

**Al Wathba National Insurance Company
P.J.S.C.**

Condensed interim financial information

30 June 2020

Principal business address:

Al Wathba National Insurance Company P.J.S.C.
P.O. Box: 45154
Abu Dhabi
UAE

Al Wathba National Insurance Company P.J.S.C.

Condensed interim financial information

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شركة الوثبة الوطنية للتأمين - شركة
AL WATHBA NATIONAL INSURANCE CO. P.J.S.C.

Board of Directors Report for the period ended 30 June 2020

The Board of Directors of Al Wathba National Insurance Company is pleased to submit the semi-annual report for the year 2020 of the company's activities accompanied by the reviewed financial statements for the period ended 30 June 2020.

The global and regional impact of the Coronavirus pandemic continued to cast its shadow over the social and economic sectors, particularly in the absence of solutions and vaccines for this epidemic has created a kind of instability whose ripple effects are still felt in the financial, services and tourism sectors in addition to the real estate sector which had a negative impact on the portfolios and investment for companies in general.

However, under these circumstances, Al Wathba National Insurance Company was able to achieve exceptional growth during the period in its core insurance business, as gross written premiums achieved totaled to 201.5 million dirhams compared to 139.3 million dirhams for the year 2019 during the same period.

Net underwriting income achieved reached 24.7 million dirhams, compared to 21.2 million dirhams in the year 2019.

As for the net profits for the period, the company achieved a net loss of 79.9 million dirhams brought about by the company's investment performance.

Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Shiekh Khalifa Bin Zayed Al Nahyan, President of UAE and Ruler of Abu Dhabi and H.H Shiekh Mohamed Bin Rashid Al Maktoum, the Vice President , Prime Minister and the ruler of Dubai and H.H Sheikh Mohammed Bin



شركة الوثبة الوطنية للتأمين ش.م.ع.
AL WATHBA NATIONAL INSURANCE CO. P.J.S.C.

Zayed Al Nahyan, the Crown Prince and to all the rulers of the Emirates for their steadfast support for the progress of this country, all its economic institutions and Al Wathba National Insurance Company.

The Board of Directors likewise extends its appreciation and gratitude to all the company's shareholders and customers for their trust and continued support, and to all staff for their dedication and contribution to the company's performance during the last period.

Sheikh Saif Bin Mohammed Bin Butti Al Hamed
Chairman



KPMG Lower Gulf Limited
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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Shareholders of Al Wathba National Insurance Company P.J.S.C.

Introduction

We have reviewed the accompanying 30 June 2020 condensed interim financial information of Al Wathba National Insurance Company P.J.S.C. (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2020;
- the condensed interim statement of profit or loss for the three-month and six-month periods ended 30 June 2020;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed interim statement of changes in shareholders' equity for six-month period ended 30 June 2020;
- the condensed interim statement of cash flows for six-month period ended 30 June 2020; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

KPMG Lower Gulf Limited



Saif Fayez Shawer
Registration No: 1131
Abu Dhabi, United Arab Emirates
Date: 13 August 2020

Al Wathba National Insurance Company P.J.S.C.

Condensed interim statement of financial position

as at

		30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
	Note		
Assets			
Property and equipment		5,228	5,282
Investment in associates		89,045	107,595
Financial assets at amortised cost	5	14,293	14,368
Financial assets at fair value through other comprehensive income	6	246,662	346,585
Financial assets at fair value through profit or loss	7	235,584	424,537
Investment properties		316,863	316,863
Insurance balance receivables	8	66,344	49,059
Statutory deposits	10	6,000	6,000
Reinsurers' share of unearned premiums reserve	9	39,404	28,002
Reinsurers' share of outstanding claims reserve	9	123,857	118,302
Reinsurers' share of claims incurred but not reported reserve	9	9,618	9,977
Other receivables and prepayments	8	37,574	8,248
Term deposits	10	86,669	91,544
Bank balances and cash	10	227,594	43,206
Total assets		1,504,735	1,569,568
Equity and liabilities			
Equity			
Share capital	11	207,000	207,000
Legal reserve		103,500	103,500
Statutory reserve		51,750	51,750
General reserve		88,753	88,753
Capital reserve		9,959	9,959
Fair value reserve		(185,209)	(95,122)
Cash flow hedge reserve		(5,703)	-
Retained earnings		307,656	400,019
Total equity		577,706	765,859
Technical reserves			
Unearned premiums reserve	9	182,918	119,545
Outstanding claims reserve	9	176,402	171,815
Claims incurred but not reported reserve	9	38,912	36,177
Unallocated loss adjustment expenses reserve	9	4,590	4,373
Unexpired risk reserve	9	1,500	2,494
Total technical reserves		404,322	334,404
Liabilities			
Borrowings	12	377,561	-
Employees' end of service benefits		7,353	7,316
Derivative financial instrument	13	5,703	-
Trade and other payables		104,125	75,370
Bank overdrafts	10	27,965	386,619
		522,707	469,305
Total liabilities		927,029	803,709
Total equity and liabilities		1,504,735	1,569,568

