

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

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

Summary of Financial Performance:

Summarize P&L	9MFY18	9MFY17	Variance
	AED - (000)		%
Gross Contribution	248,327	193,600	28.3%
Net Earned Contribution	142,004	109,782	29.4%
Commissions earned	5,570	3,568	56.1%
Net Claims Incurred	(87,737)	(71,904)	22.0%
Commissions expense	(20,611)	(14,778)	39.5%
Other UW expenses - net	(7,881)	(5,004)	57.5%
Underwriting profit	31,345	21,664	44.7%
Total management expenses	(26,994)	(20,576)	31.2%
Profit from Insurance operations	4,351	1,088	299.9%
Investment income	4,763	4,714	1.0%
Net profit for the period	9,114	5,802	57.1%

Gross Written Premium

The Gross Written Premium for 9MFY18 increased by 28.3% over corresponding period of 2017. Medical and Motor continues to be the primary business lines contributing 85.1% to the total written contribution.

Claims and other operating Ratios

Our underwriting approach based on risk based pricing continues to deliver stable underwriting margin. The claims ratio during the period showed improvement and stood at 61.8% as compared to 65.5% in 9MFY17. The expense ratio increased slightly during the period and stood at 19% due to one-off provision for VAT on 2017 policies. Excluding this one-off transaction, expense ratio would have been 17.9% in 9MFY18 as compared with 18.7% in 9MFY17. The combined operating ratio before VAT provision improved to 95.8% in 9MFY18 from 99% in 9MFY17.

Investment Income

Total investment income (shareholders and policyholders) was AED 4.8 million as compared to AED 4.7 million last year.



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Net profits

The Company achieved net profit of AED 9.1 million compared to AED 5.8 million last year. The annualized return on equity was 14.3%.

Balance Sheet

Total invested assets as at the period end stood at AED 211.2 million as compared to AED 189.8 million as at Dec 31, 2017 showing a growth of 11.3%

Shareholders' equity stands at AED 92.5 million as against AED 85.1 million at the end of year 2017.

Outlook

During 9MFY18 the Company achieved growth in GWP despite challenging market conditions. The operating KPIs i.e. claims ratio, expense ratio and combined operating ratio continue to show improvement as compared to the previous year. The Company will continue to focus on improving its operating KPIs that will help it maintain the current profit margins and return ratios. Investment environment continues to be challenging with equity and real estate yields under pressure, however company will continue to focus on generating stable yield on its investment book. We believe that with the guidance of the Board, support from its distribution partners and all key stakeholders and commitment of the team, the Company will continue to deliver in the years ahead.



Chief Executive Officer



Chief Financial Officer

