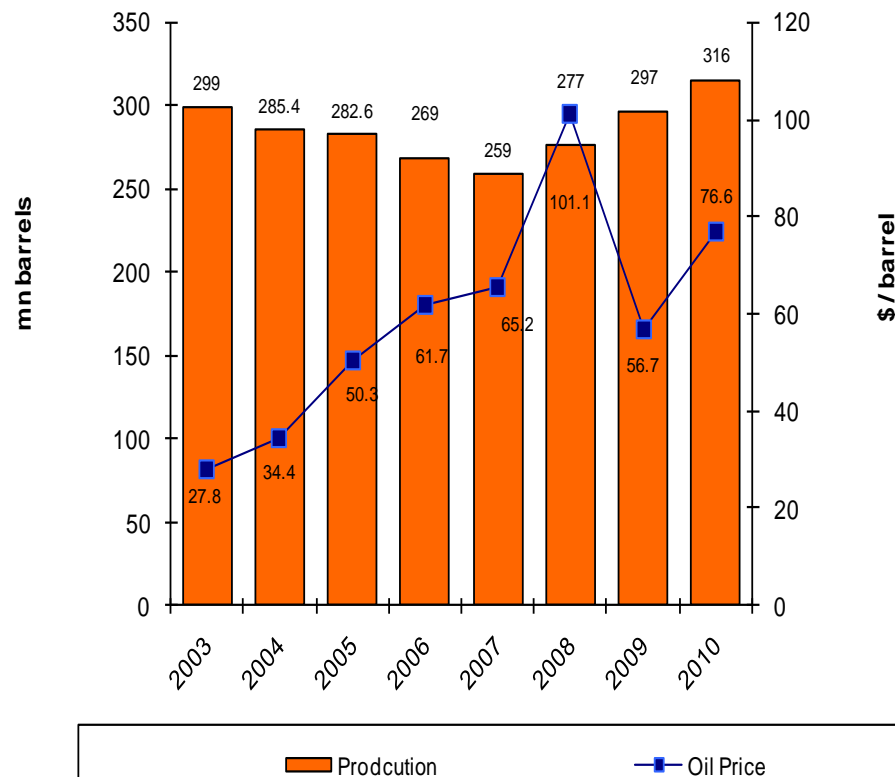
GDP Growth

GDP growth driven by Oil price



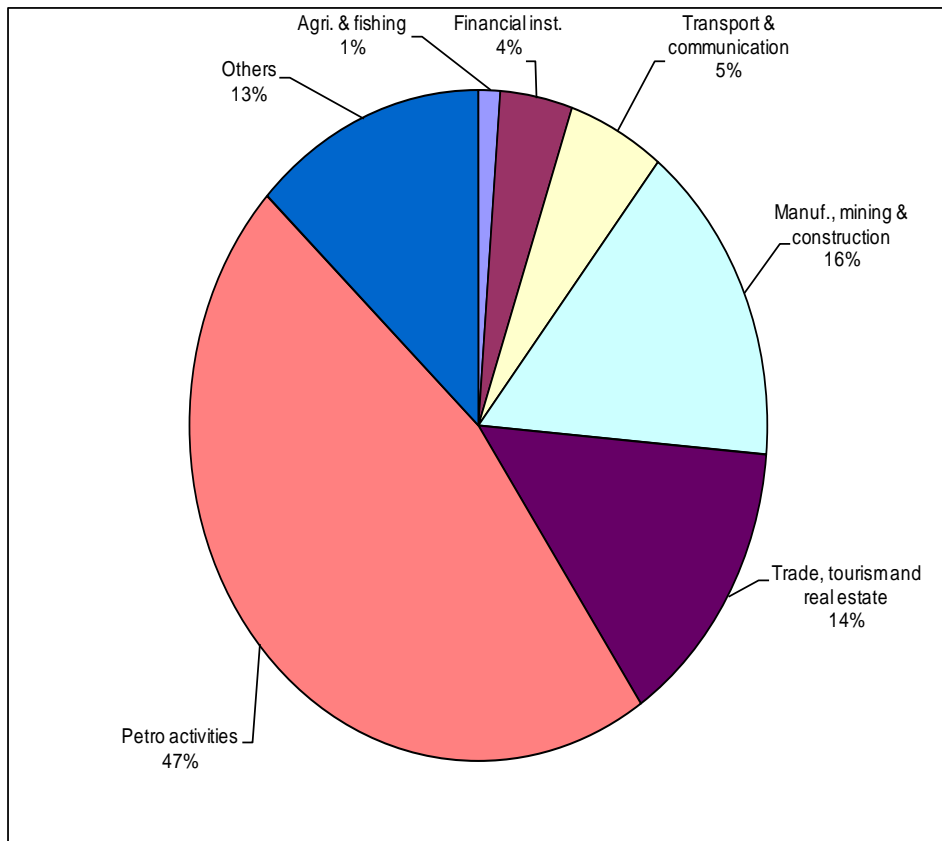
•Provisional
 •** Preliminary

Increasing Oil Production

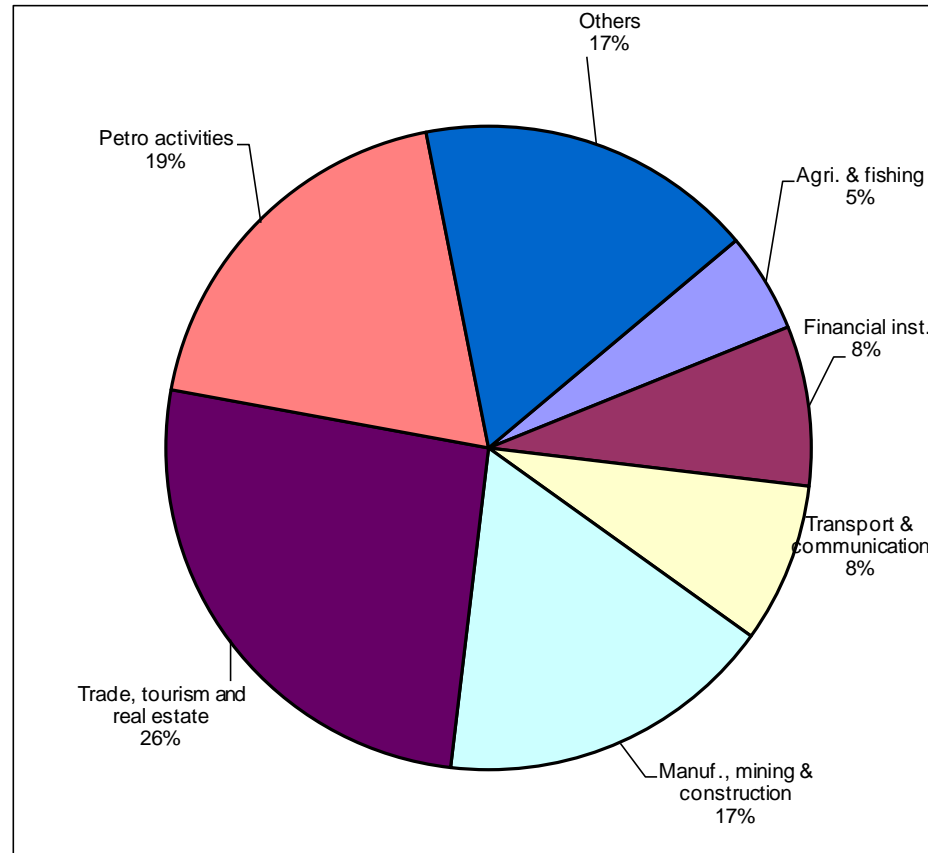


A New Omani Economy by 2020

GDP components at the end of 2010*



GDP components under "Vision 2020"



Source: Central Bank of Oman's Annual Report 2010.