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.


H.E. Shk. Saif Bin Mohammed Bin Butti Al Hamed
Chairman


Bassam Chilmeran
Chief Executive Officer


Murali Krishnan
Chief Financial Officer

The notes set out on pages 10 to 23 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 3 and 4.

Al Wathba National Insurance Company P.J.S.C.

Condensed interim statement of profit or loss for the period ended 30 June (Unaudited)

		Three-month period ended		Six-month period ended	
		2020	2019	2020	2019
	Note	AED'000	AED'000	AED'000	AED'000
Gross premiums written	18.1	85,942	47,957	201,533	139,338
Reinsurance share of gross premiums	18.1	(19,168)	(16,919)	(54,816)	(53,920)
Net premiums		66,774	31,038	146,717	85,418
Net transfer to unearned premiums reserve	18.1	(16,427)	15,124	(51,970)	5,039
Net premiums earned		50,347	46,162	94,747	90,457
Reinsurance commissions earned		9,766	5,968	19,995	20,037
Acquisition costs of insurance contracts		(17,019)	(6,481)	(26,072)	(17,404)
Gross underwriting income		43,094	45,649	88,670	93,090
Gross claims paid		(22,285)	(30,901)	(51,549)	(61,068)
Reinsurer share of gross claims paid		9,646	8,153	15,293	14,165
Net claims paid		(12,639)	(22,748)	(36,256)	(46,903)
Change in outstanding claims reserve		5,315	(5,444)	(4,587)	(10,602)
Change in reinsurers' share of outstanding claims reserve		(9,554)	5,127	5,555	7,961
Net change in incurred but not reported claims reserve		(2,644)	(1,096)	(3,094)	(1,222)
Change in unallocated loss adjustment expense reserve		(62)	(190)	(217)	(255)
Changes in unexpired risk reserve		(18)	-	994	-
Net claims incurred	18.1	(19,602)	(24,351)	(37,605)	(51,021)
Underwriting income		23,492	21,298	51,065	42,069
Expenses relating to underwriting		(15,665)	(11,668)	(26,356)	(20,888)
Net underwriting income		7,827	9,630	24,709	21,181
Investment (loss) / income, net	14	(12,109)	(2,447)	(90,229)	2,159
Income from investment properties - rental income	18.1	1,517	2,200	2,956	3,993
Loss from hedging		(117)	-	(20)	-
Share of profit / (loss) from associates	18.1	851	(7,440)	(7,141)	(6,314)
Total (loss) / income		(2,031)	1,943	(69,725)	21,019
Other expenses		(1,281)	(892)	(2,361)	(1,991)
Finance costs		(3,733)	(4,609)	(7,808)	(8,523)
(Loss) / profit for the period		(7,045)	(3,558)	(79,894)	10,505
Basic and diluted (loss) / earnings per share	15	(0.03)	(0.02)	(0.38)	0.05

The notes set out on pages 10 to 23 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 3 and 4.

Al Wathba National Insurance Company P.J.S.C.

