

MANAGEMENT ***D***ISCUSSION ***A***ND ***A***NALYSIS ***R***EPORT

For the Year ended 31 December 2022

1. Company Overview:

Oman International Development and Investment Company SAOG (ominvest) is one of the oldest, largest and most successful investment firms in the region. Founded in 1983, it has been consistently profitable and has an enviable track record of uninterrupted dividend payments to its shareholders. ominvest has long owned high-quality assets producing healthy cash flows. Listed on the Muscat Stock Exchange, ominvest serves over two thousand shareholders. The Company is led by a visionary board and a capable management team – dedicated to enhancing value for all stakeholders.

2. Business Model and Investment Philosophy:

ominvest is a long-term value investor seeking to achieve capital preservation and high-risk adjusted investment returns. Our investment philosophy involves investing in high-quality, sustainable businesses with a robust governance framework that can withstand economic downturns. We maintain a high level of valuation discipline and have successfully diversified our investments across companies, sectors, and geographies, with a focus on the financial services sector. We have always supported our Omani strategic investments to enable their growth and success. Our strong financial position and discipline allow us to take advantage of opportunities during market downturns and exit at the right time with attractive valuations.

We emphasise that the companies we invest in are simply as good as their management, which is why we invest alongside into smart management teams that demonstrate a high level of integrity and competence. We provide full autonomy and flexibility to the management teams of our portfolio companies and support them in achieving their full potential by providing strategic direction and an additional layer of competency.

While our strategic investments in the financial services sector provide us with steady cash flows in the long term, we also make opportunistic private equity investments in Oman, GCC, and Southeast Asia. These are medium-term investments in high-growth sectors such as education, healthcare, logistics, technology, and consumer durables. Our focus is on high-growth markets with a rising GDP, attractive demographics, and markets with sound regulatory frameworks. Through our offices in Singapore and DIFC, our Private Equity & Investment Banking team are also building assets under management with a focus on generating fee income and creating valuable platforms. As of now, we have assets under management of public and private investments of around USD 2.1 billion, which is a testament to the trust placed in our platform by third-party investors. We have an ambitious growth plan and are moving forward swiftly.

As part of our diversification and liquidity management strategy, we have also made a sizeable allocation to global capital markets with the objective of building high-quality multi-asset and multi-strategy portfolios. This initiative will enhance our profits, cash flows, and overall liquidity position.

ominvest today serves as a catalyst for creating scalable platforms. We are not content to rest on our past and present successes. The world is changing rapidly, and with it, the way business is conducted. At ominvest, our core success has always been our ability to recognise trends and apply flexibility to the way we do business. We believe focused diversification is essential in managing the concentration risks associated with significant investments in a single company or sector. This is why we have worked hard to actively diversify our portfolio. We are pleased to report that we have reduced our concentration in the banking sector, which comprised 97% of our group assets in 2014, compared to 27% currently. Furthermore, 44% of our group's consolidated assets are now located outside of Oman, compared to less than 1% in 2014. This is due to our new international investments and our affiliated companies in Oman becoming regional players.

That is why we are looking positively into the future. Today, ominvest is not only investing its own capital but also attracting third parties to join us in achieving new heights. This new era is about embracing future trends and leveraging our adaptability to change.

ominvest's track record is demonstrated through its solid growth in assets; steady increase in its share price; and a history of uninterrupted dividends to shareholders since inception. Our subsidiaries and associates comprise of companies with leading market shares in their respective sectors. Our job is to support them by carrying out value enhancing initiatives such as growth capital, consolidation through mergers and acquisitions and expansion in international markets.

3. Key Developments during 2022:

During 2022, ominvest continued to deliver strong results amid a challenging economic environment. Specifically, we achieved the following milestones:

A. National Life & General Insurance Company SAOG (National Life), our subsidiary in the insurance sector, completed the RSA Middle East transaction during July 2022, which was executed in two parts:

Purchasing 50.00002% shareholding in RSA Middle East from Sun Alliance Insurance Overseas LTD (SAIO), a fully owned entity of Royal & Sun Alliance Insurance Limited; and

Exchanging the remaining shares of RSA Middle East, owned by reputable Saudi shareholders, with newly issued NLGIC's shares.

RSA Middle East has more than 60 years of history and is a leading provider of property and casualty insurance in the Middle East, offering solutions for commercial and retail clients, across a range of product lines that include motor, property, medical, SME as well as tailored solutions for large corporates.

The transaction has created a diversified multi-line insurance brand across the GCC, supported by a diverse set of shareholders, wider scale and best-in-class service standards. It will add significant value to all stakeholders and result in key benefits, such as a robust and strong regional presence, the use of top-notch technologies and complimentary offerings to fuel growth. The transaction will help NLGIC to expand its customer reach

in the region and bring together potential synergies between both the companies in terms of resources and technologies. The transaction also resulted in bringing new reputable Saudi shareholders to Muscat Stock Exchange (MSX). Post issue of shares, ominvest continues to be the majority shareholder with a controlling interest.

