

## **National Takaful Company, Watania Management Discussion and Analysis For the period ended 31 March 2016**

Watania management would like to present the following financial analysis to its stakeholders for the period ended 31 March 2016.

### **Takaful Operations**

#### **Gross Contribution Written:**

The gross contribution written during the first quarter ended 2016 was AED 58.9 million compared to AED 115.3 million in 2015 which was a decrease of 49%. The Company made significant changes in its underwriting practice that resulted in phasing out of loss making accounts. The realignment of Company's focus on underwriting profit has been validated by the result in its underwriting operations.

#### **Contribution Retention:**

The overall retention ratio was 45% for the first quarter 2016 compared to 59% same period in 2015. The decrease in retention was on account of non-renewal of a large medical policy that was fully retained.

#### **Net Underwriting Results:**

The Company reduced its net loss from Takaful operations by 39% for the first quarter of 2016, from AED 7.5 million in 2015 to AED 4.5 million in 2016. The new management, starting from last quarter has focused on underwriting profitability through judicious selection risks, enhancing service levels, optimizing operational expenses and diversifying its distribution channels. This has resulted in underwriting surplus across most product lines and significant reduction in losses from Takaful operations. The management is confident that with team's focus on disciplined underwriting, enhanced customer service, and containing costs through higher productivity will result in significant improvement in financial performance of the Company.

Watania maintains adequate technical reserves to meet policyholders' obligations and is in compliance with United Arab Emirates (UAE) Insurance Authority financial regulations requirements on technical provisions.

### **Financial Results**

#### **General and Administrative expenses:**

The company's expenses in first quarter of 2016 remained at AED 7.4 million as compared to AED 8.1 million in the same period last year. We have further strengthened doubtful debts



provision this quarter. Several other initiatives shall be implemented in the near future that will bring in more cost efficiencies in our business operations.

### **Net Investment Income:**

Net investment income in first quarter was AED 4.32 million compared to AED 1.3 million in the same period last year. The investment performance for this quarter was largely helped by a re-bounce in fixed income and the sale of equity portfolio. The fixed income and equity markets recovered from their lows of December 2015. Our investment properties are also providing a stable rental income to the company.

### **Net Results:**

Watania made a net loss of AED 0.5 million in first quarter of 2016 compared to a loss of AED 3.7 million for the same quarter in 2015.

### **Balance Sheet**

Total assets as at 31 March 2016 stands at AED 356.8 million against AED 356.5 million as at 31 December 2015.

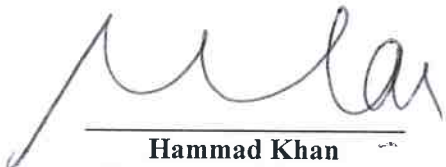
Takaful contract liabilities at the end of 31 March 2016 reached AED 187.4 million as against AED 182.8 million at 31 December 2015. The company maintains adequate technical reserves to meet policyholder obligations.

Shareholders equity position stands at AED 78.3 million as at 31 March 2016 as against AED 80 million as at 31 December 2015.

Basic and diluted loss per share for the current period stood at AED 0.003 against a loss of AED 0.02 per share in same period last year for the period.

### **Outlook**

Our first quarter 2016 financial results indicate that measures taken to improve the overall performance of the Company was yielding positive result. The Company will continue to focus on smart underwriting and customer segmentation, enhance its customer service, increase productivity through better expense management and most importantly building skill sets of our employees through training and team work. This will lead to significant improvement in our financial result in 2016.



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**Hammad Khan**  
Chief Financial Officer



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**Gautam Datta**  
Chief Executive Officer