Condensed interim statement of profit or loss and other comprehensive income for the period ended 30 June (Unaudited)

		Three-month period ended		Six-month period ended	
		2020	2019	2020	2019
	Note	AED'000	AED'000	AED'000	AED'000
(Loss) / profit for the period		(7,045)	(3,558)	(79,894)	10,505
Other comprehensive income					
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods</i>					
Share of other comprehensive loss of associates		(2,552)	(19,230)	(10,095)	(18,888)
(Loss) / gain on sale of financial assets at fair value through other comprehensive income		(947)	5,510	241	6,236
Change in fair value of financial assets at fair value through other comprehensive income	6	179	(8,884)	(92,702)	(16,719)
<i>Items that are or may be classified to statement of profit or loss in subsequent periods</i>					
Cash flow hedge - effective portion of changes in fair value		(680)	-	(5,703)	-
Other comprehensive loss for the period		(4,000)	(22,604)	(108,259)	(29,371)
Total comprehensive loss for the period		(11,045)	(26,162)	(188,153)	(18,866)

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Al Wathba National Insurance Company P.J.S.C.

Condensed interim statement of changes in shareholders' equity for the six-month period ended 30 June (Unaudited)

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Fair value reserve AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Equity attributable to equity holders of the Company AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2019 (Audited)	207,000	103,500	51,750	81,185	9,959	(31,227)	-	428,979	851,146	77	851,223
Profit for the period	-	-	-	-	-	-	-	10,505	10,505	-	10,505
Other comprehensive (loss) / income	-	-	-	-	-	(35,607)	-	6,236	(29,371)	-	(29,371)
Total comprehensive (loss) / income	-	-	-	-	-	(35,607)	-	16,741	(18,866)	-	(18,866)
Transferred to retained earnings on disposal of OCI	-	-	-	-	-	2,816	-	(2,816)	-	-	-
<i>Transaction with Owners of the company</i>											
Dividend Paid	-	-	-	-	-	-	-	(31,050)	(31,050)	-	(31,050)
Net changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(77)	(77)
Balance at 30 June 2019 (Unaudited)	207,000	103,500	51,750	81,185	9,959	(64,018)	-	411,854	801,230	-	801,230
Balance at 1 January 2020 (Audited)	207,000	103,500	51,750	88,753	9,959	(95,122)	-	400,019	765,859	-	765,859
Loss for the period	-	-	-	-	-	-	-	(79,894)	(79,894)	-	(79,894)
Other comprehensive (loss) / income	-	-	-	-	-	(102,797)	-	241	(102,556)	-	(102,556)
Transfer to retained earnings on disposal of financial assets at FVOCI	-	-	-	-	-	12,710	-	(12,710)	-	-	-
Cash flow hedge reserve	-	-	-	-	-	-	(5,703)	-	(5,703)	-	(5,703)
Total comprehensive loss	-	-	-	-	-	(90,087)	(5,703)	(92,363)	(188,153)	-	(188,153)
Balance at 30 June 2020 (Unaudited)	207,000	103,500	51,750	88,753	9,959	(185,209)	(5,703)	307,656	577,706	-	577,706

The notes set out on pages 10 to 23 form an integral part of this condensed interim financial information.

Al Wathba National Insurance Company P.J.S.C.

