



Investor Presentation

December 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 (\$15.6 billion) at the end of Dec 31, 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.

Robust financials

- Return on average equity of 10.7% in 2009
- Net profit CAGR 2004 – 2009 of 16.7%
- 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 A1 (Moody's)

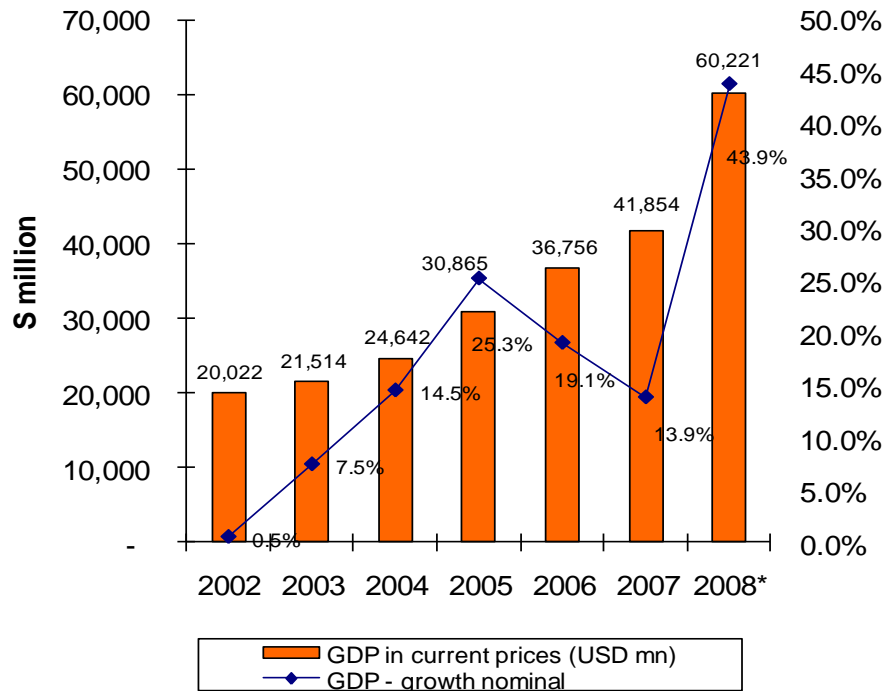


Source: Ministry of National Economy (MONE). Omani population per 2003 consensus 2.3 mn.

* Provisional 2007 estimate as per MONE.

