

Dated 22 May 2022

**Subject: Rights Issue Prospectus**

Dear Shareholders

We refer to our disclosure on MSX dated 15 May 2022 on the Rights Issue. After further discussions with the CMA, we would like to disclose that following sections of the Prospectus have been amended:

## 2. SUMMARY OF THE ISSUE

<b>Purpose of the Issue</b>	The purpose of the Rights Issue is to increase the capital of the Company by increasing its paid-up capital, so as to enable its business growth, fulfil operational and liquidity requirements as well as to comply with the solvency margin requirement of the CMA.
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## 3. USE OF PROCEEDS AND ISSUE EXPENSES

### USE OF PROCEEDS

The purpose of the Rights Issue is to increase the capital of the Company by increasing its paid-up capital, so as to enable its business growth, fulfil operational and liquidity requirements as well as to comply with the solvency margin requirement of the CMA.

## 4. ISSUER'S OBJECTIVES AND APPROVALS

For the year ended 31 December 2021, the Company generated a net profit of OMR 761,043. As at 31 December 2021 Takaful Oman had total assets of OMR 34,598,428 and total shareholders' equity of OMR 23,295,865. The total deficit in the participants' fund as at 31 December 2021 was OMR 23,973,588. The Qard Hasan given by the Company to the participants' fund as of 31 December 2021 was OMR 17,401,921 and as per the Takaful Regulations, an additional amount of OMR 2,231,631 needs to be further provided.

### CAPITAL ADEQUACY AND SOLVENCY MARGIN

The Company is required to maintain minimum capital of OMR 10 million pursuant to Takaful Insurance Law. Additionally, the Company is also required to set aside 10% of its annual profit, after deduction of taxes, into a legal reserve pursuant to Article 132 of the Commercial Companies Law until the accumulated balance is equal to one third of the company's paid up capital.




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The Company is in compliance with the Minimum Capital Requirement (MCR) as per the regulation and reported total equity & reserve of OMR 29.30 million. As at 31 December 2021, the Company reported Solvency Deficit in General Takaful of OMR 12.01 million, Solvency Deficit in Medical Takaful of OMR 0.77 million and Solvency Surplus in Family Takaful of OMR 2.75 million. Out of the total deficit, OMR 7.82 million represents inadmissibility on account of Reinsurance Recovery on a few major claims which will become admissible for solvency purposes once it's settled.

The CMA has instructed the Board of Directors of the Company to meet the solvency deficit by injecting up to OMR 6 million in the shareholders' fund by increasing the share capital or other form of equity.

For this purpose, the Board of Directors have approved the injection of equity of up to OMR 6 million in the form of additional share capital through the Rights Issue to existing shareholders.

The Company plans to cover the remaining amount of the solvency deficit by enhancing the profitability of the Company through business growth, prudent underwriting practices and bringing efficiency in the operations resulting in cost optimization.

## 8. SUMMARY FINANCIALS AND BUSINESS PLAN

### KEY FINANCIALS

#### Participants' Fund

OMR 000	FY 2019	FY 2020	FY 2021
Gross Written Contribution	25,255	25,249	26,655
Net Retained Contribution	12,168	11,627	11,107
Net Earned Contribution	14,063	12,109	10,812
Net Loss Incurred	(10,661)	(9,490)	(10,419)
Net Underwriting Result	2,185	1,496	(2,450)
Wakala fee	(5,051)	(4,545)	(4,798)
Deficit in Participants' Fund	(2,866)	(3,048)	(6,073)

Source: Takaful Oman

#### Shareholders' Fund

OMR 000	FY 2019	FY 2020	FY 2021
Wakala fee	5,051	4,545	4,798
Investment Income	587	557	886
General and Admin Expenses	(2,759)	(3,063)	(3,698)
Rental Cost	(75)	(69)	(64)
Wakala Financing Cost	-	(61)	(181)
Acquisition Cost	-	-	(1,174)
Profit before taxes	2,803	1,909	566
Taxation	(13)	(183)	(195)
Profit After Tax	2,791	2,092	761

Source: Takaful Oman






## Ratios

	FY 2019	FY 2020	FY 2021
Retention Ratio	48%	46%	42%
Net Loss Ratio	76%	78%	96%
Net Expense Ratio	32%	36%	34%
Net Combined Ratio	108%	119%	151%

Source: Takaful Oman

Gross contribution shows strong growth, increasing at a compounded annual growth rate of 23% over the last 6 years resulting in capturing of large market share of 7% and building a strong customer base of over 200K. However, the impressive growth in the topline did not filter down as only a minimal part was retained even in the profitable business lines like medical and life, resulting in lower retained and earned contributions.

Loss ratio remained high which resulted in lower underwriting profit, not enough to meet the operational expenses. Major issue was in the motor takaful as the loss ratio remained above industry average. Further, higher operating expenses also led to significant deficit in the Participants' Fund.

Wakala Fee has been reduced from 18% to 13% as approved by the CMA effective from February 11, 2022 which will positively impact the participants' fund, however, it will have a negative impact on the shareholders' fund and profitability of the Company.

From December 2020, as per the new takaful regulation, the acquisition cost is being charged to the shareholders' fund rather than the participants' fund which will positively impact the participants' fund, however, it will have a negative impact on the shareholders' fund and profitability of the Company.

## 10. RISK FACTORS AND MITIGANTS

### Liquidity risk

Liquidity risk is the risk that Takaful Oman may encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored regularly and the Company ensures that sufficient funds are available to meet any commitments as they arise. Takaful Oman considers its liquidity position to be satisfactory.

