



## ***Investor Presentation***

**September 2009**

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# 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 41.5% market share by total assets (\$14.8 billion) at the end of Aug 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.
- 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)

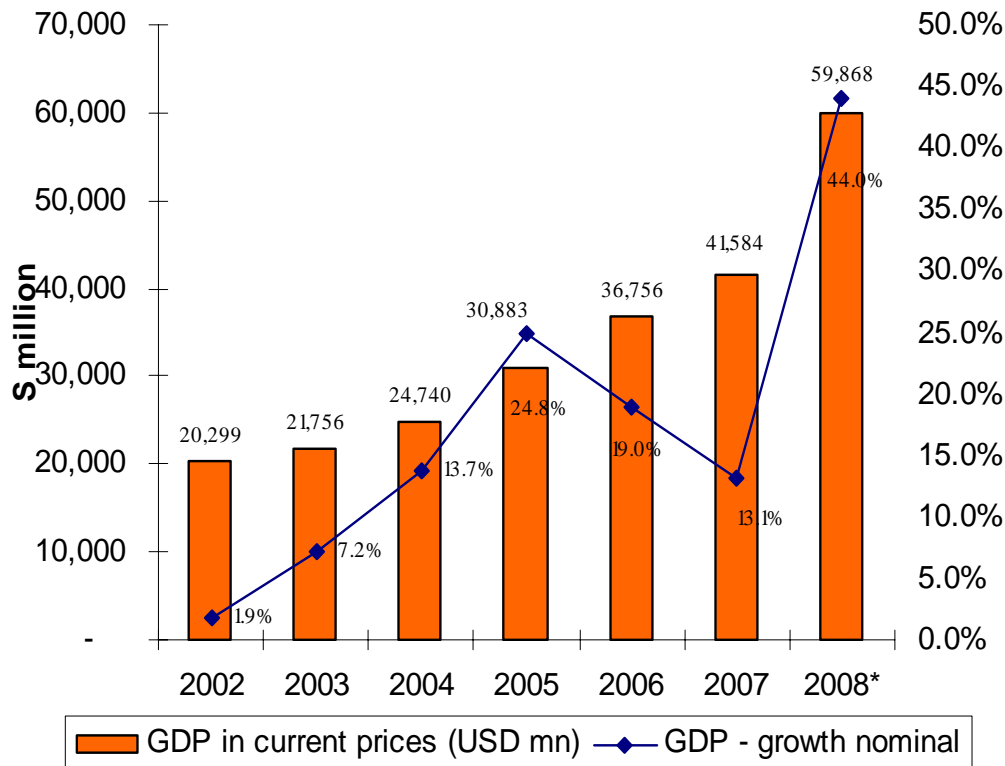


Source: Ministry of National Economy (MONE). Omani population per 2003 consensus 2.3 mn.

\* Provisional 2007 estimate as per MONE.