Following the acquisition, RSA ME is now a wholly owned subsidiary of National Life. RSA ME continues to hold a majority shareholding in Al Alamiya for Cooperative Insurance Company in the Kingdom of Saudi Arabia and in Al Ahlia Insurance Company SAOG in the Sultanate of Oman, in addition to having full ownership of its operations in the Kingdom of Bahrain and the United Arab Emirates. Recently, National Life also acquired the remaining 47.5% shareholding in Al Ahlia Insurance Company SAOG, making it a fully owned subsidiary. These transactions mark the start of a new era for National Life, bringing together best-in-class international solutions and expertise for both commercial and retail clients with an already established Medical and Life regional player.

- B. During the year, the Group has reassessed its accounting classification of 9.99% shareholding in Bank Muscat SAOG. Accordingly, the investment in Bank Muscat SAOG has been classified from 'Investment in Associate' to 'Investment at fair value through other comprehensive income'. The net reclassification gain at the consolidated level has been calculated in accordance with the requirement of International Financial Reporting Standards and amounted to RO 41.6m.
- C. During the year, the Group acquired an additional 31.6% stake in Takaful Oman Insurance SAOG (Takaful Oman), increasing its stake to 56.12%. As a result, the Group acquired control over Takaful Oman and the investment was reclassified from an associate to a subsidiary.
- D. During the year the Group acquired a 60% stake in National Security Services Group LLC (NSSG). Resultantly, the Group acquired control over NSSG and the investment was accounted for as a subsidiary. This investment is the first investment in the technology sector.
- E. With 100% occupancy at the ominvest Business Centre, ORIS has been focusing on the re-opening of the 18-hole golf course at Muscat Hills, acquired in October 2021. Since acquisition, the golf course has opened first Top Tracer range in Oman and is in the process of reopening all 18 holes.

Parallely, ORIS has been working on a mixed used development “La Vie” within Muscat Hills consisting of an 80-key boutique hotel, 100 service apartments, 22 apartments and 8 villas. The construction is set to start by 2nd quarter of 2023 and will be completed by 3rd quarter of 2025. In addition, ORIS continues to provide project management services to all group companies.

During 2022, the initiatives outlined above further strengthened ominvest as a highly robust institutional investor while putting in place a recurring income stream for the years ahead.

4. Key Performance Indicators:

Our focus remains on delivering superior and sustainable returns to our shareholders over the long term. This can be measured by:

Dividend Distribution: Since its inception, ominvest has a track record of distributing an uninterrupted stream of dividends to its shareholders. For 2022, considering the Company's strong performance, financial and liquidity position, the Board has proposed a 105% dividend as follows:

15% cash dividend: 15 bz per share amounting to **RO 10,025,481**.

90% perpetual bonds: one perpetual bond of RO 1 to be issued for 11.11 ordinary shares of 100bz held. Total perpetual bonds to be issued by the company will amount to **RO 60,158,904**. These bonds will be listed on the Muscat Stock exchange and will carry an annual coupon of 5.25% and would form part of the Company's equity. These bonds will not have a fixed maturity date, however they may be callable at par at the option of the Company after 5 years from the date of issuance.

ominvest's existing 7.75% perpetual bonds amounting to RO 60.6 million have a first call date in June 2023. The new 5.25% perpetual bonds issued as a dividend will replace the existing 7.75% perpetual bonds on the call date thereby keeping the equity intact.

Other indicators: Average Return on Equity for 2022 of 22%; Debt / Equity remained at 0.88; and we continued to drive operational efficiencies by maintaining a low cost / income ratio.

5. Internal Controls

ominvest has a well-established and robust internal controls system, which is commensurate with the nature of its business, size, scale and the complexity of its operations. The Company's business is conducted within a regulated controlled framework, underpinned by a delegation of authority manual, company policies and procedures.

The Board has established a management structure which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. The Board of Directors of ominvest plays an active role in policy formulation and in ensuring that a system of Internal Controls provides reasonable assurance of effective operations, internal financial controls, and compliance with the applicable Laws and Regulations. The Audit, Compliance and Risk Committee periodically reviews the adequacy and effectiveness of internal control systems and provides guidance for further strengthening them.

The business performance of the Company is monitored regularly by the Management and the Board. Performance trends, actual performance against budgets and prior periods and forecasts are closely monitored. Company financials are prepared using appropriate accounting policies fully in compliance with IFRS.

6. Risk Management

ominvest has established a robust risk management framework based on the ‘three lines of defence’ model and a risk culture that is integrated into the overall business process and decision making. There is also a dedicated Risk Management department that independently monitors the risk universe to provide risk assurance and advisory.

ominvest is cognizant of the risks associated with its business activities and takes proactive action to remediate and manage risks. For example, through its Board participation in investee companies, ominvest is able to proactively manage investment risks.

ominvest recognises that funding and liquidity are essential to sustaining its business operations and manages this by ensuring adequate funding arrangements are in place with multiple lenders and by carefully managing its assets and liabilities maturity profile.

ominvest manages its interest rate risk by negotiating fixed rates and hedging where appropriate, in addition to maintaining a well-diversified borrowings profile with a well-balanced assets and liabilities maturity profile.

Regular risk updates and assurances are provided to the Audit, Compliance and Risk Committee, as part of a robust risk governance structure and process.

AbdulAziz Mohammed Al Balushi

Group CEO