

Template for discussion report and analysis of the board of directors of the listed public shareholding company

Date	14 th February 2021																												
Name of the Listed Company	Abu Dhabi National Insurance Company PJSC																												
The period of the financial statements covered by the report	2020 Annual Financials																												
Overview of the main results during the financial period	<p>Year-on-year gross written premiums up 6.8%, primarily driven by the commercial lines division which recorded a 13.1% increase. Insurance premium reached AED 4 billion in 2020 as a result of constant growth in the size of the operation (CAGR of 11.9% during last 5 years). Year-on-year net profit up 30.5% driven by strong technical underwriting results and an effective cost management strategy. Net Investment and Other Income is AED 114.8 million for the year 2020 compared to AED 142.2 million for the same period in 2019. 5.3% reduction in full-year G&A expenses excluding provision for doubtful debts. Return on Equity raised from 12.9% to 15.4% EPS raised from 0.5 to 0.65.</p>																												
Securities issued during the financial period	None																												
Summary of the most important non-financial events and developments during the financial period	<p>Ambitious digital transformation strategy helps customers transition to alternative channels, elevating the experience and enhancing productivity. Maintained status as the region's largest commercial lines insurer due to treaty capacity, international reputation, professional expertise and client relationships. Dynamic response to the pandemic and long-term investment into technology ensured seamless operations throughout 2020. Successful home-office working model safeguarded employees and delivered uninterrupted service.</p>																												
Summary of operational performance during the financial period	<p>Increased premiums, ongoing underwriting excellence and enhanced operational efficiency combined to boost net profit by 30.5%. Strong performance across commercial lines delivered growth of 13.1%. Consumer lines finished the year flat due to the overall economic slowdown and resulting competitive pressure. Selective underwriting and pricing discipline underpinned strong growth in net underwriting income of 26.5%. Resilient financial performance reflected in strong EPS growth.</p>																												
Summary of profit and loss during the financial period	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">FY 2020</th> <th style="text-align: right;">FY 2019</th> <th style="text-align: right;">Var.</th> </tr> </thead> <tbody> <tr> <td>Net underwriting income</td> <td style="text-align: right;">497.2</td> <td style="text-align: right;">393.2</td> <td style="text-align: right;">26.5%</td> </tr> <tr> <td>Investment Income</td> <td style="text-align: right;">114.8</td> <td style="text-align: right;">142.2</td> <td style="text-align: right;">-19.3%</td> </tr> <tr> <td>General & Admin expenses</td> <td style="text-align: right;">(231.7)</td> <td style="text-align: right;">(244.6)</td> <td style="text-align: right;">-5.3%</td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">(9.3)</td> <td style="text-align: right;">(6.5)</td> <td style="text-align: right;">43.0%</td> </tr> <tr> <td>Net profit</td> <td style="text-align: right;">371.0</td> <td style="text-align: right;">284.3</td> <td style="text-align: right;">30.5%</td> </tr> <tr> <td>Basic and diluted earnings per share (AED)</td> <td style="text-align: right;">0.65</td> <td style="text-align: right;">0.50</td> <td style="text-align: right;">30.0%</td> </tr> </tbody> </table>		FY 2020	FY 2019	Var.	Net underwriting income	497.2	393.2	26.5%	Investment Income	114.8	142.2	-19.3%	General & Admin expenses	(231.7)	(244.6)	-5.3%	Provision for doubtful debts	(9.3)	(6.5)	43.0%	Net profit	371.0	284.3	30.5%	Basic and diluted earnings per share (AED)	0.65	0.50	30.0%
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Summary of financial position as at the end of the financial period	Total Deposits & cash: AED 880.2 million Total Technical reserves: AED 4.36 billion Total Shareholders' Equity: AED 2.51 billion																																				
Summary of cash flows during the financial period	Net cash generated from operating activities AED 311.4 million Net cash used in investing activities AED 353.6 million Net cash used in financing activities AED 144.6 million																																				
