

PERFORMANCE PAR EXCELLENCE

OMINVEST Group has delivered a robust operational and financial performance during the first three quarters of 2020 despite the challenges presented by COVID-19, says AbdulAziz Mohammed Al Balushi, Group CEO, Oman International Development and Investment Company (OMINVEST) in an interview with Mayank Singh

How has OMINVEST Group's financial performance been during the first three quarters of this year?

Despite the challenging business and economic conditions, OMINVEST achieved a healthy performance both at the Group and parent levels and I would like to give the credit for this to the effective stewardship of our Board of Directors and the management team.

Let me share with you some highlights of our performance. The successful completion of the merger between Oman Arab Bank (OAB) and Alizz Islamic Bank (Alizz) was one of the most remarkable transactions during the first half of 2020 and a landmark deal in Oman's banking sector. Jabreen Capital sold 6.74 per cent of treasury shares at a premium of 11 per cent compared to its market price and made new investments in its school platform. International General Insurance (IGI), an associate of ours in the insurance sector, got listed on Nasdaq in March 2020.

As a parent company, during the period ended September 30, 2020, our total revenues rose by 23 per cent to RO48.9mn and net profit increased by 25 per cent to RO32.5mn, over the same period in 2019. As at September

30, 2020, total assets of the parent company stood at RO631mn compared to RO601mn as at December 31, 2019. As for the Group's consolidated performance, the net profit attributed to OMINVEST's shareholders increased by 30 per cent to RO28.6mn from RO22.1mn, over same period in 2019.

Our healthy performance was the result of a number of strategic steps that we undertook. We improved our liquidity position and worked hard on the transaction between OAB and Alizz, which proved to be beneficial for all our stakeholders.

The merger of Oman Arab Bank and Alizz Islamic Bank was one of the major transactions completed during the first half of the year. Can you share the rationale behind the merger and what kind of synergies does it unlock?

We at OMINVEST would not like to take all the credit for this merger. We are grateful to the regulators; namely, the Central Bank of Oman and the Capital Market Authority for their guidance and support. This was a one of its kind merger in Oman and the regulators extended their wholehearted support to the transaction. I would also like to thank

the Chairmen of Oman Arab Bank and Alizz Islamic Bank and their management teams. The Board and the Chairman of OMINVEST have also supported us all the way through the transaction.

Let me share some details of the transaction - the merger has resulted in OAB becoming the parent entity and transforming into an SAOG as a listed entity on Muscat Security Market. Alizz has become a wholly-owned Islamic subsidiary of OAB and transformed into an SAOC. OAB injected capital to restore the capital base of Alizz, and transferred its Islamic window (Al Yusr) to Alizz, hence strengthening and scaling up its Islamic banking business.

OMINVEST sold 11.76 per cent stake in OAB to Arab Bank plc at a valuation of 1.3x the book value as of March 31, 2020. We diluted our share in OAB to 31.6 per cent enabling Arab Bank to acquire a 49 per cent stake in the merged entity. As a result OAB has become an associate of OMINVEST. Our role as a strategic financial partner is to support OAB in the areas of corporate governance, shareholder alignment, co-ordination with regulators and business development in the local market. We plan to deploy



the proceeds from the sale to other high-quality investments to further diversify our portfolio, and look at new acquisitions.

One of the primary drivers of the merger was the vision to create a strong bank which has a conventional banking license and a full-fledged Islamic banking license. This is a great asset in terms of growing the bank in the future. When OMINVEST got involved, we looked at the potential synergies that the merger could unlock, and were confident that a successful transaction will prove to be beneficial for all stakeholders. Alizz gets additional help from OAB,

which is a larger bank apart from the support from Arab Bank of Jordan. For example, as a result of the merger Alizz capital base grew from RO70mn to RO100mn.

The merger is a resounding vote of confidence for the country. A foreign shareholder injecting capital into an Omani bank during a difficult economic environment underscores the strength and potential of the country. It also shows that systems and structures within the government and our organisation are working well.

From a sectoral point of view,

the merger of OAB and Alizz is a milestone. Greater consolidation in Oman's banking industry can lead to multiple advantages like enhancing the stability of the sector, helping its growth and greater competitiveness against larger regional peers.

Despite being a challenging year in terms of business, the merger progressed well due to the pragmatic and forward-thinking leadership at the Central Bank of Oman and Capital Market Authority. Overall, the merger is a model for how partnerships between the government and the private sector can work wonders.

