



National Takaful Company, Watania
Management Discussion and Analysis
For the period ended 31 March 2018

Watania management is pleased to present the following financial analysis to its stakeholders for the quarter ended 31 March 2018:

Summary of Financial Performance:

(in AED '000)	Q118	Q117	Y-o-Y (%)
Gross Written Contribution	103,074	57,916	78.0%
Net Retained Contribution	65,415	41,603	57.2%
Net Earned Contribution	46,015	32,390	42.1%
Net Claims	(27,094)	(23,587)	14.9%
Net Commission Expense	(4,843)	(2,684)	80.4%
Other Underwriting Expenses - net	(2,948)	(1,285)	129.4%
Policyholders' Investment Income	423	166	154.8%
Underwriting Profit	11,553	5,000	131.1%
General & Administrative Expenses	(9,629)	(6,498)	48.2%
Profit from insurance operations	1,924	(1,498)	228.4%
Shareholders' Investment Income	1,644	1,531	7.4%
Net Profit for the period	3,568	33	10,712.1%

Operating Ratios:

	Q118	Q117	Y-o-Y (%)
<i>Net Claims Ratio</i>	<i>58.9%</i>	<i>72.8%</i>	<i>-13.9%</i>
<i>Net Commission & U/W Expense Ratio</i>	<i>16.0%</i>	<i>11.7%</i>	<i>4.3%</i>
<i>Expense ratio</i>	<i>20.9%</i>	<i>20.1%</i>	<i>0.9%</i>
<i>Combined operating ratio</i>	<i>95.8%</i>	<i>104.6%</i>	<i>-8.8%</i>





Gross and Net Written Premium:

The Gross Written Premium for Q118 increased by 78% over the last period due to continued impressive performance of Motor and Medical lines which contributed 81.8% to the total contribution written. The company benefited with the segmentation strategy adopted in these two lines over the last 2 years. Overall retention ratio stood at 63.5% as compared to 71.8% last year. This decline was mainly due to change in the reinsurance structure in Medical with the objective of de-risking the portfolio. The Company targets to keep its overall retention level at 65% for FY18.

Claims and other operating Ratios:

The Claims ratio – a key performance indicator – showed an improvement on an overall basis. The overall loss ratio improved from 72.8% in Q1FY17 to 58.9% in Q1FY18. Overall expense ratio stood at 20.9% as compared to 20.1% showing a slight variation from the same quarter last year. Due to tighter control on expenses and efficient claims management the combined operating ratio improved to 95.8% from 104.6%.

Investment Income:

Shareholder investment income showed a growth of 7.4% as compared to last year and stood at AED 1.6 million. Policyholders investment income also improved from AED 166k to AED 423k due to increase in the investment book and better portfolio mix.

Net profits:

The Company achieved net profit of AED 3.6 million compared to AED 33k in Q117. The annualized return on equity was 16.8%.

Balance Sheet:

Total invested assets as at the period end stood at AED 220.5 million as compared to AED 189.8 million as at Dec 31, 2017 showing a growth of 16.2%

Shareholders' equity stands at AED 87.6 million as against AED 85.1 million at the end of year 2017.





Outlook:

After posting strong underwriting results and net profit in 2017, the Company started FY18 journey on a positive note and is confident of maintaining the momentum during the remaining part of the year. The Company intends to follow the core drivers of strong performance i.e. prudent and selective underwriting, focus on right product and segmentation along with superior customer services. We believe that with the guidance of the Board, support from its distribution partners and all key stakeholders and motivation of the team the Company will continue to achieve the goals set in the years ahead.

Chief Financial Officer



Chief Executive Officer

