



**National Takaful Company, Watania
 Management Discussion and Analysis
 For the year ended 31 December 2019**

Watania management is pleased to present the following financial analysis to its stakeholders for the year ended 31 December 2019:

Summary of Financial Performance:

Summarize P&L	FY 2019	FY 2018 (Restated)_	Variance
	(000)		%
Gross Contribution	344,788	300,315	14.8%
Net Earned Contribution	187,971	189,164	-0.6%
Commissions earned	9,912	7,625	30.0%
Net Claims Incurred	(114,794)	(113,785)	0.9%
Commissions expense	(27,554)	(27,669)	-0.4%
Other UW expenses - net	(13,342)	(10,109)	32.0%
Underwriting profit	42,193	45,226	-6.7%
Total management expenses	(35,251)	(37,625)	-6.3%
Profit from Insurance operations	6,942	7,601	-8.7%
Total Investment income	6,190	1,878	229.6%
Net Profit	13,132	9,479	38.5%

Operating Ratios:

	FY19	FY18	Y-o-Y change
Net Claims Ratio	61.1%	60.2%	0.9%
Net Commission & net U/W Expense Ratio	16.5%	15.9%	0.6%
Expense ratio	18.8%	19.9%	-1.1%
Combined operating ratio	96.3%	96.0%	0.3%

Gross and Net Written Contribution:

The Gross Written Contribution for the year increased by 14.8% as compared to the last year. Medical was the main growth driver with a 21.6% increase as compared with last year. Motor also improved by 15.4% comparing with last year. Overall retention stood at 60.8% as compared to 61.5% during the same period last year.

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Claims and other operating Ratios:

The overall loss ratio showed a slight increase of 1% as compared with last year and stood at 61.1%. The increase was mainly attributed to certain large claims in Property and Motor. Expense ratio was 18.8% as compared to 19.9% same period last year. Combined operating ratio remained at 96.3% in FY19 as compared with 96% in FY18.

Investment Income:

Total investment income (shareholders and policyholders) before valuation adjustment of investment property was AED 7.1 million. Investment income after property valuation was AED 6.2 million.

Restatement of Investment Property and Investment Income:

In view of the current challenging market conditions, the management and the Board took a decision to adopt a conservative valuation methodology for valuing the company's investment in Real Estate. We believe this conservative approach bodes well with the current challenging economic environment. However, it was required to reflect this change in appropriate years in-line with the international accounting standards and therefore, the prior years' financial statements were restated. Restatement was related only to the investment property valuation.

Net profits:

The Company delivered net profit of AED 13.1 million in FY19 translating into an annualized return on equity of 14.5%.

Balance Sheet:

Total invested assets as at the period end stood at AED 175.5 million as compared to AED 171.9 million as at Dec 31, 2018.

Shareholders' equity stands at AED 93.6 million as against AED 90.5 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:

We believe the challenges of 2019 – growth, pricing pressure, liquidity constraints and volatile investment environment - would continue in 2020. The potential impact of the threat of COVID19 remains uncertain. We will continue to focus on prudent underwriting, maintaining strict control on receivables and expenses and generating stable investment income. We believe that our 'back to basics' strategy will continue to provide stable performance in these challenging times.

Chief Financial Officer



Chief Executive Officer