* Preliminary

■ ***BankMuscat Overview and strategy***

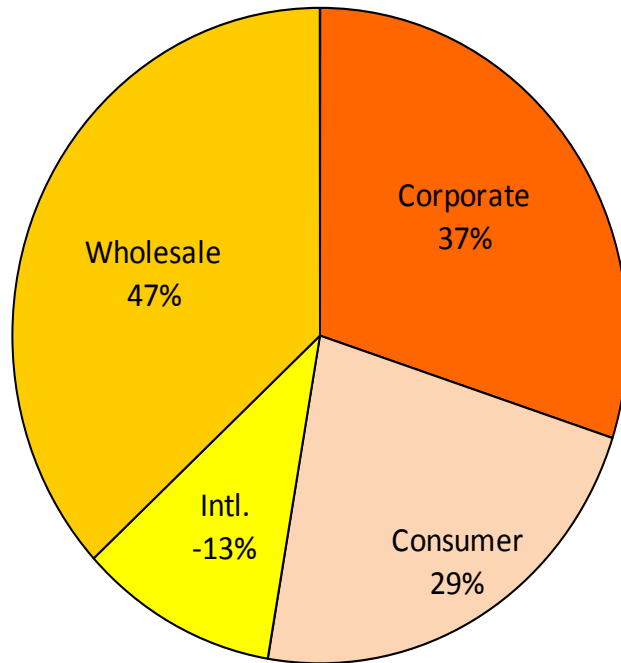
BankMuscat – Oman's #1 Bank

➤ Market capitalization	\$2,835 million	
➤ Retail customers	1,178,042	
➤ Market share by assets	38.1%	
➤ Branches	132	
➤ Employees	2,835	
➤ Total customer deposits	\$11.3 billion (Customer deposits and CD's)	
➤ Total assets	\$16.3 billion	
➤ Net loans and advances	\$11 billion	
➤ Major shareholders	Royal Court Affairs (Omani Government)	24.84%
	Dubai Financial Group	15.00%
➤ Strategic investments	49% in BMI Bank, Bahrain	
	43% in Mangal Keshav Holdings Limited, India	
	Muscat Capital LLC, Saudi- Subsidiary Investment	
➤ Other regional locations	Dubai, UAE (representative office), Riyadh Branch and Kuwait branch	
➤ Long-term credit ratings	BBB+ (S&P – Apr11), A1 (Moody's – Feb10), A- (Fitch – Jan11)	

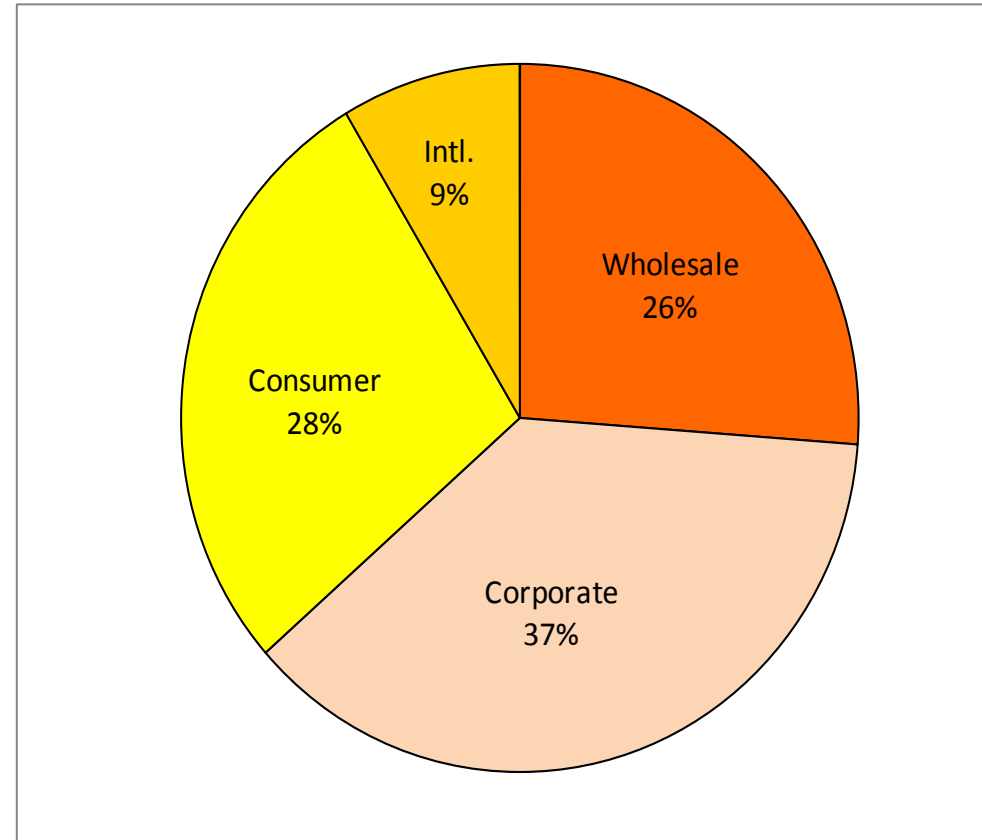
Share price as at 5th September 2011 and other data as at June 30, 2011

Diverse Income and Asset Base ...