Condensed interim statement of cash flows for the six-month period ended 30 June

		30 June 2020 (Unaudited) AED'000	30 June 2019 (Unaudited) AED'000
	Note		
Cash flow from operating activities			
(Loss) / profit for the period		(79,894)	10,505
Adjustments for:			
Unearned premiums reserve - net		51,971	(5,039)
Outstanding claims reserve and claims incurred but not reported reserve including allocated and unallocated loss adjustment expense reserve		6,545	15,288
Reinsurance share of outstanding claims reserve and IBNR		(5,196)	(11,170)
Charge for allowance for impairment of insurance balances receivable		5,385	2,787
Change in fair value of investments carried at FVTPL	14	73,084	40,219
Loss / (gain) on disposal of investments carried at FVTPL	14	38,966	(8,880)
Gain on disposal of property and equipment		-	(25)
Provision for employees end of service benefits		363	391
Depreciation of property and equipment		735	553
Share of profit of associates		7,141	6,313
Finance costs		7,808	8,523
Dividend income	14	(28,615)	(33,864)
Interest income	14	(188)	(188)
Loss on hedge instruments		20	-
		78,125	25,413
Working capital changes:			
Insurance receivables and prepayments		(51,941)	(15,764)
Trade and other payables		28,755	5,083
		54,939	14,732
Cash generated from operations			
Employees' end of service benefits paid		(326)	(223)
		54,613	14,509
Net cash generated from operating activities			
		54,613	14,509
Investing activities			
Purchase of property and equipment		(681)	(1,080)
Additions to investment properties		-	(335)
Purchase of investments carried at FVTPL	7	(14,850)	(221,576)
Purchase of investments carried at OCI		-	(23,629)
Purchase of investment in associates		(16)	-
Purchase of Investment carried at amortised cost		-	(5,000)
Proceeds from sale of property and equipment		-	25
Proceeds from disposal of investments carried at FVOCI		7,462	32,965
Proceeds from disposal of investments carried at FVTPL		91,753	138,641
Term deposits		4,875	14,047
Interest received		188	188
Dividends received from Associates		1,330	4,626
Dividends received		28,615	33,864
		118,676	(27,264)
Net cash generated from / (used in) investing activities			
		118,676	(27,264)
Financing activities			
Finance cost paid		(7,808)	(8,523)
Term loan received		377,561	-
Dividend paid		-	(31,050)
		369,753	(39,573)
Net cash generated from / (used in) financing activities			
		369,753	(39,573)
Net increase / (decrease) in cash and cash equivalents			
		543,042	(52,328)
Cash and cash equivalents at the beginning of the period		(343,413)	(287,090)
Cash and cash equivalents at the end of the period	10	199,629	(339,418)

The notes set out on pages 10 to 23 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 3 and 4.

Al Wathba National Insurance Company P.J.S.C.

Notes to the condensed interim financial information

1 Legal status and principal activities

Al Wathba National Insurance Company P.J.S.C. (the “Company”), incorporated in Abu Dhabi is registered as a public shareholding Company in accordance with UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents, and is registered in the Insurance Companies Register under registration No. (10).

The Company’s principal activity is the writing of general insurance business of all classes, the Company’s principal activity is the transaction of general insurance and re-insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. It does not include all of the information required for a complete set of financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results for the year ending 31 December 2020.

(b) Basis of measurement

The condensed interim financial information has been prepared under the historical cost convention except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, derivative financial instruments and investment properties which are carried at fair values.

(c) Functional and reporting currency

This condensed interim financial information is presented in United Arab Emirates Dirhams (“AED”), which is the Company’s functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

(d) Use of judgments and estimates

In preparing this condensed interim financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2019.

Al Wathba National Insurance Company P.J.S.C.

Notes to the condensed interim financial information

3 Significant accounting policies

The accounting policies applied in the condensed interim financial information are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2019.

3.1 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2020, however, these do not have a material impact on the condensed interim financial information of the Company.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial information:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a business (Amendments to IFRS 3)
- Definition of material (Amendments to IAS 1 and IAS 8)

Further, IFRS 17 '*Insurance Contracts*' effective for annual period beginning on or after 1 January 2023 is expected to have a significant impact.

4 Commitments and contingencies

Contingent liabilities

The Company's bankers have issued in the normal course of business letters of guarantee in favour of third parties amounting to AED 6.6 million (31 December 2019: AED 6.6 million).

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of business. Management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 15.6 million (31 December 2019: AED 14.0 million) representing amounts expected to result in a probable outflow of economic resources.

5 Financial assets at amortised cost

Included in financial assets at amortised cost are two listed five-year sukuks with a total amount of AED 9 million which carry profit of 6 – month EIBOR + 300 bps or 7.5%, whichever is higher and one perpetual bond amounting to AED 5 million which carries profit of 8.3% (31 December 2019: two listed five year sukuks amounting to AED 9 million and one perpetual bond amounting to AED 5 million) having an accrued profit of AED 0.29 million (31 December 2019: AED 0.37 million).

6 Financial assets at fair value through other comprehensive income

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Quoted securities	227,076	323,547
Unquoted securities	19,586	23,038
	<u>246,662</u>	<u>346,585</u>

Certain securities are registered in the name of a director for the beneficial interest of the Company. The fair value of these securities as at 30 June 2020 was AED 11.5 million (31 December 2019: AED 12.8 million).