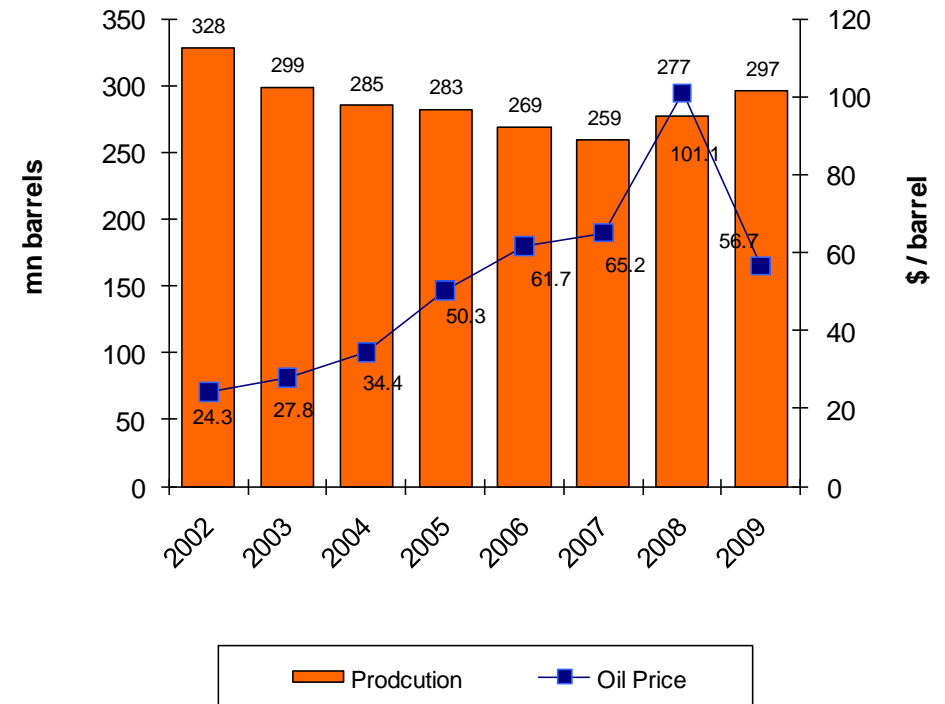
Robust GDP Growth

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



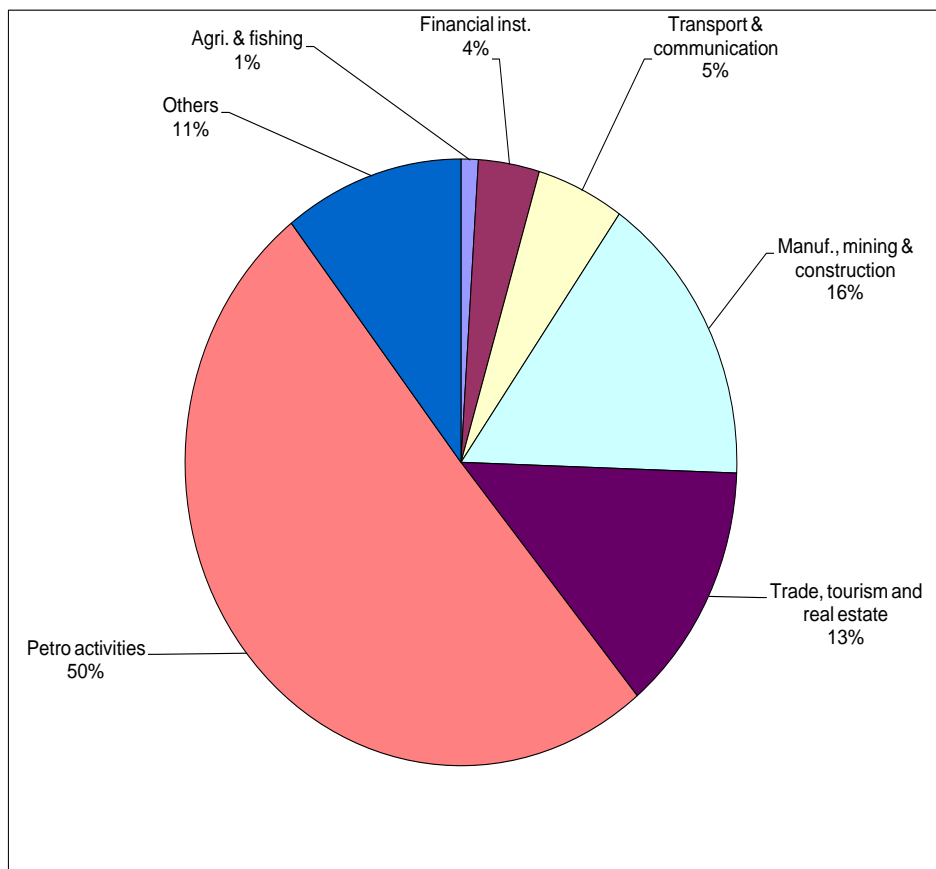
* Provisional

In 2009 - Oil prices under pressure but production has improved

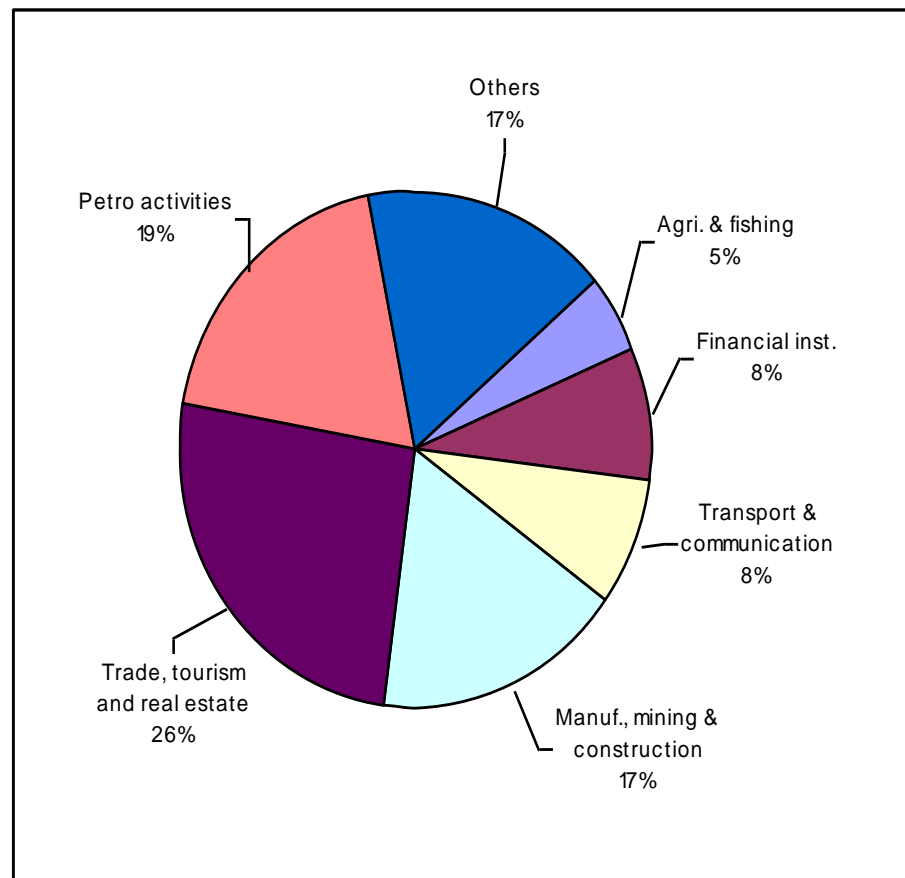


A New Omani Economy by 2020

GDP components at the end of 2008*



GDP components under "Vision 2020"



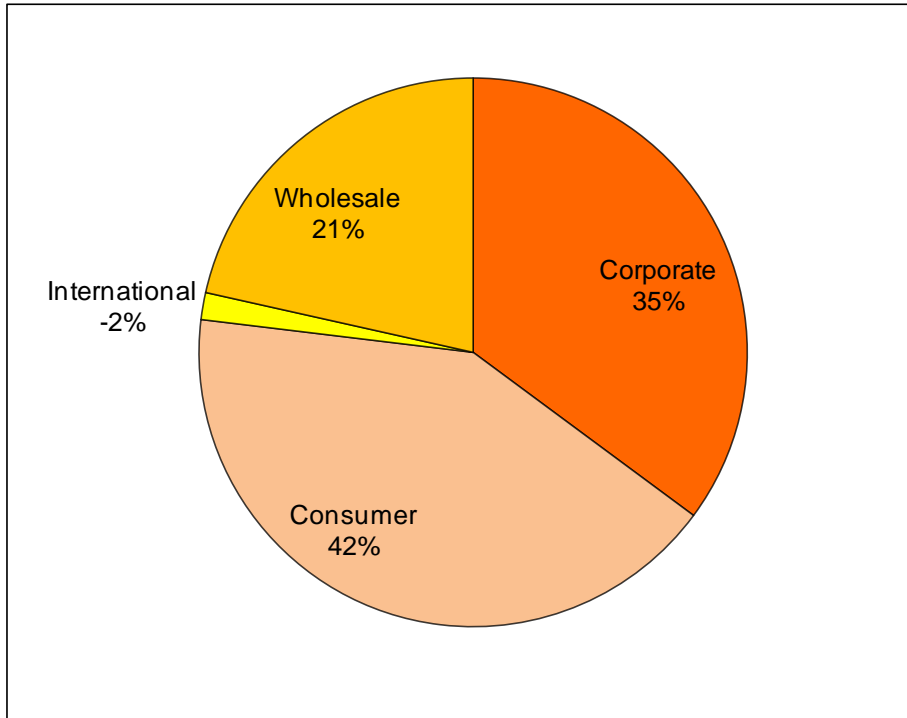
BankMuscat Overview and strategy

BankMuscat – Oman's #1 Bank

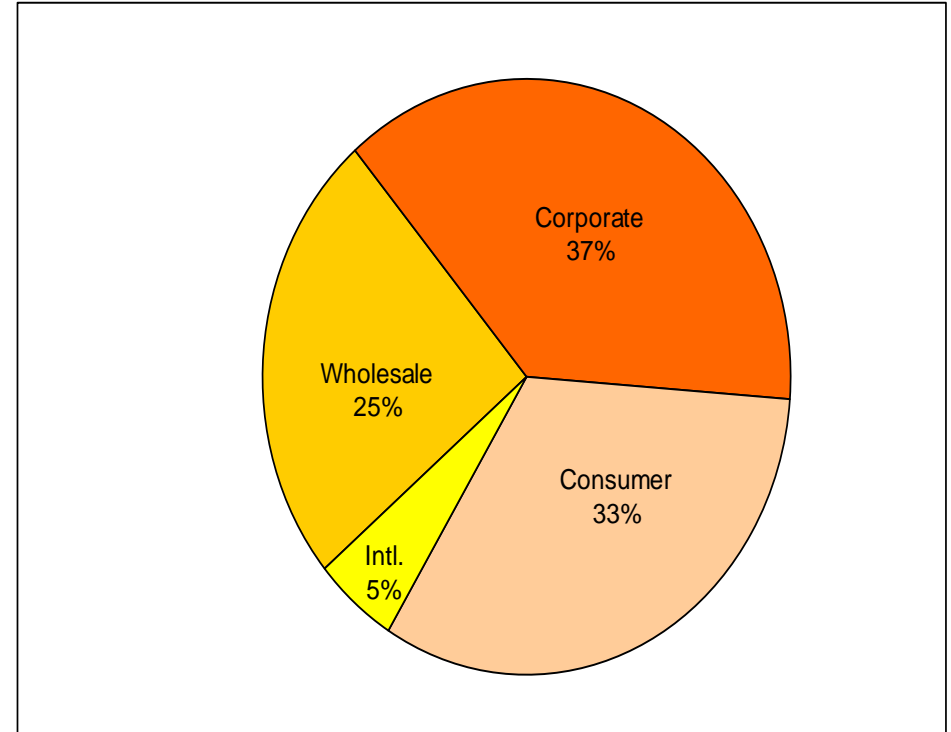
➤ Market capitalisation	\$2,817 million	
➤ Retail customers	903,526	
➤ Market share by assets	41%	
➤ Branches	126	
➤ Employees	2,564	
➤ Total customer deposits	\$8.3 billion (Customer deposits and CD's)	
➤ Total assets	\$15.2 billion	
➤ Net loans and advances	\$10 billion	
➤ Major shareholders	Royal 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 Muscat Security House, Saudi- Subsidiary Investment	
➤ Other international locations	Dubai, UAE (representative office) & Riyadh Branch, Saudi Arabia	
➤ Long-term credit ratings	BBB+ (S&P – Jan 09), A1 (Moody's – Feb10), A- (Fitch – Nov08)	

Diverse Income and Asset Base ...