Profit by Group



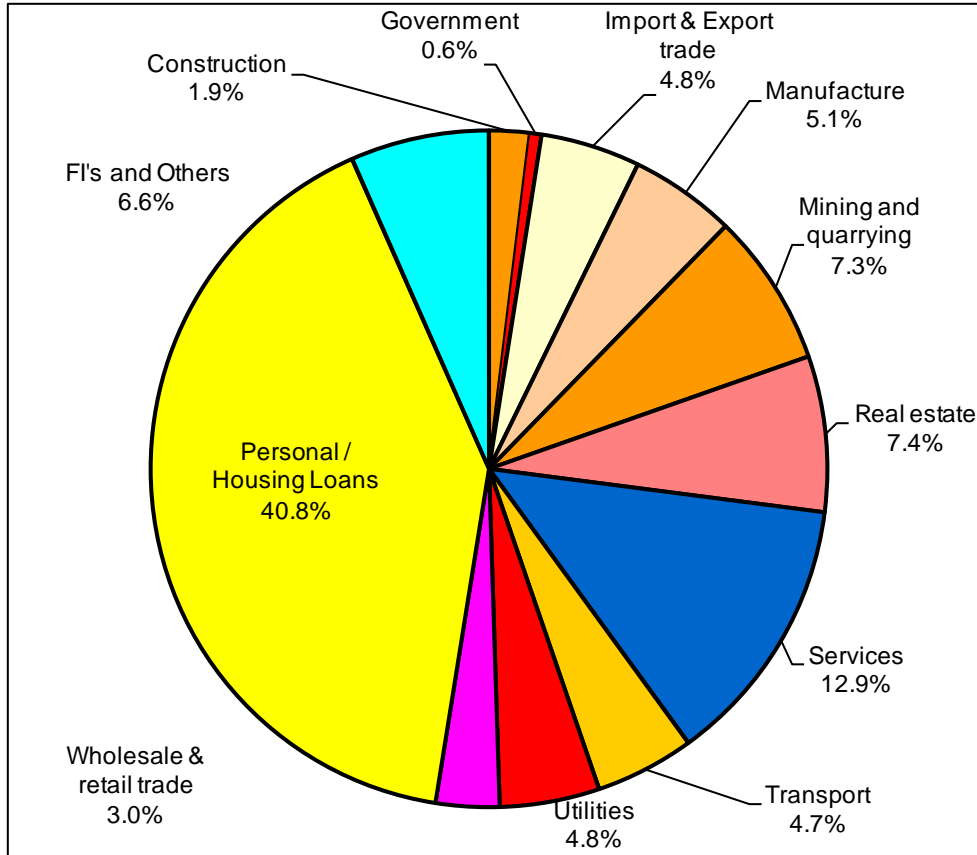
Assets by Group



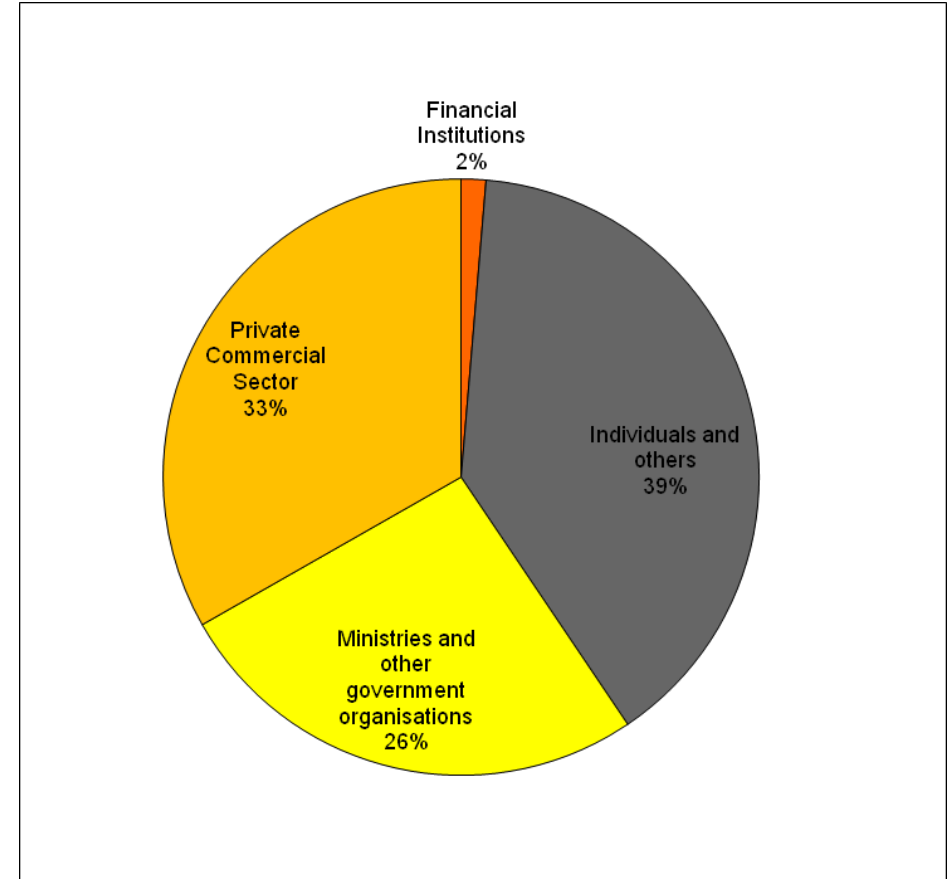
➤ International group include associate operations in India and Bahrain, branch in Kuwait and branch and subsidiary in Saudi Arabia

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
 - Leverage large network of branches and other delivery channels to target the growth potential and cross-sell opportunities
 - Focus on fee based income by scaling up businesses such as bancassurance, Investment banking, asset management, private banking and cards
- **Leverage on investments in new technology and state of the art head office building to further increase efficiency, improve customer service and support growth plan**
- **Strengthen regional presence through focused and controlled expansion in GCC countries**
 - Presence in Bahrain, UAE, Saudi Arabia, Kuwait and Qatar
- **Consider growth opportunities both organic and inorganic in Oman and in identified overseas markets**
- **Leverage the regional presence and scale up business growth**

Corporate Banking (Commercial Bkg Group)

Overview

- Market leader in corporate banking
- Extensive and expanding range of products and services
- 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

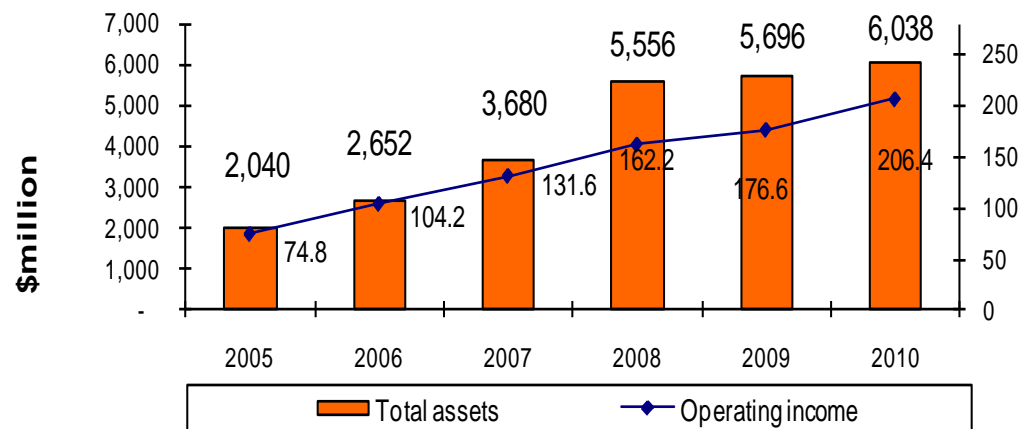
Strategy

- Leverage the leading position and expertise to benefit from large infrastructure and industrial projects in Oman
- Utilize the presence in regional markets
- Focus on non-fund business and fee income
- Target all segments in value chain

Opportunities

- Large number of infrastructure /Industrial projects in the pipeline
- Privatisation and diversification drive by Government
- Increasing business flows between Oman and regional countries

Corporate Banking Financial Performance



Consumer Banking (Commercial Bkg Group)

Overview

- Over 1,178,000 customers – June 11
- Customer-focus and service-oriented approach
- 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 70% by volume in 2009

