

**Al Wathba National Insurance
Company PJSC
and its subsidiary**

Condensed consolidated interim financial
information

31 March 2021

Principal business address:

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

Al Wathba National Insurance Company PJSC and its subsidiary

Condensed consolidated interim financial information

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

Board of Directors' Report on the Company Business For the Period Ended 31 March 2021

The Board of Directors of Al Wathba National Insurance Company (the "Company") is pleased to submit the quarterly report of the Company's activities accompanied by the financial statements reviewed by the external auditors for the period ended 31 March 2021.

The first quarter of 2021 is marked by a more stable economic atmosphere in comparison to the same period of the previous year, particularly in the performance of financial markets as listed companies in both the Abu Dhabi and Dubai Financial Markets published their results, which were positive as forecasted.

On the other hand, in the region's insurance sector; local markets continue to struggle under the highly competitive landscape as companies try to maintain their position in the market, which has led to a notable decline in premiums.

As for Al Wathba National Insurance Company, gross written premiums achieved during the period amounted to 103.77 million dirhams compared to 115.59 million dirhams for the same period in the previous year. Net premiums amounted to 65 million dirhams compared to 80 million dirhams for the previous year. Net underwriting income amounted to 10.1 million dirhams, and the net profit for the period amounted to 36.39 million dirhams, compared to a net loss of 72.84 million dirhams for the same period in the previous year.

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

رأس المال المدفوع و المصرح به (٢٠٧) مليون درهم شركة خاضعة لأحكام القانون الإتحادي رقم (٦) لسنة ٢٠٠٧ في شأن إنشاء هيئة التأمين و تنظيم أعماله و مقيدة بسجل شركات التأمين الرقم (١٠)

المكتب الرئيسي: ص.ب. : ٤٥١٥٤ ، أبوظبي ، أ.ع.م. ، هاتف: ٤١٨٥٣٠٠ (٢) +٩٧١ ، فاكس: ٦٧٧٦٦٢٨ (٢) +٩٧١

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AL WATHBA NATIONAL INSURANCE CO. P.J.S.C.



شركة الوثبة الوطنية للتأمين - ش.م.ع.

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.

Board Member

رأس المال المدفوع و المصرح به (٢٠٧) مليون درهم شركة خاضعة لأحكام القانون الإتحادي رقم (٦) لسنة ٢٠٠٧ في شأن إنشاء هيئة التأمين و تنظيم أعماله و مقيدة بسجل شركات التأمين الرقم (١٠)

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Independent Auditors' Report

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

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial information of Al Wathba National Insurance Company P.J.S.C. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2021;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of changes in shareholders' equity for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2021; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this condensed consolidated 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 consolidated 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 31 March 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates
Date: **15 May 2021**

Al Wathba National Insurance Company P.J.S.C. and its subsidiary

Condensed consolidated interim statement of financial position

as at

		(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
	Note		
Assets			
Property and equipment		4,880	4,758
Investment in associates		128,440	121,922
Financial assets at amortised cost	5	14,172	14,320
Financial assets at fair value through other comprehensive income	6	276,786	273,613
Financial assets at fair value through profit or loss	7	379,786	382,902
Investment properties		287,501	287,500
Insurance balances receivable	8	71,797	56,637
Statutory deposits	10	6,000	6,000
Reinsurers' share of unearned premiums reserve	9	43,345	27,628
Reinsurers' share of outstanding claims reserve	9	107,973	110,980
Reinsurers' share of claims incurred but not reported reserve	9	9,093	8,883
Other receivables and prepayments	8	63,940	28,144
Term deposits	10	98,939	98,447
Bank balances and cash	10	162,760	144,901
Total assets		1,655,412	1,566,635
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
Reinsurance risk reserve		208	15
Fair value reserve		(122,326)	(127,019)
Cash flow hedge reserve		(5,544)	(5,929)
Retained earnings		431,294	395,090
Total equity		764,594	723,119
Technical reserves			
Unearned premiums reserve	9	158,035	131,254
Claims outstanding reserve	9	174,253	176,209
Claims incurred but not reported reserve	9	42,339	40,905
Allocated and unallocated loss adjustment expenses reserve	9	4,752	4,732
Unexpired risk reserve	9	1,643	1,588
Total technical reserves		381,022	354,688
Liabilities			
Borrowings	12	372,209	373,671
Employees' end of service benefits		7,727	7,724
Derivative financial instruments	13	5,910	6,306
Trade and other payables		123,950	101,127
		509,796	488,828
Total liabilities		890,818	843,516
Total equity and liabilities		1,655,412	1,566,635