Operating income by Group



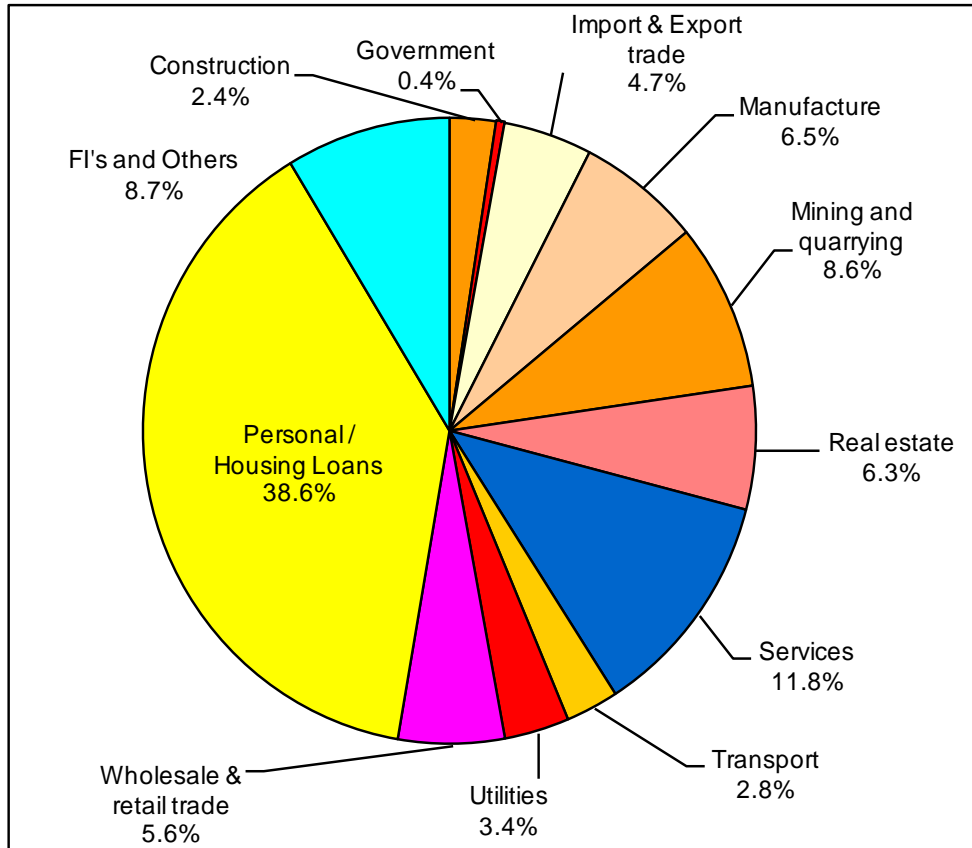
Assets by Group



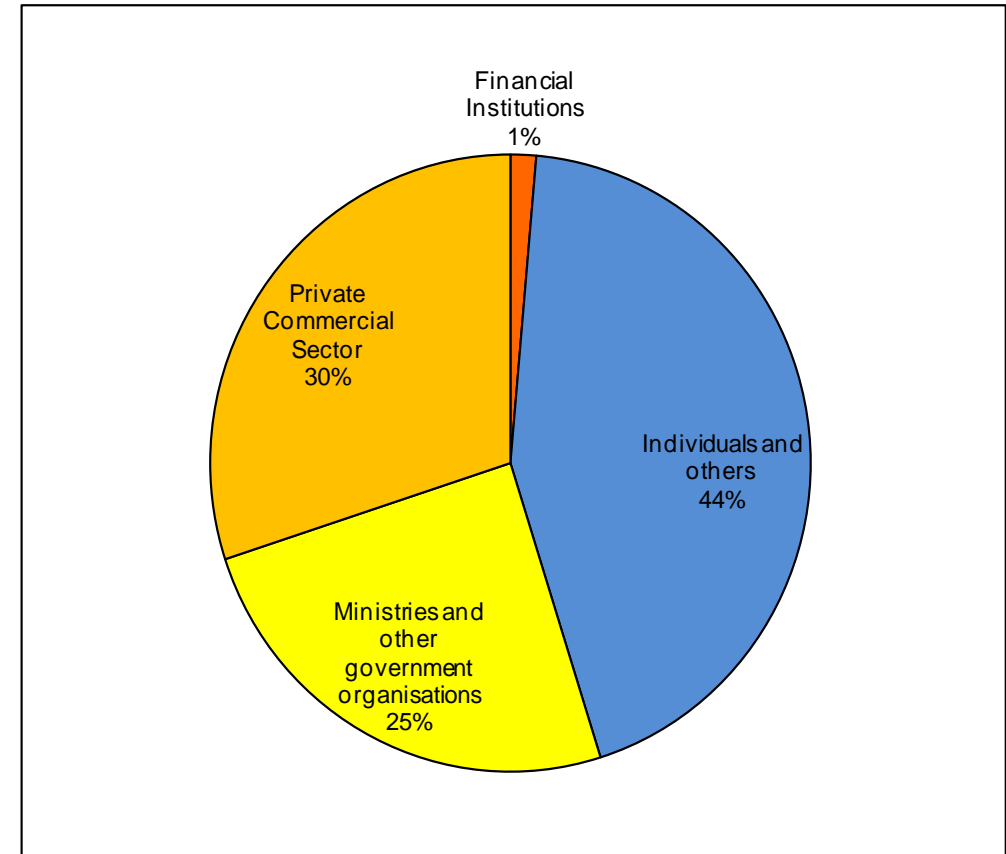
- International group include branch operations in Kingdom of Saudi Arabia, associate operations in India, Bahrain and Pakistan and one time gain from sale of HDFC bank investments.

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. Planned entry in Kuwait.

