

Directors' Report for the first half 2025

July 28th 2025

Dear Shareholders,

On behalf of the Board of Directors of Arabia Falcon Insurance SAOG, I have the pleasure of presenting to you the financial results of the company for the first half ending June 30, 2025.

Business overview

The macroeconomic outlook has improved driven by stable oil prices and improvement in government finances, accordingly; the insurance sector started to show improvement in 2025 in terms of higher insurance premium and better profitability compared with the same period last year.

The insurance sector is expected to continue growing during the year driven by the growth in Life insurance. However, the growth in claims may continue as well in 2025, especially in the Motor insurance segment. For the company, Motor results are expected to improve in the second half of the year as measures are implemented to control claims while growing premium to reach a more controlled and sustainable profitability level.

During the first half of 2025, the insurance industry observed a growth in premiums compared to the same period of last year. The total premium underwritten by the insurance companies was up by 7% to RO 317 million in the first six months of 2025 against RO 295 million in the same period last year (*source: Financial Services Authority portal*).

Income and Technical Results

Gross written Premium increased by 5% from RO 16.160 million in Q2 2024 to RO 17.026 million in Q2 2025.

Net insurance service results inclusive of net insurance finance expenses declined by 11% from RO 209K in Q2 2024 to 187k in Q2 2025.

Investment income increased by 32% from RO 1.061 million in Q2 2024 to RO 1.399 million in Q2 2025 primarily driven by the increase in the size of the investment portfolio due to active working capital management and by the increase in the yield on equity and bond portfolios.

d) The net profit for the first six months was RO 1.053 million compared with RO 0.814 million in the same period previous year, an increase of 29%.

- e) The shareholder's Equity was RO 22.122 million on June 30th, 2025, compared with RO 20.981 million on June 30th, 2024.
- f) Dividends of 10 Baiza per share totaling RO 1.033 million approved by the AGM on March 27th, 2025, and paid in April 2025.

Outlook for 2025

Overall, this year is expected to be challenging in terms of the increase in reported Motor claims and promising in terms of growth in Life business and profitability. During the past few years, management has taken necessary measures to tackle the increase in motor claims and has been reviewing the pricing to bring the claim ratio to acceptable levels. Property and casualty are expected to continue in steady growth and profitability.

The Management is committed to grow both insurance revenues and investment income and keep control over technical and operating expenses with the main objective of delivering higher profit at year-end.

The company remains committed to its digital transformation strategy, through significant investments planned in this year to enhance market leadership, digitalization and service excellence.

Acknowledgements

I would like to take this opportunity to extend my best wishes to His Majesty Sultan Haitham bin Tariq bin Taimur for continued success in leading Oman toward greater development and prosperity. We would like to thank the Financial Service Authority and all Regulatory bodies for their continuous guidance and support.

On behalf of the Board of Directors, I would also like to thank the management team and all the employees of the company.

We sincerely thank our shareholders for their continued confidence and trust in the company and its board and for their support over the years.

For & on behalf of the Board of Directors of

Arabia Falcon Insurance SAOG

H.H Sayyida Meyyan bint Shihab bin Tariq Al Said

Chairperson of the Board of Directors