Management Discussion and Analysis Report 2025

As the Chief Executive Officer of Takaful Oman Insurance SAOG (Takaful Oman), I am proud to present the 2025 Management Discussion and Analysis Report. We have achieved significant milestones towards our strategic objectives by aligning with our vision to lead in the Sultanate of Oman's Takaful sector under a Shari'a-compliant framework. Our three-year business strategy has guided us towards substantial progress and profitable growth. Below are the key achievements that underscore our journey in 2025:

Business Growth: Our market share has gradually increased. Takaful Oman was ranked as 7th largest insurance company in 2022 which has improved to 6th in 2023 and 5th in 2025. This is a result of comprehensive business strategy, covering areas i.e. product portfolio enhancement, diversified distribution channels, improved customer service, and leveraging digital capabilities. The company is diligently progressing in alignment with this strategic direction.

Takaful Oman is one of the leading Family Takaful Operator in the country. We have witnessed a tremendous growth of 62% in Family Takaful business during 2025 with a total market share of 24%. This is a result of our agility in developing new products, channels, distribution tools.

Financial Growth: In terms of financials, Takaful Oman is proud to continue a tremendous turnaround which was witnessed in 2023 and 2024. On front of the financial results, the company has kept pace to its growth trajectory and reported 25% growth in Gross Written Contributions (GWC) totalling to RO 50.19 million in 2025 in comparison to 18% growth in year 2024 amounting to RO 40.23 million.

Takaful Oman has fully implemented the new Financial Accounting Standard (FAS 43) during the current year. We are pleased to present our financial results in accordance with this enhanced reporting framework, reflecting our commitment to transparency, regulatory compliance, and the highest standards of financial reporting.

The combined results of the Shareholders' Fund and Participants' Fund for the year 2025 amounted to RO 0.37 million after tax and OCI, compared to the restated RO 0.76 million reported for 2024.

A) A detailed analysis of financial performance of the company

The Company has effectively capitalized on the momentum generated in previous years, demonstrating notable resilience amid challenging market conditions and delivering exceptional results.

Financial	2025	2024
	RO	RO
Surplus Participants' fund	0.67	2.32
Shareholders' profit / (loss) after Hiba	(0.79)	(1.85)
Other comprehensive Income	0.48	0.29
Profit after Tax and OCI	**0.37**	**0.76**

Implementation of new Financial Accounting Standard: The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued Financial Accounting Standard (FAS) 43 and 30, which became effective on 1 January 2025. In compliance with the standard's transition requirements,

the Company remeasured its insurance assets and liabilities as at the transition date, 31 December 2023. These adoptions have resulted in a negative impact on the opening retained earnings of the Shareholders' Fund and the accumulated deficit of the Participants' Fund, and the prior year financial statements have been restated accordingly. The nature of these changes, along with their financial impact on the Company's statements, is presented in Note 2.1 of the financial statements.

The company has improved on fundamental financial matrices:

a) The topline growth
b) Improvement in key financial matrices
c) Performance of shareholders' & participants' funds
d) Improved Performance of Investment Portfolio

a) Topline Growth: The company has kept pace with its growth trajectory and reported 25% growth in Gross Written Contributions (GWC) totaling RO 50.19 million as compared to the prior year. There are a total of 17 insurance companies currently operating in Oman. Among them, Takaful Oman has notably ascended to 5th place based on Gross Written Contributions, marking a positive advancement. Additionally, Takaful Oman has achieved a commendable 9% total market share. Moreover, the company has demonstrated a robust gross written contribution CAGR of 17% over the past three years. Most importantly the growth is in profitable, long-term segments which would contribute towards the sustainable bottom line over the future periods.

b) Improvement in key financial matrices For illustration purposes only, the key financial matrices on a combined basis including Shareholders' and Participants' Fund are shown below. The company has improvised on all key financial matrices:

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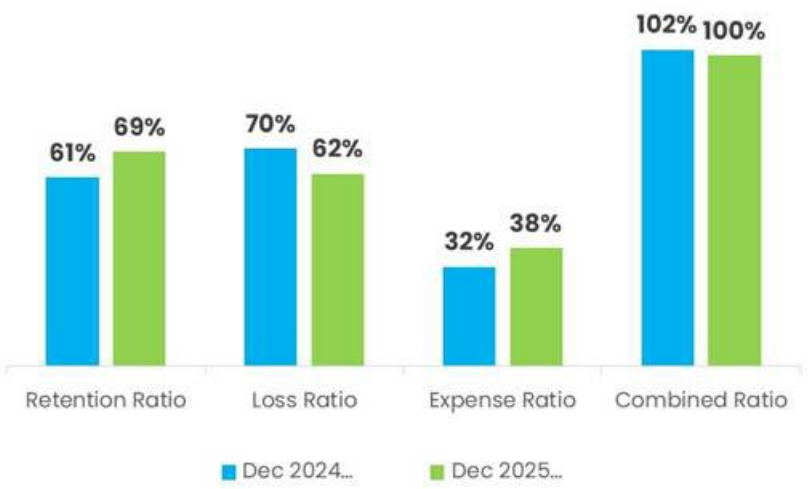


* Topline growth: 5th position and 9% market share. source extract from FSA website.

c) Performance of Shareholders' & Participants' Fund

The Shareholders' Fund has reported a total comprehensive income before Hiba for the year of RO 0.56 million as compared to a loss of RO 1.39 million in prior year. This is mainly driven by the business growth and increase in the Wakala fee due to improvised underwriting results in Participants Fund.

The Family Takaful Participants' Fund has reported a surplus from Takaful Operations after OCI for the year of RO 1.05 million (2024(restated): RO 2.63) marking the fourth consecutive year of surplus in this segment.

Also, In 2025, The Family Takaful Participants' Fund has fully repaid all outstanding Qard Hassan to Shareholders. This marks the complete closure of Qard Hassan provided by the Shareholders to this segment. In addition, The Family Takaful Participants' Fund has a closing surplus of RO 1.85 million (2024(restated): RO 0.80 million)

The General Takaful Participants' Fund has reported a deficit from Takaful Operations after OCI for the year of RO 1.25 million (2024(restated): RO 0.48 million).To strengthen the participants' fund, a Hiba of RO 1.36 million has been given from Shareholders' fund to the General Takaful Participants' fund. After the Hiba, the deficits in General Takaful Participants' Fund have reduced by OR 0.1 million.

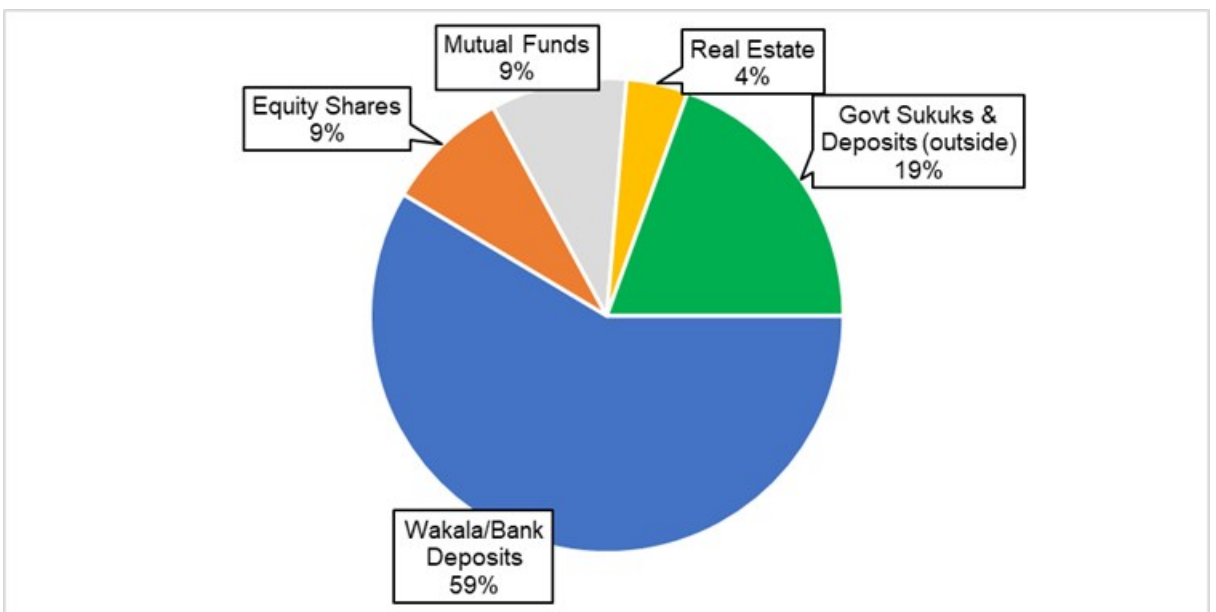
The cumulative Participants' Equity have also been improved over the years. The current year's profitability of the participants' funds has contributed positively to reducing the cumulative Participants' Equity from negative RO 8.27 million in 2023 to negative RO 4.96 million in 2025.