Al Wathba National Insurance Company P.J.S.C.

Notes to the condensed interim financial information

6 Financial assets at fair value through other comprehensive income (continued)

The movement in the financial assets at fair value through other comprehensive income (FVOCI) is as follows:

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
At beginning of the period / year	346,585	267,865
Additions	-	163,605
Disposals	(7,221)	(42,945)
Change in fair value	(92,702)	(41,940)
Balance at end of the period / year	246,662	346,585

The geographical distribution of investments at FVOCI is as follows:

Within UAE	242,814	342,604
Outside UAE	3,848	3,981
	246,662	346,585

Certain investments with a total fair value of AED 129.3 million (31 December 2019: AED nil) are secured against bank borrowings (note 12).

7 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of quoted investments in local securities. The movement in investments at fair value through profit or loss is as follows:

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
At beginning of the period / year	424,537	466,488
Additions	14,850	322,734
Disposals	(130,719)	(338,166)
Change in fair value (note 14)	(73,084)	(26,519)
Balance at end of the period / year	235,584	424,537

Certain investments with a total fair value of AED 65.5 million (31 December 2019: AED nil) are secured against bank borrowings (note 12).

Al Wathba National Insurance Company P.J.S.C.

Notes to the condensed interim financial information

8 Premiums and insurance receivables

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Due from policy holders and brokers	49,339	37,863
Due from policy holders - related parties (note 16)	27,367	16,002
Due from insurance and reinsurance companies	15,030	15,201
	<u>91,736</u>	<u>69,066</u>
Less: allowance for expected credit losses (i)	(25,392)	(20,007)
	<u>66,344</u>	<u>49,059</u>
Insurance balance receivables		
Prepayments	6,932	2,773
Accrued income	1,915	1,365
Other receivables	4,010	4,110
Deferred acquisition cost	24,717	-
	<u>37,574</u>	<u>8,248</u>
Other receivables and prepayments		
	<u>103,918</u>	<u>57,307</u>

(i) The movement in the allowance for expected credit loss is as follows:

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Balance as at 1 January	20,007	13,670
Charge for the period / year	7,346	12,499
Reversed during the period / year	(1,961)	(5,629)
Written off during the period / year	-	(533)
	<u>25,392</u>	<u>20,007</u>
Balance as at 31 December		

9 Insurance contract liabilities and reinsurance contract assets

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Liabilities arising from insurance contracts		
Gross unearned premiums reserves ("UPR")	182,918	119,545
Claims incurred but not reported reserve ("IBNR")	38,912	36,177
Gross outstanding claims reserve ("OCLR") (i)	180,992	176,188
Unexpired risk reserve	1,500	2,494
	<u>404,322</u>	<u>334,404</u>

Al Wathba National Insurance Company P.J.S.C.

Notes to the condensed interim financial information

9 Insurance contract liabilities and reinsurance contract assets (continued)

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Reinsurance contract assets		
Reinsurers' share of unearned premiums reserve	(39,404)	(28,002)
Reinsurers' share of IBNR reserve	(9,618)	(9,977)
Reinsurers' share of outstanding claims reserve	(123,857)	(118,302)
	<u>(172,879)</u>	<u>(156,281)</u>
	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Net		
Unearned premiums reserve	143,514	91,543
Claims incurred but not reported reserve	29,294	26,200
Outstanding claims reserve	57,135	57,886
Unexpired risk reserve	1,500	2,494
	<u>231,443</u>	<u>178,123</u>

- (i) Outstanding claims reserve includes allocated and unallocated loss adjustment expense reserve of AED 4.7 million and AED 4.6 million (31 December 2019: AED 4.1 million and AED 4.4 million).

10 Cash and cash equivalents

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Bank balances and cash	227,594	43,206
Statutory deposit	6,000	6,000
Term deposits	86,669	91,544
	<u>320,263</u>	<u>140,750</u>
Bank and cash balances	320,263	140,750
Less: bank overdrafts	(27,965)	(386,619)
Less: term deposits with original maturity over 3 months	(86,669)	(91,544)
Less: statutory deposits	(6,000)	(6,000)
	<u>199,629</u>	<u>(343,413)</u>
Cash and cash equivalents	<u>199,629</u>	<u>(343,413)</u>

Al Wathba National Insurance Company P.J.S.C.

