

**National Takaful Company, Watania
Management Discussion and Analysis
For the period ended 31 December 2021**

Watania management is pleased to submit the yearend financial analysis to its stakeholders for the year ended 31 December 2021:

Summary of Financial Performance:

Summarize P&L	FY2021	FY2020	Variance
	(000)		%
Gross Contribution	347,456	321,505	8.1%
Net Earned Contribution	198,735	207,215	-4.1%
Commissions earned	11,041	13,649	-19.1%
Net Claims Incurred	(126,428)	(115,247)	9.7%
Commissions expense	(30,392)	(34,163)	-11.0%
Other UW expenses - net	(13,723)	(13,691)	0.2%
Underwriting profit	39,233	57,763	-32.1%
Total management expenses	(42,289)	(42,505)	-0.5%
Profit from Insurance operations	(3,056)	15,258	-120.0%
Total Investment income	10,648	3,171	235.8%
Net Profit	7,592	18,429	-58.8%

Operating Ratios:

	FY2021	FY2020	Y-o-Y change
Net Claims Ratio	63.6%	55.6%	8.0%
Net Commission & net U/W Expense Ratio	16.6%	16.5%	0.1%
Expense ratio	21.3%	20.5%	0.8%
Combined operating ratio	101.5%	92.6%	8.9%

Gross and Net Written Contribution:

The Gross Written Contribution increased by 8.1% as compared with FY20 despite market challenges and intense pricing pressure across all line of business. Pricing pressure remained evident throughout the financial year ended 2021.

Claims and other operating Ratios:

Net loss ratio stood at 63.6% as compared to 55.6% compared with last year. Last year's claims ratio was lower due to the COVID-19 lockdowns. Expense ratio slightly increased to 21.3% as compared to 20.5% of last year due to certain one-off expenses. Combined operating ratio for FY21 stood at 101.5%.

Investment Income:

Total investment income (shareholders and policyholders) during the year was 10.7mn as compared to 3.2mn in FY20. The increase was mainly attributable to higher returns from the equity portfolio and the improved valuations of the real estate segment.

Net profits:

The Company achieved net profit of AED 7.6mn in FY21 as against AED 18.4mn last year.

Liquidity:

Liquidity continues to be a challenging factor; however, our outstanding receivable days have continued to show a declining trend during the last three quarters of FY21. We continue to monitor our ageing strictly along with being conservative in our provisioning policy.

Balance Sheet:

Shareholders' equity stands at AED 111.7mn as against AED 104.1mn at the end of year 2020. The company declared and paid dividend during Q2FY21 amounting AED 11.25mn. Return on equity for the period stood at 7.3%.

Total invested assets as at the year-end stood at AED 165.6 million as compared to AED 182.8 million as at Dec 2020.

Outlook:

Volatility in insurance cycles has a tail effect where the negative pressures are felt for two years at minimum. The effect of 2020 and 2021 will have an impact on underwriting in 2022 assuming that the current year returns to normal in terms of economic activity and market conditions. So far, the signs have been encouraging. In addition The Board of Director's have received an approval from Central Bank of UAE to merge with Dar Al Takaful which will make the merged entity the one of the biggest Takaful companies in the market. In addition to the organic corrections to improve performance this merger will create scale, revenue synergies and efficiency that will have a positive impact on profitability.



Chief Financial Officer



Chief Executive Officer