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





Board Member

Chief Executive Officer

Chief Financial Officer

The notes set out on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Al Wathba National Insurance Company P.J.S.C. and its subsidiary

Condensed consolidated interim statement of profit or loss for the three-month period ended 31 March (Unaudited)

	Note	2021 AED'000	2020 AED'000
Underwriting income			
Gross premiums written	18.1	103,772	115,591
Reinsurance share of gross premiums written	18.1	(38,548)	(35,648)
Net premiums written		65,224	79,943
Net transfer to unearned premiums reserve	18.1	(11,064)	(35,543)
Net premiums earned		54,160	44,400
Commissions income earned		5,876	10,229
Commissions expense incurred		(15,211)	(9,053)
Gross underwriting income		44,825	45,576
Gross claims paid		(32,154)	(29,264)
Reinsurance share of gross claims paid		9,274	5,647
Net claims paid		(22,880)	(23,617)
Change in gross outstanding claims reverse		1,956	(9,902)
Change in reinsurers' share of gross outstanding claims reserve		(3,007)	15,109
Net change in incurred but not reported claims reserve		(1224)	(450)
Change in allocated and unallocated loss adjustment expenses reserve		(20)	(155)
Change in unexpired risk reserve		(55)	1,012
Net claims incurred	18.1	(25,230)	(18,003)
Underwriting income		19,595	27,573
Expenses relating to underwriting	18.1	(9,476)	(10,691)
Net underwriting income		10,119	16,882
Investment income / (loss), net	14	23,687	(78,120)
Income from investment properties (rental income), net		1,056	1,439
(Loss) / income from hedging		(796)	97
Share of profit / (loss) from associates – net		5,433	(7,992)
Total income / (loss)		39,499	(67,694)
Other expenses		(822)	(1,080)
Finance costs		(2,280)	(4,075)
Profit / (loss) for the period		36,397	(72,849)
Earnings / (loss) per share	15	0.18	(0.35)

The notes set out on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Al Wathba National Insurance Company P.J.S.C. and its subsidiary

Condensed consolidated interim statement of profit or loss and other comprehensive income

for the three-month period ended 31 March (Unaudited)

	Note	2021 AED'000	2020 AED'000
Profit / (loss) for the period		36,397	(72,849)
Other comprehensive income			
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods</i>			
Share of other comprehensive income of associates		1,520	(7,543)
Gain on sale of equity investments carried at fair value through other comprehensive income		-	1,188
Change in fair value of financial assets carried at fair value through other comprehensive income	6	3,173	(92,881)
<i>Items that are or may be reclassified to statement of profit or loss in subsequent periods</i>			
Cash flow hedge – effective portion of changes in fair value		(45)	(5,023)
Other comprehensive income / (loss) for the period		4,648	(104,259)
Total comprehensive income / (loss) for the period		41,045	(177,108)

The notes set out on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

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Al Wathba National Insurance Company P.J.S.C. and its subsidiary

Condensed consolidated interim statement of changes in shareholder's equity for the three-month period ended 31 March 2021 (Unaudited)