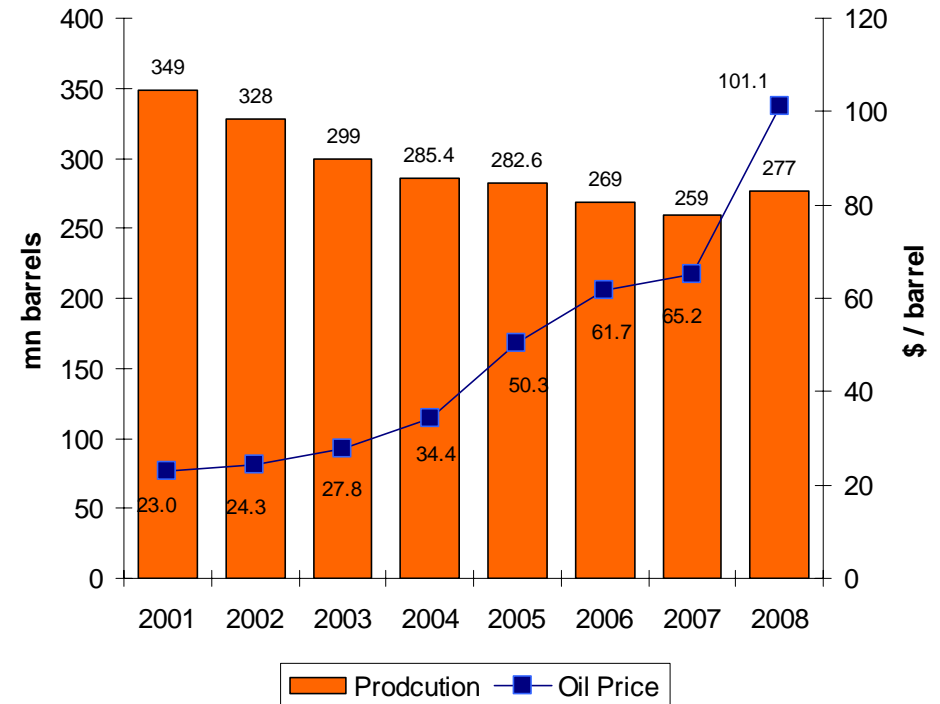
# Robust GDP Growth

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



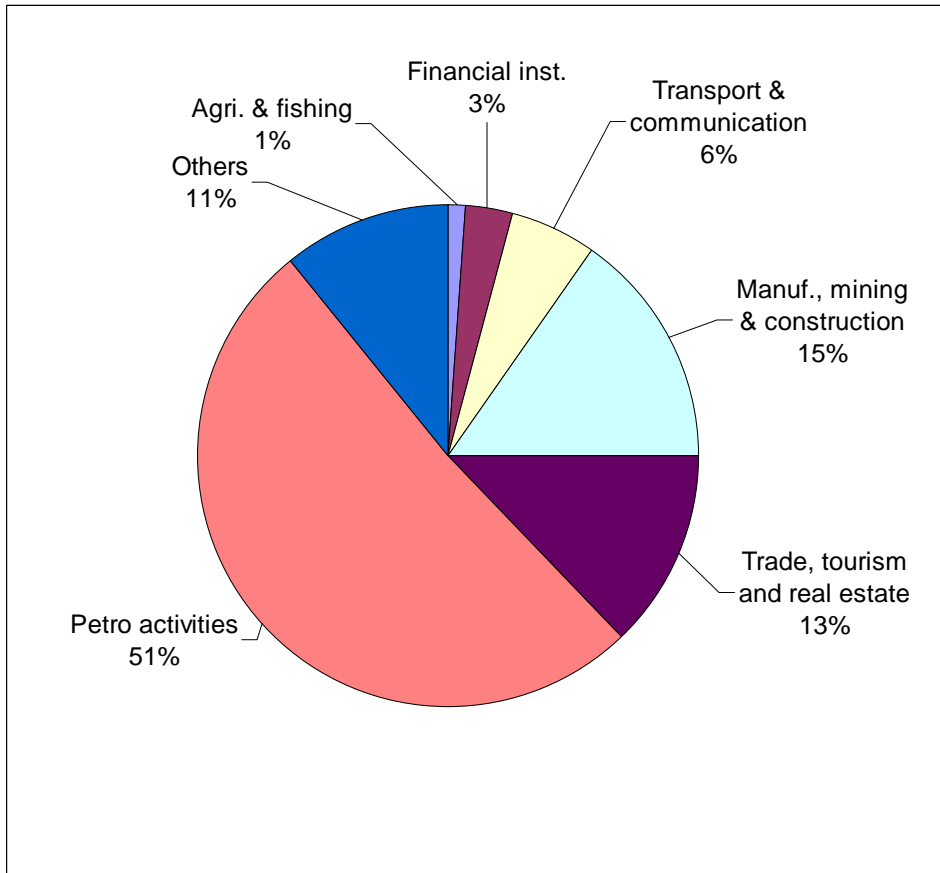
\* Provisional

In 2009 - Oil prices under pressure but production has improved

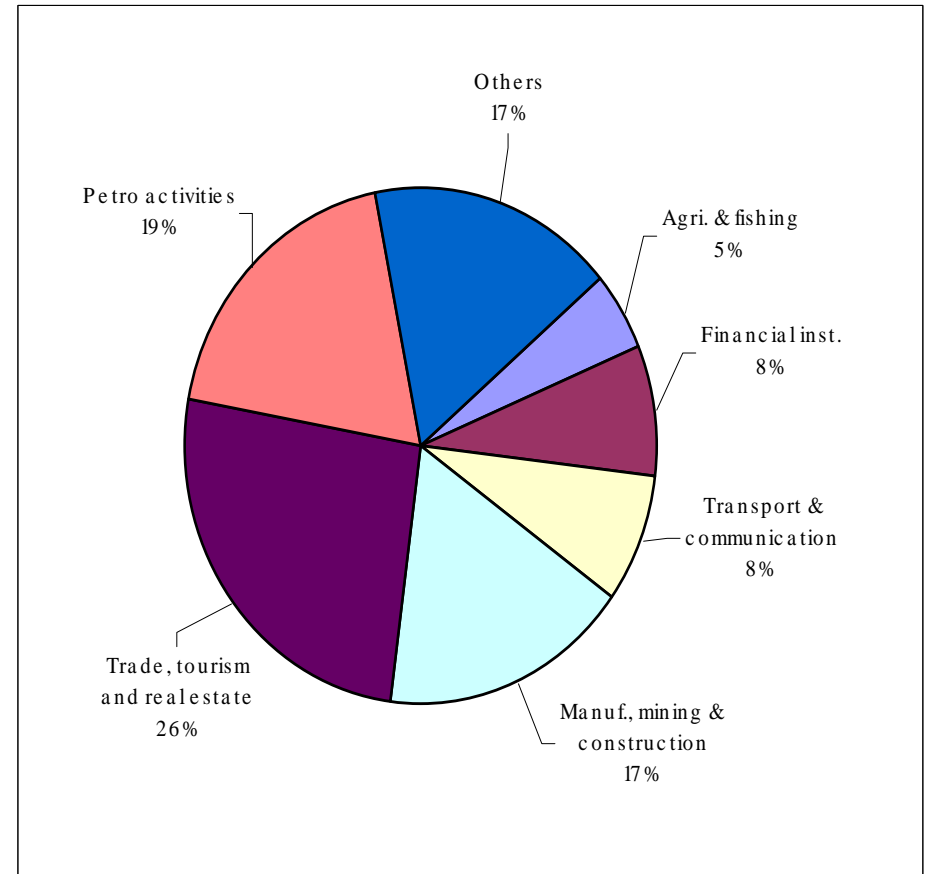


# A New Omani Economy by 2020

## 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*

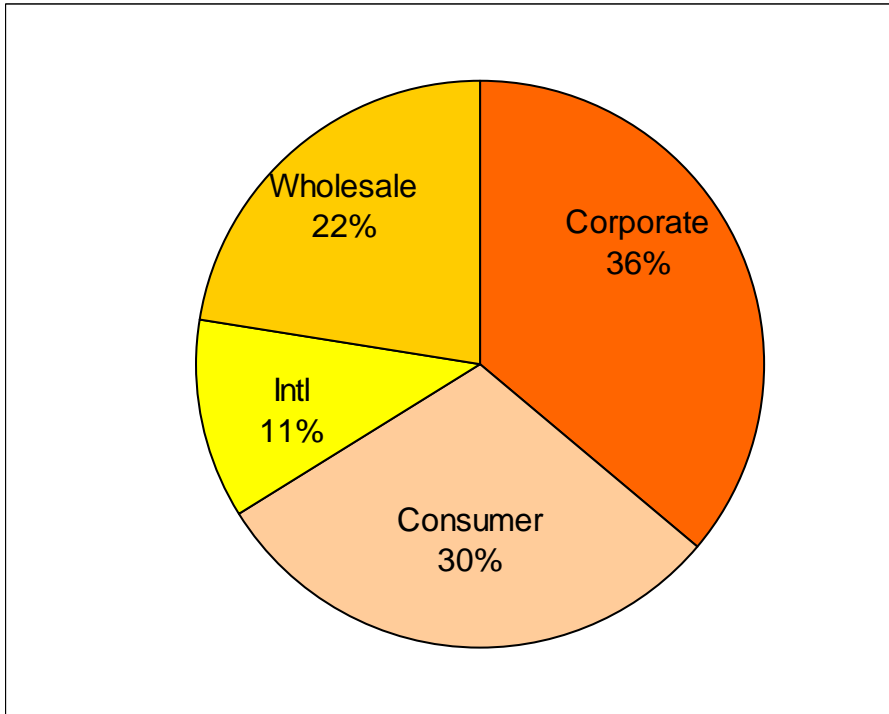
# BankMuscat – Oman's #1 Bank

➤ Market capitalisation	\$2,547 million	
➤ Retail customers	858,807	
➤ Market share by assets	41.53%	
➤ Branches	123	
➤ Employees	2,504	
➤ Total customer deposits	\$8.6 billion (Customer deposits and CD's)	
➤ Total assets	\$15.3 billion	
➤ Net loans and advances	\$9.7 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 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), A2 (Moody's – Aug09), A- (Fitch – Nov08)	

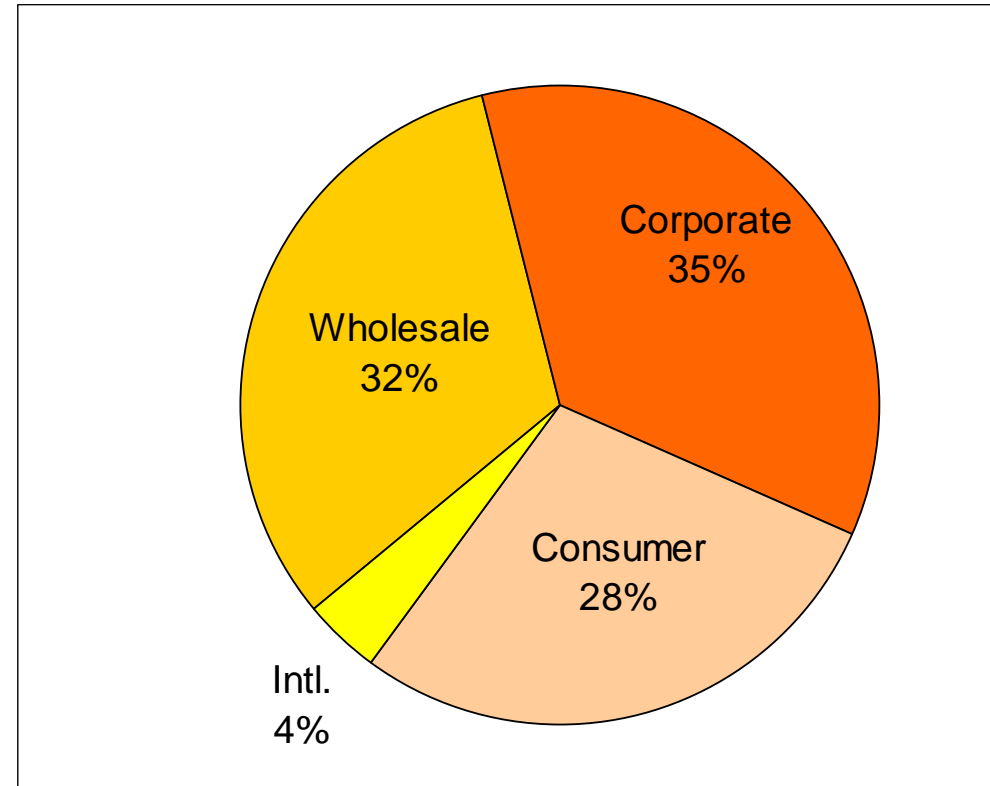
Share price as at Oct 29, 2009 and other data as at Sept 30, 2009.