However, the deficits are arising mainly in Motor and Health Takaful. The market has been challenging in these lines of business. The management has been taking steps including price corrections and underwriting controls to improvise profitability.

d) **Performance of Investment Portfolio:** The Company maintains a resilient and stable investment portfolio valued at RO 37.89 million (2024: RO 24.3 million), primarily composed of bank deposits held with Islamic banks, representing 59% of the total combined investment portfolio. Additionally, the Company has strategically diversified its portfolio into Sukuk, real estate, shariah compliant equities and mutual funds.

Notably, in 2025, the Company generated an investment income of RO 1.42 million. This figure marks a substantial 10% year-on-year increase compared to the RO 1.29 million recorded in the previous year.

The investment portfolio split is as follows:



B) Minimum Capital Requirement (MCR) and Solvency

As per the regulatory requirement, RO 10 million is the minimum capital required by any insurance company operating in Oman. The company's issued, subscribed and paid-up capital as of December 31, 2025, is RO 16 million. As calculated in line with the risk-based capital (RBC) model, the company's available capital as of December 31, 2025, is RO 16.93 million.

As of December 31, 2025, the company has a solvency deficit in General Takaful of RO 5.20 million (2024: deficit of RO 5.97 million) and a solvency deficit in Health Takaful of RO 2.60 million (2024: deficit of RO 3.05 million). Meanwhile, Family Takaful has a solvency surplus of RO 6.02 million (2024: surplus of RO 3.49 million).

The company has developed a financial plan to address solvency deficit and appraises the regulator regarding its progress.

C) Human Resource Capital

Employees are the backbone of any organization. Transparency, high ethical and moral standards, diversity, and equal opportunity are the fundamental pillars of HR policy. The company provides a healthy working environment to utilize the best potential of the employees. In line with government policy, the company provides youth training and learning opportunities in the insurance sector.

The company has continued the leadership transformation journey initiated in 2021 by building a strong, capable management team to drive turnaround and growth. In line with this objective, several key positions were created and filled during 2023 and continued into 2025.

The management team is highly experienced and well-positioned to deliver sustained profitable performance. Headcounts have increased from 126 employees in 2022 to 145 in 2023, reaching 156 in 2025.

a. **Asia’s Best Workplaces 2025 award:** Takaful Oman Insurance began its Great Place To Work® journey in 2024 with a clear vision to build a workplace where people feel empowered, valued, and motivated to grow. This commitment quickly translated into national recognition when, in early 2025, the Company was named one of the Best Workplaces in Oman.

Building on this momentum, Takaful Oman is proud to have been ranked 8th on the 2025 Best Workplaces in Asia™ list under the Small and Medium Workplaces category across the GCC and Asia.