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Reinsurance risk reserve AED'000	Investment revaluation reserve AED'000	Cashflow hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2020 (Audited)	207,000	103,500	51,750	88,753	9,959	-	(95,122)	-	400,019	765,859
Total comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	(72,849)	(72,849)
Other comprehensive (loss) / income for the period	-	-	-	-	-	-	(100,424)	(5,023)	1,188	(104,259)
Total comprehensive loss for the period	-	-	-	-	-	-	(100,424)	(5,023)	(71,661)	(177,108)
Transfer from retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	6,368	-	(6,368)	-
Balance at 31 March 2020 (unaudited)	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>88,753</u>	<u>9,959</u>	<u>-</u>	<u>(189, 178)</u>	<u>(5,023)</u>	<u>321,990</u>	<u>588,751</u>
Balance at 1 January 2021 (Audited)	207,000	103,500	51,750	88,753	9,959	15	(127,019)	(5,929)	395,090	723,119
Total comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	36,397	36,397
Other comprehensive income / (loss) for the period	-	-	-	-	-	-	4,693	(45)	-	4,648
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	4,693	(45)	36,397	41,045
Transfer from retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Changes in hedge reserve	-	-	-	-	-	-	-	430	-	430
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	193	-	-	(193)	-
Balance at 31 March 2021 (unaudited)	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>88,753</u>	<u>9,959</u>	<u>208</u>	<u>(122,326)</u>	<u>(5,544)</u>	<u>431,294</u>	<u>764,594</u>

The notes set out on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Al Wathba National Insurance Company P.J.S.C. and its subsidiary

Condensed consolidated interim statement of cash flows for the three-month period ended 31 March

	Notes	2021 AED'000	2020 AED'000
Cash flow from operating activities			
Profit for the period		36,397	(72,849)
Adjustments for:			
Provision for allowance of impaired receivables, net of reversals	8	(59)	1,155
Change in fair value of financial assets at fair value through profit or loss	7	(5,794)	97,433
Gain on disposal of financial assets at fair value through profit or loss		(379)	(2,046)
Provision for employees end of service benefits		180	37
Depreciation of property and equipment		411	355
Share of (profit) / loss of associates		(5,433)	7,992
Finance costs		2,280	4,075
Dividend income		(24,035)	(23,472)
Interest income		(74)	(92)
Loss / (gain) on hedge instruments		796	(97)
Cash flow from operating activities before working capital		4,290	12,491
Working capital changes:			
Insurance balances receivable, prepayments and other receivables		(26,970)	(68,852)
Trade and other payables		22,822	32,388
Change in unearned premium reserve, <i>net</i>		11,064	35,543
Change in gross outstanding claims, claims incurred but not reported reserve including unallocated loss adjustment expense and unexpired risk reserve		(447)	9,250
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		2,797	(14,864)
Cash generated from operations		13,556	5,956
Employees' end of service benefits paid		(177)	(187)
Net cash from operating activities		13,379	5,769
Cash flow from investing activities			
Purchase of property and equipment		(533)	(459)
Purchase of financial assets at fair value through profit or loss	7	(9,912)	(9,098)
Proceeds from sale of financial assets at fair value through profit or loss		19,201	15,193
Purchase of investment at associates		-	(16)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	3,831
(Placement) / withdrawal of term deposits		(492)	1,879
Interest received		151	290
Dividends received from associates		435	-
Dividends received		179	6,202
Net cash generated from investing activities		9,029	17,822
Cash flow from financing activities			
Term loan received		-	379,122
Long term loan repaid		(1,462)	-
Restricted cash		(77,239)	-
Settlement on derivative financial instrument		(807)	-
Finance costs paid		(2,280)	(4,075)
Net cash (used in) / generated from financing activities		(81,788)	375,047
Net (decrease) / increase in cash and cash equivalents		(59,380)	398,638
Cash and cash equivalents at the beginning of the period		144,901	(343,413)
Cash and cash equivalents at the end of the period	10	85,521	55,225

The notes set out on pages 8 to 19 form an integral part of this condensed consolidated interim financial information. The independent auditor's report on the condensed consolidated financial information is set out on pages 1 to 2.