# Diverse Income and Asset Base ...

## Net income by Group



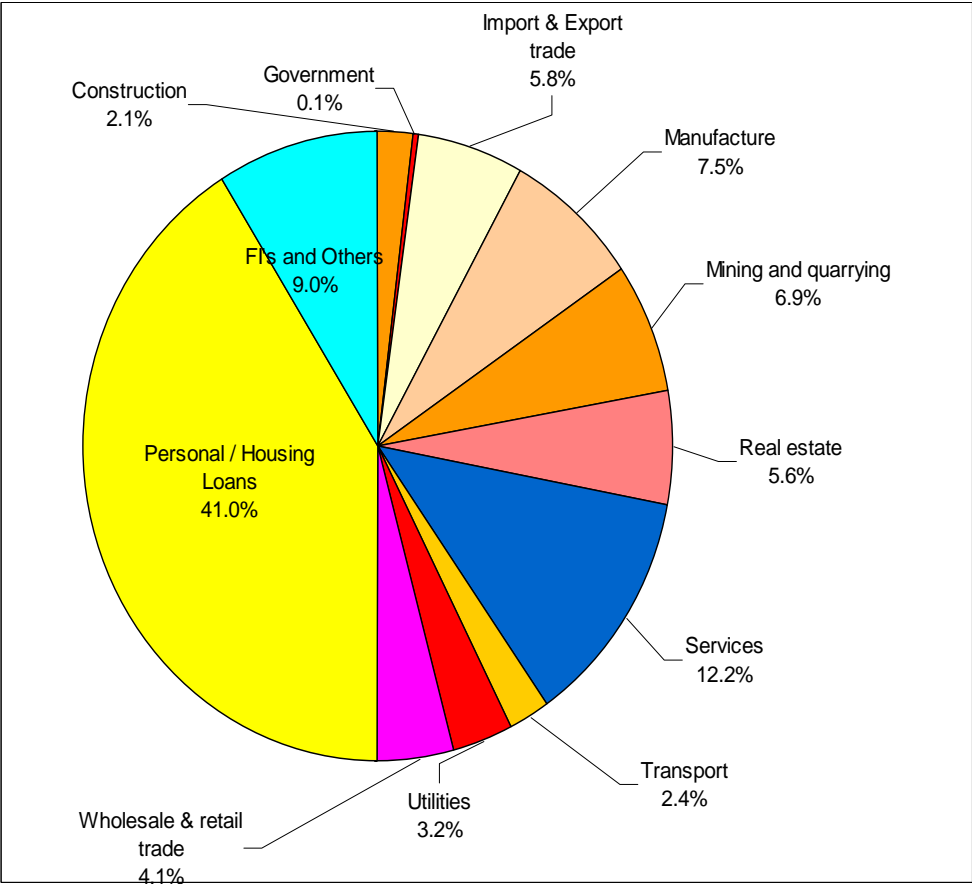
## Assets by Group



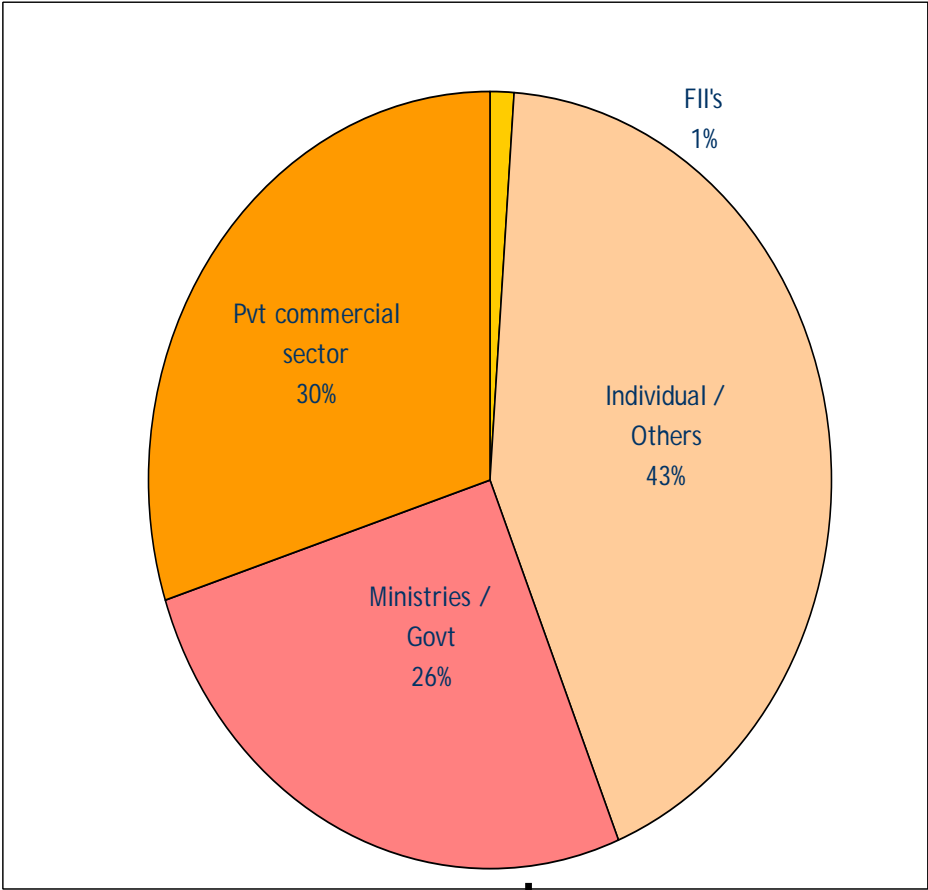
- International group include associate operations in India, Bahrain and Pakistan and gain from sale of HDFC bank investment.
- Share of losses from associates was US\$ 13.8 million in 2009.

# Loan and Deposit Portfolio Breakdown

## Loans and advances by segment



## Deposits by segment



As at Sep 30, 2009.



