



**BOARD OF DIRECTORS REPORT
ON THE AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31st DECEMBER 2017**

Dear Shareholders,

After Compliments,

I am pleased to present on behalf of the Board of Directors of Muscat Insurance Company SAOG (formerly Muscat National Holding Company SAOG) Annual Report on the Company's activities and the audited financial statements for the year ended 31st December 2017.

Implementation of the merger:

The Board of Directors is pleased to present the report of the company's Board following the implementation of merger amongst the Group companies and change the activity of the company from the activity of a holding company and investment to insurance business for both classes, general insurance and life assurance, as per the approval of the Extraordinary General Assembly held on 27th July 2017. The company's conditions were stabilized successfully as we managed to obtain all necessary licenses and approvals from the concerned authorities.

General Overview of the Business Environment:

The overall business environment for 2017 in the Sultanate has remained stable with the Insurance Industry continuing to grow on back of motor and health insurance, though market conditions remained highly competitive. The investment sector remained bearish on the back of the decline in the oil sector which reflected into the performance of both the local & global markets. Pursuant to the prospects, the oil prices are expected to recover comparatively during 2018. This matter encourages the focus on the profitable sectors.

Business Results

The Gross Premiums increased by 26% to OMR 18.706 Million from OMR 14.892 Million in 2016.

On the General insurance side, the gross written premium was OMR 17.368 Million in 2017 as compared to OMR 13.590 Million last year, because of the impressive growth of 28% mainly due to the impressive growth in motor premiums. On the Life insurance side gross written premium was OMR 1.338 Million as compared to OMR 1.302 Million last year, increase of 3%.

Our underwriting results improved by 18% to OMR 3.390 Million from OMR 2.868 Million in 2016.



Building construction project

The Board of Directors is pleased to inform the Company's shareholders that the Company's real estate investment project is continuously and periodically monitored to complete construction of the building on time. The project is expected to be completed by the end of the third quarter of this year. A real estate agent was hired to start the marketing process in order to achieve an investment return that would benefit the shareholders and the company.

The Future Outlook

The decline in the crude oil price had added temporary uncertainty to the market. However, economy is expected to remain steady in 2018. The Company continues its plan to increase the bottom line through strategic planning and diversification plans of the executive management.

Corporate Governance

The Company continues to implement the code of Corporate Governance as required by the Laws and Regulations of the Capital Market Authority and other regulatory authorities. The Company maintains a high standard of compliance and best practice as required by the Code of Corporate Governance and the Company's Corporate Governance policies.

During the year, a Directors and Officers Liability Policy was underwritten covering the company Directors' & Officers at cost of OMR 2,756.

Human Resources

The company adopts the encouragement of national cadres and sustains its survival in all areas of the company's activities. The company provides internal training to meet the needs of Omani employees, motivate and increase the participation of employees in various activities at the head office and branch network. The Board of Directors is keen to encourage the national cadres. I am honoured to inform the shareholders that the Omanization rate in 21 branches of the company is 100%. This is in addition to the company's commitment to work together with the Capital Market Authority and the Ministry of Manpower to contain the proposed number of job seekers in accordance with the directives of the Council of Ministers.

Internal Control Systems

The Company, through its Audit Committee reviews the adequacy, effectiveness and compliances of the internal control procedures. Further, internal auditors and external auditors submit their reports with their observations and recommendations for enhancement of the existing internal control systems. Management reviews those recommendations and takes all necessary steps for continuous improvement.



The company has put in place the infrastructure in terms of the qualitative manpower and facilities in terms of branch expansion for the profitable growth and this will continue in 2018 with our focus on profitability and provision of the best insurance products. Accordingly, General and Administrative Expenses are at OMR 2.930 Million compared to OMR 2.598 Million for the same period in 2016, increase of 12.8%.

The investment result recorded decline to reach OMR 1.083 Million for 2017 compared to OMR 1.273 in 2016. This was due to the unrealized loss on local equity as the downward trend continues on the Muscat Securities Market

The realised investment income was OMR 1.184 Million compared to OMR 888K in 2016 and unrealised loss on investments was OMR 101K compared to unrealised gain of OMR 384K in 2016, mainly due to the unrealized loss of the local equity portfolio in line with the trend in Muscat Securities Market.

In light of the good performance the Board of Directors is pleased to report the net profit after tax is OMR1.508 Million for 2017, compared to OMR 1.339 Million in 2016.

Dividend

The Board of Directors has proposed a cash dividend in respect of the year 2017 of 5% (0.50 Baiza) per share amounting to OMR 500,002.100 (Rial Omani Five Hundred Thousand and Two and Baiza 100/1000)

The Board of Directors further proposes a stock dividend @ 5% of the paid up capital of the Company.

The Company adopts a prudent dividend policy however the dividend distributions are subject to the approval of the shareholders at the Annual General Meeting.

The amount of dividend distributed in the past five years is as follows:-

Year	2012	2013	2014	2015	2016
Cash Dividend	-	-	5%	5%	10%
Bonus shares	-	-	-	-	100%



Corporate Social Responsibility

The Board of Directors approves the Capital Market Authority's initiative on corporate social responsibility. From the Board of Directors' belief in the need to promote social contribution, the Company's General Meeting has approved payment of RO 5,000 for social welfare programs. The Board of Directors proposes to the Annual General Meeting to allocate RO 10,000 for the Company's Corporate Social Responsibility with regard to the Company's Social Responsibility Initiative Plan 2018.

Acknowledgement

The Board of Directors conveys its thanks to our Customers, Reinsurers, Bankers and Shareholders for their continued and ongoing support.

The Board of Directors especially appreciates the continued support and determined efforts made by the Management and Staff of the Company.

On behalf of the Board, I would like to take this opportunity to express our most humble gratitude and loyalty to His Majesty Sultan Qaboos bin Said for the continued peace and stability, which His Majesty's reign has brought us. We also wish His Majesty the strength and good health to allow him to continue to lead us on an enlightened path to future prosperity and development for Oman and its people.

For and on behalf of the Board of Directors,



Aimen Bin Ahmed Al Hosni
Chairman