➤ **Leverage trade and customer links between GCC countries**

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

Corporate Banking (Commercial Bkg Group)

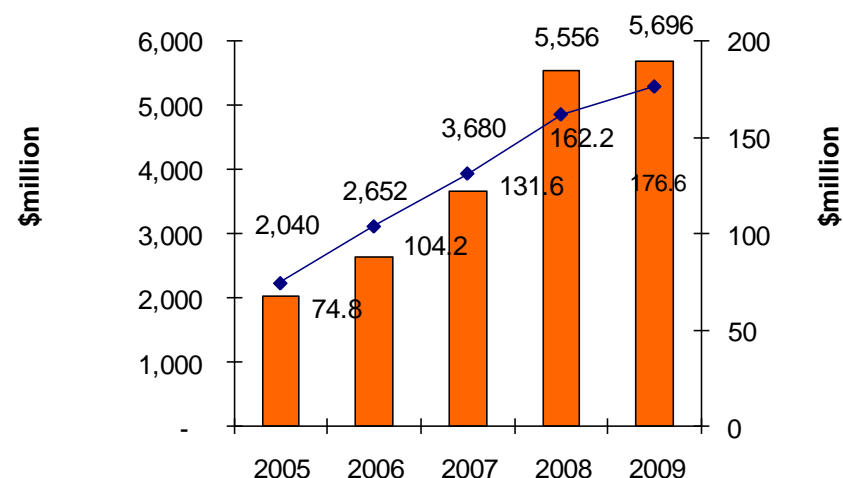
Overview

- 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



Total assets

Operating income

Consumer Banking (Commercial Bkg Group)

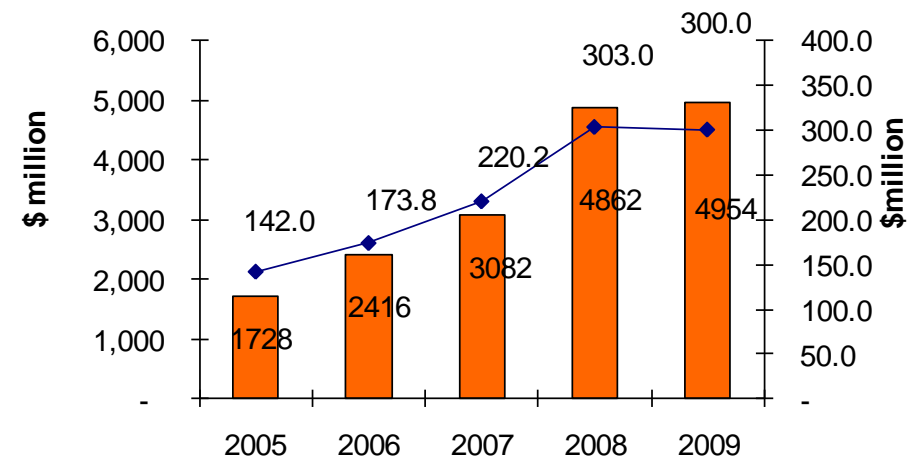
Overview

- Over 903,526 customers – Dec 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 70% by volume in 2009

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



■ Total assets
 ◆ Operating income

Wholesale Banking Group

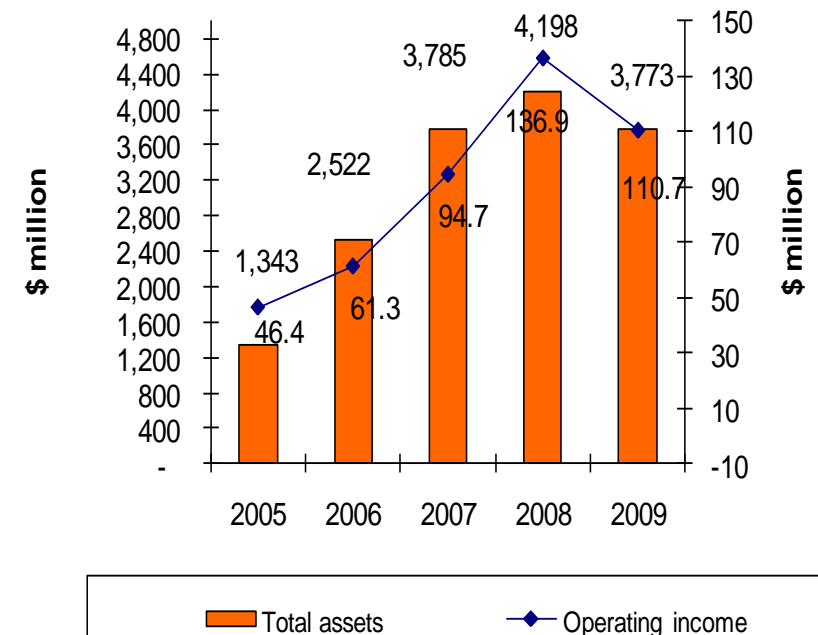
Overview

- **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 and India

Overview

- Strategy of expanding cautiously, targeting high-quality lending and fee-based income
- **Bahrain:** Operations through 49%-owned BMI
 - Total asset size as on Dec 31, 2009 – US\$ 1.8 bn, Operating with 8 branches and 26 ATM's in Bahrain.
 - Focused on retail banking, corporate banking, private banking, treasury services, premier banking and Islamic financial services
 - 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 and 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\$ 21.7 million in 2009
- **UAE:** Representative office in Dubai.
- **KSA:** 100% owned branch in operation from Q1-07. Asset size more than US\$ 571 mn as on Dec 09. 95% investment company named Muscat Securities House LLC.
- **India :** 43% strategic shareholding in Mangal Keshav Holding limited, primarily a securities broking set up.
Network of 20 branches and 220 franchises across India

Opportunities

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

■ *Financial Performance and Capital*

Financial Highlights – 31-12-2009

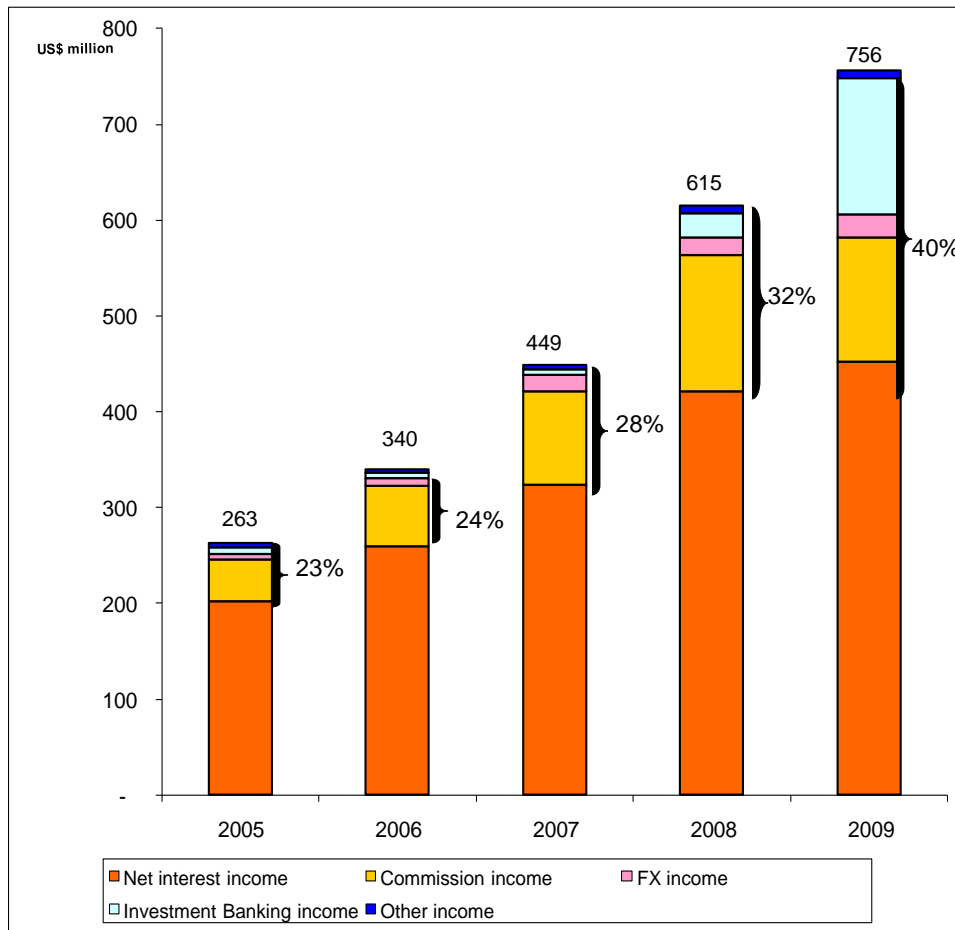
- Achieved a Net Profit of US\$ 191.5 mn, a decrease of 21.4% over Dec 2008
- Operating profit at US\$ 542.6 mn higher by 36.9% over 2008. Operating profit excluding the gain on HDFC Bank investment was US\$ 385.4 mn, marginally lower by 2.8% over 2008.
- Net Interest Income at US\$ 452.9 mn, higher by US\$ 31.8 mn or 7.6% over 2008 driven by improvement in net interest margin and marginal asset growth.
- Other income (excl. investment gain) was US\$ 164.2 mn, marginally lower by 6% compared to 2008.
- Operating expenses for the year 2009 was US\$ 213.3 mn, lower by 2.5% compared to 2008
- Impairment for credit losses at US\$ 255.2 mn, due to provisions for certain large overseas exposures. Impairment for associate of US\$ 52.8 mn relating to Silk Bank.
- Growth of US\$ 516.8 mn (5.2%) in Gross Loans over Dec 2008
- Reduction of US\$ 70 mn (-0.8%) in customer deposits / CD's over Dec 2008. Low cost deposits grew by US\$ 405 mn (10%), term deposits reduced by US\$ 677 mn (-17%) and CDs increased by US\$ 201 mn.