# 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)

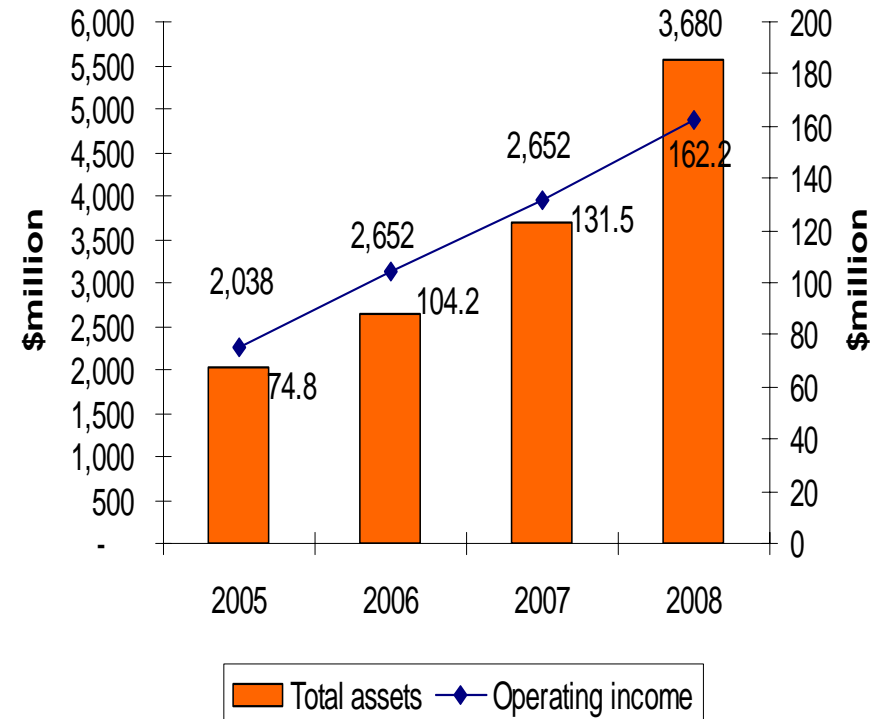
## Overview

- 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)

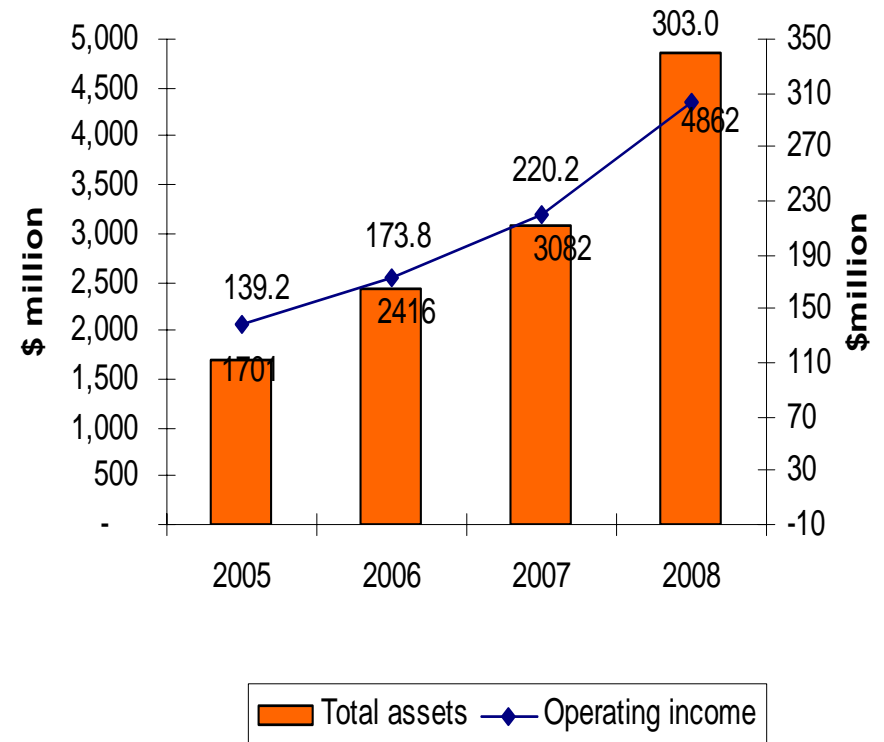
## Overview

- Over 858,807 customers – Sept 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

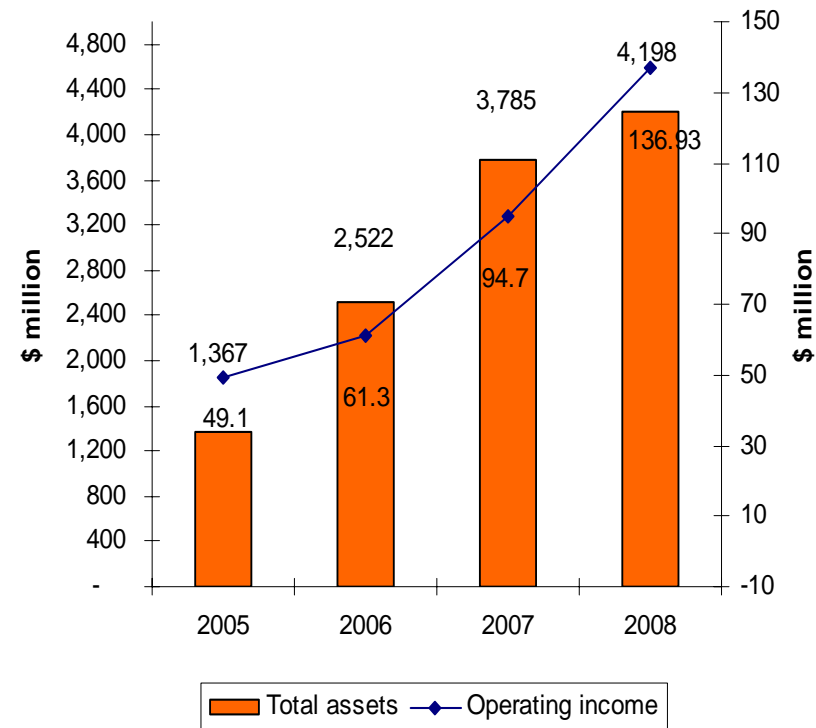
## Overview

- **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 Sept 30, 2009 – US\$ 1.4 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\$ 405 mn as on Sept 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

