

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

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

Summary of Financial Performance:

Summarize P&L	9M FY19	9M FY18	Variance
	(000)		%
Gross Contribution	262,786	248,327	5.8%
Net Earned Contribution	137,669	142,004	-3.1%
Commissions earned	7,030	5,570	26.2%
Net Claims Incurred	(86,364)	(87,737)	-1.6%
Commissions expense	(19,789)	(20,611)	-4.0%
Other UW expenses - net	(8,821)	(7,881)	11.9%
Underwriting profit	29,725	31,345	-5.2%
Total management expenses	(25,080)	(26,994)	-7.1%
Profit from Insurance operations	4,645	4,351	6.8%
Total Investment income	5,363	4,763	12.6%
Net Profit	10,008	9,114	9.8%

Operating Ratios:

	9MFY19	9MFY18	Y-o-Y change
<i>Net Claims Ratio</i>	62.7%	61.8%	0.9%
<i>Net Commission & net U/W Expense Ratio</i>	15.7%	16.1%	-0.5%
<i>Expense ratio</i>	18.2%	19.0%	-0.8%
<i>Combined operating ratio</i>	96.6%	96.9%	-0.3%

Gross and Net Written Premium:

The Gross Written Contribution for 9MFY19 increased by 5.8% as compared to the same period last year. The growth was led by Medical business which increased by 14.7% as compared to same period last year. Overall retention stood at 61.2% as compared to 62.3% during the same period last year.

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Claims and other operating Ratios:

The overall loss ratio stood at 62.7% in 9MFY19 as compared to 61.8% in 9MFY18 mostly due to increased level of claims in Property and Motor lines. We expect this to level out by the end of the year. Expense ratio was 18.2% as compared to 19.0% same period last year. Combined operating ratio remained at 96.6% in 9MFY19 as compared with 96.9% in 9MFY18.

Investment Income:

Total investment income (shareholders and policyholders) was AED 5.4 million as compared to AED 4.8 million last year. The investment income improved due to positive performance from equity and fixed income markets.

Net profits:

The Company delivered net profit of AED 10 million in 9MFY19 compared to AED 9.1 million in 9MFY18. Annualized return on equity for the period stood at 14%.

Balance Sheet:

Total invested assets as at the period end stood at AED 179.2 million as compared to AED 177.7 million as at Dec 31, 2018.

Shareholders' equity stands at AED 97.7 million as against AED 96.3 million at the end of year 2018. The company declared and paid dividends amounting to AED 7.5 million for 2018 during the period.

Outlook:

Our outlook for next few quarters continues to be conservative. Growth will be challenging in view of lower GDP projections and constrained liquidity. We believe that pricing pressures will impact profitability and technical reserving. The investment market will continue to move sideways due to uncertainty in the global and regional markets. We believe it is imperative for companies like ours to find niche segments and strengthen our capabilities in those segments which we have done successfully since 2016. As we have done in the past our focus will be on customer service, technical yet dynamic pricing, better management of claims costs and strict control on operating expenses with stable investment income which we believe will deliver on the objectives of our stakeholders.



Chief Financial Officer



Chief Executive Officer