These accolades represent more than achievements; they reflect our belief that empowered people drive exceptional organizations. At Takaful Oman, we are not only shaping the future of the insurance sector we are setting a new benchmark for workplace excellence across the region.

b. **Promoting Omanisation** remains a central pillar of our Human Resource strategy, reflecting the company's long-standing commitment to developing national talent and contributing to the Sultanate's socio-economic growth. Throughout the year, the company has continued to invest in structured training programs, workshops, and professional development initiatives designed to enhance the technical and managerial capabilities of Omani employees.

As of 31 December 2025, the company employs 128 Omani staff, achieving an overall Omanisation ratio of 82%, surpassing the regulatory requirement of 75%. Omanisation is embedded across all organizational tiers—64% in top management, 77% in middle management, and an exceptional 89% in operational roles—demonstrating balanced progress at every level.

The company remains steadfast in its commitment to further strengthening Omanisation by nurturing career advancement pathways, expanding capability-building initiatives, and ensuring meaningful participation of Omani professionals in senior, middle, and operational leadership roles.

c. ***Learning & Development***

Over the past year, Takaful Oman has implemented a wide range of training and development initiatives designed to enhance all-round skillset of both employees and channel partners—an essential driver of productivity, operational excellence, and sustained competitive advantage. These programs span technical competencies, behavioral skills, leadership capabilities, and professional certifications.

Since January 2025, Takaful Oman has successfully conducted **35 training programs** through a blended learning approach that includes classroom sessions, virtual workshops, and e-learning delivered via our internally branded digital platform, **"TALEM"**

To strengthen professional capability within the insurance domain, we also introduced **CII – Chartered Insurance Institute Certification Training** for nominated employees and bank partners. In addition, to advance leadership effectiveness at the senior level, we initiated assessments, enabling leaders to gain deeper insight into their strengths, development areas, and leadership styles.

Leadership Training: Good to Great: This program brought leadership principles to life through engaging simulations, team-building activities, and case studies. Participants gained practical tools to lead with impact, agility, and clarity of purpose. The initiative reinforces Takaful Oman's commitment to building a resilient, high-performing, and forward-thinking leadership culture.

TALEM Academy – Graduate Internship Program: As part of our commitment to supporting and developing local talent, Takaful Oman launched **TALEM Academy**, a comprehensive graduate development initiative designed to empower fresh Omani graduates with real-world experience and industry-relevant skills. Eight outstanding graduates were selected to join the program, embarking on a structured journey that builds professional capability and career readiness.

Insurance Elevate Program: The Insurance Elevate Program brought together **28 top-performing professionals** from partner banks for an intensive five-day journey of learning, collaboration, and leadership development. The program focused on strengthening technical expertise, enhancing distribution strategies, and developing leadership excellence within the bancassurance ecosystem. This initiative further highlights Takaful Oman's dedication to nurturing talent and contributing to a robust, future-ready financial landscape in Oman.

Collectively, these initiatives form a holistic development strategy that supports the professional growth of our employees and channel partners—ultimately contributing to the overall growth and sustainability of our organization.

Innovation and Digitalization

During the year, the IT Department continued to drive Takaful Oman's digital transformation agenda through a targeted set of AI, integration, and product-enablement initiatives. AI tools were introduced to automate key operational areas, including vehicle assessment and routine service processes, helping improve accuracy, reduce turnaround times, and enhance the overall customer experience. At the same time, strengthened digital integrations with banks, web aggregators, and affinity partners expanded our external digital ecosystem, making our products more accessible across multiple channels and supporting growth in new and emerging customer segments. IT also enabled the launch of several new offerings by building secure and scalable digital frameworks that support financing-linked solutions and enhanced motor product features. Collectively, these initiatives are improving operational efficiency, supporting business expansion, and positioning Takaful Oman for stronger digital competitiveness in the years ahead.