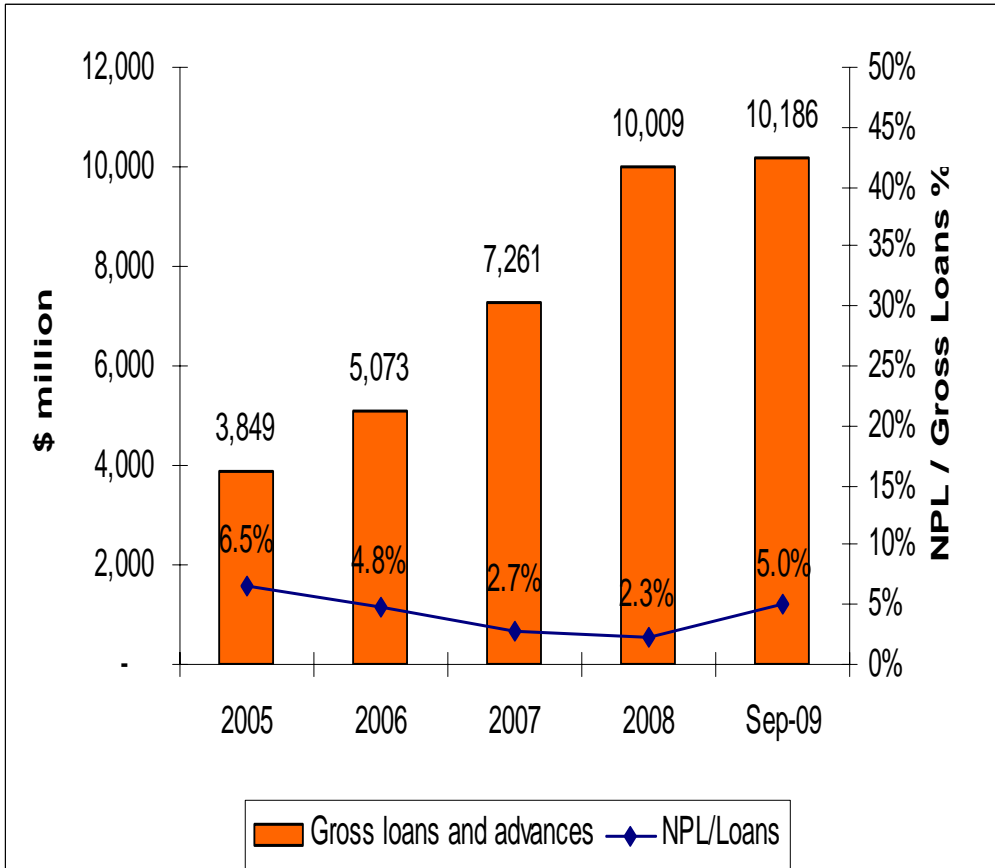
## ■ *Financial Performance and Capital*

# Financial Highlights – 9M-2009

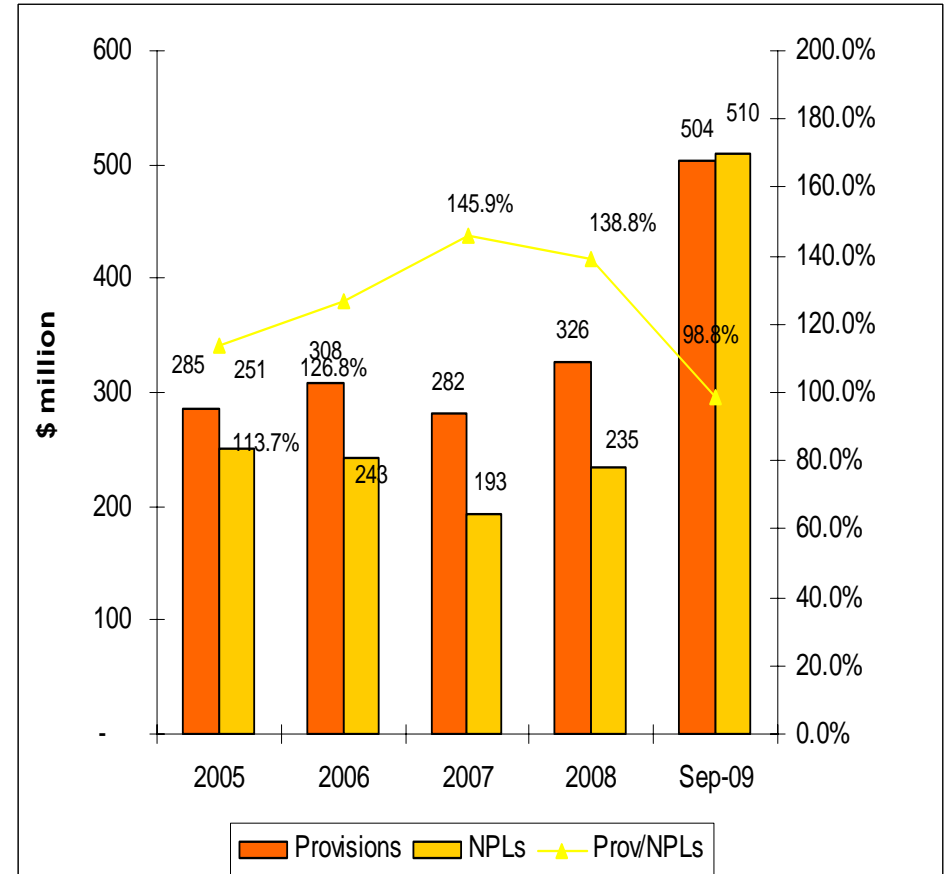
- Achieved a Net Profit of US\$ 209 mn, a decrease of 10.7% over Sep 2008
- Annualized Basic EPS of US\$ 0.195 for every US\$ 0.260 share of the Bank
- Annualized ROAE of 13.45%; Annualized ROAA of 1.5%
- Capital Adequacy Ratio of 14.92% (Basel II)
- Net Interest Income at US\$ 329 mn, higher by US\$ 30 mn (10%) over Sep 2008
- Revenue mix of (NII : Other income) 73% : 27% (excluding investment gain / losses)
- Cost to Income ratio of 37.1% (excluding investment gain / losses)
- Growth of US\$ 815 mn (8.7%) in Gross Loans over Sep 2008
- Growth of US\$ 1,167 mn (15.8%) in customer deposits over Sep 2008.
- Exceptional one time gain of US\$ 157 mn on account of sale of HDFC Bank shares in 2009.

