

**National Takaful Company, Watania**  
**Management Discussion and Analysis**  
**For the period ended 30 June 2019**

Watania management is pleased to present the following financial analysis to its stakeholders for the period ended 30 June 2019:

**Summary of Financial Performance:**

Summarize P&L	H1 FY19	H1 FY18	Variance
	(000)		%
Gross Contribution	186,618	182,210	2.4%
Net Earned Contribution	90,207	92,774	-2.8%
Commissions earned	4,224	3,707	13.9%
Net Claims Incurred	(55,836)	(55,188)	1.2%
Commissions expense	(12,441)	(13,335)	-6.7%
Other UW expenses - net	(5,857)	(5,052)	15.9%
<b>Underwriting profit</b>	<b>20,297</b>	<b>22,906</b>	<b>-11.4%</b>
Total management expenses	(16,889)	(18,666)	-9.5%
<b>Profit from Insurance operations</b>	<b>3,408</b>	<b>4,240</b>	<b>-19.6%</b>
<b>Total Investment income</b>	<b>3,617</b>	<b>3,570</b>	<b>1.3%</b>
<b>Net Profit</b>	<b>7,025</b>	<b>7,810</b>	<b>-10.1%</b>

**Operating Ratios:**

	H1FY19	H1FY18	Y-o-Y change
<i>Net Claims Ratio</i>	<b>61.9%</b>	<b>59.5%</b>	<b>2.4%</b>
<i>Net Commission &amp; net U/W Expense Ratio</i>	<b>15.6%</b>	<b>15.8%</b>	<b>-0.2%</b>
<i>Expense ratio</i>	<b>18.7%</b>	<b>20.1%</b>	<b>-1.4%</b>
<i>Combined operating ratio</i>	<b>96.2%</b>	<b>95.4%</b>	<b>0.8%</b>

**Gross and Net Written Premium:**

The Gross Written Contribution for H1FY19 increased by 2.4% as compared to the same period last year. The growth was led by Medical business which increased by 16.1% as compared to same period last year. Overall retention stood at 60.8% in H1FY19 as compared to 63.2% in H1FY18.



**Claims and other operating Ratios:**

The overall loss ratio stood at 61.9% in H1FY19 as compared to 59.5% in H1FY18 due to increased level of claims in Motor and Property. We expect this to level out by end of the year. Expense ratio was 18.7% as compared to 20.1% same period last year. Combined operating ratio increased to 96.2% in H1FY19 as compared with 95.4% in H1FY18.

**Investment Income:**

Total investment income (shareholders and policyholders) was AED 3,617k as compared to AED 3,570k compared with same period last year. The investment income improved marginally due to positive performance from equity and fixed income markets.

**Net profits:**

The Company delivered net profit of AED 7.0 million in H1FY19 compared to AED 7.8 million in H1FY18. The return on equity for the period stood at 14.6%.

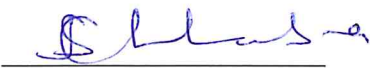
**Balance Sheet:**

Total invested assets as at the period end stood at AED 180.6 million as compared to AED 177.7 million as at Dec 31, 2018.

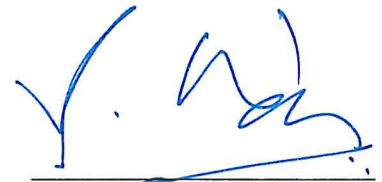
Shareholders' equity stands at AED 95.3 million as against AED 96.3 million at the end of year 2018. The company declared dividends amounting to AED 7.5 million for 2018.

**Outlook:**

We believe our operating model focusing on customer segmentation, superior customer service, higher productivity driven by innovative technology, continuous evaluation of underwriting techniques and efficient claims management process with emphasis on controlling our expense and combined operating ratios will help in achieving the objectives of our stakeholders through these challenging times.



Chief Financial Officer



Chief Executive Officer

