

**National Takaful Company, Watania**  
**Management Discussion and Analysis**  
**For the year ended 31 December 2018**

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

**Summary of Financial Performance:**

Summarize P&L	FY 2018	FY 2017	Variance
	(000)		%
Gross Contribution	300,315	271,228	10.7%
Net Earned Contribution	189,164	151,023	25.3%
Commissions earned	7,625	5,252	45.2%
Net Claims Incurred	(113,785)	(95,507)	19.1%
Commissions expense	(27,669)	(20,654)	34.0%
Other UW expenses - net	(10,109)	(7,213)	40.1%
<b>Underwriting profit</b>	<b>45,226</b>	<b>32,901</b>	<b>37.5%</b>
Total management expenses	(37,625)	(30,015)	25.4%
<b>Profit from Insurance operations</b>	<b>7,601</b>	<b>2,886</b>	<b>163.4%</b>
<b>Total Investment income</b>	<b>4,742</b>	<b>4,730</b>	<b>0.3%</b>
<b>Net Profit</b>	<b>12,343</b>	<b>7,616</b>	<b>62.1%</b>

**Operating Ratios:**

	FY18	FY17	Y-o-Y change
<i>Net Claims Ratio</i>	<b>60.2%</b>	<b>63.2%</b>	<b>-3.0%</b>
<i>Net Commission &amp; net U/W Expense Ratio</i>	<b>15.9%</b>	<b>15.0%</b>	<b>0.9%</b>
<i>Expense ratio</i>	<b>19.9%</b>	<b>19.9%</b>	<b>0.0%</b>
<i>Combined operating ratio</i>	<b>96.0%</b>	<b>98.1%</b>	<b>-2.1%</b>

**Gross and Net Written Premium**

The Gross Written Contribution for FY18 increased by 10.7% as compared to the last year. Medical and Motor lines were the major contributors forming 85.5% of the total production and with an individual share of 53.0% and 32.5% respectively. Technical lines contributed 14.5% to the total GWP. The growth in GWP came from Medical and Technical lines which grew by 28.4% and 25.6% respectively in FY18. Motor showed a decline of 13.3% due to general economic slowdown. Overall retention stood at 61.5% in FY18 as compared to 62.1% in FY17.

**Claims and other operating Ratios**

Company continues to follow risk based pricing and tight control in its expenses which is reflected in the operating results for the year. The overall loss ratio improved to 60.2% in FY18 from 63.2% in FY17. Expense ratio was flat at 19.9% despite one-off VAT expense on 2017 policies.



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Combined operating ratio improved to 96% in FY18 from 98.1% in FY17 due to disciplined underwriting, risk-based pricing, efficient claims management and strict monitoring of expenses.

#### **Investment Income**

Total investment income (shareholders and policyholders) in FY18 was AED 4,742k as compared to AED 4,730k in FY17.

#### **Net profits**

The Company delivered net profit of AED 12.3 million in FY18 compared to AED 7.6 million in FY17 led by strong operational results and expense management. The return on equity for the year stood at 14.5%.

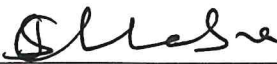
#### **Balance Sheet**

Total invested assets as at the period end stood at AED 177.7 million as compared to AED 162.3 million as at Dec 31, 2017.

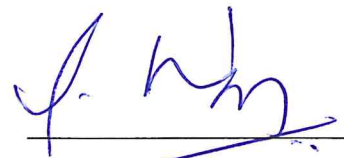
Shareholders' equity stands at AED 96.3 million as against AED 85.1 million at the end of year 2017.

#### **Outlook**

We expect growth in our core product lines of Motor and Medical to be modest. Our business model will continue its 'back to basics' strategy focusing on customer segmentation, superior service, higher productivity driven by innovative technology. The Management is prepared for rolling out the requirements of IFRS17. Management aims to continue with the FY18 momentum generated by positive combined operating ratios of all product verticals during FY19. We are however, fully aware of the regional and global challenges and will continue to monitor these developments closely and take corrective actions as appropriate. The 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 commitment of the team, the Company will continue to deliver the positive results in the years ahead.



Chief Financial Officer



Chief Executive Officer

