



YOUR RELIABLE INSURER

Management Discussion & Analysis

For the year ended 31st December 2018

Executive Summary



- Gross written premiums up 10.1% to AED 2.91 billion
- Net technical profit increased by 22.8% to AED 145.4 million
- Net profit up 3.7% to AED 235.6 million
- Return on equity is 11.6%
- Proposed dividend of 30%

ADNIC achieved strong set of results including strong revenue growth, high net profit and sharp underwriting discipline in 2018, the Year of Zayed, demonstrating the strength and dynamism of the UAE economy. ADNIC's success against the backdrop of continued challenging market conditions reflects the benefits of our focus on diversification, innovation and efficiency in 2018, with new products, enhanced processes and a broader footprint underpinning our success. As technology continues to reshape the insurance sector, we are committed to ensuring that ADNIC leads the way through innovative service delivery based on sophisticated data analysis to provide a customer experience second to none.

ADNIC's P&L investment yield, excluding property revaluation, significantly better than other public benchmarks. ADNIC continues to maintain strong liquidity and healthy capital levels.

ADNIC maintained its position as one of the region's leading insurers, delivering against key financial, regulatory and customer service metrics. ADNIC's achievements were made possible by the deep support of our customers, partners and shareholders, and the exceptional contributions of our employees, and we will continue to use our strength and competitive advantage to protect all stakeholders.

Alaa Fares
Executive Vice President - Finance



Ahmad Idris
Chief Executive Officer

Year 2018 Financial results



Highlights

✓	Gross written premiums up 10.1% to AED 2.91 billion, compared to AED 2.64 billion in 2017
✓	Net technical profit increased by 22.8% to AED 145.4 million, compared to AED 118.4 million in 2017
✓	Investment yield, excluding property revaluation, is 3.6% significantly better than other public benchmarks.
✓	Net profit grew by 3.7% to AED 235.6 million, compared to AED 227.3 million in 2017
✓	Basic and diluted earnings per share increased by 5.0% to AED 0.42
✓	Total assets increased by 8.3% to AED 7.25 billion, compared to AED 6.70 billion in 2017
✓	Total investment assets increased by 10.4% to AED 3.75 billion, compared to AED 3.39 billion in 2017
✓	Return on equity is 11.6% for 2018 and 12.2% for 2017
✓	Shareholders' equity increased by 6.4% to AED 2.10 billion, compared to AED 1.98 billion in 2017
✓	Proposed dividend of 30%, equivalent to 30 fils per share

Key Performance Indicators

AED Million	FY 2018	FY 2017	Increase / (Decrease)
Gross written premium	2,909.5	2,643.3	10.1%
Net earned premium	1,430.3	1,037.5	37.9%
Net claims incurred	(1,028.2)	(705.9)	45.7%
Net commission and other underwriting income / exp.	(32.6)	(27.6)	18.0%
Underwriting income	369.5	304.0	21.5%
General and administrative (G&A) expenses related to insurance operations	(221.1)	(206.1)	7.3%
Doubtful debts	(3.0)	20.5	N/A
Technical results	145.4	118.4	22.8%
Net investment income excluding property revaluation	128.3	131.2	(2.2%)
Investment property revaluation	(32.4)	(17.0)	90.6%
General and administrative (G&A) expenses related to investment operations	(5.6)	(5.3)	5.7%
Net profit	235.6	227.3	3.7%
Premium retention ratio	46.1%	46.6%	(0.5%)
Net claims ratio	71.9%	68.0%	3.9%
Insurance related G&A expenses to GWP ratio	7.7%	7.0%	0.7%
Combined ratio excluding (G&A) expenses related to investment operations	89.9%	88.6%	1.3%
EPS (AED)	0.42	0.40	5.0%
AED Million	31-Dec-18	31-Dec-17	Increase / (Decrease)
Total assets	7,250.3	6,697.2	8.3%
Total investment assets	3,745.1	3,391.8	10.4%
Cash balances	854.6	705.4	21.2%
Gross technical reserves	3,958.1	3,882.4	1.9%
Shareholders' equity	2,101.7	1,975.6	6.4%