# Loan Growth and Asset Quality

## Gross Loans and advances growth

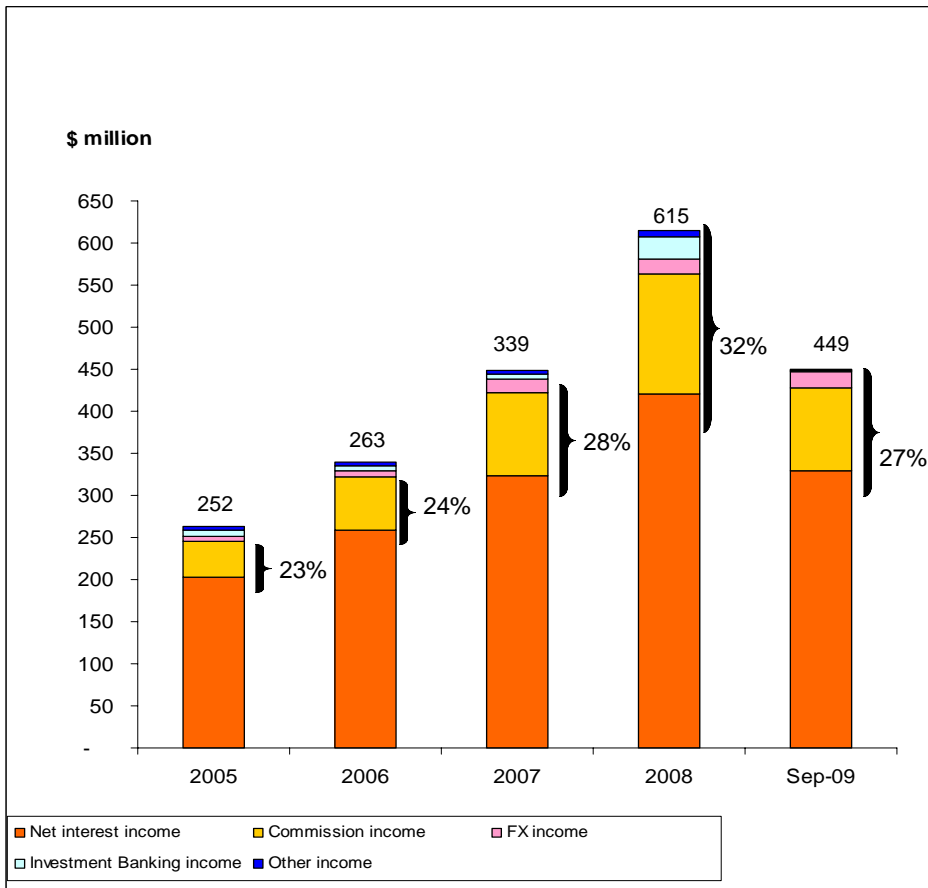


## Coverage ratios



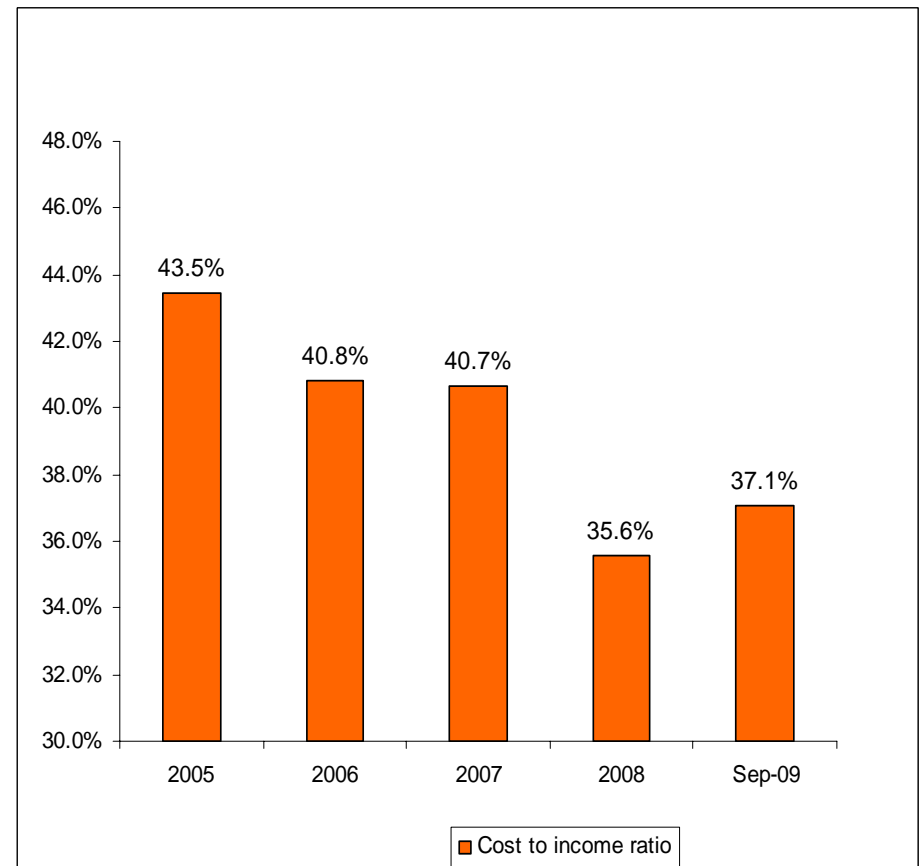
# Revenue and Cost Control

## Revenue growth



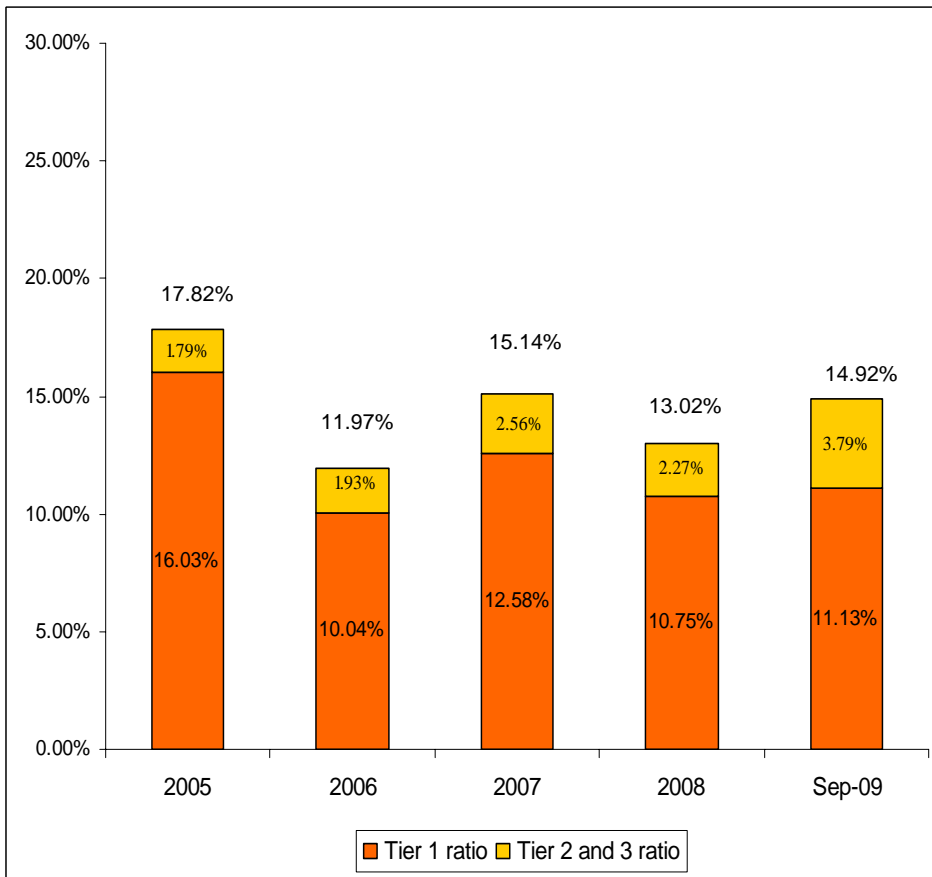
Excludes gain/ loss on investments in 9M-09

