

National Takaful Company - Watania
Management Discussion and Analysis
For the period ended 30 September 2016

We are pleased to present the following financial analysis to Watania stakeholders for the period ended 30 September 2016.

Takaful Operations

Gross Contribution Written:

The gross contribution written during three months period ended September 2016 was AED 42.8 million compared to AED 26.9 million in the same period last year. This reflects 59% growth over previous year for the corresponding period. The important element of this growth has been the increase in underwriting surplus (AED 13.9 million compared to deficit of AED 9 million for the corresponding period in 2015) and reduction in claims ratio (65% as compared to 97% as on 30th September 2015). While overall business shows a drop of 22% compared to 2015 but this was a strategic decision to decline renewal of loss making accounts in Motor and Medical. A focused segmentation strategy was put in place that was driven by a new pricing approach supported by improving service levels. The Company followed this up by widening the distribution base for intermediaries as well as direct sales.

Net Underwriting Results:

The Company reduced its net loss from takaful operations by 76% for the period ended September 2016, from AED 34.34 million in 2015 to AED 8.3 million in the same period of 2016. The combined operating ratio went down from 139% to 115% during the same period.

The restructuring of business, a new strategy based on smart customer segmentation, value added services and putting in place a framework of accountability and a team that is motivated by performance has been the critical drivers of this improvement in Company's results. The net loss from Takaful operations during the three months ended 30 September 2016 has reduced to AED 0.4 million from AED 20.2 million for the same period in 2015.

Financial Results

General and Administrative expenses:

The company's expenses for the period ended September 2016 remained at AED 22.4 million as compared to AED 23.7 million in the same period last year showing management's effort towards cost containment. During nine months of 2016 we have strengthened further our doubtful debts provision by AED 1.0 million in 2016, which is reflected within general and administrative expenses. The Company continues to explore ways to leverage the resource base of Al Madina Takaful through shared services structure to reduce operating expenses. Key areas in which expenses were reduced are Reinsurance, Actuarial services, IT software licensing and Specialty underwriting services.



Net Investment Income:

Shareholder's investment income grew by 33% amounting for period ended September 2016, from AED 6.94 million as compared to AED 5.2 million in the same corresponding period. The growth in investment income was largely helped by re-bounce in fixed income portfolio, sale of equity portfolio and stable income from investment properties. The yields in the fixed income space flattened in third quarter of 2016 leading to stable portfolio performance. Furthermore, investment properties continue to provide stable rental income to the company. We have also initiated rebalancing our investment portfolio to reduce credit risks and its alignment with UAE Takaful financial regulations by the end of 2016.

Net Results:

Watania made a net profit of AED 0.3 million for the three months period ended 2016 as compared to a net loss of AED 13.6 million during same the corresponding year last year. This turnaround has been achieved through different measures adopted during the last couple of months coupled with various strategies in place to ensure sustainable profitability.

The Company's net loss for the period ended September 2016 was AED 1.25 million compared to a net loss of AED 27.50 for the same period last year.

Balance Sheet:

Total assets as at 30 September 2016 stands at AED 320.9 million against AED 356.5 million as at 31 December 2015.

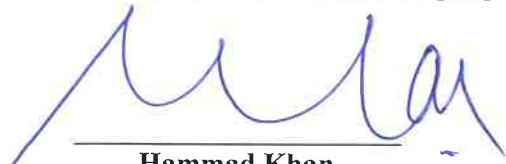
Takaful contract liabilities at the end of 30 September 2016 stood at AED 166.7 million as against AED 182.8 million at 31 December 2015. The company maintains adequate technical reserves to meet policyholder obligations.

Shareholders equity position stands at AED 77.5 million as at 30 September 2016 as against AED 80.0 million as at 31 December 2015.

Basic and diluted loss per share for the current period stood at AED 0.008 against a loss of AED 0.18 per share in same period last year for the period.

Outlook:

Year 2016 has been an important milestone to turnaround the company's financial and operating performance that was achieved through 'Back to Basics' strategy focusing on customer service, increasing productivity, lowering operational cost and diversifying distribution channels. The results is now visible with a net profit of AED 0.3 million for the quarter ended September 2016. We are confident that with the guidance and support of the Board and motivation of the team the Company will continue its progress to end the year with significant improvement on 2015.



Hammad Khan
Chief Financial Officer



Gautam Datta
Chief Executive Officer