Governance

Takaful Oman is built on a robust and thorough governance framework, ensuring transparency, accountability, and adherence to the highest standards of corporate governance. The company's governance structure is supported by a strong Board of Directors, an effective Audit Committee, and a dedicated Shariah Committee, all of which play a critical role in overseeing the company's operations and ensuring compliance with both regulatory requirements and Islamic principles. In addition, Takaful Oman benefits from the guidance of an experienced executive management team, who work closely with both internal and external auditors to maintain the integrity of financial reporting and operations. The company also fosters strong relationships with the esteemed regulator, ensuring alignment with the latest industry regulations and contributing to the overall stability and credibility of the organization. This comprehensive governance framework strengthens Takaful Oman's position as a trustworthy and resilient insurer.

a. ***Shariah Compliance*** Our company is the first indigenous Islamic insurance company in Oman. The management wants to assure our Shareholders, Customers, Employees and other stakeholders that the company believe in Shariah Compliance in true spirit. It is our firm commitment to provide world-class Shariah-compliant products. Followings are the esteemed members of our SSC:

i. Sheikh Dr. Majid Mohammed Al Kindi – Chairman
ii. Sheikh Dr. Mohammad Omar Al Khalaf – Member
iii. Sheikh Issa Salim Al-Riami - Member and Committee Secretary

The SSC members are working tirelessly and have conducted 4 meetings (as per law, three meetings were required) during 2025. The SSC has issued a satisfactory report on Shariah matters of the company.

b. **Audit and Compliance** The company places a lot of emphasis on governance and internal controls, and it believes these controls are adequate and commensurate with the size and nature of its operations. The Company has an in-house Internal Audit Department, which performs an internal audit of the company in line with the requirements of the FSA. The Head of Internal Audit functionally reports to the Chairman of the Audit Committee to ensure independence. Further, the company also has an external Co-Sourcing arrangement to cover specialised areas. The Audit Committee discusses the audit reports and helps those charged with Governance build an opinion on the effectiveness of the Company's internal control system. The internal Audit department shares the Internal Audit reports with FSA every quarter;

additional information is furnished in the format prescribed by FSA on a half-yearly basis. In addition to the Internal Audit Department, a Compliance function is responsible for ensuring compliance with the regulatory requirements.

Risk Management The primary objective of the company's risk management framework is to protect the Company's shareholders and policyholders from events that hinder the sustainable achievement of set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place. The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees, and the associated executive management committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A risk management policy framework that sets out the risk profiles for the Company, as well as risk management, control, and business conduct standards for the Company's operations, has been put in place.

Oman Insurer of the Year – MENA II Awards 2023 - 24 - 25 - Winner

The company has been honored with the prestigious title of 'Oman Insurer of the Year 2025' for the Third consecutive year, a testament to the company's commitment to excellence and innovation in the insurance sector. The accolade was presented during a gala event hosted by MENA II in UAE in February 2026.

This esteemed recognition comes from Takaful Oman's unwavering dedication towards organizational transformation and operational efficiency. The financial results for the year 2024 showcase solid & promising numbers, highlighting the company's outstanding customer service and forward-thinking approach to insurance solutions that cater to the evolving needs of the Omani market.

Future Outlook

This year's achievements reflect our unwavering commitment to creating value for our stakeholders and strengthening our position as a leading contender in the takaful industry.

We have advanced a robust business strategy focused on continuously enhancing our Shariah-compliant framework, expanding and refining our product suite, diversifying our distribution channels, elevating customer service standards, and accelerating digital innovation and AI adoption across the organization.

I am confident that the progress we have made, supported by strong governance, innovation, and operational excellence, will drive sustainable and profitable growth in the years ahead.

Acknowledgement

On behalf of the company's management and its entire staff, I have the honor to extend my gratitude and appreciation to His Majesty Sultan Haitham bin Tariq al Said for his thoughtful leadership and to His Majesty's wise Government for their continuous efforts in supporting the economy.

I want to thank the Board of Directors, Shariah Supervisory Committee, Shareholders, Customers, Business Partners, Financial Services Authority (FSA), Muscat Stock Exchange (MSX) and other stakeholders.

I wish to show my appreciation to all my team members for their support and hard work.

Neelmani Bhardwaj
Chief Executive Officer