Key Ratios

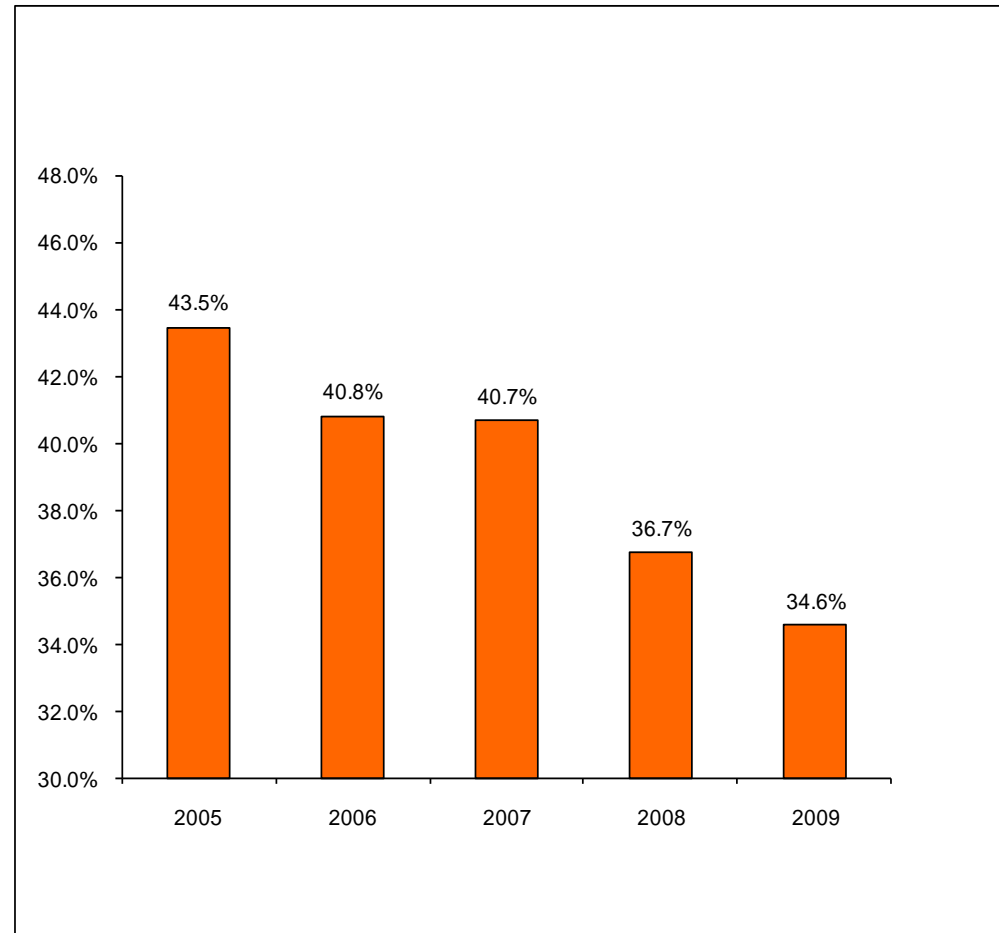
Ratios	2009	2008
Return on average assets <i>- operating profit on average assets (excl. invest. gain)</i>	1.2% 2.6%	1.8% 2.8%
Return on average equity <i>- operating profit on average equity (excl. invest. gain)</i>	10.7% 22.6%	14.8% 22.9%
Basic EPS – RO	0.068	0.087
Capital adequacy	15.2%	13.0%
Revenue mix (NII : Other Income-excl. invest. gain)	73 : 27	71 : 29
Cost to income ratio (excl. invest. gain)	34.5%	36.7%

Revenue and Cost Control

Revenue growth



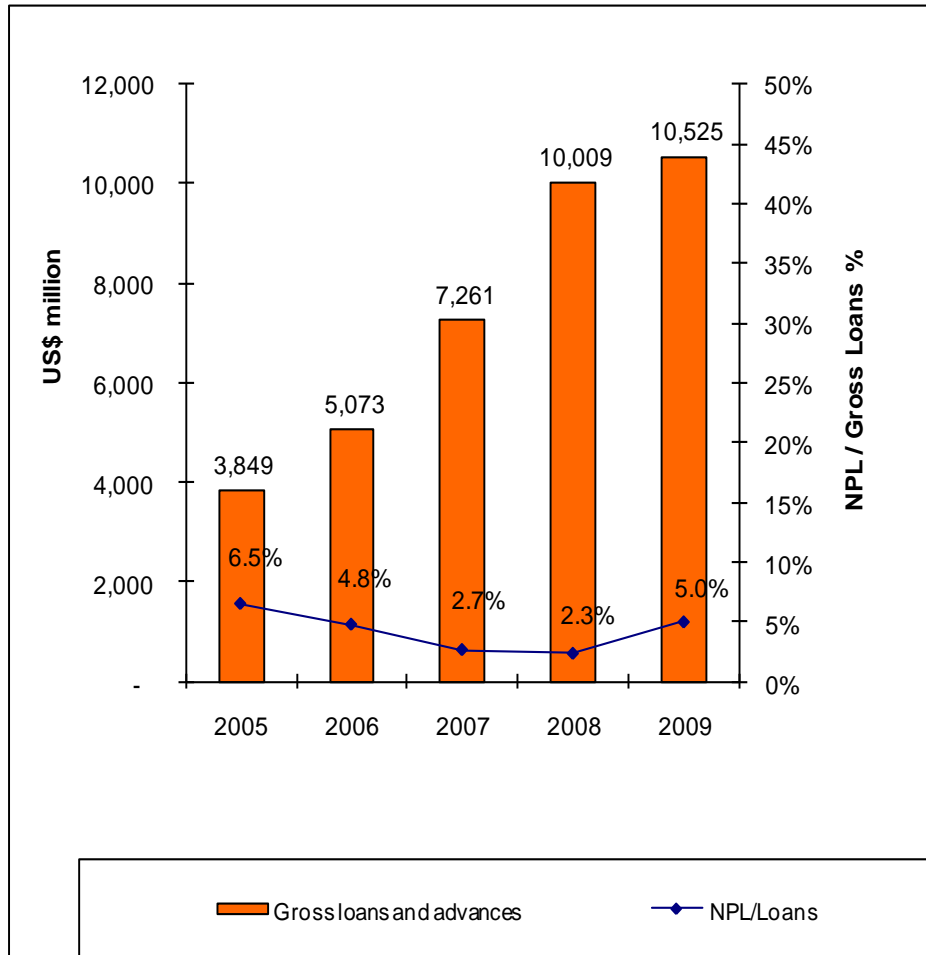
Declining cost-income ratio



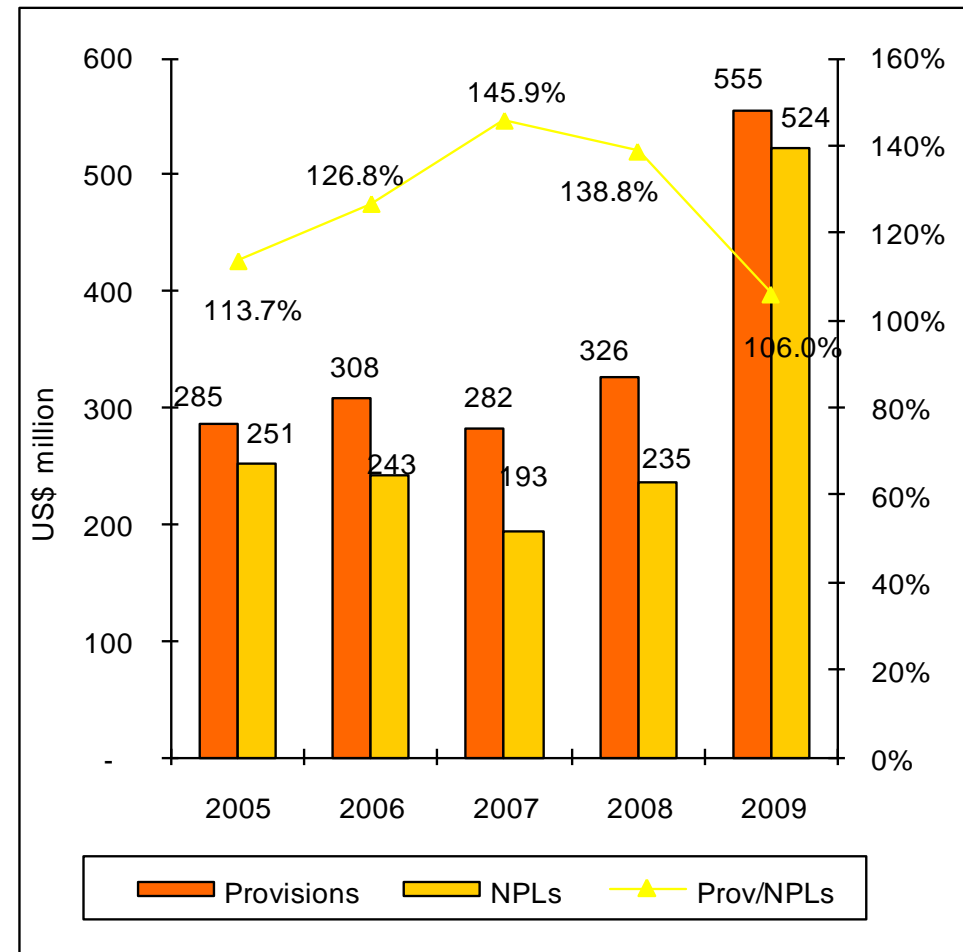
Cost to income ratio of 2008 and 2009 excludes the investment gains for comparison