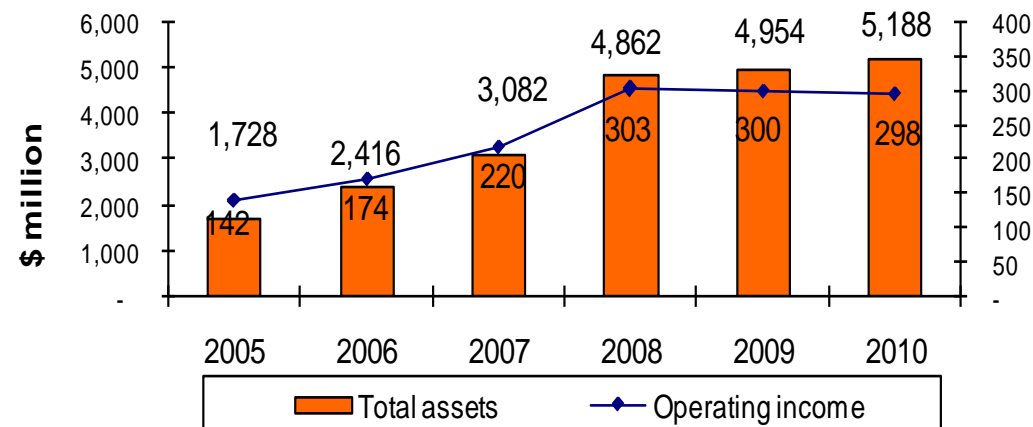
Strategy

- Leveraging the large customer base and achieving cross sell
- Technology-led product development and service offerings
- Enhance process efficiency
- Focus on development and utilization of e-delivery channels

Opportunities

- Total retail credit in 2010 amounts to approx. 20% of GDP of 2010.
- Favourable demographics; over 50% population less than 19 years old
- 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, commodity) 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

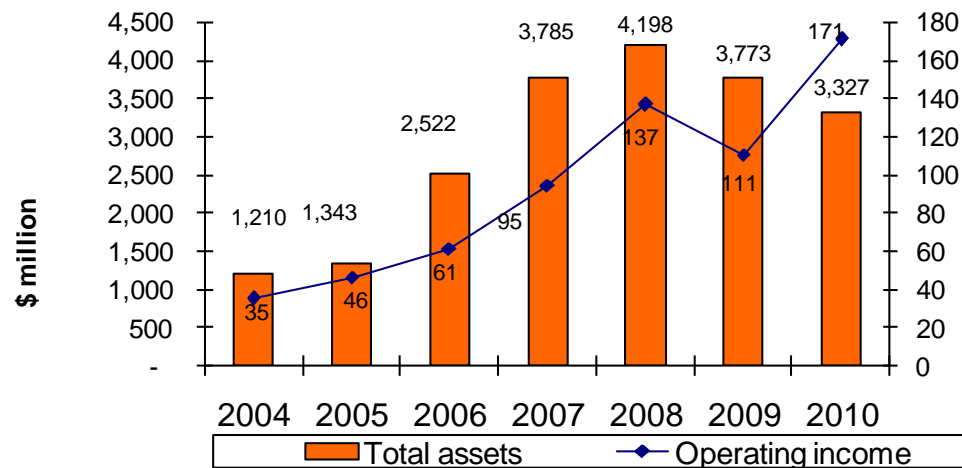
Strategy

- Strengthen the leading position in specialised areas
- Utilize the presence in regional markets to expand business
- Leverage specialised product expertise in other markets
- Focus on fee income
- Inorganic growth

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

Overview

- Direct or indirect footprint in all GCC countries and India
- Overseas branches in Riyadh, KSA and Kuwait
- Representative Office in Dubai (UAE)
- 95% owned subsidiary investment house (Muscat Capital) in Riyadh, KSA
- 43% owned brokerage business (Mangal Keshav) in India
- 49% owned commercial bank (BMI Bank) in Bahrain
- Representative office in Singapore being established; regulatory approval received

Strategy

- Focus on existing GCC operations and improve profitability
- Capture trade/business flows within GCC region, as well as between GCC and India/Asian region; Representative office in Singapore to provide thrust
- Drive synergies within the group

Opportunities

- Increasing interdependence and trade between GCC countries and GCC-India/ Asia trade
- Relatively large banking markets in Saudi Arabia and Kuwait
- Very few banks with comparable footprint; offers opportunity to leverage network
- Efficiency; rationalization of back-office costs

International Group

Riyadh Branch, KSA

Overview

- Operational since Mar 07 and achieved break-even in 2008.
- Large credit losses in 2009
- Focused on mid-size corporate and Govt. owned businesses
- Net Loans of USD 293 mn
- Customer deposits of USD 999 mn
- Net YTD loss of USD 2.2 mn

Short-term Strategy

- Focus on corporate and treasury businesses
- Selective credit growth and improvement in credit quality and monitoring
- Cost containment and increase shared resources with HO

Medium-term Strategy

- Enhance profitability through scaling up corporate and treasury products volumes with focus on quality lending

Kuwait Branch

Overview

- Operational since April '10
- Focused on corporate, trade and treasury businesses
- Total assets of USD 253 mn
- Customer deposits of USD 176 mn
- Net YTD loss of USD 1.5 mn

Short-term Strategy

- Focus on Corporate customers for corporate and treasury businesses
- Launch internet banking
- Operate on a low cost base model

Medium-term Strategy

- Scale up business volumes with a focus on quality lending

International Group

Muscat Capital, KSA

Overview

- A subsidiary of BankMuscat with 95% ownership
- Operational since Jan '10
- Focused on brokerage, asset management and corporate finance/advisory
- Equity of USD 26.7 mn
- Net YTD loss of USD 2.4 mn

Short-term Strategy

- Offer asset management products of BankMuscat Oman
- Leverage expertise built in Oman on Corporate Finance/Advisory
- Focus on retail and institutional brokerage business, including BankMuscat customers in Oman
- Low cost of operations by leveraging back office activities of Oman

Medium-term Strategy

- Scale up business volumes
- Leverage BankMuscat presence in other markets

Mangal Keshav, India

Overview

- Acquired 43% stake in this investment house in India in 2008
- Network of 10 branches and 513 franchises across India
- Focused on mainly securities brokerage business
- Net profit of USD 1.9 million (Oct 10 to Mar 11)

Short-term Strategy

- Diversify from mainly brokerage business to commodities brokerage, insurance and mutual fund distribution
- Leverage BankMuscat GCC network for NRI business

Medium-term Strategy

- Scale up business through organic and inorganic growth

International Group

BMI Bank, Bahrain

Overview

- BankMuscat holds 49% stake in BMI Bank
- Operational as bank since Jan '05
- Focused on retail, corporate and private banking and treasury businesses
- Operating with 8 branches and 26 ATMs in Bahrain
- Holds strategic stake of 21.3% in Gulf African Bank, a green field first Islamic Bank in Kenya
- Holds a strategic stake of 50% in an offshore bank in Seychelles
- Branch in Qatar under Qatar Financial Centre
- Total assets of USD 1.5 bn
- Net loans of USD 907 mn
- Customer deposits of USD 733 mn
- Net YTD loss of USD 13.7 mn
- Capital Adequacy at 18.9%

Short-term Strategy

- Focus on Bahrain business to build scale and market share
- Restrict international expansion to consolidate existing businesses
- Improve operational efficiency and reduce cost to income ratio
- Leverage on investments in technology and infrastructure to scale up business volumes

Medium-term Strategy

- Pursue strategic opportunities within the region to build scale and improve performance