## Declining cost-income ratio

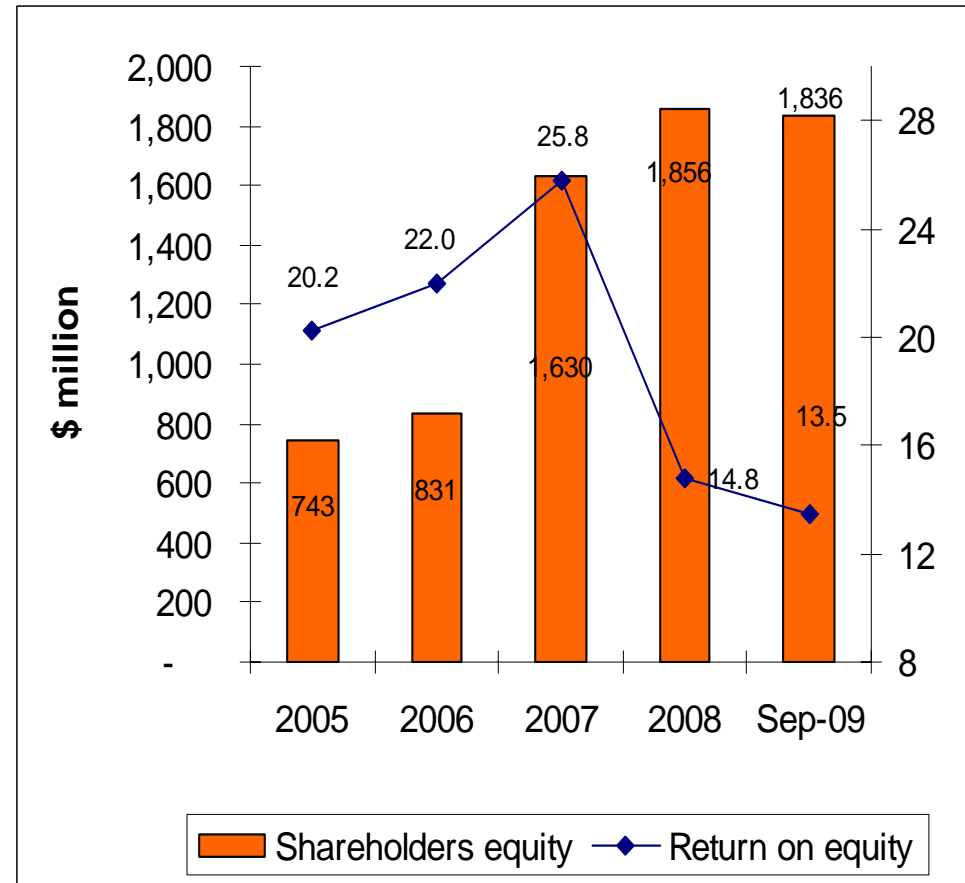


# Strong Capital Growth with Stable Returns

## 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-Sep-09	31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05
Cash and bank (incl. placements)	4,438	3,975	2,794	1,665	908
Loans and Advances	9,681	9,682	6,979	4,765	3,563
Non trading investments	417	983	308	698	360
Tangible fixed assets	58	57	50	30	28
Other assets (incl. invt in associates)	685	960	825	517	319
<b>Total assets</b>	<b>15,279</b>	<b>15,658</b>	<b>10,955</b>	<b>7,675</b>	<b>5,179</b>
Bank deposits / FRNs	3,463	3,959	2,013	1,218	393
Customer deposits (incl. Bonds & CDs)	8,709	8,544	6,211	4,942	3,605
Other liabilities	781	1,003	820	583	335
Subordinated debt	490	295	282	100	103
<b>Total liabilities</b>	<b>13,443</b>	<b>13,801</b>	<b>9,325</b>	<b>6,844</b>	<b>4,436</b>
Share capital and premium	1,063	1,063	1,063	423	403
Convertible bonds	84	-	-	-	-
Total reserves	313	313	256	221	215
Cumulative changes in fair value	10	180	27	3	3
Retained profits	367	301	284	185	122
Shareholders' equity	<b>1,836</b>	<b>1,856</b>	<b>1,630</b>	<b>831</b>	<b>743</b>
Total liabilities + shareholders's equity	<b>15,279</b>	<b>15,658</b>	<b>10,955</b>	<b>7,675</b>	<b>5,179</b>
<b>Key ratios</b>					
Loans and advances / customer deposit	111.2%	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)	21.1%	13.7%	14.7%	10.7%	12.2%
BIS total capital ratio	14.92%	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

<b>\$ (million)</b>	<b>30-Sep-09</b>	<b>31-Dec-08</b>	<b>31-Dec-07</b>	<b>31-Dec-06</b>	<b>31-Dec-05</b>
Net interest income	329.3	421.1	324.2	259.4	202.8
Other operating income	259.2	194.0	125.0	79.9	60.4
<b>Operating income</b>	<b>588.5</b>	<b>615.1</b>	<b>449.2</b>	<b>339.4</b>	<b>263.2</b>
Operating costs	(166.7)	(218.8)	(182.7)	(138.5)	(114.4)
	421.8	396.3	266.5	200.8	148.8
Recoveries from impairments	21.5	34.3	20.2	19.4	46.3
Credit loss impairments	(178.5)	(64.0)	(47.2)	(47.7)	(63.3)
Other impairments	(3.5)	(76.6)	-	(1.5)	(1.3)
Gain/(loss) from associates	(13.8)	(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)
<b>Profit before Tax</b>	<b>247.5</b>	<b>281.6</b>	<b>253.8</b>	<b>181.7</b>	<b>137.2</b>
Taxation	(38.6)	(38.1)	(34.9)	(24.7)	(19.2)
<b>Net Profit</b>	<b>208.9</b>	<b>243.5</b>	<b>218.8</b>	<b>157.0</b>	<b>118.0</b>
<b>Key ratios</b>					
Cost/income ratio	37.1%	35.6%	40.7%	40.8%	43.5%
Return on average assets	1.50%	1.83%	2.35%	2.44%	2.33%
Return on average equity	13.45%	14.80%	25.83%	21.95%	20.18%
Basic EPS (US\$)	0.195	0.226	0.234	0.171	0.151
Share price (US\$)	2.364	2.070	4.990	2.980	2.320

# Omani Banking Sector

## Local and specialised banks

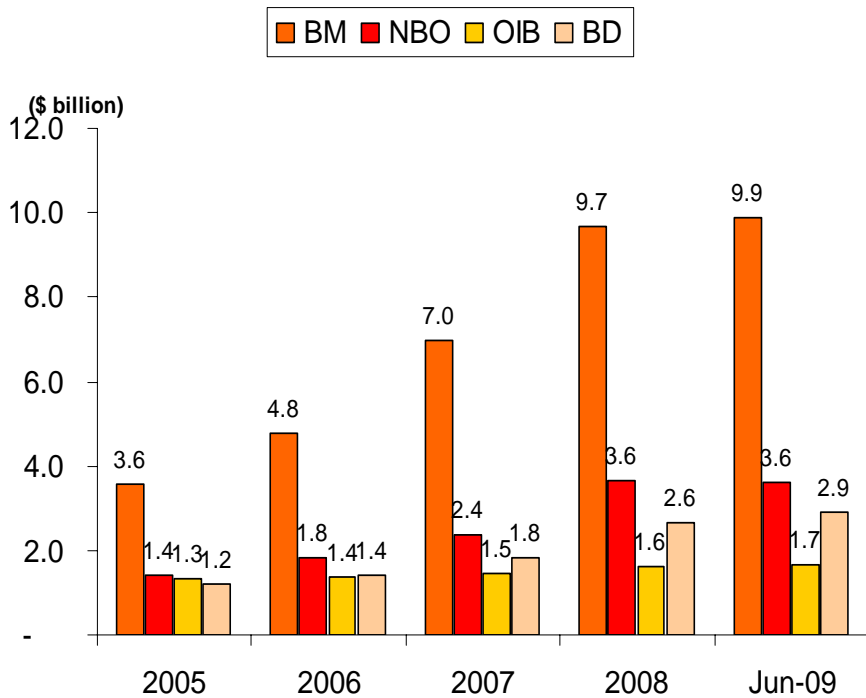
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. BankMuscat (BM)	122	1982
2. Oman Intl. Bank (OIB)	84	1979
3. Nat. Bank of Oman (NBO)	60	1973
4. Bank Dhofar (BD)	52	1990
5. Oman Arab Bank (OAB)	43	1973
6. Bank Sohar	13	2007
7. Ahli Bank	7	1998
	<hr/>	
	<b>381</b>	
1. Oman Development Bank	10	1977
2. Oman Housing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

