شركة مسقط الوطنية القابضة ش.م.ع
MUSCAT NATIONAL HOLDING COMPANY S.A.O.G.

BOARD OF DIRECTORS REPORT
ON THE AUDITED CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31st DECEMBER 2016

Dear Shareholders,

After Compliments,

I am pleased to present on behalf of the Board of Directors of Muscat National Holding Company SAOG the 22nd Annual Report on the Company's activities and the audited consolidated financial statements for the year ended 31st December 2016.

General Overview of the Business Environment:

The overall business environment for 2016 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 bullish on the back of the decline in the oil sector which reflected into the performance of both the local & global markets.

Business Results

The Gross Premiums increased by 6% to OMR 14.869 Million from OMR 14.042 Million in 2015. On the General insurance side, the gross written premium was OMR 13.590 Million as compared to OMR 12.433 Million last year, an increase of 9.3% mainly due to the impressive 24.3% growth in motor premiums. On the Life insurance side gross written premium was OMR 1.302 Million as compared to OMR 1.629 Million last year, decrease of 20%, this was mainly due to premium refund.

Our underwriting results improved by 12% to OMR 2.775 Million from OMR 2.474 Million in 2015.

The Group 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 2017. Accordingly, General and Administrative Expenses are at OMR 2.552 Million compared to OMR 2.148 Million for the same period in 2015, increase of 19%.

The investment results have increased significantly to OMR 1.286 Million for 2016 compared to loss of OMR 77,278/= for the same period last year. This was due to the improvement in the performance of the local investment portfolio.

The realised investment income was OMR 902,175 compared to OMR 816,495 in 2015 and unrealised gain on investments was OMR 384,360 compared to unrealised loss of OMR 893,773 in 2015, mainly due to the increase in unrealized gains 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 OMR 1,339 Million for 2016, compared to OMR 92,052 in 2015.

Dividend

The Board of Directors has proposed a cash dividend in respect of the year 2016 of 10% being OMR 0.100 per share amounting to OMR 500,000.

The Board of Directors further proposes a stock dividend @ 100% of the paid up capital of the Company, being average one share for each share.

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	2011	2012	2013	2014	2015
Cash Dividend	7.5%	-	-	5%	5%

Building construction project

The Board as previously reported, the Investment in the Real Estate Project for Muscat National Holding Company and Its Subsidiaries was approved by Muscat Municipality, and we are currently finalizing the construction tendering process, and the project is expected to commence during the first quarter 2017.

Merger

The Board of Directors would report that the Company is planning to restructure its fully owned subsidiaries in order to comply with provisions of amendments to Oman's Insurance Companies Law. Accordingly, the Company intends to merge the general insurance side completely by transferring the assets and liabilities, and the underwriting general insurance activities.

For the Life Insurance the Company would transfer underwriting of life business activities, along with assets and liabilities. However, the Life Subsidiary would retain its commercial registration number and its business activities would be amended to take into account investment & management service operations. The Company would also reduce the share capital from RO 5.2 million to RO 1 million. The restructuring plan has been submitted to the Capital Market Authority ("CMA"), along with the reports from the experts, for their review and initial approval. Once the initial approval is obtained from the CMA, the Company will submit the restructuring plan in Extra Ordinary General Meeting for shareholders' approval. The restructuring is expected to complete in the second quarter of 2017.

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 2017. 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 encourages recruitment and retaining of local talent in each area of the Company activities. This is undertaken by providing in-house training by identify the needs of our Omani employees to motivate and to increase staff participation in various activities both at head office and our branch network.

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.

Corporate Social Responsibility

The Board of Directors acknowledges and appreciates the Capital Market Authority initiative on the Corporate Social Responsibilities and the Company is looking at various alternatives in reaching out to the needs of the society keeping in mind the interests of the stakeholders.

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 Ahmed Al Hosni
Chairman