

PRESS RELEASE

National Bank of Oman **Unaudited 2009 Financial Results for the 9 months** **ending 30 September 2009** **Net interest income up 22% to RO 42.4 million**

National Bank of Oman (“NBO”, “the Bank”), the second largest private sector bank in Oman, announces its unaudited financial results for the nine months ended 30 September 2009. The Bank has delivered a solid earnings performance in 2009 with net profit at RO 19.6 million against a background of ongoing challenges in global financial markets.

Key financial highlights

- Net interest income up 22% to RO 42.4 million
- Net profit at RO 19.6 million
- Earnings per share of RO 0.024
- Customers’ loans grew 12% to RO 1.38 billion
- Customers’ deposits up 7% to RO 1.24 billion
- Shareholders’ equity stood at RO 249 million

Financial Performance

Mr. Omar Hussain Al Fardan, Chairman of the Board of Directors of NBO said, “NBO has produced solid results this quarter which reflect the Bank’s strong operating model and prudent policies. Oman’s economy remains stable and with continued projected growth, NBO is well positioned to take advantage of the anticipated upturn in economic activity across the Sultanate. We are grateful to the Government and the Central Bank of Oman for their continued support of the banking sector.”

Mr. Murray Sims, NBO’s Chief Executive Officer commented, “NBO’s results reflect the resilience of our business model and our stable financial profile. We will retain focus on our core business competencies, with continued vigilance in our approach to risk management whilst maintaining a strong capital base and well diversified sources of funding. Our solid underlying performance has been negatively impacted by factors relating to the global financial crisis and this has been primarily reflected in higher levels of recognized impairments on investments and our credit portfolios”.

Proactive balance sheet management resulted in an increase in Net interest income of 22% to RO 42.4 million. Net interest spreads have improved year on year from 3.09% as at 30 September 2008 to the current level of 3.18%. Going forward, the bank believes that this ratio will come under pressure but remains committed to optimizing interest returns at an appropriate level of risk.

Overall operating income was down by only 1% to RO 61.1 million as a result of a strong increase in Net interest income offset by lower new business volumes throughout 2009 with a commensurate reduction in fee related Other operating income.

Operating expenses increased by only 5% to RO 25.8 million compared with RO 24.6 million for the comparable period in 2008 despite opening 9 new branches and 23 new ATMs and rebranding our business. Costs continue to be tightly managed with a marginal increase in cost income ratio from 40% to 42%.

The Bank's net provisions for credit losses and investments were RO 13 million compared with a net recovery of RO 2.6 million in the nine months ended 30 September 2008. The rise in provisions is largely as a result of factors relating to the global financial crisis and reflects an impairment loss against the investment portfolio of RO 3.1 million, a higher provision against our lending portfolio of RO 10.4 million and provision against specific interbank exposures of RO 4 million. In addition our overall level of recoveries has fallen to RO 4.7 million from 12.9 million in the comparable period of 2008.

The net operating profit before provisions declined by 5% to RO 35.2 million reflecting the solid operating performance in the first nine months of 2009 but, after provisions, the net profit was reduced to RO 19.6 million. Total assets were RO 1.77 billion, 2% lower than RO 1.81 billion as at 30 September 2008 reflecting growth in customer lending of RO 147 million offset by falls in other asset categories.

Loans and advances to customers grew to RO 1.38 billion, up by 12% compared with RO 1.23 billion at 30 September 2008. The credit quality of the Bank's corporate and retail portfolios remained stable with non-performing loans, which amounted to RO 70 million, which are 100% covered by provisions.

The Bank's capital adequacy ratio was 15.5% at 30 September 2009 compared to 15% as at 30 June 2009. With market conditions stabilizing, the Bank's capital position will continue to be carefully managed and maintained well above the Central Bank's minimum required level of 10%.

Outlook

With increasing signs of stabilization in the global economy, Oman's economy remains resilient with good prospects for continued future growth. NBO has delivered a solid performance in the first nine months of the year with and maintains a cautiously optimistic outlook for the final quarter of 2009. The near-term focus will be to maintain steady and consistent progress with selective growth in lending. The Bank remains confident with the diversity of its asset portfolio and the level of provisioning already undertaken.

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Notes to Editors:

About NBO

NBO is the second largest commercial bank in Oman, by shareholders' equity and total assets which were RO 1.77 billion at 30 September 2009. As a full service commercial bank, NBO offers a complete range of corporate, retail, and investment banking. The Bank's country wide network includes 63 full service branches and 162 ATMs. In addition the bank operates 5 branches in Egypt and 1 in Abu Dhabi.