

National Takaful Company, Watania

Management Discussion and Analysis

For the quarter ended 31 March 2017

Watania management is pleased to present the following financial analysis to its stakeholders for the quarter ended 31 March 2017.

Takaful Operations

Gross Contribution Written and Retention:

The company achieved Gross Contributions of AED 57.92mn in Q1FY17 which was lower by 1.82% as compared to same period of 2016. The company continued to follow the business model it adopted last year which was centred around providing takaful solutions at the right price, maintain good and consistent claims service and keeping a tight control on costs which resulted in a net takaful income of AED 4.65 million as compared to AED 2.45 million last year delivering a growth of 90.32%.

The overall retention ratio in Q1FY17 stood at 71.83% as compared to 45.48% for the same period last year. The overall increase in retention is mainly led by Medical and Motor.

Takaful Operations Results:

Watania continued to show positive trends in all its major lines of business. Net loss from takaful operations during the quarter was AED 1.69 million as compared to AED 4.53 million same quarter last year. The net loss ratio stood at 72.82% as compared to 78.23% during the same quarter last year. The company's technical provisions are fully compliant with United Arab Emirates (UAE) Insurance Authority regulations.

Financial Results

General and Administrative expenses:

The Company continues to focus on maintaining a tight leash on its management expenses which led to a decline of 12% in its expenses in Q1FY17 as compared to Q1FY16 – to AED 6.5 million from AED 7.34 million in the same quarter last year. It also continues to explore ways to leverage the resource base of Al Madina Takaful through shared services structure to reduce operating expenses. During the quarter under review, the key areas in which expenses were synergized were reinsurance, investments, medical claims and actuarial services.

Net Investment Income:

Net investment income during the period was AED 1.5 million as compared to AED 4.32 million during the same quarter last year. Investment income declined as compared to last year due to a

one-off income of AED 2.8mn which was booked in Q1FY16. The company expects to improve investment earnings in the coming quarters of the year.

Net Results

The Company made a net profit of AED 32,538 as compared to a loss of AED 496,138 same quarter last year.

Balance Sheet

Total assets at the end of the quarter amounted to AED 336.31 million as against AED 322.94 million as at Dec 31, 2016.

Cash and cash equivalents including restricted and wakala bank deposits stands at AED 77.73 million as compared to AED 92.23 million as at Dec 31, 2016.

Total invested assets as at the quarter end stood at AED 150.56 million as compared to AED 149.26 million as at Dec 31, 2016

Takaful contract liabilities at the end of quarter stood at AED 191.62 million as against AED 174.65 million as at Dec 31, 2016.

Shareholders' equity amounted to AED 79.02 million as against AED 79.18 million in year 2016.

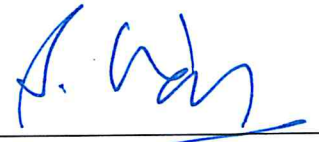
Basic earnings per share remained at AED 0.0002 against loss per share of 0.003 during the same quarter last year.

Outlook

Year 2016 proved to be a significant milestone to turnaround the company's financial and operating performance. Watania believes that 2017 will be another challenging year due to global pressures on the economy and country's continued efforts in reducing budget deficits. However, the Company is confident about its growth prospects in terms of gross revenue and profitability on the back of the foundation built in 2016. The Company will continue to maintain its "Back to Basics" strategy which has been instrumental in the turnaround in 2016 and is confident of maintaining this trend in 2017 and beyond. We believe that with the guidance and support of the Board and motivation of the team the Company will continue its progress to end the year on a positive note.



Chief Financial Officer



Chief Executive Officer