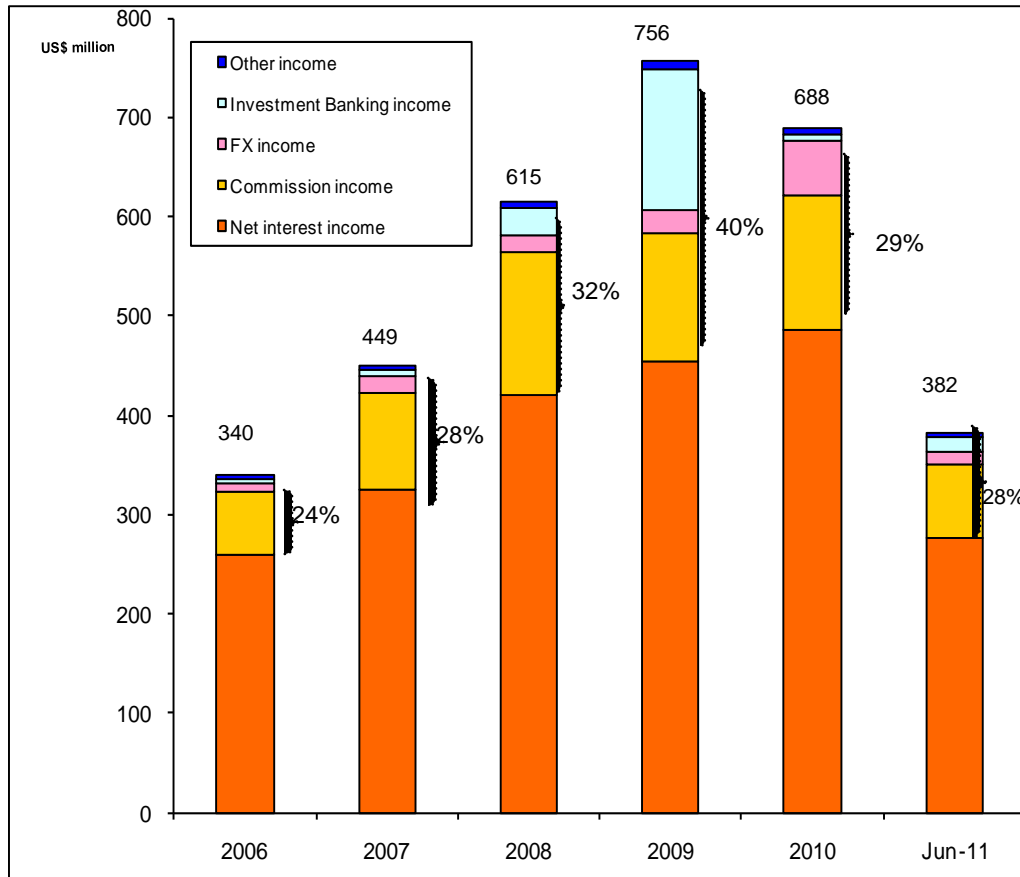
■ ***Financial Performance and Capital***

Financial Highlights – 6M-2011

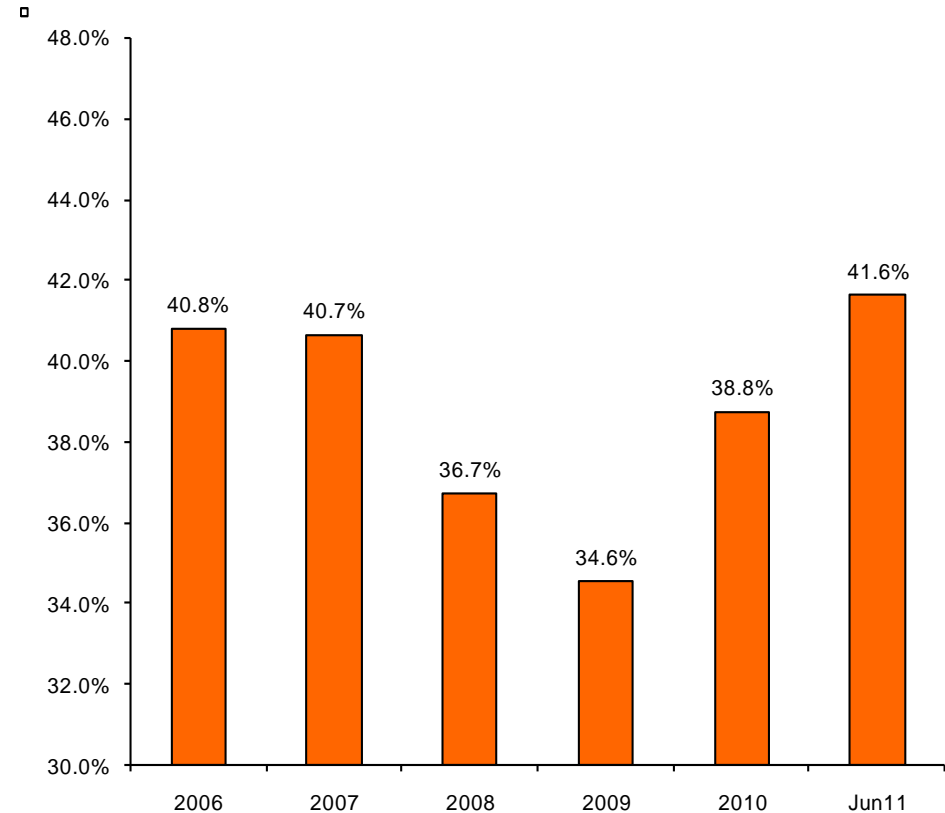
- Achieved a Net Profit of USD 148.7 mn in H1-11 as against USD 122 mn in H1-10, an increase of 21.7%
- Basic EPS of US\$ 0.096 for every US\$ 0.260 share of the Bank
- Annualized ROAE of 15.16%; Annualized ROAA of 1.89%
- Capital Adequacy Ratio of 13.29% (Basel II)
- Net Interest Income at US\$ 275 mn, higher by US\$ 46 mn (20.3%) over H1-10
- Revenue mix of (NII : Other income) 72% : 28%
- Cost to Income ratio of 41.6%
- Growth of US\$ 1,145 mn (11.5%) in Net Loans over H1-10
- Growth of US\$ 2,006 mn (21.3%) in customer deposits over June 2010.
 - Includes increase of USD 813 mn from demand deposits, USD 587 mn from savings and USD 724 mn from term deposits. Certificate of deposit decreased by USD 118 mn.