Loan Growth and Asset Quality

Gross Loans and advances growth

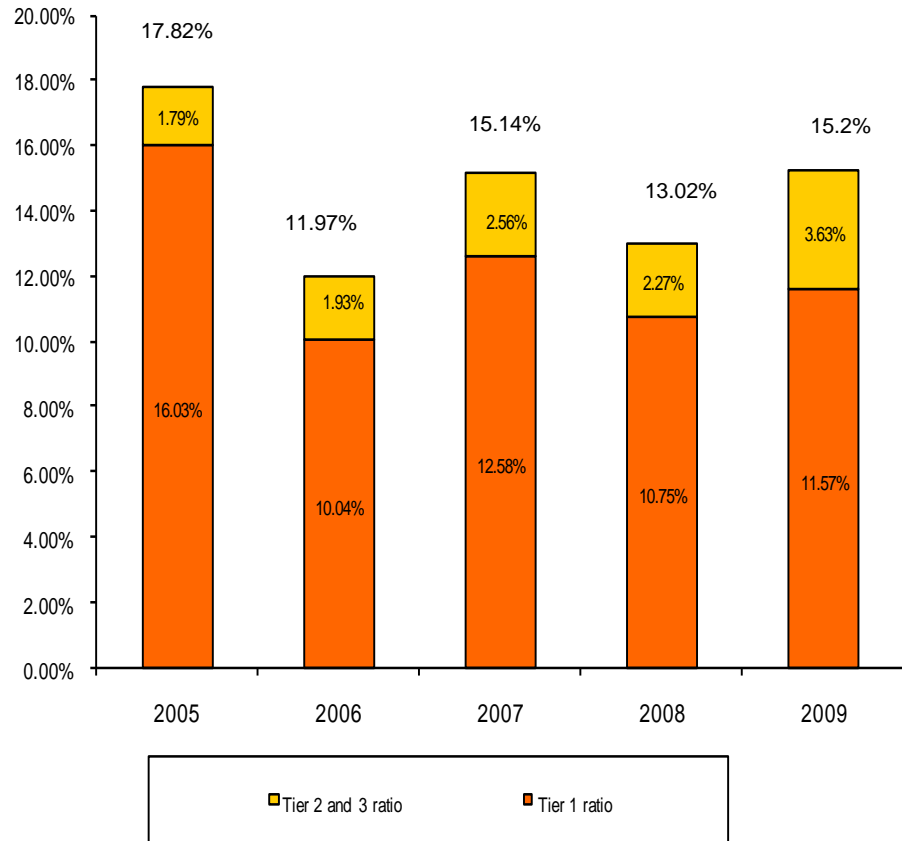


Coverage ratios

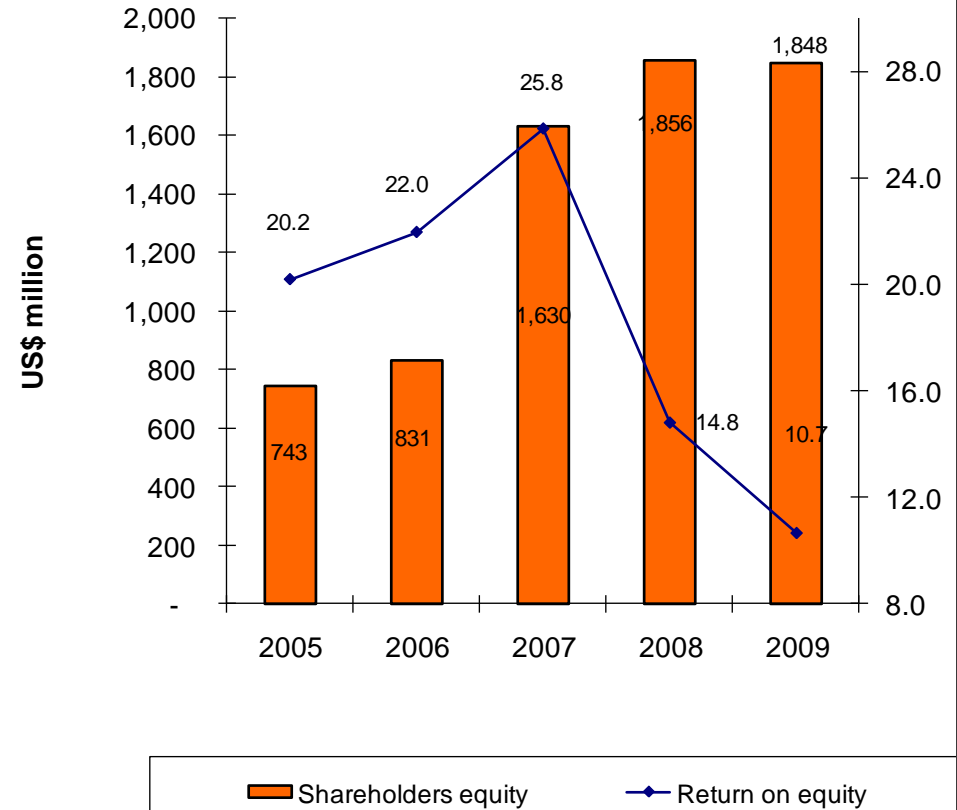


Strong Capital Growth with Stable Returns

Robust capitalisation



Capital growth with stable returns



CAR for 2006 to 2009 is as per Basel II guidelines and for 2005 is as per Basel I. CBO requirement of CAR of minimum 10% (Basel I - 12%) is stricter than BIS requirement of minimum 8% (Basel II - 10%).

Balance Sheet

Balance sheet

US\$ (000)	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05
Cash and bank (incl. placements)	4,217,636	3,974,852	2,794,062	1,664,826	908,236
Loans and Advances	9,969,379	9,682,338	6,978,865	4,765,390	3,563,455
Non trading investments	374,977	983,496	307,525	697,704	360,164
Tangible fixed assets	68,249	57,008	49,584	29,709	27,626
Other assets (incl. invt in associates)	566,475	960,062	825,094	517,327	319,265
Total assets	15,196,717	15,657,756	10,955,130	7,674,956	5,178,745
Bank deposits / FRNs	3,665,317	3,959,029	2,012,691	1,218,395	393,296
Customer deposits (incl. Bonds & CDs)	8,473,839	8,544,182	6,210,810	4,941,961	3,604,553
Other liabilities	720,377	1,003,247	819,758	583,210	334,849
Subordinated debt	489,610	294,805	281,818	100,000	102,912
Total liabilities	13,349,143	13,801,262	9,325,078	6,843,566	4,435,610
Share capital and premium	1,062,904	1,062,904	1,062,904	422,657	403,003
Convertible bonds	83,932	-	-	-	-
Total reserves	373,210	288,049	256,460	221,475	214,922
Cumulative changes in fair value	12,527	179,938	26,644	2,732	3,203
Retained profits	315,000	325,603	284,044	184,525	122,008
Shareholders' equity	1,847,574	1,856,494	1,630,052	831,390	743,135
Total liabilities + shareholders's equity	15,196,717	15,657,756	10,955,130	7,674,956	5,178,745
Key ratios					
Loans and advances / customer deposit	117.6%	113.3%	112.4%	96.4%	98.9%
Shareholders' equity / total assets	12.2%	11.9%	14.9%	10.8%	14.3%
Subordinated debt / (debt + equity)	20.9%	13.7%	14.7%	10.7%	12.2%
BIS total capital ratio	15.20%	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

US\$ (000)	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05
Net interest income	452,899	421,057	324,213	259,410	202,756
Other operating income	303,063	194,010	124,953	79,948	60,444
Operating income	755,962	615,068	449,166	339,358	263,200
Operating costs	(213,312)	(218,764)	(182,665)	(138,519)	(114,364)
	542,650	396,304	266,501	200,839	148,836
Recoveries from impairments	28,608	34,283	20,171	19,364	46,330
Credit loss impairments	(255,174)	(63,961)	(47,171)	(47,748)	(63,275)
Other impairments	(60,403)	(76,603)	-	(1,514)	(1,288)
Gain/(loss) from associates	(27,156)	(8,436)	14,283	10,766	9,517
Profit on sale of a branch	-	-	-	-	7,340
Share of trading loss in an associate	-	-	-	-	(10,247)
Profit before Tax	228,526	281,587	253,784	181,706	137,213
Taxation	(37,049)	(38,130)	(34,935)	(24,740)	(19,177)
Net Profit	191,476	243,457	218,849	156,966	118,036

Key ratios

Cost/income ratio	35.3%	35.6%	40.7%	40.8%	43.5%
Return on average assets	1.24%	1.83%	2.35%	2.44%	2.33%
Return on average equity	10.70%	14.80%	25.83%	21.95%	20.18%
Basic EPS	1.715	0.226	0.234	0.171	0.151
Share price	2.631	2.070	4.987	2.982	2.317

Omani Banking Sector

Local and specialised banks

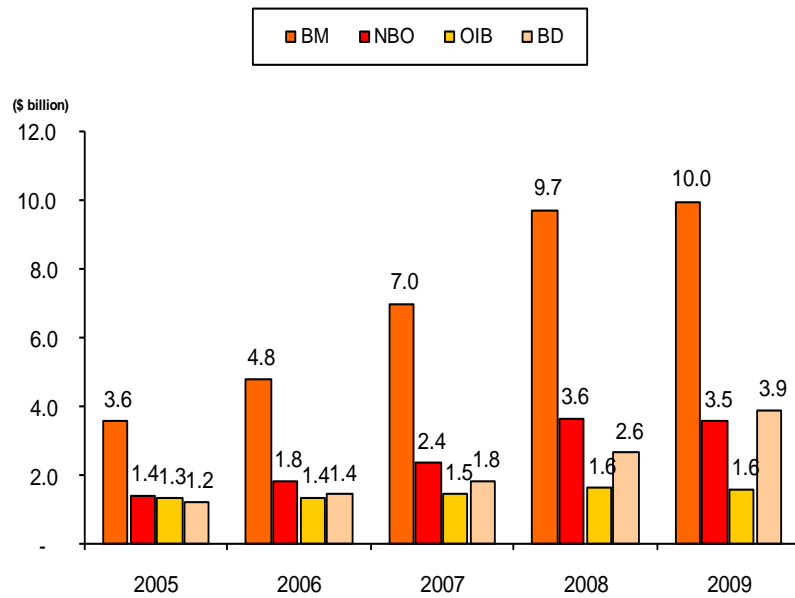
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. BankMuscat (BM)	122	1982
2. Oman Intl. Bank (OIB)	84	1979
3. Nat. Bank of Oman (NBO)	60	1973
4. Bank Dhofar (BD)	52	1990
5. Oman Arab Bank (OAB)	43	1973
6. Bank Sohar	13	2007
7. Ahli Bank	7	1998
	381	
1. Oman Development Bank	10	1977
2. Oman Housing Bank	9	1977
	19	