Insurance Performance



Highlights

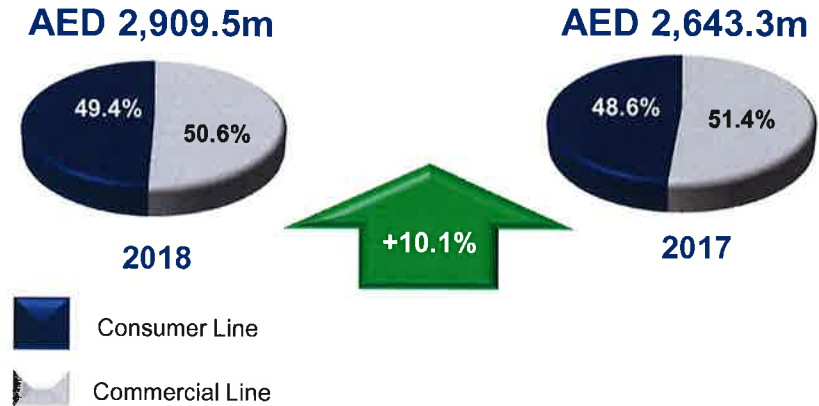
The company further diversified its portfolio by adding new product lines and expanding its international business, which now does business in over 90 countries across the Middle East, Africa, the Far East, Latin America and Europe.

ADNIC entered into a number of strategic partnerships which gives the company new routes to market.

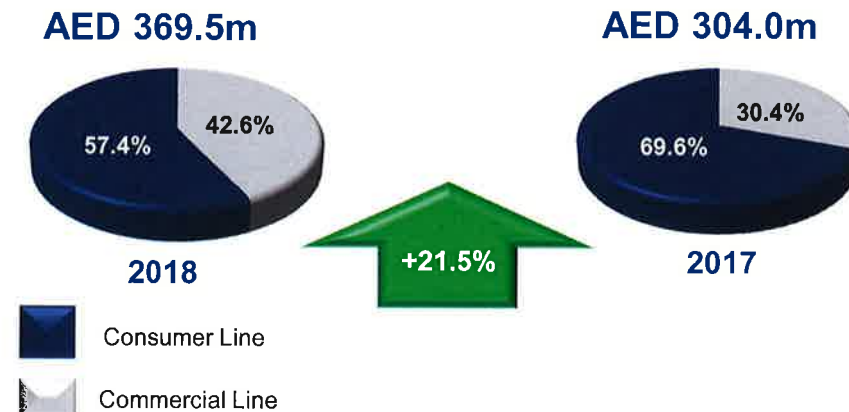
With its business well-spread across all traditional and emerging distribution channels ADNIC further cemented its position as a leading composite insurer in the UAE in 2018

As a result of these initiatives, ADNIC saw strong profitable growth.

Gross Written Premium



Net Underwriting income



Insurance Performance by Segment



Highlights

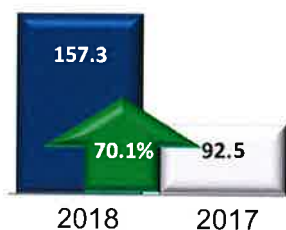
Key Performance Indicators

Commercial

Gross Written Premium
in AED m



Net Underwriting results
in AED m



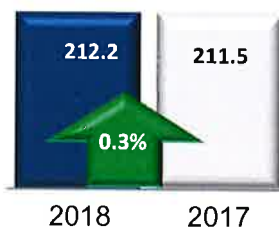
AED Million	FY 2018	FY 2017	Increase / (Decrease)
Gross written premium	1,473.5	1,358.7	8.4%
Net earned premium	380.8	373.8	1.9%
Net claims incurred	(217.2)	(255.1)	(14.9%)
Net commission and other underwriting expense	(6.3)	(26.2)	(76.0%)
Underwriting income	157.3	92.5	70.1%
Premium retention ratio	22.5%	29.4%	(6.9%)
Net claims ratio	57.0%	68.2%	(11.2%)
Net commission and other underwriting expense ratio	1.7%	7.0%	(5.3%)

