

PRESS RELEASE

National Bank of Oman

Financial Results for the year ended 31 December 2009

Strong net interest income growth, up 20%, to RO 56.8 million

National Bank of Oman (“NBO”, “the Bank”), a leading private sector bank in Oman, announces its financial results for the year ended 31 December 2009. The Bank has delivered a net profit at RO 26.1 million against a background of challenging market conditions.

These financial results are subject to approval by the Central Bank of Oman.

Key financial highlights

- Net interest income up 20% to RO 56.8 million
- Net profit at RO 26.1 million
- Earnings per share of RO 0.024
- Total assets down 9% to RO 1.8 billion
- Shareholders' equity was up 4% to RO 255 million

Financial Performance

Mr. Omar Hussain Al Fardan, Chairman of the Board of Directors of NBO said, “NBO’s operating income for this year was resilient reflecting 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 in 2010. 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. We 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 both the investment and credit portfolios”.

Proactive balance sheet management delivered an increase in Net interest income of 20% to RO 56.8 million. Net interest spreads have improved year on year to 3.24% in 2009 from 3.08% as at 31 December 2008. Going forward, the Bank remains committed to optimizing interest returns at an appropriate level of risk.

Operating income was down by 7% to RO 81.9 million due to a strong increase in Net interest income offset by lower new business volumes resulting in a reduction in fee

related other operating income. The 2008 results also included RO 6 million gain on sale of investments. When adjusted for this gain, operating income is flat year on year.

Operating expenses increased marginally by 3% to RO 34.8 million in 2009 compared with RO 33.9 million for the same period in 2008 despite opening 10 new branches, installing 25 new ATMs and rebranding the franchise. Costs continue to be tightly managed.

The Bank's net provisions for credit losses and investments were RO 17.1 million in the year ended 31 December 2009 compared with RO 2.6 million in 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 4.1 million, provisions against our lending portfolio of RO 15.5 million and provisions of RO 8.0 million against specific interbank exposures as previously advised to the market. In addition recoveries have fallen to RO 10.5 million from RO 16.6 million in the comparable period of 2008.

Net operating profit before provisions declined by 13% to RO 47.1 million reflecting the resilient operating performance in 2009 but, after provisions, the net profit was reduced to RO 26.1 million. Total assets of RO 1.8 billion at 31 December 2009 were 9% lower than RO 2.0 billion compared with the end of 2008 reflecting a decline in customer lending of RO 35 million and falls in cash and other asset balances.

Net loans and advances to customers dropped to RO 1.37 billion, down by 2.5% compared with RO 1.4 billion at 31 December 2008. The credit quality of the Bank's corporate and retail portfolios remained stable with non-performing loans, which amounted to RO 63 million, 100% covered by provisions.

The Bank's capital adequacy ratio was 16.47% at 31 December 2009 compared to 13.9% as at 31 December 2008. 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 globally, Oman's economy provides good prospects for future growth. NBO has delivered a resilient performance in 2009 and maintains a cautiously optimistic outlook for 2010. The Bank remains confident in the diversity and quality of its asset portfolio and will seek selective growth in lending in 2010.

About National Bank of Oman:

National Bank of Oman (NBO), the first local bank in the Sultanate of Oman, was founded in 1973 and is today one of the leading bank's in Oman.

The Bank serves its customers in Oman through 64 Branches (*including 2 Booths*) and 169 ATMs and CCDMs as well as 5 branches in Egypt and 1 in U.A.E.

26 January 2010