Foreign banks

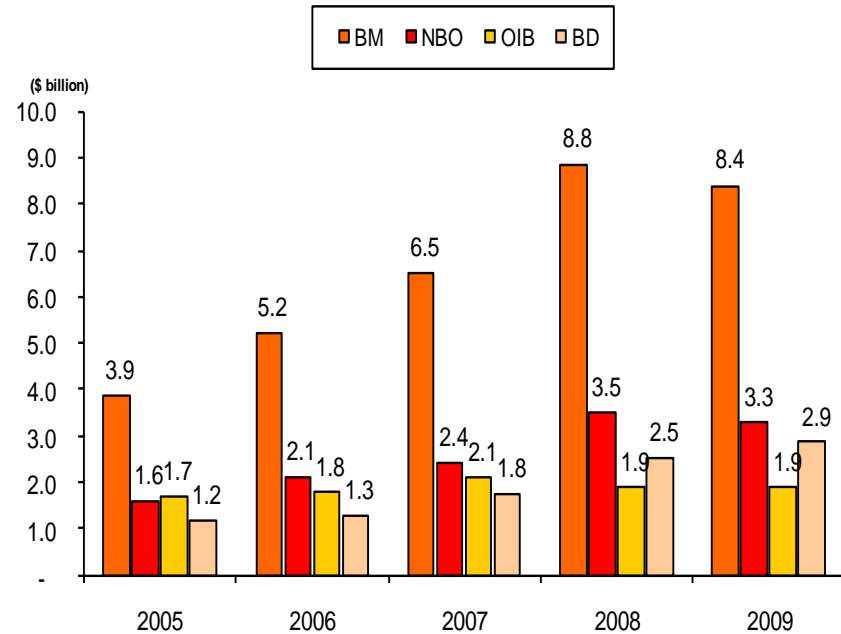
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. Habib Bank	8	1972
2. HSBC	6	1948
3. Bank of Baroda	3	1976
4. Standard Chartered	1	1968
5. Bank Saderat Iran	1	1976
6. National Bank of Abu Dhabi	7	1976
7. Bank Melli Iran	1	1974
8. State Bank of India	1	2004
9. Bank of Beirut	2	2006
10. Qatar National Bank	1	2007

Relative Loan and Deposit Volumes

Net loans



Total customer deposits & FRNs

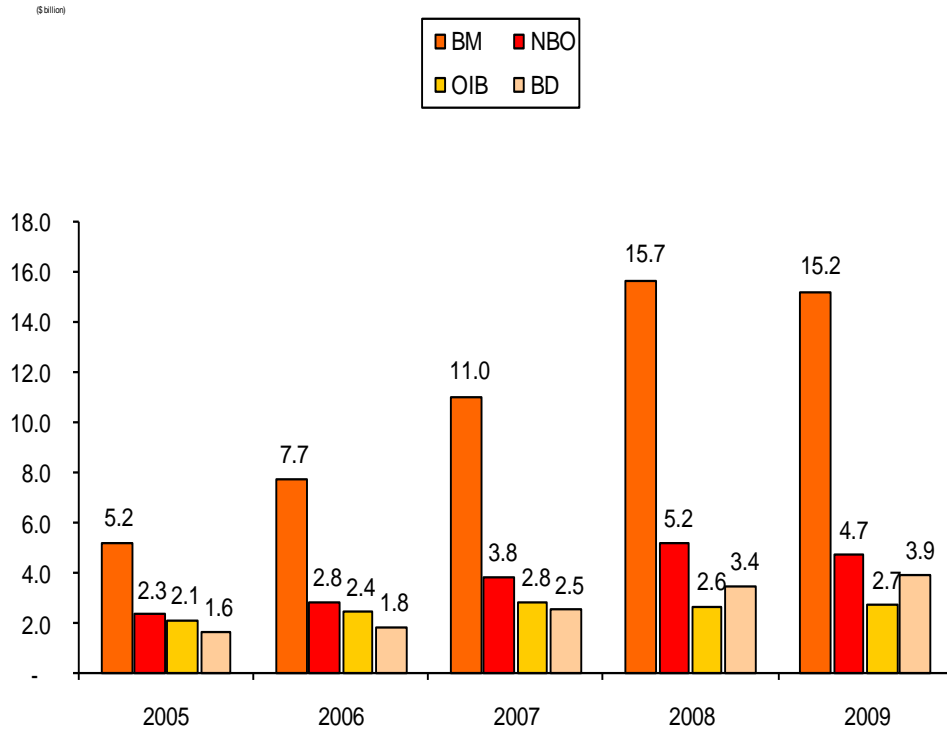


BM market share

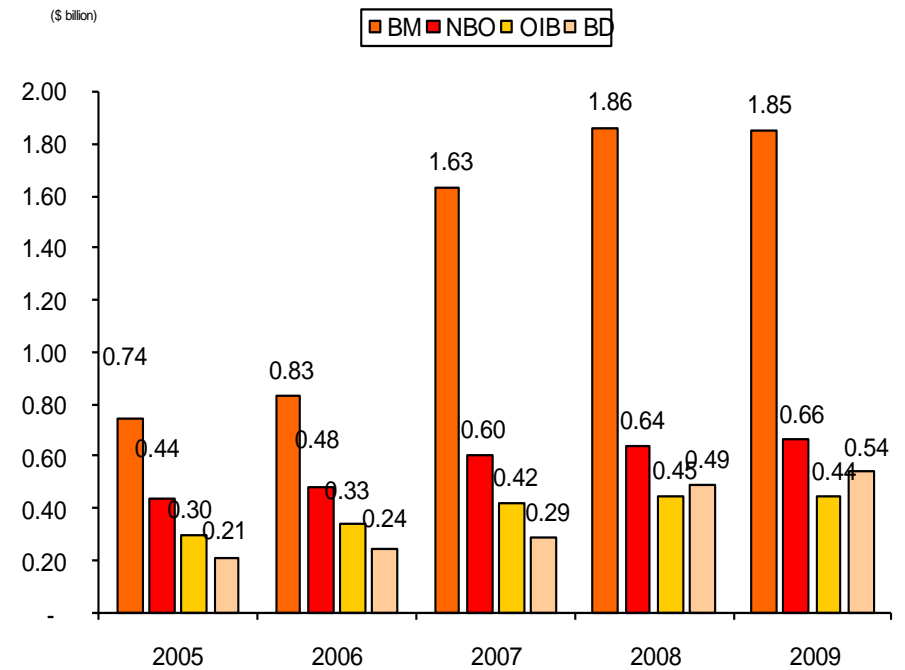
37% 42% 43% 40% 39.7% 35% 40% 36% 36% 33%

Relative Asset and Equity Bases

Total assets



Shareholders' equity



BM market share

37% 42% 41% 42% 40.6%

BankMuscat Organisational Structure