Consumer

Gross Written Premium
in AED m



Net Underwriting results
in AED m



AED Million	FY 2018	FY 2017	Increase / (Decrease)
Gross written premium	1,436.0	1,284.6	11.8%
Net earned premium	1,049.5	663.7	58.1%
Net claims incurred	(811.0)	(450.8)	79.9%
Net commission and other underwriting expense	(26.3)	(1.4)	1,778.6%
Underwriting income	212.2	211.5	0.3%
Premium retention ratio	70.4%	64.9%	5.5%
Net claims ratio	77.3%	67.9%	9.4%
Net commission and other underwriting expense ratio	2.5%	0.2%	2.3%

Net Insurance Results



Highlights

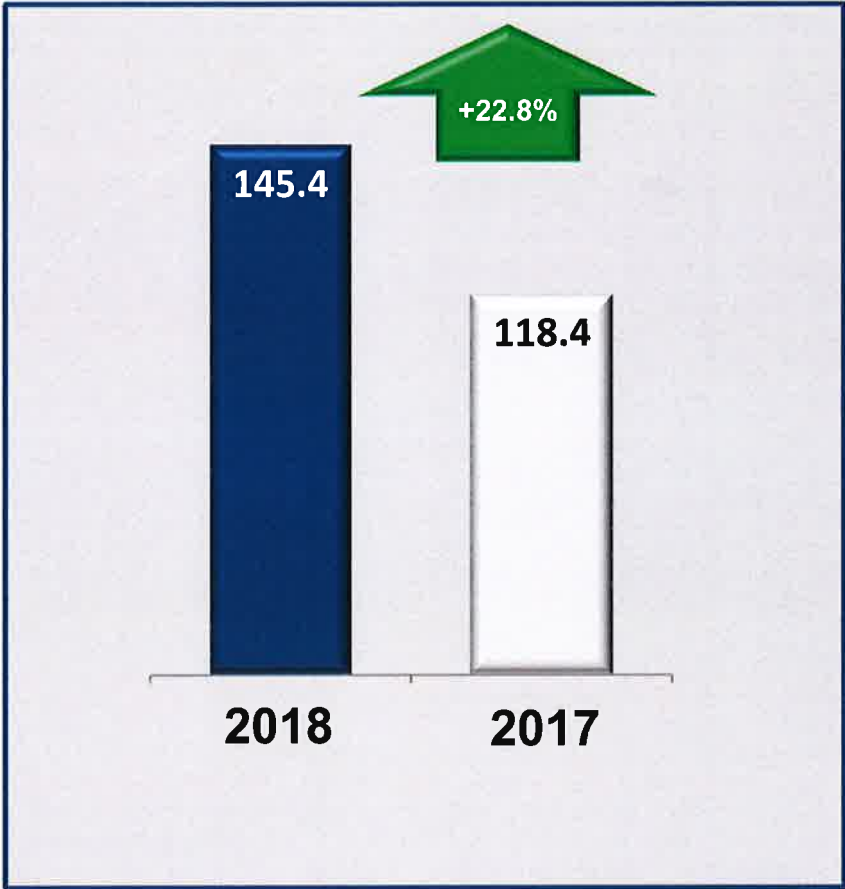


In an environment that combined challenging economic conditions and continuing intense price competition, ADNIC continued to take requisite actions to deliver profitable growth.



On the foundation of ADNIC's traditionally prudent underwriting philosophy, allied with commitment to superior customer service, across all lines of business, ADNIC succeeded in profitably growing its core lines of business.

Net Technical Profit in AED m



Investment Income



Highlights

The year was a challenging one for financial markets.

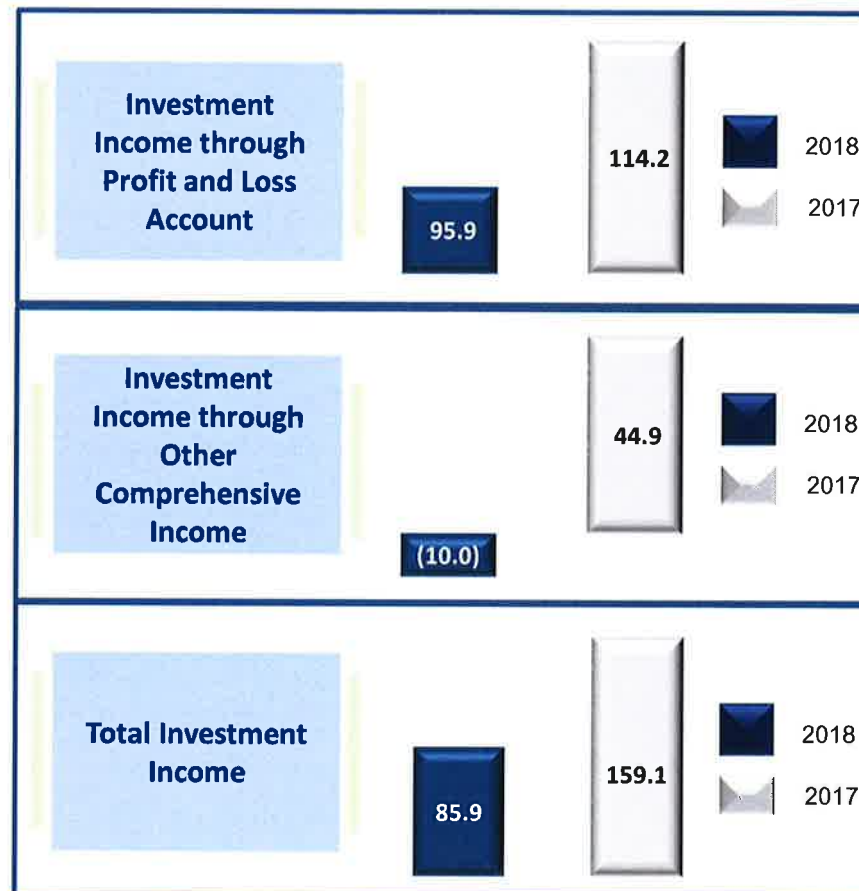
ADNIC's P&L investment yield, Excluding property revaluation, was 3.6%. Significantly better than other public benchmarks.

The fair value reduction in ADNIC's property portfolio was AED 32.5m (approximately 4.2%).

The volatility in the capital markets impacted the investment result. This was partly offset by significantly higher interest and dividend income.

ADNIC continues to maintain strong liquidity and healthy capital levels.