Al Wathba National Insurance Company P.J.S.C. and its subsidiary

Notes to the condensed consolidated interim financial information

1 Legal status and principal activities

Al Wathba National Insurance Company PJSC (the “Company”), incorporated in Abu Dhabi is registered as a public shareholding Company in accordance with the UAE Federal Law No. (8) of 1984 (as amended) and is governed by the provisions of Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and organization of the Insurance Operations and its amendments, Federal Law No. (2) of 2015, concerning the Commercial Companies and its Amendments, Insurance Authority Board of Directors’ Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority Board of Directors’ Decision No. (23) of 2019 concerning Instructions Organising Reinsurance Operations. The Company’s principal activity is the writing of general 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. The Company’s shares are listed on Abu Dhabi Securities Exchange (ADX). Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. (2) of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2 Basis of preparation

(a) Basis of consolidation

The condensed consolidated financial information comprises the financial results of the Company and its wholly owned subsidiary (together the “Group”):

Subsidiary	Principal Activity	Country of Incorporation	Ownership
AWNIC Investments Limited	Investment Management	Cayman Islands	100%

The subsidiary is fully consolidated from the date on which control is transferred to the Company. Control is achieved when the parent is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiary are prepared for the same reporting year as the Company, using consistent accounting policies.

(b) Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Accordingly, the condensed consolidated interim financial information does not include all of the information required for a complete set of financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The results for the three-month period ended 31 March 2021 are not necessarily indicative of the results for the year ending 31 December 2021.

(c) Basis of measurement

The condensed consolidated 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.

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

Notes to the condensed consolidated interim financial information

2 **Basis of preparation** *(continued)*

(d) Functional and reporting currency

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

(e) Use of judgments and estimates

In preparing this condensed consolidated 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. Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements for the year ended 31 December 2020.

3 **Significant accounting policies**

The accounting policies applied in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2020.

4 **New and amended standards and interpretations**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing this condensed consolidated interim financial information.

IFRS 17 Insurance Contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group plans to adopt the standard on the required effective date and is currently evaluating the expected impact.

Other standards

The following new and amended standards are not expected to have a significant impact on the Group's condensed consolidated interim financial information, when effective:

<i>New standard or amendments</i>	<i>Effective date</i>
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3 - Reference to Conceptual Framework	1 January 2022
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2023

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

Notes to the condensed consolidated interim financial information

5 Financial assets at amortised cost

Included in financial assets at amortised cost are three sukuks with a total amount of AED 9 million which carry profit of six month EBOR + 495 bps or 6.05%, whichever is higher and one bond amounting to AED 5 million which carries profit of 8.25% (31 December 2020: Three unlisted five year sukuks amounting to AED 9 million and one bond amounting to AED 5 million).

6 Financial assets at fair value through other comprehensive income

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Quoted securities	263,826	258,016
Unquoted securities	12,960	15,597
	<u>276,786</u>	<u>273,613</u>

The Group has registered certain unquoted securities in the name of a Director for the beneficial interest of the Group. The fair value of these securities as at 31 March 2021 was AED 10.9 million (31 December 2020: AED 9.8 million).

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

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
At beginning of the period / year	273,613	346,585
Disposals	-	(24,159)
Change in fair value	3,173	(48,813)
Balance at end of the period / year	<u>276,786</u>	<u>273,613</u>

The geographical distribution of investments at FVOCI is as follows:

Within UAE	272,869	269,839
Outside UAE	3,917	3,774
	<u>276,786</u>	<u>273,613</u>

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

Notes to the condensed consolidated interim financial information

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:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
At beginning of the period / year	382,902	424,537
Additions	9,912	78,732
Disposals	(18,822)	(146,188)
Change in fair value	5,794	(25,821)
Balance at end of the period / year	379,786	382,902

8 Insurance balances receivable, prepayments and other receivables

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Due from policy holders and brokers	51,488	41,757
Due from policy holders - related parties (note 16)	32,196	24,021
Due from insurance and reinsurance companies	17,338	20,143
	101,022	85,921
Less: allowance for impairment of insurance balance receivables	(29,225)	(29,284)
Insurance balance receivables	71,797	56,637
Prepayments	9,813	1,849
Accrued income	25,989	2,091
Other receivables	5,477	4,957
Deferred acquisition cost	22,661	19,247
Other receivables and prepayments	63,940	28,144
	135,734	84,781

