

## **CHAIRMAN'S REPORT ON THE PERFORMANCE OF OMINVEST**

***For the Three Month Period Ended 31 March 2015***

On behalf of the Board of Directors, I am pleased to present the unaudited results of the Group for the three month period ended 31 March 2015. Ominvest delivered healthy performance for the first quarter of 2015, both at the Group and Parent level.

### **Update on Ominvest Merger Plans with ONIC**

Ominvest also made good progress regarding its merger plans with ONIC. Both the companies have been evaluating the viability of the merger since July 2014. On 19<sup>th</sup> April 2015, the Boards of Ominvest and ONIC concluded that the findings of the merger due diligence were quite satisfactory and supported the case for the merger. As a result, the Boards approved the merger proposal. The companies are now moving forward with the merger process to present the merger proposal to the Regulators and Shareholders for review and approval.

We believe that the merger will create significant value for the companies' Shareholders and other key Stakeholders. In particular, the merger will create value in the following key areas:

- Stronger and diversified shareholding base, which will include: Al Hilal Investment Company, Oman Investment Fund, Civil Services Pension Fund and Orix Corporation of Japan;
- The merged entity will be in a much stronger position to continue to provide financial and strategic support to its major holdings including, Oman Arab Bank, National Life & General Insurance Company and other Associates;
- Substantial interests in the financial sector including banks, insurance and leasing sectors and a diversified investment portfolio across key growth sectors in Oman and the region;
- Better positioning to attract foreign investments in Oman via Joint Ventures;
- Growth in the market share and profitability of the merged entity;
- Economies of scale, lower overall risk and higher quality of earnings;
- Much stronger balance sheet and lower funding costs;
- Larger and stronger management teams capable of taking the merged entity to higher levels of achievements;
- Merged entity will have a larger market cap, bigger stock float, increased liquidity and interest from local and int'l investors;
- The above developments will help improve valuations for the merged entity, thereby increasing value for the shareholders.

### **Group Level Performance**

During the first quarter of 2015, total revenues rose by 17% to RO 22.76m and net profit grew by 13% to RO 8.84m, over the same period in 2014. Ominvest's share of the Group net profits stood at RO 5.66m, compared to RO 4.46m, a growth of 27% over the same period in 2014. The increase in net profits was attributable to the share of profit from Ominvest's long-held banking subsidiary Oman Arab Bank and the three associate companies. Total Shareholders' Equity attributable to the shareholders of the Parent Company increased by 5% to RO 129m from RO 123m at 31 March 2014.

### **Parent Company Performance**

During the first quarter of 2015, total revenues rose by 41% to RO 10.76m and net profit rose by 37% to RO 9.89m, over the same period in 2014. The increase in profit was mainly due to significant increase in dividend income from large equity investments that Ominvest made during the fourth quarter of 2014. Investment Income from our equity portfolio amounted to RO 2.47m compared to RO 1.05m in 2014. The Investment Income comprised cash and stock dividends and market gains.

Cash dividend and fees received from Oman Arab Bank rose by 19.7% to RO 7.1m compared to RO 5.93m, over the same period in 2014. Total assets increased by 26% to RO 113m compared to RO 90m at 31 March 2014. Shareholders' Equity of the Parent Company stood at RO 60m compared to RO 61m at 31 March 2014.

### **Oman Arab Bank**

Oman Arab Bank, our banking subsidiary, reported a profit of RO 6.5m for the three month period ended 31 March 2015 compared to RO 6.9m for the same period of previous year. Loans and advances increased by 18% to RO 1.37bn compared to RO 1.13bn at 31 March 2014. Customers' deposits rose by 27% to RO 1.58bn compared to RO 1.25bn at 31 March 2014. The Bank's shareholders' funds increased by 6% to RO 205m compared with RO 194m at 31 March 2014.


### **Associate companies**

Associates performed well during the period. Share of profits from associates was RO 426k compared to RO 411k in 2014, a growth of 3.6%.

### **Future Outlook**

With a decline of roughly 50% in the oil prices over the last 9 months, the regional economic outlook has become challenging. However, Omani and the other GCC governments have responded prudently by stepping up their spending plans to avoid any slowdown in economic growth. These initiatives also bode well for the private sector. Ominvest is well positioned to respond to attractive investment and growth opportunities that normally arise during such difficult times. The outlook for Ominvest for the year 2015 remains healthy.

We join the whole nation in celebrating the safe return of our beloved leader His Majesty Sultan Qaboos and we all pray for His Majesty's full recovery to great health.



Khalid Muhammad Al Zubair  
Chairman