MANAGEMENT DISCUSSION

AND ANALYSIS REPORT

1. Statement of the main objects and business of the issuer.

The main activity of the company is general insurance, life assurance and medical insurance business. In this report, we are dealing with the results of the financial year ending of 31 December 2021 and the vision of the company's future in light of management trends, taking into account the nature of the market and economic conditions, which affect the company's activity. We also take into consideration, the nature of the risk, which makes this report and the data contained therein is complementary to the financial statements for the year 2021.

2. Methods through which the company achieves its business and development proposal.

Insurance Operations:

Due to the growing competition within the Omani market and the large number of local and international insurance companies, the company maintained its profitable growth rate as per the approved plans for realizing steady annual profitability. However, the company recorded slightly decrease in the total premiums written by 18% to reach OMR 13.81 million compared to OMR 16.82 million for the same period last year.

The company's business reduced the written premiums in (Non-Motor) that recorded OMR 6.52 million in 2021 compared to OMR 6.95 million at the end of 2020, and decrease in (Motor) insurance premiums that recorded OMR 4.03 million in 2021 against OMR 5.82 million in 2020.

Despite harder competition and to comply with the company strategy of maintaining technical reserves against high trend of claim ratio to absorb the impact of market conditions, the total underwriting results decreased by 23% to record OMR 2.55 million compared to OMR 3.30 million for the same period last year.

The company's stable policy with international reinsurance companies reflects the confidence of reinsurers in the company's corporate skills and ability to evaluate risks. It gives the company an advantage as a result of strict underwriting systems that enabled it to maintain a reasonable loss rate in all classes of insurance.

Investment Operations:

Investment income recorded an increase of 146% to register OMR 1.58 million for 2021 compared to OMR 640K for 2020 an increase of OMR 936K, mainly due to the unrealized gain on local equity portfolio by OMR 494K in 2021 against the unrealized loss of OMR 736K in 2020.

Investment Type	2021		2020		2019	
	OMR	%	OMR	%	OMR	%
Bank deposits	8,255,000	35	9,155,000	37	9,905,000	38
Securities	4,280,948	18	3,696,624	15	4,328,386	16
Bonds	2,255,336	9	2,265,836	9	2,276,336	9
Investment Property	9,254,558	38	9,421,278	38	9,896,926	37
Total	**24,045,842**	**100**	**24,538,738**	**100**	**26,406,648**	**100**
-	-	-	-	-	-	

*Investment property is recognized in the financial statements by its actual cost value after depreciation.

The Company's Financial Position according to the Insurance Companies Law:

Contingency Provision:

The company has established a contingency provision to strengthen its financial position through the formation of this provision from profits, in accordance with the provisions of

the Insurance Companies Law. The deduction of this provision stops when it reaches an amount equaling the paid share capital.

Contingency reserve	OMR
Contingency reserve 2021	3.175 million

Solvency Margin:

The management paid attention to empowering the company's financial position and financial capacity in order to meet its financial obligations.

Company's Financial Solvency Margin	OMR
Financial Solvency Margin of 2021	1.3 million

The General and Administrative Expenses:

The General and Administrative Expenses decreased by 8% to OMR 2.885 million in 2021 compared to OMR 3.125 million in 2020. The main reason for this decrease is due to reduction in salaries and related costs of employees.

3. Explanation of investment opportunities and obstacles.

The real estate investment project of Muscat Insurance Company has been an important addition to the company's assets. This investment project reinforces the expected return on investments.

The market risks involved in both Oman and the global markets are the main factors that the company takes into account when assessing investment opportunities and performance of investments.

4. Analysis of issuer's products

The company is an insurance company that implements multiple classes of insurance, general insurance, life assurance & medical insurance. The company has a variety of insurance policies that meet the needs of the customers and is working on developing its insurance products to meet the needs of the growing market.

5. Explanation of the risks the company is facing and how to mitigate them.

The Company is exposed to market risks in respect of its investments. The risk mitigation is based on the following key principles:

- Maintaining a diversified portfolio of its Equity and other asset classes
- By continuous monitoring of the local and international markets
- Following a 2-tier structure of corporate governance towards underlying Investment Philosophy, Strategic Asset Allocation and overall Investment Policy. These tiers include CEO/CFO/CSSO and the Executive & Board for key investment decisions

6. Discussion of the financial and operational performance of the Company including analysis of the financial position of the company, the results of its business

during the financial year focusing on explanation of the significant changes in figures.

The salient features on the performance for the current year are as follows:

a) The investment profit for 2021 was OMR 1.575 million compared to OMR 640K in 2020.

b) The unrealized gain on investment was OMR 494K in 2021 compared to loss of OMR 736K in 2020

c) The underwriting results decreased to OMR 2.549 million in 2021 before expenses from OMR 3.302 million in 2020.

d) The total expenses decrease to OMR 2.885 million in 2021 compared to OMR 3.125 million in 2020 on account of reduction in salaries and related costs of employees.

e) The net result is a profit after tax of OMR 770K for the year 2021 compared with a net profit of OMR 352K in 2020

f) The Net Worth at year ended 2021 reached to OMR 17.481 million compared to OMR 16.721 million at year end 2020. The Net Assets per share thus stands at OMR 1.586 in 2021 compared to OMR 1.517 of last year.

7. Time sequence of realized profits and losses, dividends, net equity, for a period of not less than five years:

(OMR in '000)

	2017	2018	2019	2020	2021
Net profit/(Loss) after tax	1,508	750	(748)	352	770
Dividends	500	525			
Bonus shares	5%	5%	-	-	
Total Equity (Net-worth)	17,191	17,488	16,252	16,721	17,480

8. Description of the main activities of the issuer, their geographical location, size, of investment and number of employees.

- Principal Activity: Insurance
- Geographical Location: Muscat, Oman
- Size of Investment is listed entity in Muscat Security Market (MSM)

• Investments carried at fair value through Profit & Loss

OMR -3.529 Million.

• The number of staff in the Company as of 31st December 2021 was 118 with an Omanisation ratio of 82.52%