

**National Takaful Company, Watania
Management Discussion and Analysis
For the period ended 30 June 2018**

Watania management is pleased to present the following financial analysis to its stakeholders for the period ended 30 June 2018:

Summary of Financial Performance:

(in AED '000)	H1FY18	H1FY17	Y-o-Y (%)
Gross Written Contribution	182,210	128,617	41.7%
Net Retained Contribution	115,192	84,741	35.9%
Net Earned Contribution	92,774	70,511	31.6%
Net Incurred Claims	(55,188)	(47,999)	15.0%
Net Commission Expense	(9,628)	(6,384)	50.8%
Other Underwriting Expenses - net	(5,052)	(2,993)	68.8%
Policyholders' Investment Income	862	367	134.9%
Underwriting Profit	23,768	13,502	76.0%
General & Administrative Expenses	(18,666)	(13,458)	38.7%
Profit from insurance operations	5,102	44	11,464.6%
Shareholders' Investment Income	2,708	2,653	2.1%
Net Profit for the period	7,810	2,697	189.6%

Operating Ratios:

	H1FY18	H1FY17	Y-o-Y change
<i>Net Claims Ratio</i>	59.5%	68.1%	-8.6%
<i>Net Commission & net U/W Expense Ratio</i>	14.9%	12.8%	2.1%
<i>Expense ratio</i>	20.1%	19.1%	1.0%
<i>Combined operating ratio</i>	94.5%	99.9%	-5.4%

Gross and Net Written Premium

The Gross Written Premium for H1FY18 increased by 41.7% over corresponding period of 2017. Medical and Motor continue to be the major contributor in the total written contribution with an individual share of 52.2% and 31.8% respectively. Our underwriting approach based on risk based pricing continues to deliver stable underwriting margin. Reinsurance of our Medical portfolio has resulted in a slight reduction in premium retention ratio at 63.2% compared to 65.9% in the corresponding period of 2017. The medical reinsurance program has resulted in de-risking the portfolio and reduce volatility. The Company targets to keep its overall retention level at 65% for FY18.

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Claims and other operating Ratios

Company started the period with strong operational results with Claims ratio – a key performance indicator – showing an improvement on an overall basis. The overall loss ratio improved from 68.1% in H1FY17 to 59.5% in H1FY18. Overall expense ratio stood at 20.1% as compared to 19.1% showing a slight increase from the same period last year due to one-off provision for VAT on 2017 policies and the timing difference in employee bonus which was distributed in H1 in 2018 as compared to H2 in 2017. Excluding this one-off and the timing difference, expense ratio would have been lower by 3% in H1FY18 to 17.0% as compared to H1FY17. Combined operating ratio improved to 94.5% from 99.9% due to control in expense growth and lower claims ratio.

Investment Income

Shareholder investment income showed a growth of 2.1% as compared to last year and stood at AED 2.7 million. Policyholders investment income also improved to AED 862k from AED 367k due to increase in the investment book and better portfolio mix.

Net profits

The Company achieved net profit of AED 7.8 million compared to AED 2.7 million last year. The annualized return on equity was 17%.

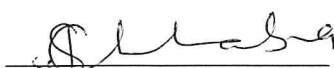
Balance Sheet

Total invested assets as at the period end stood at AED 214.1 million as compared to AED 189.8 million as at Dec 31, 2017 showing a growth of 12.8%

Shareholders' equity stands at AED 91.8 million as against AED 85.1 million at the end of year 2017.

Outlook

The management projects a positive outlook for the forthcoming quarters albeit with a note of caution regarding its challenging environment. The operating results have been on track till date but we have seen slowing down of growth in Motor insurance segment due to lower demand. We have also seen an uptick in claims cost. We continue to monitor these developments closely and take corrective actions as appropriate. We continue to be prudent in our underwriting and focus on right product and segmentation along with superior customer services that we believe will drive our operational performance. Our company aims to continue to deliver value and innovation to all the stakeholders. 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

