

Strong economic data



General Information

Form of state	USD71.8bn (World ranking 64, World Bank 2011)
Population	2.85 millions (World ranking 137, World Bank 2011)
Form of state	Monarchy
Head of government	Sultan and Prime Minister QABOOS bin Said Al-Said
Next elections	2015, legislative



Strengths

- Energy (oil and gas) resources.
- Substantial foreign asset base contributes to a net creditor position and largely mitigates transfer risk.
- Strong fiscal and current account surpluses.
- Despite some demonstrations early in the Arab Spring, the political leadership remains generally popular.
- Good international and regional relations.

Weaknesses

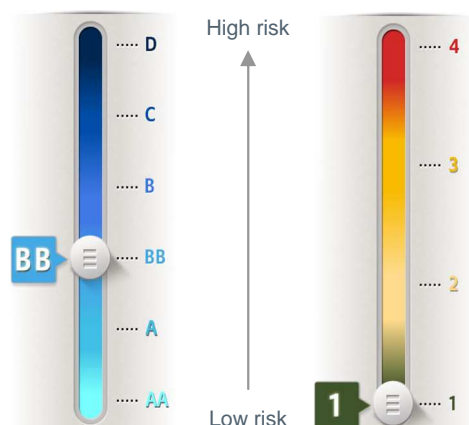
- Sultan Qaboos does not have an heir and the succession process is opaque.
- Dependence on oil and gas (80% of export earnings.)
- Proven oil reserves have a limited time horizon at current rates of extraction (17 years).
- Strategic importance (overlooking the Straits of Hormuz) entails risks of potential involvement in regional conflict (closeness to Iran).
- Expenditure on the military is one of the highest in the world.

Country Rating

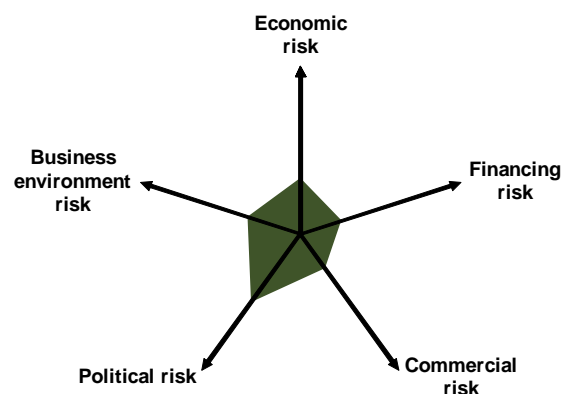
BB1

Country Grade

Country Risk Level

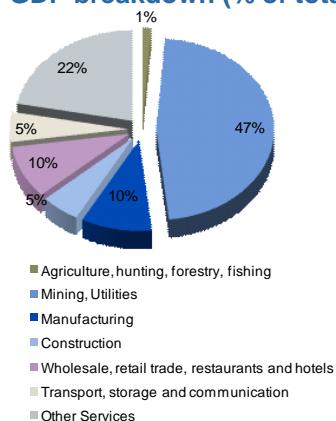


Risk Dimensions



Economic Structure

GDP breakdown (% of total, 2010)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

Trade structure (% of total, 2010)

By destination/origin

Exports	Rank	Imports		
China	30%	1	28%	United Arab Emirates
Korea, Republic of	11%	2	11%	Japan
United Arab Emirates	11%	3	6%	United States
Japan	10%	4	5%	India
India	9%	5	5%	Germany

By product

Exports (% of total)	Rank	Imports (% of total)		
Petroleum, petroleum products and related materials	66%	1	20%	Road vehicles
Gas, natural and manufactured	10%	2	8%	Iron and steel
Organic chemicals	2%	3	7%	Other industrial machinery and parts
Non-ferrous metals	2%	4	6%	Petroleum, petroleum products and related materials
Electrical machinery, apparatus and appliances, n.e.s.	2%	5	5%	Specialised machinery

Economic Forecasts

	Average 2000-08	2009	2010	2011	2012f	2013f	2014f
GDP growth (% change)	5.0	3.9	5.0	5.0	4.0	5.0	4.0
Inflation (% , end-year)	3.0	0.9	4.2	3.3	2.8	2.5	3.5
Fiscal balance (% of GDP)	10.9	-0.3	5.4	9.6	11.4	4.0	6.0
Public debt (% of GDP)	14.5	6.3	5.3	5.0	5.0	7.5	6.5
Current account (% of GDP)	10.3	-1.2	10.0	14.7	7.7	6.8	6.0
External debt (% of GDP)	19.5	21.7	17.7	16.0	18.4	16.9	17.5