Thus, this transaction is a unique M&A as it has led to value creation, enabled growth opportunities for people, and benefitted the banking sector along with the country.

How has the COVID-19 pandemic affected OMINVEST Group and what measures have you taken to ensure business continuity and sustained growth?

Given the ongoing challenges, OMINVEST Group, its subsidiaries and associate companies have been focused on ensuring the safety and wellbeing of their staff and serving the needs of their customers and stakeholders with greater efficiency. As a responsible group, OMINVEST has been diligent in its response to COVID-19. Proper health and safety measures; and remote and office-work protocols were immediately put in place throughout all group subsidiaries to make sure employees' safety, work productivity, and business continuity are maintained. Comprehensive awareness-raising efforts have been led by the HR department to make sure our staff members in all group subsidiaries refer to the right sources of information, and communicate accurate messages to their families as well. We understand the importance of preserving the livelihoods of people during such unprecedented times and have made sure that we retain all our staff. On the operational side, we have put in a lot of effort towards digitalisation, and moving ahead with this will enhance our productivity, reduce operating costs, and improve both our topline and bottom-line.

In what ways has OMINVEST contributed towards Oman's efforts in combating the pandemic?

As a proactive corporate citizen and in light of our responsibility towards the safety of our community, we made various contributions to The Endowment Fund for supporting Oman's health services. OMINVEST was the first to contribute RO500,000 to the Fund. In addition, our Subsidiaries and Associate companies contributed the total of RO1.85mn towards this national noble cause.

With that, OMINVEST's share of contribution at the Group Level amounted to RO1.1mn.

What are your plans for OMINVEST in the years ahead?

We are working on a plan for the next five years to take us to the next level of growth. Given our strong cash position and low debt to equity profile, we are actively seeking growth investment opportunities to further diversify our revenue sources. Such investments will be channelised only in areas where we have a core competence.

Looking ahead, we are sharpening our focus and intensifying our efforts to realize multiple objectives such as optimising our current portfolios to ensure highest returns on our invested capital, boosting our liquidity position further, and enhancing operational efficiencies and synergies among our portfolio companies. We are also pursuing revenue growth and profit diversification by undertaking large-scale strategic investment opportunities and private equity investments in growth sectors and markets, and supporting our portfolio companies to build fee-based income streams. In addition, we are also building capabilities through our technology platforms, which will be supporting our other businesses in their technology initiatives to become more efficient.

As a responsible corporate citizen, we are looking at becoming an impactful player in the areas of ESG (Environmental, Social and Corporate Governance).

The Sultanate celebrated Omani Women's Day in October and women's empowerment is an important national objective. In what ways is OMINVEST promoting women empowerment within the Group?

For us, empowering people is part of our DNA. We do not differentiate between people based on gender, nationality or colour; thus treating everyone equally. At the moment around 43 per cent of our employees

are women, out of which 83 per cent are Omanis. Several key functions at OMINVEST like board secretary, nomination & remuneration executive committee secretary; legal and compliance; risk management; corporate communications; social impact, and economic impact are held by women. We have recruited new women staff members this year and 65 per cent of the interns hired were women. OMINVEST has always invested in women empowerment. Proper career planning has been in place for all, and well-performing staff members have achieved significant career development and growth. Ensuring equal opportunities is at the heart of our culture at OMINVEST.

Do you foresee an economic recovery in 2021 or a continued downturn till 2022?

The macroeconomic global environment remains a concern area. The government is doing an exemplary job of facing the ongoing challenges and seeing that the effects of the fallout are contained. Moving ahead, things are going to be difficult as oil prices are low and the global economy is not fully functional. The economy will be helped by the austerity measures undertaken by the government such as implementing Value added Tax (VAT) of five per cent effective April 2021, which is expected to generate an extra income of RO0.5bn. Through the fiscal discipline and rationalisation of spending programmes, the government will be able to reduce the deficits and the debt burden while boosting confidence in the financial system and the economy.

In addition, a series of measures have been initiated to address various challenges like the recently unveiled Medium-Term Fiscal Plan 2020-2024. Liquidity of almost all banks has increased during Q3 of this year and this is a good sign. I believe that in every challenge there lies an opportunity, so while we need to be cautious we do not need to be pessimistic. Green shoots of a recovery are firmly in place and I am confident that Oman will grow from strength to strength from here on. **OER**