Notes to the condensed interim financial information

10 Cash and cash equivalents *(continued)*

Geographical concentration of cash and bank balances including bank overdrafts is as follows:

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Within UAE	292,298	(245,869)

Term deposits are held with financial institutions in UAE. The original maturity ranges from three to twelve months. Interest is receivable at annual rates ranging from 0.85% to 6.00% per annum (31 December 2019: 0.85% to 6.00% per annum).

In accordance with the requirements of Federal Law No. (6) of 2007, concerning Establishment of Insurance Authority and Organisation of its Operations, the Company maintains a bank deposit of AED 6 million (31 December 2019: AED 6 million) which cannot be utilised without the consent of the UAE Insurance Authority.

11 Share capital

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
<i>Authorised, issued and fully paid</i>		
207,000,000 (31 December 2019: 207,000,000)		
ordinary shares of AED 1 each	207,000	207,000

12 Borrowings

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Term loan 1	244,524	-
Term loan 2	133,037	-
	377,561	-

The movement in the borrowing facilities of the Company is as follows:

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Term loan facilities		
Proceeds from borrowing (net) during the period / year	375,138	-
Finance cost	2,423	-
Balance as at	377,561	-

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12 Borrowings (continued)

Term loan 1

During 2020, the Company obtained a bank facility amounting to AED 237.9 million (31 December 2019: AED nil) from an international commercial bank to finance its operations and short-term liabilities. The loan carries fixed interest rate of 3-month EIBOR plus 1.75% per annum and charged quarterly. The amount of the loan is repayable in one bullet payment at the end of the loan term of three years. The loan is secured against investments in equity securities and investment in associates. As at reporting date, the outstanding loan balance was AED 244.5 million (31 December 2019: AED nil).

Term loan 2

During 2020, the Company obtained a bank facility amounting to AED 133.5 million (31 December 2019: AED nil) from a local commercial bank. The loan carries fixed interest rate of 3-month EIBOR plus 2.30% per annum and charged quarterly. The amount of the loan is repayable in twenty irregular principal instalments commencing from 12 April 2020 till 12 January 2025. The loan is secured against investment properties comprising head office building and a plot of land. As at reporting date, the outstanding loan balance was AED 133 million (31 December 2019: AED nil).

13 Derivative financial instruments

Cash flow hedges – Interest rate swap

The Company is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

In order to reduce its exposure to interest rates fluctuations on these loans, the Company has entered into an interest rate swap arrangement, from floating interest rate to fixed interest rate with a counter-party bank for a notional amount that mirrors the draw down and repayment schedule of the loans, covering 100% of the outstanding interest-bearing loans and borrowings. The fixed interest rate for the Company is 1.67%. The floating interest rate is based on EIBOR. The notional amount outstanding at 30 June 2020 was AED 245 million (31 December 2019: nil).

The derivative instrument which is entered into for the purpose of cash flow hedge had a negative fair value of AED 5.7 million at 30 June 2020 (31 December 2019: nil).

14 Investment (loss) / income, net

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
(Loss) / gain on disposal of financial assets at fair value through profit or loss	(41,012)	(789)	(38,966)	8,880
Changes in fair value of financial assets carried at fair value through profit or loss (note 7)	24,349	(3,643)	(73,084)	(40,219)
Interest income	96	93	188	188
Dividend income	5,143	2,249	28,615	33,864
Other expenses related to investments	(685)	(357)	(6,982)	(554)
	<u>(12,109)</u>	<u>(2,447)</u>	<u>(90,229)</u>	<u>2,159</u>

Al Wathba National Insurance Company P.J.S.C.

Notes to the condensed interim financial information

15 Basic and diluted (loss) / earnings per share

Basic (loss) / earnings per share is computed by dividing the profit / loss for the period by the weighted average number of shares outstanding during the period.