Revenue and Cost Control

Revenue growth



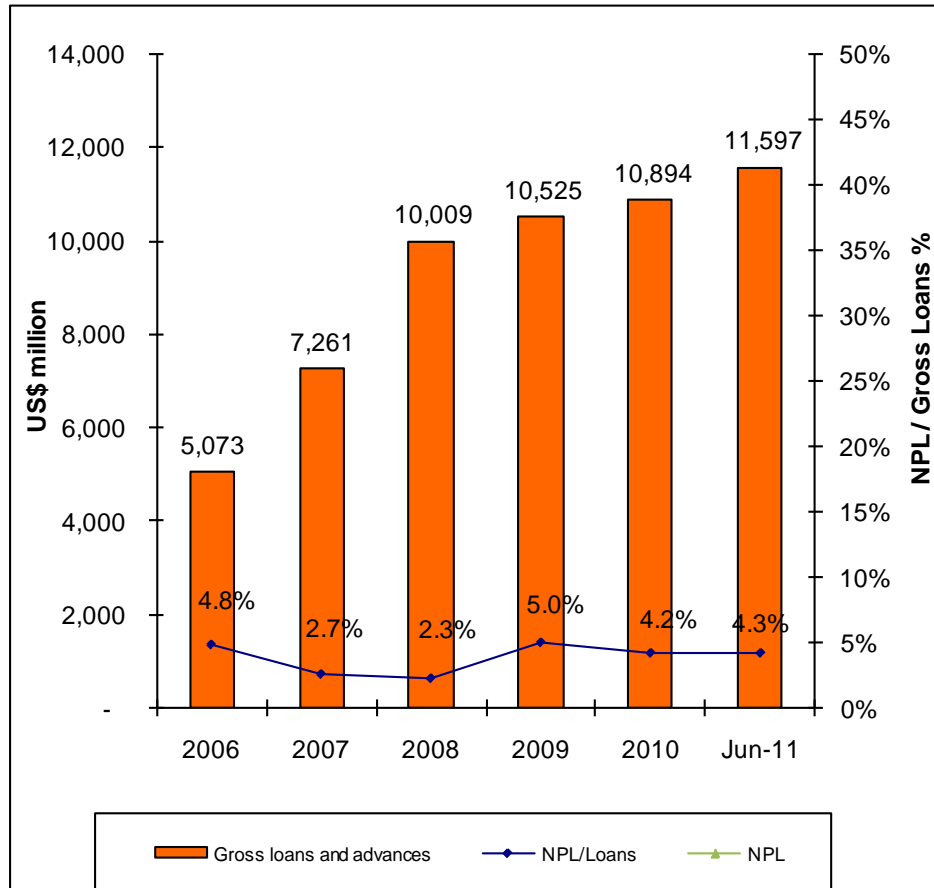
Cost-income ratio



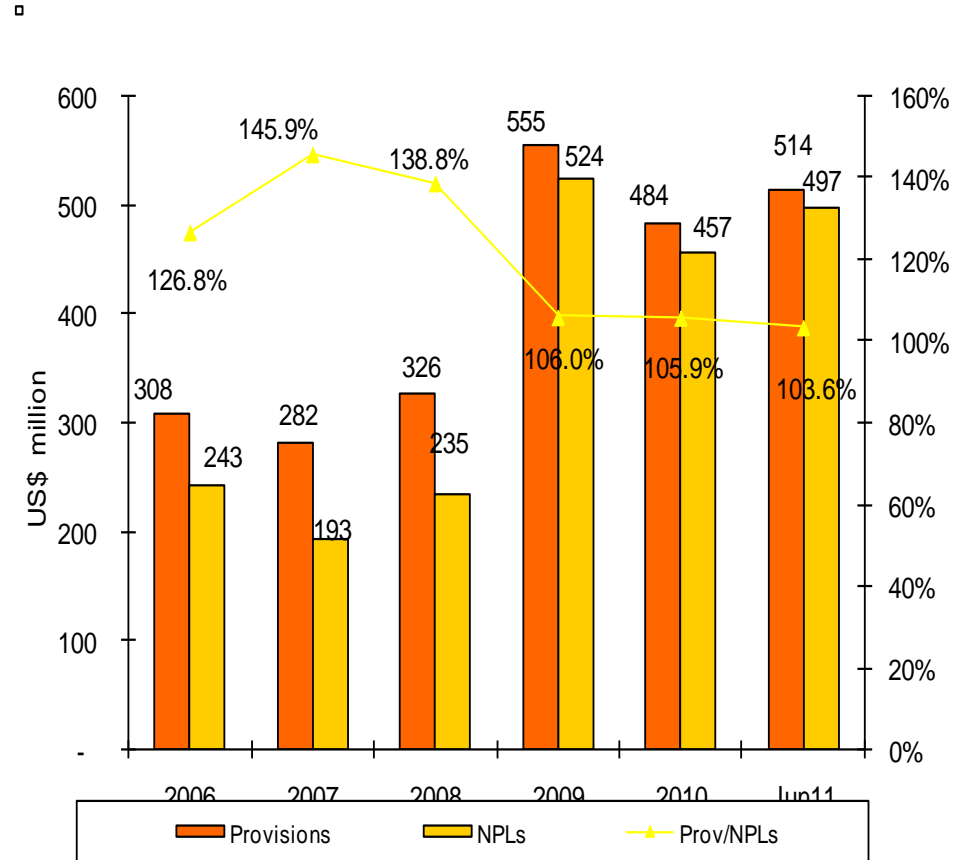
Cost to income ratio of 2008 and 2009 excludes the investment gains /losses for comparison

