

**National Takaful Company, Watania
Management Discussion and Analysis
For the period ended 30 September 2021**

Watania management is pleased to submit the following financial analysis to its stakeholders for the period ended 30 September 2021:

Summary of Financial Performance:

Summarize P&L	9M FY2021	9M FY2020	Variance
	(000)		%
Gross Contribution	250,759	243,422	3.0%
Net Earned Contribution	141,937	158,499	-10.4%
Commissions earned	8,510	9,538	-10.8%
Net Claims Incurred	(88,471)	(88,464)	0.0%
Commissions expense	(21,426)	(25,873)	-17.2%
Other UW expenses - net	(10,630)	(11,005)	-3.4%
Underwriting profit	29,920	42,695	-29.9%
Total management expenses	(29,863)	(30,228)	-1.2%
Profit from Insurance operations	57	12,467	-99.5%
Total Investment income	7,600	5,298	43.5%
Net Profit	7,657	17,765	-56.9%

Operating Ratios:

	9M FY2021	9M FY2020	Y-o-Y change
Net Claims Ratio	62.3%	55.8%	6.5%
Net Commission & net U/W Expense Ratio	16.6%	17.2%	-0.5%
Expense ratio	21.0%	19.1%	1.9%
Combined operating ratio	99.96%	92.1%	7.9%

Gross and Net Written Contribution:

The Gross Written Contribution for the period increased by 3.0% as compared to the same period despite market challenges and intense pricing pressure across all line of business. Pricing pressure witnessed in the first 2 quarters of 2021 continued in the 3rd quarter as well.



Claims and other operating Ratios:

Net loss ratio stood at 62.3% as compared to 55.8% during same period last year. Last year's claims ratio was lower to the COVID-19 lockdowns. Expense ratio increased to 21.0% as compared to 19.1% same period last year. Combined operating ratio for 9MFY21 stood at 99.96%.

Investment Income:

Total investment income (shareholders and policyholders) during the period was 7.6mn as compared to 5.3mn in 9MFY20. The increase was mainly attributable to higher returns from the equity portfolio.

Net profits:

The Company achieved net profit of AED 7.7mn in 9MFY21 as against AED 17.8mn last year.

Liquidity:

During the period, our o/s receivable days increased from 119 days to 138 days due to challenging market conditions. However, we continue to monitor our ageing strictly along with being conservative in our provisioning policy.

Balance Sheet:

Shareholders' equity stands at AED 106.1 million as against AED 104.1 million 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 9.8%.

Total invested assets as at the period end stood at AED 158.2 million as compared to AED 182.8 million as at Dec 2020.

Outlook:

COVID-19 has impacted the performance of the Insurance Industry with a lag. The Company felt the pressure on growth and underwriting margins during the current year. While the times are challenging, we are optimistic about Watania's ability to deliver on its commitments to its stakeholders.



Chief Financial Officer



Chief Executive Officer