Sources: IHS Global Insight, National sources, Euler Hermes

Economic Growth

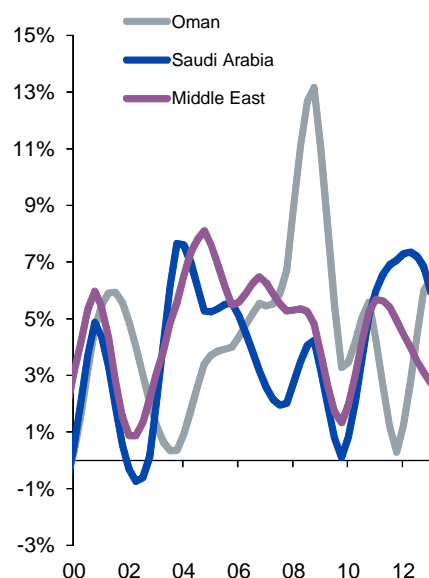
Growth rates remain buoyant

Growth of GDP was +4% in 2012, following two consecutive years of +5%. As with other GCC countries, Oman has boosted government spending to limit potential contagion from the Arab Spring. To date, this has been successful and the government sector and personal consumption have underpinned growth at a time when receipts from sales of oil and gas have also been supportive. The government's expansionary fiscal policy has been crucial in maintaining the strength of domestic demand and thereby supporting services and the non-hydrocarbon sector.

And are forecast to remain so

The government and security forces will continue to monitor closely for signs of dissent and fiscal (budget expenditures are projected to increase by 29% in 2013) and other spending will be used to appease the population. Financial strength will enable this to continue in 2013 and 2014, whatever the global environment.

GDP growth (y/y, 4 qtrs cumulated %)



Sources: IHS Global Insight, Euler Hermes

Economic Policies

Inflationary pressures to remain subdued

Despite price pressures resulting from heightened government spending and wage growth, which feed increased demand-driven inflation, consumers are somewhat protected through the use of subsidies. Overall, price pressures are likely to remain subdued, partly reflecting the use of these government subsidies to limit expectations of inflation and because the central bank is committed to maintaining the low-inflation environment through prudent monetary policy. Annual rates of inflation are unlikely to vary substantially from around 3%.

Surpluses in the fiscal accounts

In 2012, it is estimated that net oil revenues (receipts after transfers to the oil savings fund) increased by over 21%. This resulted from high energy prices and output gains. Moreover, revenues from natural gas increased more rapidly (37%). Higher net receipts allowed ample scope to increase spending without compromising the fiscal balance. Indeed, the gross fiscal surplus (before transfers to the oil account) was over 11% in 2012. The surplus is forecast to diminish in 2013 and 2014 as state expenditures remain high, with surpluses of 4% and 5.5% now forecast for 2013 and 2014, respectively.

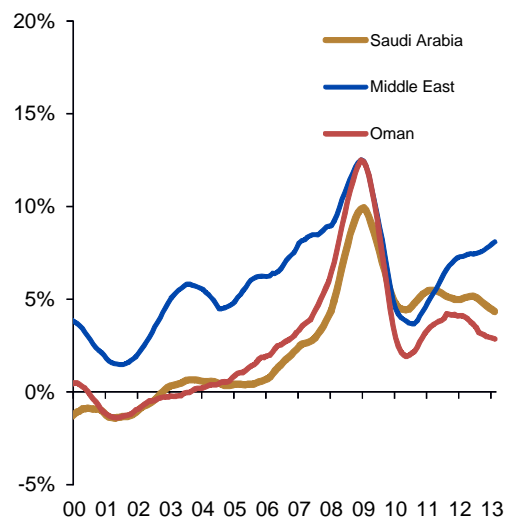
Public debt is low and manageable

General government debt-GDP ratios are low (5% in 2012 and unlikely to increase in 2013 and 2014 to the extent where servicing that debt is a concern). Indeed, debt ratios are low relative to most economies and have declined from almost 30% of GDP in 2000.