Loan Growth and Asset Quality

Gross Loans and advances growth

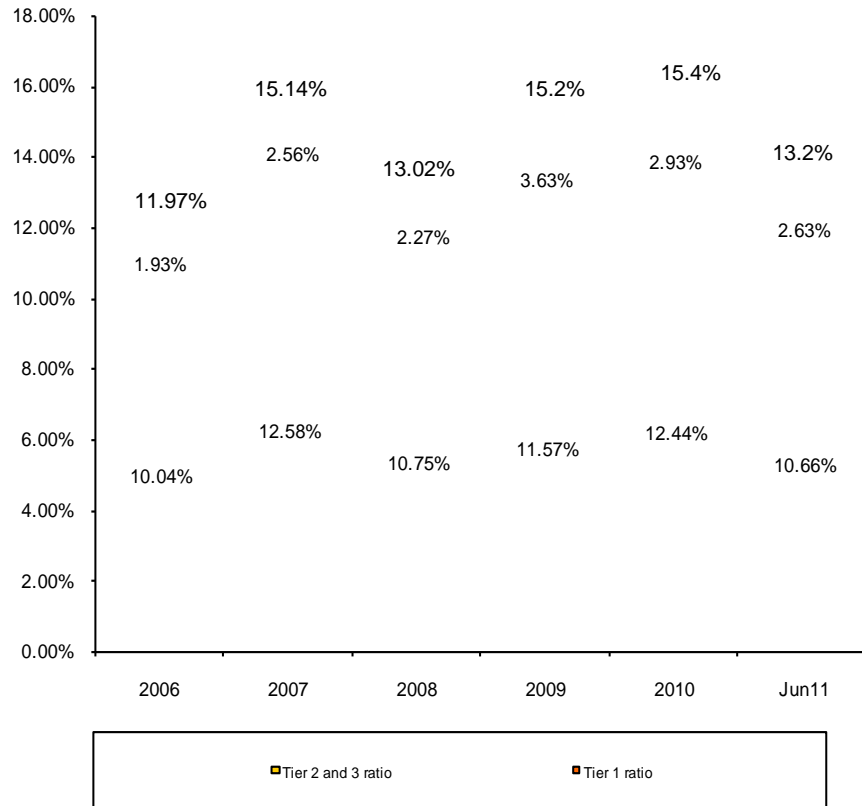


Coverage ratios

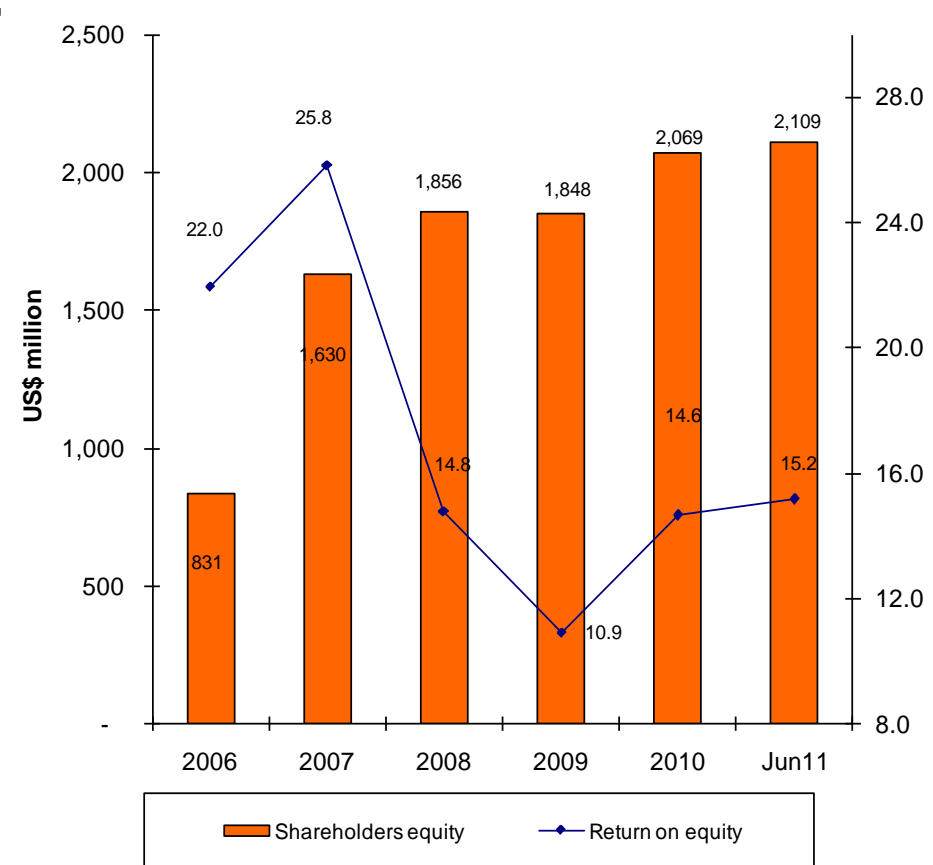


Strong Capital Growth with Stable Returns

Robust capitalisation



Capital growth with stable returns



CBO requirement of CAR of minimum of 10 % (12% by Dec 2010) is stricter than BIS requirement of minimum 8%

 ***Thank You***

Appendix

Balance Sheet

Balance sheet

\$ (million)	30-Jun-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Cash and bank (incl. placements)	3,587	3,315	4,218	3,975	2,794
Loans and Advances	11,083	10,410	9,969	9,682	6,979
Non trading investments	813	694	375	983	308
Tangible fixed assets	197	194	68	57	50
Other assets (incl. invt in associates)	642	585	566	960	825
Total assets	16,322	15,198	15,197	15,658	10,955
Bank deposits / FRNs	1,421	2,014	3,665	3,959	2,013
Customer deposits (incl. Bonds & CDs)	11,392	9,704	8,474	8,544	6,211
Other liabilities	919	934	720	1,003	820
Subordinated debt	478	477	490	295	282
Total liabilities	14,210	13,129	13,349	13,801	9,325
Share capital and premium	1,184	1,133	1,063	1,063	1,063
Convertible bonds	83	84	84	-	-
Total reserves	494	493	373	313	256
Cumulative changes in fair value	5	24	13	180	27
Retained profits	345	335	315	301	284
Shareholders' equity	2,112	2,069	1,848	1,856	1,630
Total liabilities + shareholders's equity	16,322	15,198	15,197	15,658	10,955

Key ratios

Loans and advances / customer deposits	97.3%	107.3%	117.6%	113.3%	112.4%
Shareholders' equity / total assets	12.9%	13.6%	12.2%	11.9%	14.9%
Subordinated debt / (debt + equity)	18.5%	18.7%	20.9%	13.7%	14.7%
BIS total capital ratio	13.29%	15.37%	15.20%	13.02%	15.14%

Profit and Loss Account

Profit and loss account

\$ (million)	30-Jun-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Net interest income	275.1	486.2	452.9	421.1	324.2
Other operating income	106.2	203.3	303.1	194.0	125.0
Operating income	381.3	689.5	756.0	615.1	449.2
Operating costs	(158.8)	(267.2)	(213.3)	(218.8)	(182.7)
	222.5	422.3	542.6	396.3	266.5
Recoveries from impairments	29.8	44.6	28.6	34.3	20.2
Credit loss impairments	(67.7)	(121.0)	(255.2)	(64.0)	(47.2)
Other impairments	(0.5)	(1.7)	(60.4)	(76.6)	-
Gain/(loss) from associates	(9.5)	(32.8)	(27.2)	(8.4)	14.3
Profit before Tax	174.6	311.4	228.5	281.6	253.8
Taxation	(26.0)	(42.0)	(37.0)	(38.1)	(34.9)
Net Profit	148.6	269.4	191.5	243.5	218.8

Key ratios

Cost/income ratio	41.7%	38.8%	28.2%	35.6%	40.7%
Return on average assets	1.89%	1.74%	1.24%	1.83%	2.35%
Return on average equity	15.16%	14.64%	10.66%	14.80%	25.83%
Basic EPS (US\$)	0.096	0.182	0.178	0.226	0.234
Share price (US\$)	1.881	2.499	2.140	2.070	4.990

Omani Banking Sector

Local and specialised banks

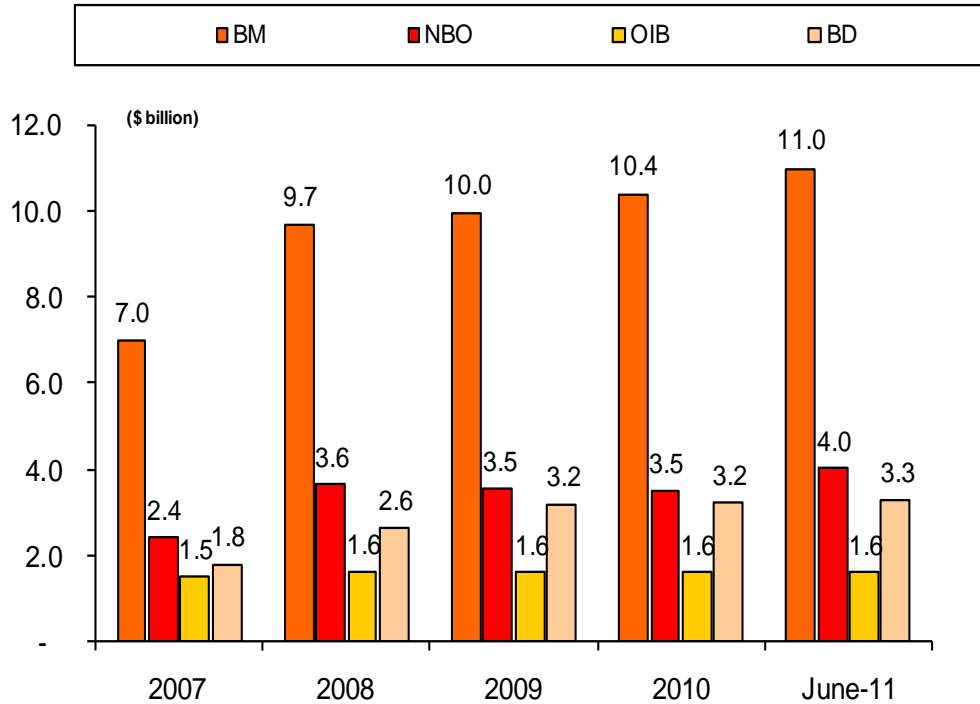
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. BankMuscat (BM)	130	1982
2. Oman Intl. Bank (OIB)	81	1979
3. Nat. Bank of Oman (NBO)	67	1973
4. Bank Dhofar (BD)	59	1990
5. Oman Arab Bank (OAB)	44	1973
6. Bank Sohar	22	2007
7. Ahli Bank	12	1998
	415	
1. Oman Development Bank	13	1977
2. Oman Housing Bank	9	1977
	22	