Diluted (loss) / earnings per share are calculated by dividing the profit / loss for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
Profit for the period (AED'000)	(7,045)	(3,558)	(79,894)	10,505
Weighted average number of ordinary shares outstanding during the period ('000)	207,000	207,000	207,000	207,000
Basic and diluted (loss) / earnings per share (AED)	(0.03)	(0.02)	(0.38)	0.05

16 Related parties

Identity of related parties

Related parties comprise the Directors of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operation of decisions. The Company maintains significant balances with these related parties which arise from commercial transactions in the ordinary course of business at commercial rates as follows:

Balances with related parties included in the condensed interim statement of financial position are as follows:

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
<i>Included in insurance receivables</i>		
Due from policy holders (note 8)	27,367	16,002
Prepaid Expenses	127	424
<i>Included in other payables</i>		
Due to policy holders	(9,868)	(9,176)
<i>Key management personnel</i>		
Long term benefits	2,748	2,662
Remuneration of key management personnel (i)	1,988	1,793

- (i) The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

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Notes to the condensed interim financial information

16 Related parties (continued)

Transactions with related parties during the period are as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
Gross premiums written	3,068	6,558	29,672	36,105
Net claims paid	3,990	1,817	7,628	6,429
Other expenses-rent	127	127	255	255

17 Fair value of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 June 2020 (Unaudited)				
Financial assets at fair value through-profit or loss	235,584	-	-	235,584
Financial assets at fair value through-other comprehensive income	227,076	-	19,586	246,662
Interest rate swap used for hedging	(5,703)	-	-	(5,703)
	<u>456,957</u>	<u>-</u>	<u>19,586</u>	<u>476,543</u>

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17 Fair value of financial instruments (continued)

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<i>At 31 December 2019 (Audited)</i>				
Financial assets at fair value through-profit or loss	424,537	-	-	424,537
Financial assets at fair value through-other comprehensive income	323,547	-	23,038	346,585
	<u>748,084</u>	<u>-</u>	<u>23,038</u>	<u>771,122</u>

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the period. For Level 3 investments, the fair valuation techniques used for this condensed interim financial information are same as those described in Company's last annual financial statements for the year ended 31 December 2019.

Reconciliation of level 3 fair value measurement

Movement in level 3 for financial assets at fair value through other comprehensive income is as follows:

	30 June 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Balance as at 1 January	23,038	27,611
Disposal	-	(58)
Change in fair value	<u>(3,452)</u>	<u>(4,515)</u>
Balance at 31 December	<u>19,586</u>	<u>23,038</u>

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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Notes to the condensed interim financial information

18 Segment reporting

For management purposes, the Company is organised into departments based on the classes of insured risks. The reportable operating segments of the Company are fire and general accident, medical, marine, aviation and investments.

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents disclosure of segment revenues, measurement of segment profit for the period and their reconciliation to the Company's income and profit for the period.

18.1 Segment revenue and results

	Six-month period ended 30 June 2020 (unaudited)					
	Marine and Aviation AED '000	Fire and General Accident AED '000	Motor AED '000	Medical AED '000	Investments AED '000	Total AED '000
Gross premiums written	3,427	49,099	147,149	1,858	-	201,533
Reinsurance share of ceded premiums	(2,600)	(38,226)	(12,697)	(1,293)	-	(54,816)
Net change in unearned premium reserve	(211)	(3,549)	(48,342)	132	-	(51,970)
Net claims incurred	(246)	(1,550)	(35,342)	(467)	-	(37,605)
Net commission earned / (incurred)	288	1,391	(7,733)	(23)	-	(6,077)
Rental income – net	-	-	-	-	2,956	2,956
Loss from investments including finance costs	-	-	-	-	(98,057)	(98,057)
Share of loss from associate	-	-	-	-	(7,141)	(7,141)
Segment profit / (loss) before allocated expenses	658	7,165	43,035	207	(102,242)	(51,177)
Allocated expenses, net	(726)	(5,468)	(19,719)	(443)	-	(26,356)
Segment (loss) / profit	(68)	1,697	23,316	(236)	(102,242)	(77,533)
Unallocated expenses						(2,361)
Loss for the period						(79,894)

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Notes to the condensed interim financial information

18 Segment reporting (continued)

18.1 Segment revenue and results (continued)

	Six-month period ended 30 June 2019 (unaudited)					
	Marine and Aviation AED '000	Fire and General Accident AED '000	Motor AED '000	Medical AED '000	Investments AED '000	Total AED '000
Gross premiums written	2,162	42,345	92,222	2,609	-	139,338
Reinsurance share of ceded premiums	(1,723)	(36,209)	(14,384)	(1,604)	-	(53,920)
Net change in unearned premium reserve	22	(1,871)	7,276	(388)	-	5,039
Net claims incurred	(259)	(2,516)	(47,428)	(818)	-	(51,021)
Net commission earned / (incurred)	1,333	6,741	(5,561)	120	-	2,633
Rental income	-	-	-	-	3,993	3,993
Share of loss of associates	-	-	-	-	(6,314)	(6,314)
Loss from investments including finance costs	-	-	-	-	(6,364)	(6,364)
Segment profit / (loss) before allocated expenses	1,535	8,490	32,125	(81)	(8,685)	33,384
Allocated expenses, net	(621)	(5,238)	(14,434)	(595)	-	(20,888)
Segment profit / (loss)	914	3,252	17,691	(676)	(8,685)	12,496
Unallocated expenses						(1,991)
Profit for the period						10,505

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Notes to the condensed interim financial information

18 Segment reporting (continued)

18.2 Segment assets and liabilities

	As at 30 June 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Underwriting AED'000	Investments AED'000	Total AED'000	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	440,851	1,055,117	1,495,968	358,483	1,201,973	1,560,456
Unallocated assets			8,767			9,112
Total assets			<u>1,504,735</u>			<u>1,569,568</u>
Segment liabilities	477,965	422,635	900,600	373,733	399,285	773,018
Unallocated liabilities			26,429			30,691
Total liabilities			<u>927,029</u>			<u>803,709</u>
Capital expenditure	<u>459</u>	<u>-</u>	<u>459</u>	<u>2,105</u>	<u>-</u>	<u>2,105</u>

18.3 Segment revenue from underwriting departments

The following is an analysis of the Company's revenues (representing gross premiums, commission earned and other income relating to underwriting) classified by major underwriting departments.

	30 June 2020 (Unaudited) AED'000	30 June 2019 (Unaudited) AED'000
Motor	159,724	98,546
Engineering	23,368	19,504
Fire and general accidents	32,556	34,953
Marine and aviation	4,022	3,585
Life, medical and personal assurance	<u>1,858</u>	<u>2,786</u>
	<u>221,528</u>	<u>159,374</u>

19 Impact of Covid-19

The economic repercussions from the global outbreak of Covid-19 have significantly and adversely affected businesses worldwide. As at 30 June 2020, the Company has primarily been impacted in its investments segment where the net unrealised losses on financial assets measured at fair value through other comprehensive income and fair value through profit or loss amounted to AED 92.7 million and AED 73.0 million respectively. The losses in investments are consistent with the worldwide trend. There is insufficient information available to assess the direction of this trend for the future.

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19 Impact of Covid-19 (continued)

(a) Insurance risk

In its underwriting segment, the Company is primarily exposed to business interruption policies.

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions in place as well. The Company has evaluated all business interruption policies in force for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company. Furthermore, the Company has been able to retain major customers during the six-month period ended 30 June 2020 and has generally witnessed renewals and new business across some major lines of businesses.

(b) Credit risk

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Company has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates are being reviewed continuously by the Company's management.

(c) Business continuity plan

The Company has remained fully operational throughout the period and has put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted services to customers and the operations. The outbreak has not caused any significant delays in policies issuance and claims settlements. The Company will continue to monitor the reverberations of Covid-19, if any, on its customers and operations and will take further action as needed.

The steps taken by the Company to estimate the impact of Covid-19 and the judgments applied by management in assessing the values of assets and liabilities as at 30 June 2020 includes both quantitative and qualitative criteria such as risk profiling and actuarial analysis. Such analysis has enabled the Company to timely and accurately identify its exposure although these are subject to significant judgment due to the rapidly changing dynamics of Covid-19.

20 General

The condensed interim financial information of the Company was approved for issuance by the Board of Directors on 13 August 2020.