THE BOARD OF DIRECTORS' REPORT FOR THE PERIOD ENDED 30 September 2020

The Board of Directors takes pleasure in presenting the unaudited results for the first nine months of 2020.

	AED'000		
Statement of profit or loss	**Sep-2020**	**Sep-2019** *Restated*	**Movement**
Gross premium	841,004	914,686	-8.1%
Net premium earned	402,037	426,884	-5,8%
Net commission expense	42,880	54,606	-21.5%
Net claims incurred	210,592	256,492	-17.9%
Net underwriting income	**148,565**	115,786	**28.3%**
Net investment income	32,809	56,503	-41.9%
Total income	**181,374**	172,289	**5.3%**
General and administrative expenses	88,401	88,151	0.3%
Other expenses, net	5,334	11,422	-53.3%
Profit for the period	**87,639**	**72,716**	**20.5%**
Ratios			
Earnings per share (Fils)	58.4	48.5	**20.4%**
	Sept 2020	**Dec2019** *Restated*	
Shareholder's equity	1,032,753	1,108,888	-6.9%
Total assets	3,194,983	2,707,038	18.0%

Management Commentary Q3 20

Like all commercial entities around the world the Covid crisis continued to impact EIC's turnover during Q3. EIC's Gross Written Premium declined by 8.1% during the 1st 9 months of the year. Falls in new and used car sales combined with even more intense competition for the remaining insurance business left our motor portfolio facing the brunt of this fall in premium income. Turnover in our domestic non motor business in fact held up very well – a tribute to the efforts of the management and staff and the robustness of our commercial client relationships in these uniquely difficult times.

In the face of obvious sales challenges, I am pleased that the company has recorded a strong underwriting performance for the year to date, 28.3% higher than the same period last year. Reduced commission expense and a much improved loss ratio in motor following the underwriting steps we took earlier in the year to address performance deterioration both contributed to an overall improvement in loss ratio. The Company's loss ratio is strong at 52%, compared to 60% at the end of Q3_19.

Administration expenses remained flat compared to last year, despite the challenges the company faced ensuring "business as usual" with most of our staff working from home for an extended period of time due to COVID.

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Other expenses have declined mainly due to a lower provision for staff bonuses and an improved foreign exchange currency position.

Investment Performance:

EIC's Net Investment Income for the nine-month period ended 30th September 2020 declined by 42% to AED 32,8m over the same period last year; the investment income improved by 96% q/q relative to Q2'2020.

Despite a marked portfolio drawdown in Q1'2020 stemming from a largely negative undertone across global markets, which still seemingly appears to be in play, the total investment portfolio's notable turnaround of approximately AED 138m was possible owing to EIC's long-term investment view, interim tactical allocations and a fundamentally driven investing style.

EIC remains focused on navigating the market volatility optimally and has adopted varied short-term and long-term allocation views across broad asset classes. Going into Q4'2020, EIC continues to retain a caution stance while tactical plays should prove critical in potentially cushioning any short-term adverse market implications.

Net profit

Our strong technical performance, despite severe market challenges, was able to absorb the drop in investment income resulting in an increase in net profit of 20.5% compared to Q3_19 delivering a net profit of Aed87.6m for the 1st nine months of 2020.

Balance Sheet:

The Total Assets of the Company have increased by 18.0% compared to the same period last year and now exceed Aed3,19bn.

Shareholder's Equity is 6.9% lower than Q4_19, not only due to the good dividends paid early in 2020 but also the severe impact COVID has had on the business and investment environment across the world.

Our liquidity and working capital position remain very strong with AED336m available as cash resources.

I am also pleased to report that the international credit rating agencies, AM Best and S&P Global have recently reaffirmed EIC's "A-" ratings both with stable outlooks.

A. Mazrui

ABDULLAH M. MAZRUI
CHAIRMAN
11 November 2020

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