Main performance indicators	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">FY 2020</th> <th style="text-align: center;">FY 2019</th> <th style="text-align: center;">Variance</th> </tr> </thead> <tbody> <tr> <td>Premium retention ratio</td> <td style="text-align: center;">33.6%</td> <td style="text-align: center;">32.1%</td> <td style="text-align: center;">1.5%</td> </tr> <tr> <td>Net loss ratio</td> <td style="text-align: center;">62.4%</td> <td style="text-align: center;">72.9%</td> <td style="text-align: center;">-10.5%</td> </tr> <tr> <td>Combined ratio</td> <td style="text-align: center;">80.8%</td> <td style="text-align: center;">89.0%</td> <td style="text-align: center;">-8.2%</td> </tr> <tr> <td>Expense ratio * (on net earned premium)</td> <td style="text-align: center;">17.4%</td> <td style="text-align: center;">18.9%</td> <td style="text-align: center;">-1.5%</td> </tr> <tr> <td>Expense ratio * (on gross written premium)</td> <td style="text-align: center;">5.8%</td> <td style="text-align: center;">6.5%</td> <td style="text-align: center;">-0.7%</td> </tr> <tr> <td>Return on Equity</td> <td style="text-align: center;">15.4%</td> <td style="text-align: center;">12.9%</td> <td style="text-align: center;">2.5%</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">31 Dec 2020</th> <th style="text-align: center;">31 Dec 2019</th> <th style="text-align: center;">Variance</th> </tr> </thead> <tbody> <tr> <td>Shareholder equity as a % of technical reserves</td> <td style="text-align: center;">57.5%</td> <td style="text-align: center;">54.0%</td> <td style="text-align: center;">3.5%</td> </tr> </tbody> </table> <p>*Excluding provision for doubtful debts</p>		FY 2020	FY 2019	Variance	Premium retention ratio	33.6%	32.1%	1.5%	Net loss ratio	62.4%	72.9%	-10.5%	Combined ratio	80.8%	89.0%	-8.2%	Expense ratio * (on net earned premium)	17.4%	18.9%	-1.5%	Expense ratio * (on gross written premium)	5.8%	6.5%	-0.7%	Return on Equity	15.4%	12.9%	2.5%		31 Dec 2020	31 Dec 2019	Variance	Shareholder equity as a % of technical reserves	57.5%	54.0%	3.5%
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Expectations for the sector and the company's role in these expectations	ADNIC will continue to respond to the increasing digital-first mindset of retail and SME customers through ongoing product and service innovation. COVID-19 has significantly increased customer service expectations and reinforced the importance of getting it right first time. Capability to insure and reinsure risks in over 70 countries will help to further diversify commercial lines book of business.																																				
Expectations regarding the economy and its impact on the company and the sector	Positive outlook due to an uptick in market activity and the continued customer preference for strong and reliable insurers during unprecedented times. The overdue correction in reinsurance terms and premium rates will positively impact the market. With the global COVID-19 pandemic likely to extend well into 2021, ADNIC will continue to give back to the community through a wide range of CSR initiatives. With the UAE economy to grow 2.5% in 2021, and the rollout of vaccines across the emirates, a gradual recovery is expected this year.																																				
Future plans for growth and changes in operations in future periods	ADNIC's successful adaptation to the new normal has yielded operational efficiencies that leave it well placed in 2021. Continued dynamic adjustment of distribution strategy in line with changing customer needs, including the acceleration of varied digital transformation journeys. Leverage machine learning tools to continually enhance efficiency and the ability to combat fraud and abuse.																																				

The size and impact of current and projected capital expenditures on the company	Net capital expenses for the year ended 31 December 2020 was AED 17.2 million.
The developments of the implementation of projects, plans and transactions and deals that were discussed by the company's board of directors in the report for the previous fiscal year	The company's board of directors noted the progress in implementation of the company's strategy.

Ahmad Idris
 Chief Executive Officer

Signature:

14 February 2021

Company's Seal:

