

## QLM Life & Medical Insurance Company (QLM)

*QLM Life & Medical Insurance Company (QLM) is Qatar's leading medical and life insurance company with a +50% market share and strong brand recognition. Qatar comprises 77% of QLM's gross written premiums (GWP) in 2019. Moreover, the company also reinsures policies written in Oman, Kuwait and the UAE mainly through QIC's regional presence and through its own network. QLM plans to expand its product range with retail insurance offerings, which should support its growth in the coming years. Furthermore, preparations are being carried out for a re-run of Qatar's National Health Insurance Scheme (new-SEHA) which should increase the number of members in the local health insurance system. QLM intends to distribute 40-60% of its earnings as dividends annually; moreover, the company plans to declare an interim dividend for the period covering Jan'21 to Mar'21.*

### Highlights

- **To be listed on the QSE on January 06, 2021, QLM Life & Medical Insurance Company (QLM) is Qatar's leading medical and life insurance company with its dominant market share and strong brand recognition.** QLM engages in group credit life and group medical insurance, and plans to expand into retail life insurance products. The company has a +50% market share in the local market in terms of gross written premiums (GWP). Qatar Insurance Company (QIC or QATI) is the majority shareholder of QLM with its 85% pre-IPO stake in the company, which will decline to 25% after the IPO. 60% of QLM's total shares will be sold by QIC during the IPO, 15% of which will be acquired by anchor investors and 45% will be sold to Qatari individuals and corporates. Shares will be offered to the public at QR3.15/share.
- **Group medical insurance generates bulk of GWP.** The segment generated +88% of QLM's GWP in 2019, whereas the rest (12%) was realized by the Group & Credit Life segments. QLM enjoys GCC's most comprehensive network of medical providers, operating in 103 countries along with its state-of-the-art IT system that enhances its customer experience, resulting in +90% policy renewal rates in Qatar. In 2019, Qatar comprised 77% of QLM's GWP (both life and medical), while benefitting from QIC's overseas network. The company also reinsures policies written in Oman, Kuwait and the UAE.
- **Preparations are being carried out for a re-run of Qatar's National Health Insurance Scheme (SEHA).** Currently, some large companies and most of the local SMEs do not provide private health insurance to their employees. Therefore, the introduction of the new SEHA should increase the number of members in the local health insurance system. Apart from Qatar residents, it may be compulsory for visitors in Qatar to have health insurance under the new scheme as well.
- **Solid capitalization and high profitability paves the way for top-line growth.** QLM's solvency ratio rose steadily from 165.3% in FY2017 to 211% in FY2019. As of 1H2020, the solvency ratio stood at 192.8% (1H2019: 194.8%), notably above the QCB requirement of 150.0%. Moreover, QLM enjoys one of the highest ROEs among international life insurers with its 2019 ROE at 18.9%.
- **A strong commitment to dividends, bolstered by the company's intention to distribute interim dividends for Jan-Mar'21.** QLM intends to distribute 40-60% of its net profits annually as cash or bonus dividends. Furthermore, QLM intends to declare an interim dividend for the period covering Jan'21 to Mar'21. In 2019, QLM declared and paid dividends of QR42mn, which corresponded to a 48% payout ratio and a dividend yield of 3.8% given the IPO mcap.
- **In 1H2020, QLM recorded GWP and net earnings growth of 5.0% and 25.3% YoY, respectively.** This was attributable to a decline in the loss ratio from 89% in 1H2019 to 85% in 1H2020. Combined ratio steadily improved from 98% in 2017 to 93% in 1H2020.

### Catalysts

- 1) Potential inclusion in local, FTSE and MSCI EM indices
- 2) Announcement of dividends
- 3) Initiation of new SEHA
- 4) New products

### Risks

- 1) Geopolitical risks
- 2) Decrease in local expat population
- 3) Continuation of Coronavirus disruptions
- 4) Impact of IFRS 17
- 5) Credit rating change

### Key Financial Data and Estimates

	2017	2018	2019
EPS (QR)	0.15	0.16	0.25
P/E (x)	20.4	20.0	12.7
P/BV (x)	3.7	3.4	2.4
DPS (QR)	0.00	0.00	0.12
DY (%)	0.0%	0.0%	3.8%

Source: Company data, QNB FS Research. Note: All data based on current number of shares

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**International Peer Valuations (\*)**

Company	Country	Sh. Price (LCY)	Mcap USDmn	Beta 5yr adj.	P/E			P/BV		ROE			Dividend Yield		
					2020e	2021e	2022e	2020e	2021e	2020e	2021e	2022e	2019	2020e	2021e
BUPA ARABIA FOR COOPERATIVE	KSA	122.6	3,934	0.91	18.1	16.4	14.2	4.10	n.a.	21.7%	17.9%	19.4%	1.85	n.a	n.a
UNUM GROUP	U.S.	23.7	4,817	1.59	4.7	4.6	4.2	0.44	0.41	10.3%	9.7%	9.6%	4.63	4.82	4.95
MEDIBANK PRIVATE LTD	Australia	2.8	5,858	0.74	n.a.	20.8	20.2	4.16	4.03	n.a.	20.8%	20.5%	4.67	n.a	4.11
NIB HOLDINGS LTD	Australia	5.2	1,793	0.74	n.a.	20.2	18.0	3.71	3.50	n.a.	19.4%	20.4%	4.23	n.a	3.05
AFLAC INC	U.S.	45.2	31,729	1.20	9.2	9.3	8.8	0.97	0.89	12.3%	10.5%	9.4%	2.40	2.49	2.85
CNO FINANCIAL GROUP INC	U.S.	23.4	3,252	1.46	9.6	11.1	10.4	0.71	0.66	9.2%	6.9%	6.7%	1.87	1.98	2.12
SUN LIFE FINANCIAL INC	Canada	57.3	26,160	1.20	10.6	9.8	9.0	1.47	1.34	12.5%	14.0%	14.1%	3.68	3.47	3.62
<b>Peer Group Average</b>				<b>1.12</b>	<b>10.45</b>	<b>13.16</b>	<b>12.12</b>	<b>2.22</b>	<b>1.81</b>	<b>13.2%</b>	<b>14.2%</b>	<b>14.3%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.5%</b>

(\*) For the international peer group companies, we picked insurers with a notable medical insurance exposure in-line with QLM's 88% of GWP generated from health insurance.

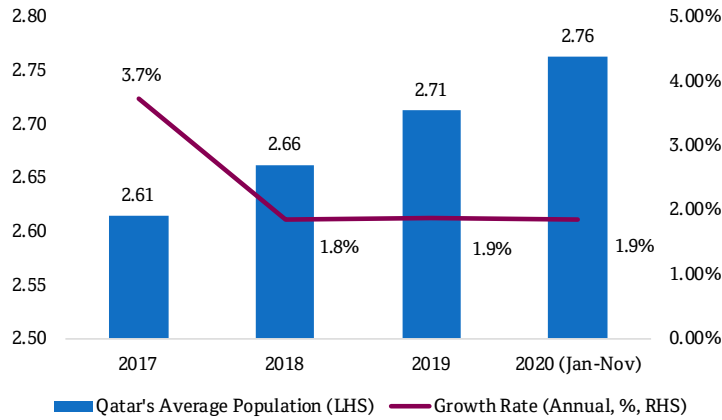
Source: Bloomberg consensus figures for international peers

**Investment Themes**

- **Preparations are being carried out for a re-run of Qatar's National Health Insurance Scheme (new SEHA). According to the Ministry of Public Health statement made in Jun'19, the draft law on the new health insurance system will be presented to the Advisory Council. The SEHA committee composed of the Ministry of Public Health, Ministry of Finance, Ministry of Commerce and Industry and the State Audit Bureau are examining the tender for the new health insurance after studying the drawbacks of the previous system. Currently, some large companies and most SMEs do not provide private health insurance to their employees & their families in Qatar. Therefore, the introduction of the new SEHA should increase the number of members in the local health insurance system. Apart from Qatar residents, it may be compulsory for visitors in Qatar to have health insurance under the new scheme.**
  - **The structure (whether the new health insurance scheme will be administered via a State organization like the National Health Insurance Company/NHIC, which took place during 2013-2015 or through private insurance companies) is not clear yet. However, given the experience gained during its first implementation, we believe private insurance companies are more likely to run the new scheme, which would be preferred by healthcare service providers. We are of the view that rather than a blanket coverage, the State is likely to pay the insurance premiums of citizens under coverage to the insurance companies, which in turn will run the scheme. Hence, we expect detailed pre-approvals and strong checks & balances to be implemented this time around. It is not clear whether the new plan will include expatriates initially, but it is highly likely that expats will join the system at some stage with employers paying for their employees' health insurance premiums. Timing of the re-launch is also yet to be announced; however, technical meetings are thought to be held with private and public healthcare service providers.**
  - **Among the GCC countries, Oman is expected to initiate its Mandatory Health Insurance Program (Dhamani) in 2021, while Bahrain's Sehati program was initiated in 2019 and will be fully operational in 2021. In Apr'19, the Omani Capital Market Authority issued the Unified Health Insurance Policy (UHIP) to be implemented for private sector employees, including expatriates and visitors to the Sultanate. The policy provides basic health care coverage to the beneficiaries of "Dhamani" including outpatient visits (up to RO500), inpatient services (up to RO3k), emergency and treatment of basic illnesses as well as prescribed medicines. Depending on the employer, the policies may include additional benefits like pregnancy, birth, child health, dental and eye care on top of the mandatory coverage. On the Bahraini front, the Sehati program will cover Bahrainis and expats when fully implemented; Bahrainis will receive free service from the government hospitals, whereas expats' fees are to be paid by their employers during the renewal of work permits.**
- **Despite COVID-19 disruptions, average annual population of Qatar is still on the rise, which is likely to support QLM's top-line growth. During the first 11 months of 2020, Qatar's average population rose by 1.87% to 2.76mn vs. 2019. While Nov'20 population figure of 2.71mn implies a 2% contraction YoY, we prefer to focus on the average growth in order to reduce the impact of**

COVID-19 counter-measures on population figures (such as limitations on non-resident arrivals and extraordinary entry permit requirement for residents).

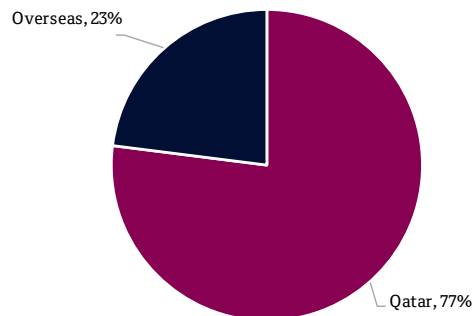
**Qatar's Annual Average Population & Growth**



Source: QLM, QNB FS Research

- Growth prospects through life insurance & new retail products.** QLM's insurance license allows the company to deal directly with retail customers. Therefore, QLM believes that it will be able to tap the local market with a wider product range in the coming periods. QLM is currently in the process of rolling out new products, targeting retail customers. The life insurance segment in Qatar remains untapped, with a penetration rate of 0.03% (3% in the U.S. and 4.2% in the EU) and density (total life premiums per capita) of \$18, notably below U.S. & EU's \$2k in 2019. This is partially due to attractive pension plans provided to citizens by the State. Currently, the market is underserved with innovative products & services and there may be demand for savings/investment linked products. Furthermore, the COVID-19 pandemic has ignited the demand for protection products like term-life. Micro insurance is another untapped area in Qatar, which can generate consistent streams of revenue to insurers with good margins.
- International expertise and support from QIC's GCC network should also support QLM's growth.** QLM insures and or reinsures risk in overseas markets such as the UAE, Oman and Kuwait. In 2019, its international network generated 23% of QLM's life and medical insurance GWP. Apart from these markets, QLM's subsidiary Q Life previously reinsured risks written through the Labuan Branch (until 2017). On the life insurance front, QLM's GWP originating from the UAE, Oman and Kuwait accounted for 14% of total life GWP. QLM plans to steadily expand its reinsurance portfolio in the GCC while keeping a strict vigil that the quality of underwriting is not compromised.

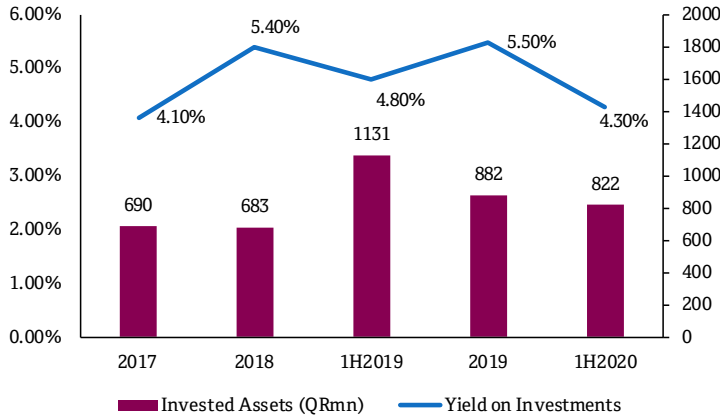
**QLM GWP Breakdown (2019)**



Source: QLM, QNB FS Research

- **UAE:** QLM’s predecessor Q Life, reinsured UAE-written policies since its incorporation in 2011 and has maintained the business. QLM’s parent company (QIC) has branches in Dubai & Abu Dhabi, which serve several large corporate clients. QLM reinsures 50% of the medical portfolio of QIC’s UAE branches while also reinsuring the UAE-written life insurance policies coming from various channels including UAE-based life insurers and brokers.
- **Oman:** Since 2011, QLM has acted as a reinsurer for medical and life policies written in the Sultanate of Oman by OQIC, a subsidiary of QIC. Since the beginning of 2020, QLM reinsured 60% of the medical portfolio of OQIC vs. 90% in 2019, and 100% in 2018 and 2017. On the life insurance front, QLM reinsured 90% of OQIC’s life insurance portfolio in 2020 vs. 90% in 2019, and 100% in 2018 and 2017. Besides reinsuring OQIC’s life and medical policies, QLM also reinsures life insurance written by other Omani insurers.
- **Kuwait:** Since 2011, QLM reinsured the medical portfolio of QIC’s subsidiary in Kuwait (KQIC). QLM only accepts risks with favorable financial and underwriting terms. On the life insurance segment, QLM reinsures policies from various Kuwait-based life insurers as well.
- **Other countries:** While QLM no longer reinsures risks outside of the UAE, Oman and Kuwait, it used to be active in other overseas countries as well. 1) Malaysia: In 2015, Q Life established a branch entity in Labuan, Malaysia. However, at the beginning of 2017 the Labuan branch ceased to underwrite new businesses. All previously underwritten Labuan policies have expired and the branch is in runoff. QLM anticipates to successfully withdraw Labuan Branch’s license before the end of 2020. 2) Until 2018, a small part of QLM’s life reinsurance business originated in Taiwan, Jordan, Lebanon, Libya, Palestine and Iraq.

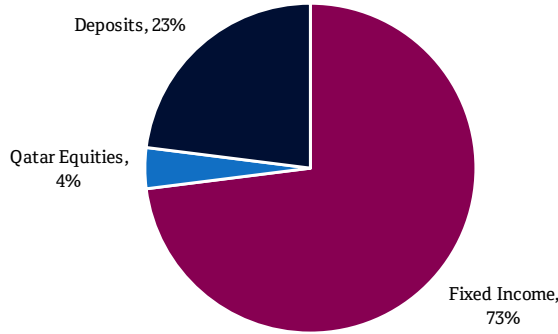
### QLM Investment Portfolio Size and Yield



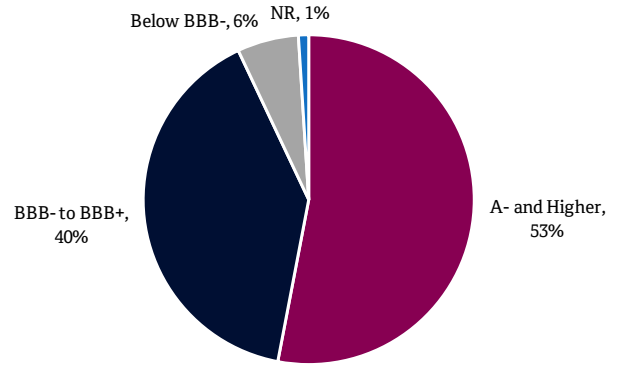
Source: QLM, QNB FS Research

- **Successful investment management performance with a risk-averse asset allocation approach.** As of 1H2020, QLM has QR822mn of assets, 73% of which are invested in fixed income securities, 4% in local equities and 23% in cash deposits. Investment grade securities accounted for 93% of the fixed income portfolio, whereas securities with A- and higher grades comprised 53%. Yield on invested assets were 4.3% as of 1H2020, markedly above local deposit rates. QLM’s average investment yield was higher in 2018 and 2019 (5.4% and 5.5%, respectively).

**QLM's Investment Portfolio Breakdown**



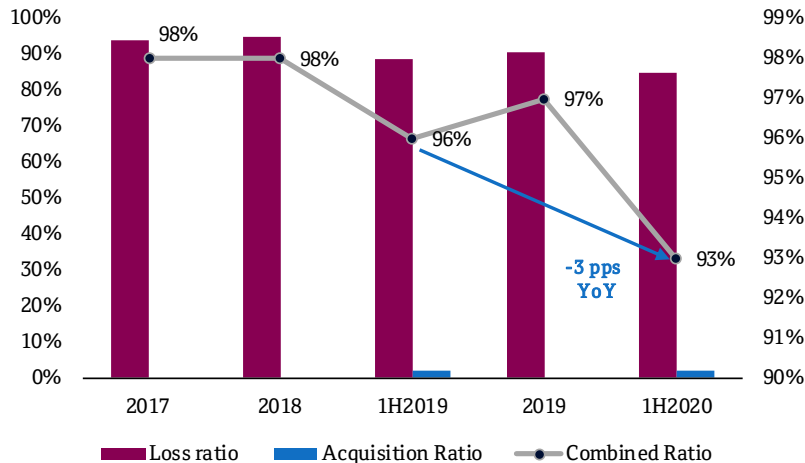
**QLM's Fixed Income Portfolio Breakdown**



Source: QLM, QNB FS Research

- QIC's backing is likely to continue after the IPO as well.** QIC, QLM's pre-IPO parent company, is the largest local insurer, recording \$3.5bn in gross written premiums in 2019. QLM has been able to successfully leverage its relationship with QIC's group entities in the UAE, Oman and Kuwait to source reinsurance business from those markets. Aside from supporting QLM's insurance business, QIC supports QLM's investment management activities as QLM's investment management functions is carried out by a wholly owned subsidiary of QIC (Epicure Investment Management).
- Exceptionally high client loyalty.** QLM has consistently retained approximately 90% of its existing Qatar business (year on year) during the period from FY2017 to FY2019 as a result of a differentiated product range, service quality, competitive pricing and IT infrastructure.
- Economies of scale advantages:** There are currently 12 active licensed insurers in Qatar, most of which deal in conventional/non-Islamic insurance with a few operating in the takaful/Shari'ah-compliant space. QLM is the biggest player in the medical insurance segment in terms of gross written premiums in Qatar with an estimated 50-55% market share, followed by Al Koot. MetLife Gulf and QGIRCO are the other active players in the local life insurance segment. Qatari life & insurance market is highly competitive and contracts are generally awarded via tenders. QLM's relatively bigger client base gives them an edge in winning new business.
- QLM's combined ratio has been continuously improving since 2017 thanks to declining loss ratios** driven by the following countermeasures: 1) weeding out loss-making accounts 2) correction in renewal premiums and benefit pricing 3) control of overall claim costs 4) plugging the malpractices of providers and 4) negotiations on better discount structure, etc.

**QLM's Loss, Acquisition and Combined Ratios**



Source: QLM, QNB FS Research



- **QLM's solid capitalization and top-notch profitability paves the way for top-line expansion. However, the maintenance of its "A" credit rating may depend on the continuation of the parent guarantee.** QLM's solvency ratio rose steadily from 165.3% in FY2017 to 211% in FY2019. As of 1H2020, the solvency ratio was 192.8% (1H2019: 194.8%), remarkably above the QCB requirement of 150.0%. Moreover, QLM enjoys one of the highest ROEs among international life insurers with its 2019 ROE at 18.9%, significantly above the international peer group average of 11.8%. After the IPO, QIC's effective ownership of QLM will decline from 85% to 25% and consequently QLM will no longer be a subsidiary of QIC. Thus, in the post-listing era, QLM plans to obtain its own credit rating based on its own financial strength/position. As of August 2020, QLM shared QIC's "A" rating with negative outlook (issued by S&P). In Dec'20, S&P Global Ratings (S&P) placed its 'A' financial strength rating on QLM Life and Medical Insurance Company (QLM) on CreditWatch with negative implications. S&P took this step as QIC may revoke its guarantee to QLM after the IPO. S&P's "A" rating on QLM is based on the guarantee provided by QATI. S&P states that there will be more clarity regarding the guarantee from QATI over the next 3 months. If QATI revokes the guarantee after the IPO, S&P states that it could lower the rating on QLM by one or more notches depending on its assessment on QLM's stand-alone creditworthiness. QLM believes that it will be able to maintain its credit rating given its strong capitalization and high profitability.
- **A strong commitment to dividends, bolstered by the company's intention to distribute interim dividends for Jan-Mar'21.** QLM's board of directors deem a robust dividend yield to be essential post-IPO for creating shareholder value; hence, the company intends to pay an annual dividend to its shareholders amounting to 40-60% of QLM's net profit in accordance with the dividend declaration and distribution policy of the company. The dividend may be in cash or in the form of bonus shares or a mix of both.

**In line with its commitment to shareholder value creation by dividends, QLM intends to declare an interim dividend for the period covering Jan'21 to Mar'21.** In 2019, QLM paid cash dividends of QR42mn, which corresponded to a 48% payout ratio and a dividend yield of 3.8% given the IPO mcap.

## Catalysts

- **Potential inclusion in local, FTSE and MSCI EM indices.**
- **Above average & better/worse than expected dividends.** With dividends being a major driver for investors, better/worse than expected DPS could drive the stock price.
- **Re-initiation of Qatar's National Health Insurance Scheme** with private insurance companies could provide an injection of growth in QLM.
- **Mandatory health insurance for visitors and tourists to Qatar, ahead of FIFA 2022.**
- **The impact of IFRS 17.** IFRS 17 introduces changes to accounting and reporting standards of insurers such as requiring discounting of loss reserves expected to be paid in more than one year as well as risk adjustment for general insurance contracts. QLM is currently in the process of evaluating the potential impact of IFRS 17 and the study is expected to be completed by 1Q2021. The new standard will be effective after January 2023.
- **Credit rating change over the next 3 months.**

## Company Overview

**QLM is the successor of Q Life and is Qatar's leading medical & life insurance company with a dominant market share and strong brand recognition in Qatar.** The company provides medical and life insurance products for a wide variety of clients (most of the large entities in Qatar). Following its incorporation in 2018, QLM became the business successor of Q Life when it acquired a substantial amount of the insurance business portfolio of Q Life, which had been operational since June 2011. In addition to the portfolio transfer, QLM also acquired QIC's shares in Q Life (Q Life is now a wholly owned subsidiary of QLM). QLM has continued to engage in the same activities as Q Life, including group credit life and group medical. It has also expanded into retail life insurance products. The company will continue to expand into new product lines, including individual medical insurance and investment-linked life insurance. Q Life will not undertake any regulated activities. However, it will continue to provide non-regulated support services to QLM. Furthermore, while Q

Life was not authorized to deal with retail clients, QLM's insurance license allows it to issue retail products.

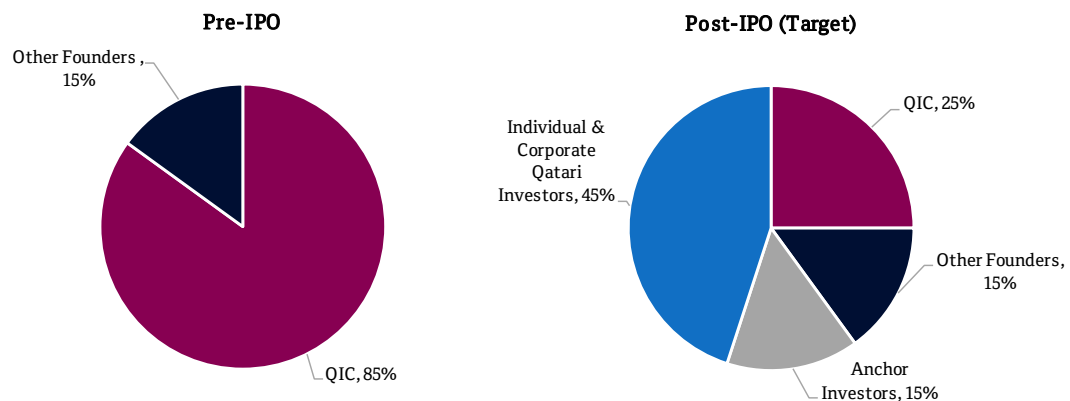
**Group medical insurance and the business in Qatar generates the bulk of QLM's GWP.** The segment generated +88% of QLM's GWP in 2019, whereas the rest (12%) was realized by the Group and Credit Life segment. QLM's policies cover approximately 175k local policyholders. QLM enjoys GCC's most comprehensive network of medical providers operating in 103 countries along with its state of the art IT system that enhances its customer experience, resulting in high policy renewal rates. The company has low client concentration, with no client contributing to more than 8% of GWP. From a geographical point of view, as of 2019, Qatar comprised 77% of QLM's gross written premiums. However, the company also has reinsurance policies originating in Oman, Kuwait and the UAE.

**THE IPO HIGHLIGHTS**

- Total of 210,000,000 shares being offered for subscription, equivalent to 60% of QLM Life & Medical Insurance Company QPSC's share capital, at QR 3.15 per share making the total size of the Offering QR 659,400,000.
- Offering Price of QAR 3.15, resulting from the division of QLM's market capitalization at IPO by the number of QLM's post-conversion shares (350,000,000 shares). The Offering Price consists of the nominal value per share of QAR 1, a premium of QAR 2.14 and Offering and Listing Fee of QAR 0.01 per Offer Share
- Implied market capitalization of QAR 1,099,000,000 at IPO
- Minimum application is 500 shares for individual and corporate investors
- Maximum application is 17.5 million shares (equivalent to 5% of total issued share capital)
- Eligible investors include Qatari citizens and legal entities incorporated in Qatar
- Prior commitments obtained from several anchor investors to subscribe for 15% of QLM's share capital during the IPO
- Lead Receiving Bank: QNB / Other Receiving Banks: CBQK, ABQK, DHBK, KCBK
- Continued commitment and support by the selling shareholder QIC, who will retain a 25% shareholding in QLM post-IPO

**During the IPO, Qatar Insurance Company (QATI) will be the sole selling shareholder and will receive all of the net proceeds of the offering.** Apart from 45% stake to be allocated to Qatari individuals and corporates, a 15% stake will be sold to "Anchor Investors". General Retirement and Social Insurance Authority will be the major anchor investor with its prospective 10% stake in QLM, whereas Doha Insurance Group and Qatar Ports Management Company (Mawani) are each targeted to receive 2.5% stakes.

**QLM Shareholder Structure (Pre & Post-IPO)**



Source: QLM

**QLM – IPO Timetable**

Subscription period opens	10-Dec-20
Subscription period ends	23-Dec-20
Allotment of offer shares	29-Dec-20
Refund of excess application amounts, if any	29-Dec-20
Constitutive General Assembly	30-Dec-20
Issuance of the updated commercial registration certificate of the Company, reflecting status as QPSC	31-Dec-20
Expected first day of trading of the Shares on the Qatar Exchange	06-Jan-21