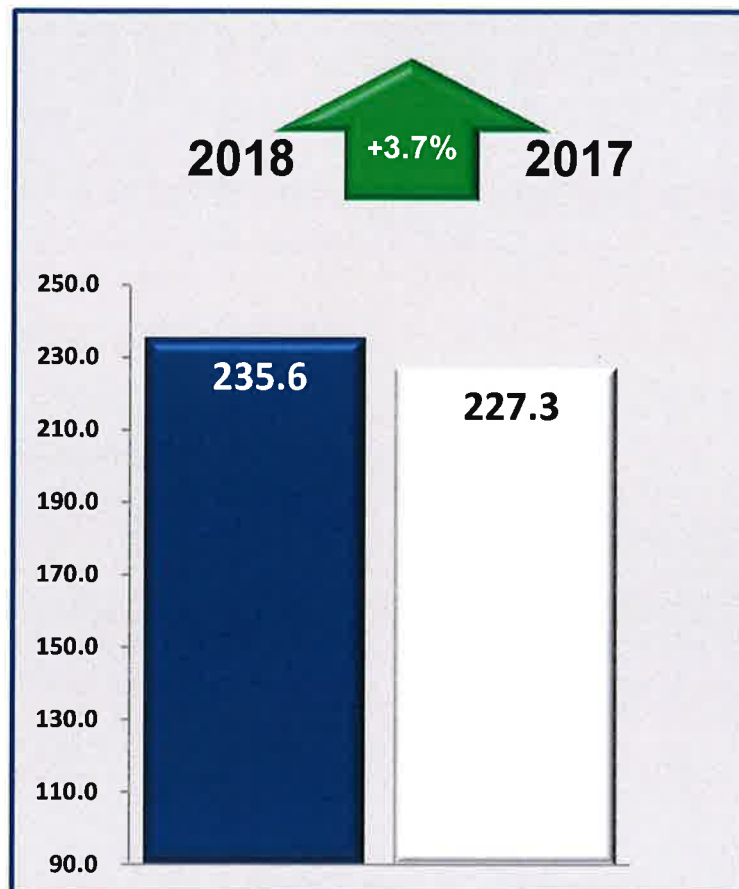
Investment Income in AED m



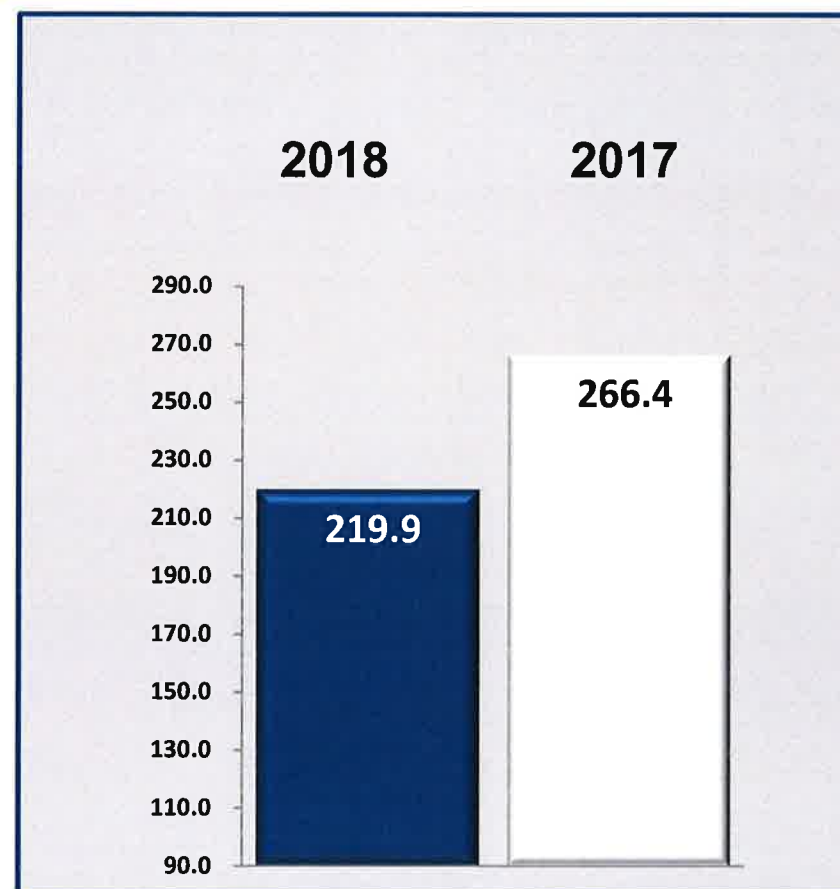
Profit for the year



Net Profit (AED m)



Total Comprehensive Income (AED m)



Earnings Per Share



Highlights

Proposed dividend of 30%, equivalent to 30 fils per share



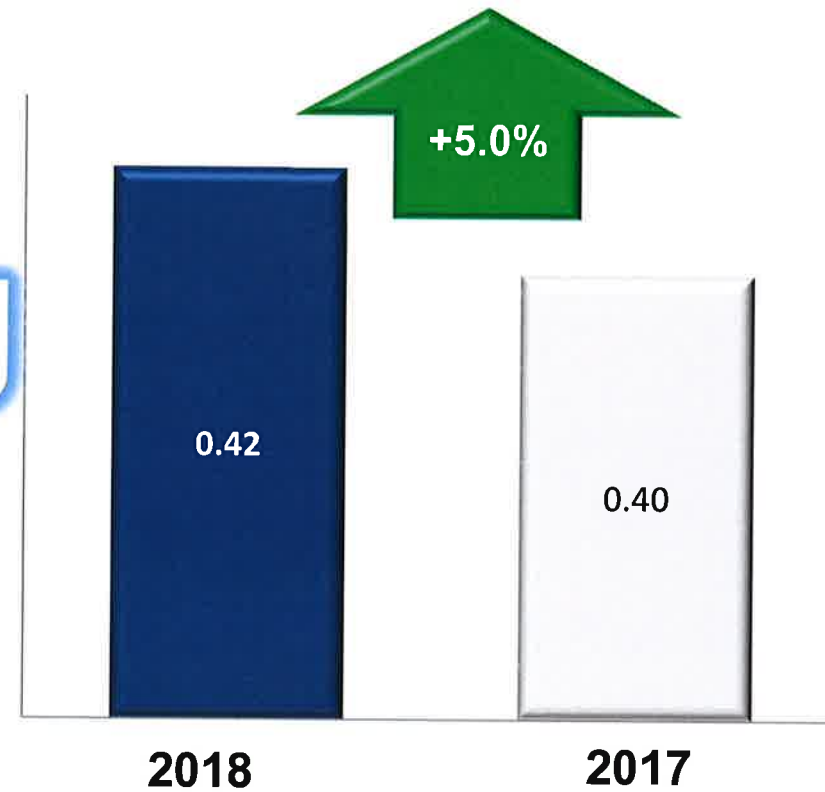
Return on equity is 11.6% for 2018 and 12.2% for 2017



Basic and diluted earnings per share increased by 5.0% to AED 0.42



EPS (AED)

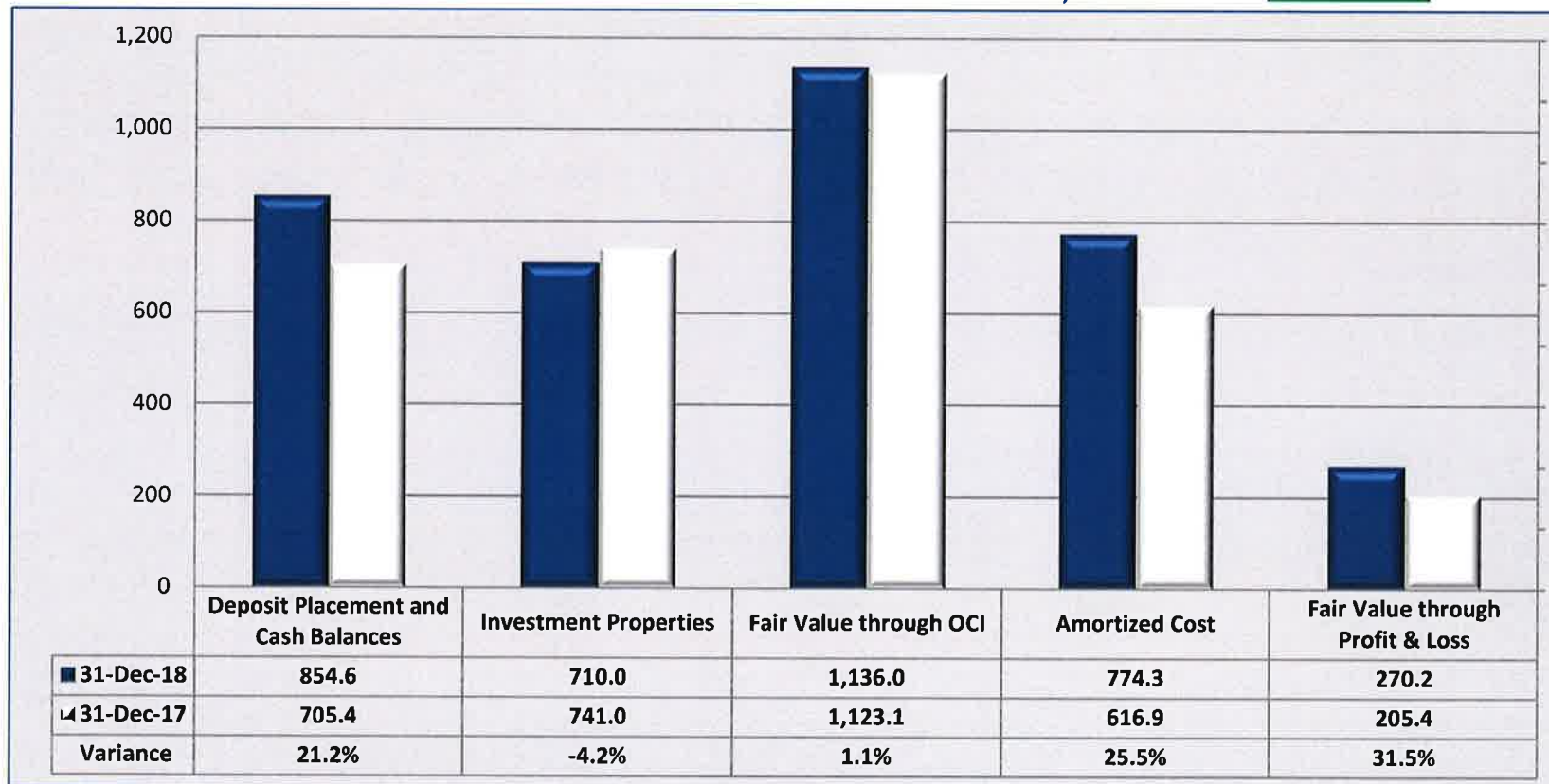


Prudent Investment Strategy



Investment Assets in AED m

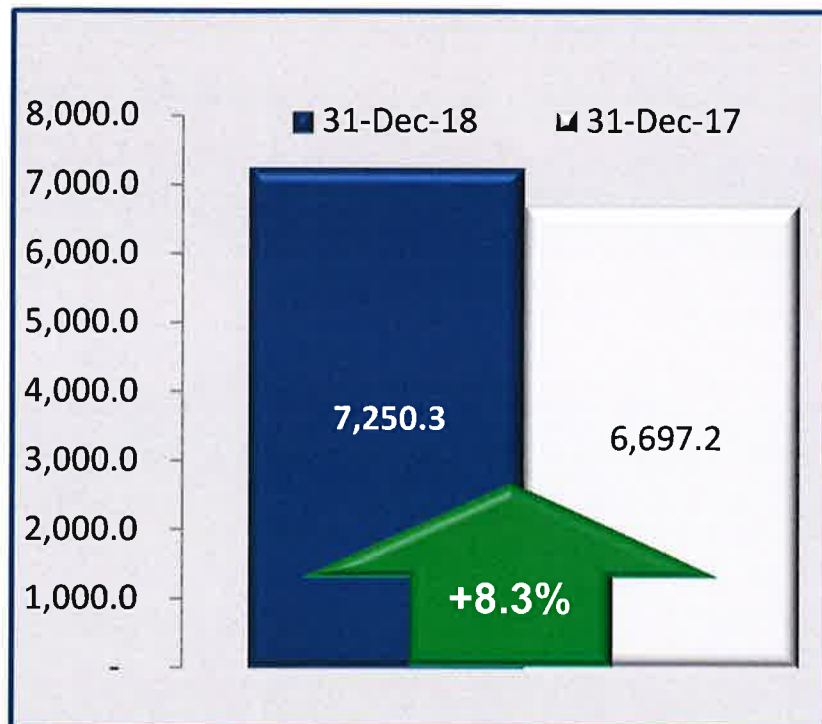
31 Dec 2018 AED 3,745.1 m
 31 Dec 2017 AED 3,391.8 m



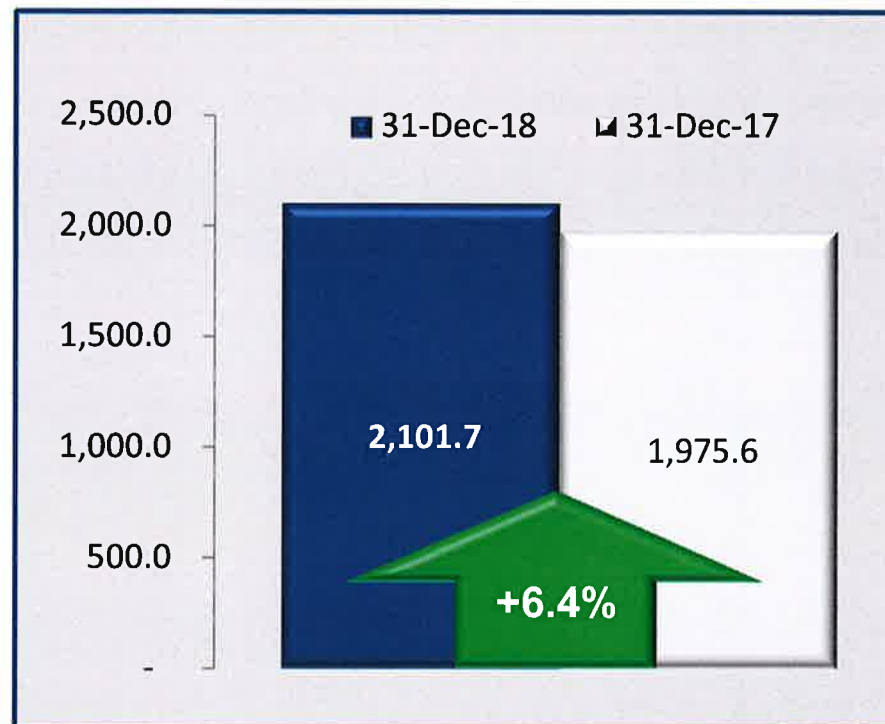
Financial Strength and Capitalization



Assets in AED m



Equity in AED m



The re-affirmation of ADNIC's rating of A- (stable outlook) by Standard & Poor's is a testament to the strength of ADNIC's balance sheet and its ability to meet the insurance needs of its customers.

Market Outlook



Despite some headwinds, the outlook for growth in the UAE and GCC remains positive. The IMF projects 2019 GDP growth for the UAE at 3.7% supported by various factors such as the robust diversified economy, the substantial government investments in the energy sector and infrastructure and the government spending related to the Expo 2020. Continued economic momentum in the UAE and GCC bodes well for the insurance sector.

ADNIC's investment strategy will continue to focus on maintaining a diversified and liquid investment portfolio. The ability of the region's capital markets to attract foreign investments will lead to greater fund inflows, and the success of government initiatives to diversify their economies will lead to continued economic progress and create more levers of growth going forward. We believe UAE will continue to be a key destination for global capital due to its open and welcoming business environment, stability and excellent infrastructure and therefore will open up profitable investment and insurance business opportunities for ADNIC.

ADNIC expects market conditions, notwithstanding an improving economy, to remain challenging, with no significant diminution of the level of competition. The global reinsurance market is showing some signs of improvement but pricing internationally, and therefore locally, will remain under pressure. That said, economic growth will present insurers like ADNIC, with a strong market position and customer proposition, with opportunities for further sustainable profitable growth. ADNIC also expects the market to see accelerating use of new technology to drive efficiency and further improve customer experience.

Important Information



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The material in this presentation is general background information about ADNIC's current activities at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

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