Foreign banks

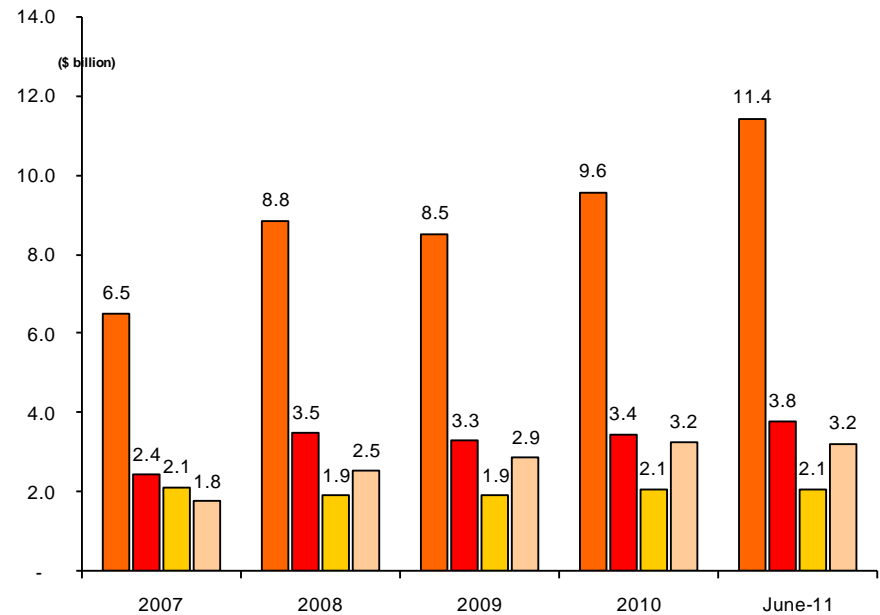
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. Habib Bank	8	1972
2. HSBC Bank, Middle East	6	1948
3. Bank of Baroda	3	1976
4. Standard Chartered Bank	1	1968
5. Bank Saderat Iran	1	1976
6. National Bank of Abu Dhabi	7	1976
7. Bank Melli Iran	1	1974
8. State Bank of India	1	2004
9. Bank of Beirut	2	2006
10.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

Relative Loan and Deposit Volumes

Net loans



Total customer deposits & FRNs



May11

BM
market
share

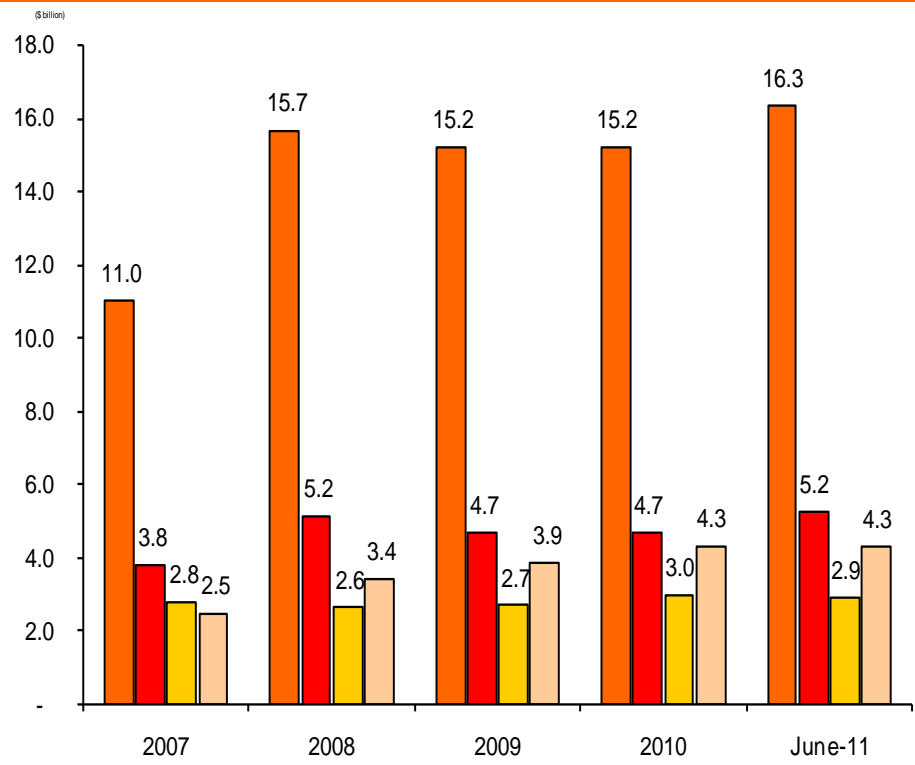
43% 40% 40% 38% 37%

May11

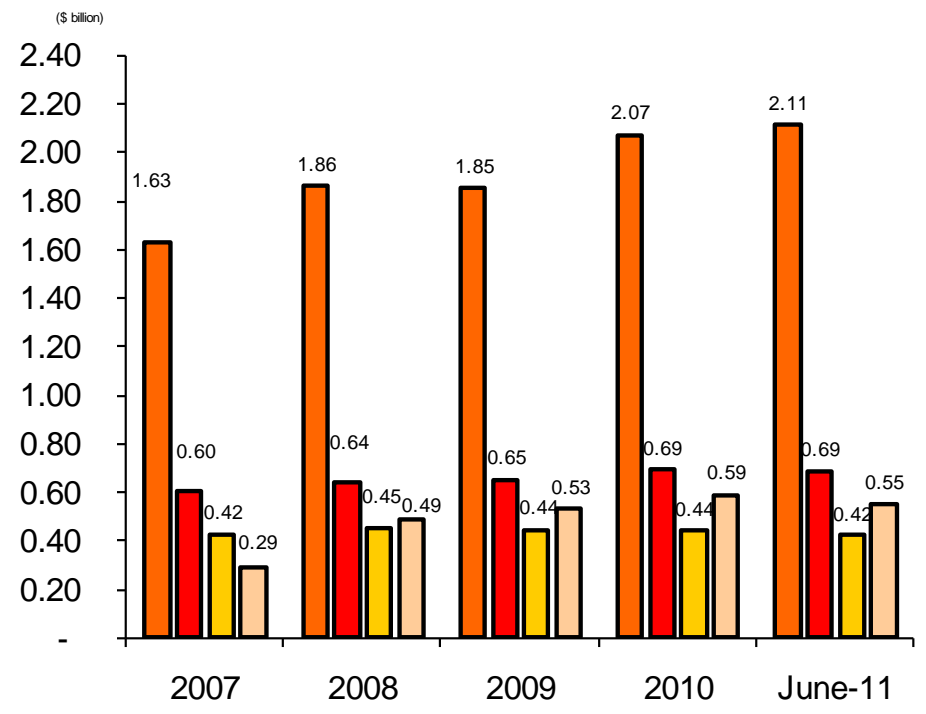
36% 36% 33% 33% 35%

Relative Asset and Equity Bases

Total assets



Shareholders' equity



BM market share

	May11				
	41%	42%	41%	38%	38%

Source: CBO, Annual report of Banks.



BankMuscat Organisational Structure