Source: QLM



**Income Statement (QR000)**

	2017	2018	2019
<b>Gross Premiums</b>	<b>1,019,517</b>	<b>1,050,558</b>	<b>1,020,479</b>
Premiums Ceded to Reinsurers	-192,937	-156,889	-77,906
<b>Net Premiums</b>	<b>826,580</b>	<b>893,669</b>	<b>942,573</b>
Movement in unexpired risk reserve	31,278	-19,056	-67,909
	3%	-2%	-7%
<b>Net Earned Premiums</b>	<b>857,858</b>	<b>874,613</b>	<b>874,664</b>
Gross Claims Paid	-951,450	-1,020,987	-908,980
Reinsurance Recoveries	182,268	140,070	99,607
Movement in Outstanding Claims	-38,851	51,045	15,282
Net Commissions	3,508	11,335	-2,414
EBITDA Margin %	62.1%	68.4%	97.1%
<b>Net Underwriting Claims</b>	<b>53,333</b>	<b>56,076</b>	<b>78,159</b>
Net Investment & Other Income	36,669	41,001	52,616
Investment & Other Income			
Finance Costs	6,403	10,715	10,799
<b>Total Income</b>	<b>90,002</b>	<b>97,077</b>	<b>130,775</b>
Operating and Administrative Expenses	-36,420	-35,638	-47,536
Depreciation	-263	-287	-711
<b>PBT</b>	<b>53,319</b>	<b>61,152</b>	<b>82,528</b>
Income Tax Expenses	-5,350	-6,100	-1,000
Prior Period Tax Adjustments	6,139	0	5,350
<b>Net Income</b>	<b>54,108</b>	<b>55,052</b>	<b>86,878</b>
Shares Outstanding (mn)	144,000	172,800	350,000
<b>EPS</b>	<b>0.15</b>	<b>0.16</b>	<b>0.25</b>
<b>DPS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.12</b>

Source: Company data, QNB FS Research (EPS are based on current number of shares)

**Balance Sheet (QR000)**

	2017	2018	2019
Cash and balances	470,833	448,976	568,711
Insurance and other receivables	268,975	311,303	297,491
Reinsurance contract assets	138,504	126,641	91,818
Due from related parties	147,093	126,245	109,748
Investments	631,300	616,510	702,290
<b>Total Current Assets</b>	<b>1,656,705</b>	<b>1,629,675</b>	<b>1,770,058</b>
Property and equipment	716	733	1,997
<b>Non-Current Assets</b>	<b>716</b>	<b>733</b>	<b>1,997</b>
<b>Total Assets</b>	<b>1,657,421</b>	<b>1,630,408</b>	<b>1,772,055</b>
Provisions, reinsurance and other payables	72,429	108,334	93,123
Due to related parties	165,957	146,368	144,974
Short term borrowings	411,862	382,404	389,095
Insurance contract liabilities	710,047	666,196	683,999
<b>Current Liabilities</b>	<b>1,360,295</b>	<b>1,303,302</b>	<b>1,311,191</b>
<b>Non-Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>1,360,295</b>	<b>1,303,302</b>	<b>1,311,191</b>
<b>Total Equity</b>	<b>297,126</b>	<b>327,106</b>	<b>460,864</b>
Minority Interest	0	0	0
<b>Liabilities &amp; Shareholder's Equity</b>	<b>1,657,421</b>	<b>1,630,408</b>	<b>1,772,055</b>

Source: Company data, QNB FS Research

**Ratio Analysis**

**Key Metrics**

Particulars	2017	2018	2019
<b>Growth Rates</b>			
Gross Premiums	N/M	3.0%	(2.9%)
PBT	N/M	14.7%	35.0%
PAT/EPS	N/M	1.7%	57.8%
DPS	N/M	N/M	N/M
<b>Operating Ratios</b>			
Underwriting Profit Margin	6.2%	6.4%	8.9%
Loss Ratio	(94.2%)	(94.9%)	(90.8%)
Expense Ratio	(4.3%)	(4.1%)	(5.5%)
Net Acquisition Ratio	0.4%	1.3%	(0.3%)
Combined Ratio	(98.1%)	(97.7%)	(96.6%)
Net Profit Margin	5.3%	5.2%	8.5%
<b>Working Capital Ratios</b>			
Days Receivables	70	71	73
Payable Days	96	108	106
	26	38	33
<b>Finance Ratios</b>			
Debt-Equity Ratio	139%	117%	84%
Net Debt-Equity Ratio	-232%	-209%	-191%
Net Debt-to-Capital	-97%	-96%	-104%
Interest Coverage	14.1	9.1	12.1
<b>Return Ratios</b>			
ROIC	7.6%	7.8%	10.2%
ROE	18.2%	16.8%	18.9%
ROA	3.3%	3.4%	4.9%
<b>Valuation</b>			
P/E	20.4	20.0	12.7
P/BV	3.7	3.4	2.4
Dividend Yield	0.0%	0.0%	3.8%

Source: Company data, QNB FS Research

### Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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