

Management Discussion and Analysis Report

INTRODUCTION:

This discussion provides the Company's current financial position & operational results for the year ended 31/12/2022 compared to the previous year(s). This report also contains the outlook based on prevailing macroeconomic conditions & views of the management. This discussion, supplements the financial statement exhibits, schedules and disclosures in the 2022 annual report. The Executive Management always endeavors through its efforts to provide quality service and enhance the pleasant customer experience, and thus distribute sustainable cash dividends to shareholders.

FINANCIAL POSITION AS AT 31st DECEMBER 2022:

Management's focus is always on a conservative approach coupled with sustainability & sound financial stability of the Company. Following are the indicators of the soundness of the financial position of the Company as at 31st December 2022.

- Total assets of the Company stood at RO. 108.58 Million as at 31st December 2022.
- Shareholders' equity amounted to RO. 30.16 Million as at 31st December 2022.

OPERATING PERFORMANCE FOR THE YEAR 2022: -

Performance of Insurance Operations: -

Fierce competition in the market across all lines of business and hardening reinsurance market conditions globally, kept the margins under pressure. Despite that, company had managed reasonably to maintain the results, by applying selective & conservative underwriting policy. The outcome of the actions is detailed below:-

| Description | 2022 | 2021 | 2020 |
|--------------------------------------|------------|------------|------------|
| Gross Written Premium (GWP) | 32,186,813 | 30,458,362 | 30,908,180 |
| Gross Underwriting results | 3,996,145 | 6,230,926 | 7,906,824 |
| Gross Underwriting result Margin (%) | 12% | 20% | 26% |

The results have been under pressure due to increased motor claims in 2022 in comparison to 2021 & 2020 where Covid-19 lockdowns were favorable for the company. Our reinsurance program was strong enough to protect the company resulting in minimal impact.

Performance of Investment Operations: -

In compliance with the Investment of the assets of Insurance and Takaful Insurance companies Regulation issued by the Capital Market Authority, the Company's funds stay invested in well-diversified classes of assets and high-quality liquid investments based on the operational liquidity requirements.

Company's overall investment & other income is detailed below:-

| Description | 2022 | 2021 | 2020 |
|---|-----------|-----------|-------------|
| Net Interest Income | 2,637,205 | 2,860,563 | 2,752,034 |
| Dividend Income | 245,382 | 125,374 | 596,328 |
| Profit on sale of investments | 393,785 | 173,097 | 101,552 |
| Other income | 421,257 | 656,396 | 116,963 |
| Rental income | 166,784 | 200,457 | 249,185 |
| Change in market value of FVTPL investments | 379,837 | (100,422) | (1,076,833) |
| Impairment on AFS investments | (49,083) | (109,686) | (266,952) |
| Net Investment Income | 4,195,167 | 3,805,779 | 2,472,277 |

The schedule below demonstrates the details of investment portfolio of the Company for the years 2020 to 2022.

| Description | 2022 | | 2021 | | 2020 | |
|--------------------------------------|------------|-------|------------|-------|------------|-------|
| | RO. | % | RO. | % | RO. | % |
| Fixed income Investments | 55,360,690 | 86.28 | 58,475,407 | 91.75 | 60,226,819 | 90.31 |
| Investment in Equities | 6,112,758 | 9.53 | 2,488,297 | 3.90 | 3,600,534 | 5.40 |
| Investment in Immovable properties | 2,020,658 | 3.15 | 2,076,364 | 3.25 | 2,142,352 | 3.21 |
| Immovable properties (Self occupied) | 668,163 | 1.04 | 691,520 | 1.09 | 719,146 | 1.07 |
| Total | 64,162,269 | 100 | 63,731,588 | 100 | 66,688,851 | 100 |

- We are cautiously optimistic about the local equity market and accordingly, we strategized to shift from fixed income investments into the local equity market in a phased manner.

CONTINGENCY RESERVE:

As per Oman insurance companies' law, insurance companies have to appropriate a certain calculated amount, as contingency reserve to strengthen the Company's balance sheet, from its retained earnings until the reserves equal the Company's paid-up capital. Accordingly, the Company has reached the minimum limit of RO 10 Million (i.e. equivalent to the Company's paid-up capital). Thereby, there may not be any more appropriation unless & until the Company's paid-up capital increases from the present level. This reserve is part of Shareholders' equity.

SURPLUS OF SOLVENCY MARGIN:

The surplus of solvency margin as per the newly implemented Risk Based Capital Model by the insurance regulator Capital Market Authority (Insurance Division) as at 31st

December 2022 works-out to be RO. 20 Million. This reflects the ability of the company to meet its long-term financial obligations.

NET PROFIT:

Despite fierce competition, the company has performed reasonably well. The net profit of the company is detailed below: -

| Description | 2022 | 2021 | 2020 |
|---|------------------|-------------------|-------------------|
| Gross insurance operations results | 3,996,145 | 6,230,926 | 7,906,824 |
| Net investment & other income | 4,195,167 | 3,805,779 | 2,472,277 |
| Gross combined operational results | 8,191,312 | 10,036,705 | 10,379,101 |
| Management expenses (including bad debts provision) | (5,108,518) | (5,366,046) | (5,157,546) |
| Profit before income tax provision | 3,082,794 | 4,670,659 | 5,221,555 |
| Income tax provision | (324,934) | (710,849) | (967,228) |
| Net profit after income tax | 2,757,860 | 3,959,810 | 4,254,327 |

OUTLOOK & STRATEGY:-

Insurance operations:-

We shall continue our conservative approach in the core insurance business by adopting a very selective underwriting strategy and focusing on profitable business. We assume that mandatory health insurance scheme for the employees of the private sector and residing in the Sultanate (Dhamani) would be implemented in 2023 which would contribute to enhanced growth. Notwithstanding the severe competition, our company still stands as one of the premier insurance companies in Sultanate of Oman. The commitment to the 'vision and mission' continues to guide us to enhance our shareholders' value and earn our customers' loyalty and trust.

With effect from 2023, the implementation of IFRS-17, would change the reporting & reserving methodology for the insurance companies worldwide.

Investment operations:-

We continue our cautious optimism about the local equity market and accordingly, we expect to continue to shift from fixed income investments into the local equity market in a phased manner. By this approach, we will be diluting the investments from fixed income securities to the equity investments in a gradual manner.

With effect from 2023, the implementation of IFRS-9, would change the reporting & provisioning policy of the company for the financial assets.

Acknowledgements: -

Finally, I would like to thank Almighty Allah for another successful year under the challenging circumstances. On behalf of the management team, I wish to express my profound gratitude to the Board of Directors for their unstinted support over the years and contribute to the company’s growth. I also thank our stakeholders, namely shareholders, employees, customers, brokers, agents and reinsurers, for their continuous support during this challenging year.

Our special thanks and appreciation to **CMA (regulator of the insurance industry)**, various other ministries, and Government of the Sultanate departments for their unflinching support.

Lastly, our sincere thanks and gratitude to **His Majesty Sultan Haitham bin Tariq** for his wise leadership and we all pray to Almighty Allah to shower him with blessings, keep him in good health, and give him long life.

Thank you and God bless us all.