

## DIRECTORS' REPORT

*For the Period ended 31 March 2016*

### **Dear Shareholders:**

On behalf of the Board of Directors, it's my pleasure to present to you the unaudited results of the Group for the period ended 31 March 2016. Although, there has been a slight recovery in oil prices over the past 2-3 months, the macroeconomic environment in Oman remains challenging. The 2016 budget has been projected at OMR 3.3 billion (based on oil prices of US\$45 per barrel). Due to lower oil prices, there has been a reduction of liquidity in the local / regional financial markets. Despite continuous difficult market conditions, OMINVEST delivered healthy performance for the period and also achieved some major milestones to position your company for greater success for the years ahead.

In the following sections, we have elaborated on OMINVEST's financial performance, major business initiatives and its future strategic direction.

### **Group Consolidated Performance:**

During the first quarter of 2016, total Group revenues rose by 112% to RO 55.78m and Group net profit grew by 9% to RO 9.6m, over the same period in 2015. OMINVEST's share of the Group net profits stood at RO 7.1m, compared to RO 5.7m, a growth of 25% over the same period in 2015. The increase in net profits was attributable to the share of profits from our subsidiaries: Oman Arab Bank (OAB), National Life & General Insurance (NLG) and Oman National Investment Corporation (ONIC) and from our 11 associate companies. From a financial reporting and performance evaluation perspective, you would note that OMINVEST's Group Consolidated Financials will provide you a much better reflection of the company's overall performance. However, in compliance with the directives of Capital Market Authority, we will continue to report our performance at the Parent level.

### **Parent Company Performance:**

During the first quarter of 2016, total revenues rose by 37% to RO 9.3m and net profit by 29% to RO 7.3m, over the same period in 2015. The increase in the Parent-Level net profit was mainly due to the application of equity accounting on our investment in subsidiaries and associates in the separate financial statements based on recently revised International Accounting Standards. As of 31 March 2016, total assets of the Parent Company increased by 209% to RO 346.8m compared to RO 112.6m at 31 March 2015. Similarly, shareholders' equity of the Parent Company rose to RO 209.4m compared to RO 60m at 31 March 2015.



## **Our Subsidiaries:**

Oman Arab Bank (OAB), our banking subsidiary, reported a profit of RO 5.2m for the period ended 31 March 2016 compared to RO 6.5m for the same period in 2015. In terms of expanding the business, OAB increased its Loans & Advances by 20% to RO 1.65bn compared to RO 1.37bn at 31 March 2015. Customers' deposits rose by 5% to RO 1.66bn compared to RO 1.58bn at 31 March 2015. The Shareholders' funds increased by 6% to RO 219m compared to RO 206m as at 31 March 2015. While the Bank's profit growth has slowed in this challenging environment, we remain confident about its long-term growth prospects. OAB has a strong balance sheet, an established brand, committed shareholders, well-anchored and growing market position. We are optimistic that OAB will continue to deliver robust and steady performance, over the long term.

National Life & General Insurance Company (NLG), our subsidiary in the insurance sector, reported a net insurance premium of RO 13.7m compared to RO 8.9m for the same period in 2015, a growth of 54%, signifying the underlying growth in the broader insurance sector and more importantly major gains in NLG's market share. For the first quarter of 2016, NLG reported net profit of RO 0.54m compared to RO 0.68m for the same period of last year, a decline by -21%. We believe that NLG's growth prospects are strong and its recurring revenues from insurance business are stable and on a clear growth trend. NLG is already in a leading position in the Omani insurance market and growing fast in the UAE. We expect the growth momentum to accelerate in the years to follow.

Oman National Investment Corporation SAOC (ONIC), our subsidiary in managing all financial investments of OMINVEST across private equity, public equity, fixed income and other structured investments, reported a net profit of RO 3.8m for the period ended 31 March 2016. This profit was mainly due to the dividend income received from ONIC's private and public portfolio. We expect ONIC to further enhance and diversify their investment income.

In addition, OMINVEST has created a new real estate subsidiary – Oman Real Estate Investment Services "ORIS" to carry out all our real estate activities including investments, advisory and project management.

## **Our Associates:**

During the first quarter of 2016, our share of profit in the associate companies rose to RO 2.06m compared to RO 0.43m, a growth of 376%. Now, OMINVEST has 11 Associate companies up from 3 Associates as of 31 March 2015. We expect to further broaden our portfolio of Associate companies to enhance and diversify our income sources – ensuring steady profitability over the long term.

### **Strategic updates:**

OMINVEST, together with its strategic partners Oman Investment Fund and Arab Bank (Switzerland) Ltd., has entered into a Memorandum of Understanding (MOU) with Oman Arab Bank SAOC (OAB), to acquire OAB's Investment Banking Business. The deal is subject to satisfactory due diligence and necessary approvals from the Regulators.

### **Future Outlook:**

OMINVEST has been prudent and pro-active in managing its financial and business affairs. As a result, OMINVEST is well positioned to manage its day-to-day affairs and also seize attractive business and investment opportunities across various segments.

We are confident that OMINVEST will play a key role in Oman's economic growth, create job opportunities for Omani nationals, help businesses grow and attract investments to our country.

### **Acknowledgements:**

We would like to thank our shareholders and partners for their continued support and trust. We would also like to thank the management team and all our employees for their hard work and commitment.

We also take this opportunity to sincerely thank the leadership in Capital Market Authority and Ministry of Commerce and Industry and Muscat Securities Market for their guidance and supportive measures to strengthen the financial market.

We are profoundly thankful to His Majesty Sultan Qaboos for his great vision and wise leadership for the steady growth, stability and enduring prosperity of our great country.



**Khalid Muhammad Al Zubair**  
**Chairman**