At 31 December 2021, Takaful Oman's solvency margin (as calculated in accordance with the Oman Insurance regulations) indicates deficit of OMR 10.03 million against the regulatory requirement.

The CMA has instructed the Board of Directors of the Company to meet the solvency deficit by injecting money in the shareholders' fund through increase in share capital or any other form of equity. The Board has taken note of the regulatory requirement and following various consultations with the CMA, has approved to increase the paid up capital of the Company through the Rights Issue of up to OMR 6 million to comply with the CMA directives.




The Company plans to cover the remaining amount of the solvency deficit by enhancing the profitability of the Company through business growth, prudent underwriting practices and bringing efficiency in the operations, resulting in cost optimization.

  
 Acting CEO





التاريخ: 22 مايو 2022

الموضوع: نشرة إصدار أسهم

أعزائنا المساهمين الكرام ،،،

بالإشارة إلى الإفصاح الصادر على موقع بورصة مسقط بتاريخ 15 مايو 2022 وبعد المزيد من المناقشات مع الهيئة العامة لسوق المال نود أن نحيطكم علماً بالتعديلات التي تم إجرائها على نشرة الإصدار وفقاً للآتي:

الفصل الثاني: معلومات عامة عن الإصدار

الغرض من الإصدار	الغرض من حق الأفضلية هو زيادة رأس مال الشركة بزيادة رأس المال المصدر وذلك لتمكين الشركة من تلبية متطلبات التشغيل و دعم نمو أعمالها امتثالاً لهامش الملاءة المالية للهيئة العامة لسوق المال.
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الفصل الثالث: استخدام عوائد الإصدار ومصاريف الإصدار

استخدام العوائد

الغرض من حقوق الإصدار هو زيادة رأس مال الشركة بزيادة رأس مالهم المصدر وذلك لتمكينها من دعم نمو الأعمال والامتثال لهامش الملاءة المالية للهيئة.

الفصل الرابع: أهداف جهة الإصدار والاعتمادات التي لديها

حققت الشركة صافي أرباح بقيمة 761,043 ريال عماني للسنة المنتهية في 31 ديسمبر 2021، ففي 31 ديسمبر 2021، بلغت قيمة ما لدى تكافل عمان من أصول 34,598,428 ريال عماني، فيما بلغت قيمة إجمالي حقوق المساهمين 23,295,865 ريال عماني. كما بلغ إجمالي عجز صندوق المشتركين 23,973,588 ريال عماني، إضافة إلى ذلك منحت الشركة قرضاً حسناً لصندوق المشتركين بمبلغ وقدره 17,401,921 ريال عماني، ووفقاً لقانون ولائحة التكافل يلزم تقديم مبلغ إضافي وقدره 2,231,631 ريال عماني

كفاية رأس المال وهامش السيولة المالي

تطالب الشركة بالاحتفاظ بحد أدنى لرأس المال والذي يبلغ 10 مليون ريال عماني وفقاً لقانون التأمين التكافلي، كما تطالب الشركة بتخصيص 10% من أرباحها السنوية بعد خصم الضرائب إلى الاحتياطي القانوني وفقاً للمادة 132 من قانون الشركات التجارية إلى أن يعادل مجموع الرصيد ثلث رأسمال الشركة المصدر .

تمتثل الشركة للحد الأدنى من متطلبات رأس المال MCR وفقاً لللائحة وحقوق الملكية الإجمالية المبلغ عنها والاحتياطي بمبلغ 29.30 مليون ريال عماني، وكما هو في 31 ديسمبر 2021 فقد أبلغت الشركة عن عجز سيولة في التكافل العام بمبلغ 12.01 مليون ريال عماني، وعجز سيولة في تكافل الطبي بمبلغ 0.77 مليون ريال عماني وفائض سيولة في تكافل العائلي بمبلغ 2.75 مليون ريال عماني، ومن بين العجز الكلي يمثل مبلغ 7.82 مليون





تكاful عمان للتأمين ش.م.ع.ع TAKAFUL OMAN INSURANCE SAOG

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#### صندوق المساهمين

2021	2020	2019	ألف ريال عماني
4,798	4,545	5,051	رسوم الوكالة
886	557	587	دخل الاستثمار
(3,698)	(3,063)	(2,759)	المصروفات الادارية والعمومية
(64)	(69)	(75)	تكلفة الإيجار
(181)	(61)	-	تمويل الوكالة
(1,174)	-	-	تكلفة الشراء
566	1,909	2,803	الربح قبل الضرائب
(195)	(183)	(13)	تحصيل الضرائب
761	2,092	2,791	الربح بعد الضريبة

المصدر: تكافل عمان

#### النسب

2021	2020	2019	
42%	46%	48%	نسبة المحجوز
96%	78%	76%	نسبة صافي الخسارة
34%	36%	32%	نسبة صافي المصاريف
151%	119%	108%	إجمالي النسب

المصدر: تكافل عمان

يظهر إجمالي المساهمة نموًا قويًا، حيث أنه حقق ارتفاع بمعدل نمو سنوي مركب يقدر بنسبة 23٪ على مدار السنوات الست الماضية مما أدى إلى الاستحواذ على حصة سوقية كبيرة تبلغ 7٪ وبناء قاعدة عملاء قوية تزيد عن 200 ألف عميل. ومع ذلك، فإن النمو الهائل في الخط الأساسي لم يتم ترشيحه حيث تم الاحتجاز بالجزء الأدنى فقط حتى في مجالات الأعمال المربحة مثل الطب والحياة، مما أدى إلى انخفاض المساهمات المحتجزة والمكتسبة.



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