## Foreign banks

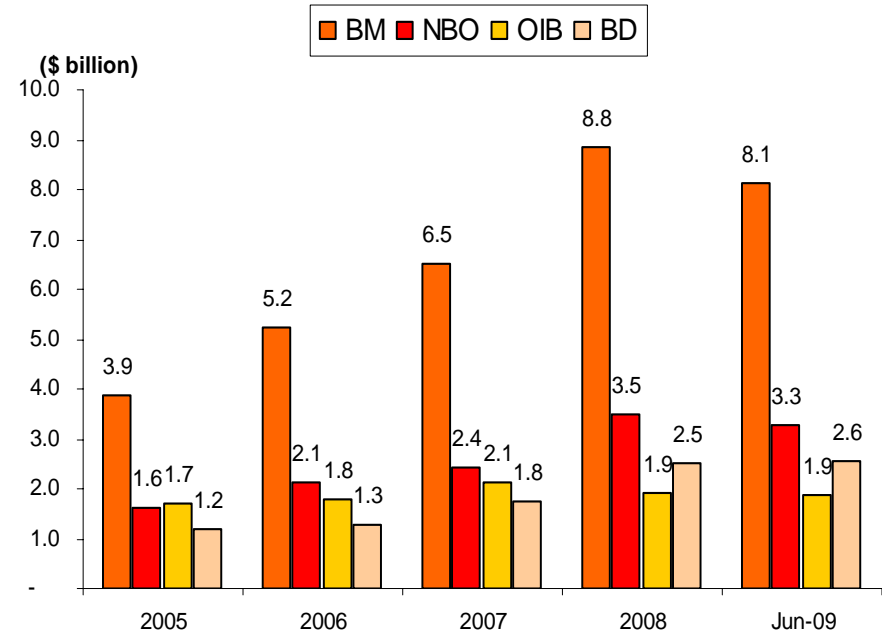
	<u>Branches (in Oman)</u>	<u>Est.</u>
1. Habib Bank	8	1972
2. HSBC	6	1948
3. Bank of Baroda	3	1976
4. Standard Chartered	1	1968
5. Bank Saderat Iran	1	1976
6. National Bank of Abu Dhabi	7	1976
7. Bank Melli Iran	1	1974
8. State Bank of India	1	2004
9. Bank of Beirut	2	2006
10. Qatar National Bank	1	2007

# Relative Loan and Deposit Volumes

## Net loans



## Total customer deposits & FRNs

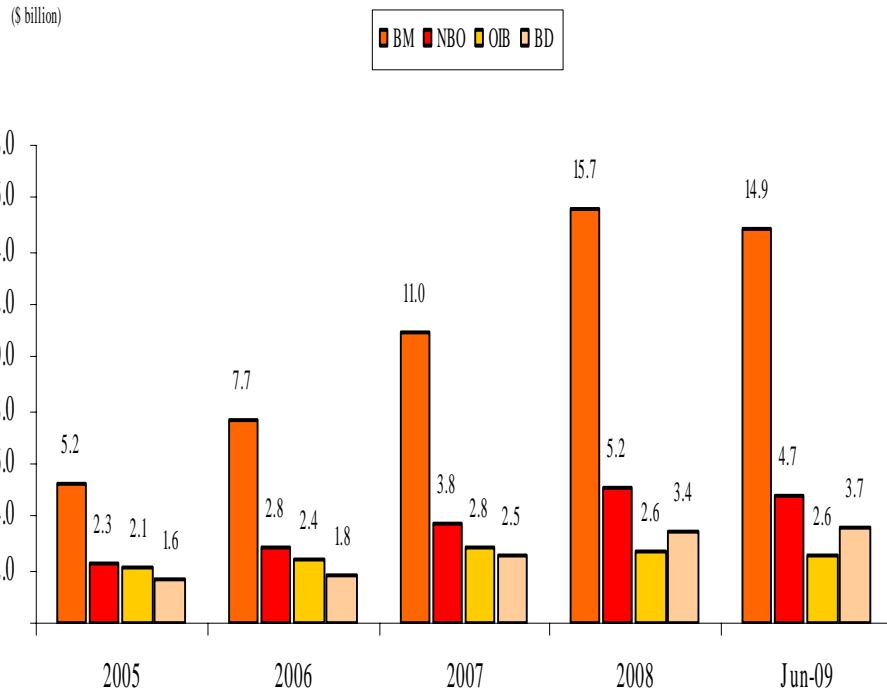


### BM market share

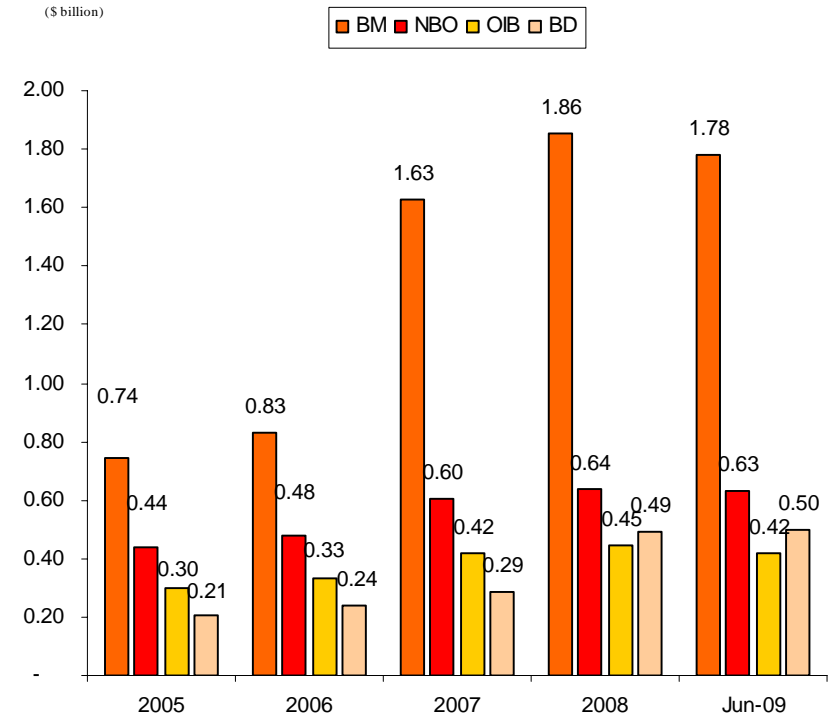
37%	42%	43%	40%	39.5%	35%	40%	36%	36%	35.2%
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# Relative Asset and Equity Bases

## Total assets



## Shareholders' equity



### BM market share

37%	42%	41%	42%	41.4%
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# BankMuscat Organisational Structure