Other policies

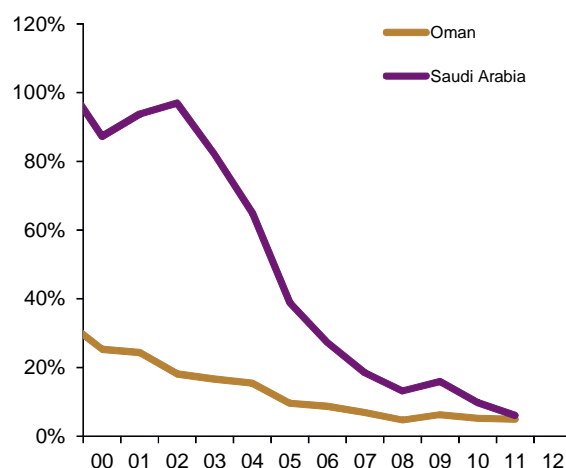
Demonstrations and protests (largely peaceful) in 2011 as part of the Arab Spring spurred the government to increase its policy of Omanisation, which aims to boost job prospects for the local workforce at the expense of expatriate labour. This may increase business costs, weaken labour productivity and deter some inward investment but not to a marked degree.

Inflation rate (%)



Sources: IHS Global Insight, Euler Hermes

General government gross debt (% of GDP)



Sources: IHS Global Insight, Euler Hermes

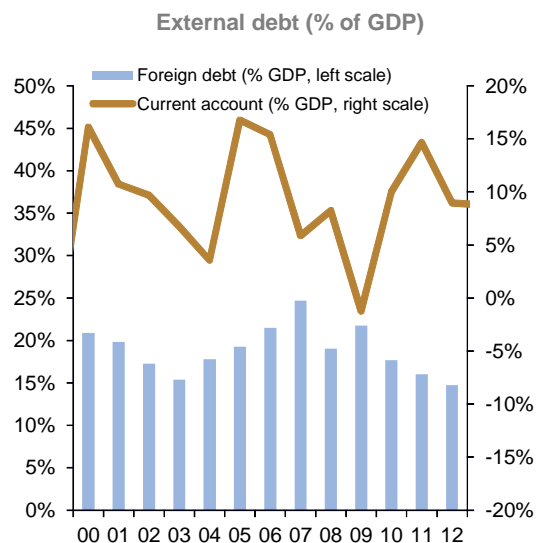
External Sector

Strong current account surpluses and low external debt ratios

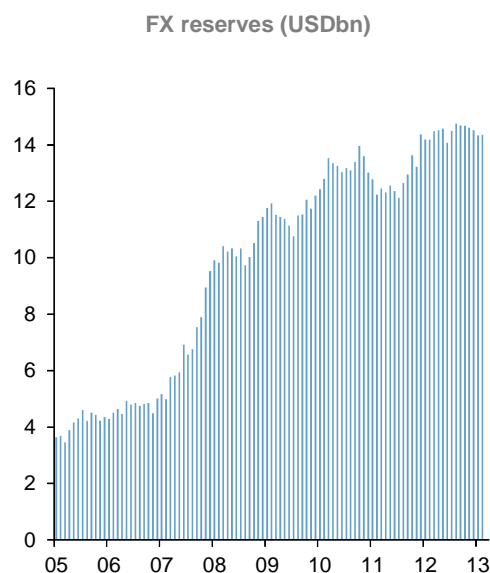
The current account surplus is estimated to have fallen in 2012, but still to register 7.7% of GDP. External accounts will remain positive in 2013 and 2014, although surpluses are forecast to reduce further, partly reflecting a higher import bill because of increased consumption and partly because oil prices may be under downward pressure. Annual current account surpluses are not forecast to fall below 5% of GDP. Oman's foreign debt stock, ratios and servicing of existing obligations are forecast to remain low.

Foreign exchange reserves provide support

Official foreign exchange reserves (excluding gold) at over USD14 billion provide import cover of 5.5 months. Moreover, the country has an oil stabilisation fund and a sovereign wealth fund to call on, in need. However, it appears unlikely that access to these funds will be required to maintain liquidity. In the next two years, FX reserves will continue to provide ample import cover.



Sources: IHS Global Insight, Euler Hermes



Sources: IHS Global Insight, Euler Hermes

DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

Cautionary Note Regarding Forward-Looking Statements: Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.