9 Insurance contract liabilities and reinsurance contract assets

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Liabilities arising from insurance contracts		
Gross unearned premiums reserve	158,035	131,254
Gross outstanding claims reserve (i)	179,005	180,941
Claims incurred but not reported reserve	42,339	40,905
Unexpired risk reserve	1,643	1,588
	381,022	354,688

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

Notes to the condensed consolidated interim financial information

9 Insurance contract liabilities and reinsurance contract assets (continued)

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Reinsurance contract assets		
Reinsurers' share of unearned premiums reserve	(43,345)	(27,628)
Reinsurers' share of gross claims outstanding reserve	(107,973)	(110,980)
Reinsurers' share of IBNR reserve	(9,093)	(8,883)
	<u>(160,411)</u>	<u>(147,491)</u>
Net		
Unearned premiums reserve	114,690	103,626
Claims incurred but not reported reserve	33,246	32,022
Outstanding claims reserve	71,032	69,961
Unexpired risk reserve	1,643	1,588
	<u>220,611</u>	<u>207,197</u>
(i) Outstanding claims reserve includes allocated and unallocated loss adjustment expenses reserve of AED 4.75 million (31 December 2020: AED 4.72 million).		

10 Cash and cash equivalents

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Bank balances and cash	162,760	144,901
Statutory deposit	6,000	6,000
Term deposits	98,939	98,447
	<u>267,699</u>	<u>249,348</u>
Bank and cash balances	267,699	249,348
Less: term deposits with original maturity over 3 months	(98,939)	(98,447)
Less: Restricted cash pledged against borrowings	(77,239)	(77,239)
Less: statutory deposits	(6,000)	(6,000)
Cash and cash equivalents	<u>85,521</u>	<u>67,662</u>

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

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Within UAE	<u>162,760</u>	<u>144,901</u>

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10 Cash and cash equivalents (continued)

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 0.02% to 5.50% per annum (31 December 2020: 0.30% to 6.15% 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 Group maintains a bank deposit of AED 6 million (31 December 2020: AED 6 million) which cannot be utilised without the consent of the UAE Insurance Authority.

11 Share capital

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Authorised, issued and fully paid		
207,000,000 (31 December 2020: 207,000,000) ordinary shares of AED 1 each	<u>207,000</u>	<u>207,000</u>

12 Borrowings

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Term loan 1	244,541	244,433
Term loan 2	127,668	129,238
	<u>372,209</u>	<u>373,671</u>

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

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Term loan facilities		
Opening balance	373,671	-
Proceeds from borrowing (net) during the period / year	-	373,828
Finance cost	2,280	10,617
Payments made during the year	(3,742)	(10,774)
Balance as at	<u>372,209</u>	<u>373,671</u>

Term loan 1

During 2020, the Group obtained a bank facility amounting to AED 237.9 million (31 December 2020: 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 2020: AED 244.4 million).

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12 Borrowings (continued)

Term loan 2

During 2020, the Group obtained a bank facility amounting to AED 133.5 million 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 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 outstanding loan was AED 127.6 million (31 December 2020: AED 129.2 million).

13 Derivative financial instruments

Cash flow hedges – Interest rate swap

The Group 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 rate fluctuations on these loans, the Group 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 Group is 1.67%. The floating interest rate is based on EIBOR. The notional amount outstanding at 31 March 2021 was AED 245 million (31 December 2020: AED 245 million).

The derivative instrument which is entered into for the purpose of cash flow hedge had a negative fair value of AED 5.9 million at 31 March 2021 (31 December 2020: negative fair value of AED 6.3 million).

14 Investment income / (loss), net

	31 March 2021 (Unaudited) AED'000	31 March 2020 (Unaudited) AED'000
Gain on disposal of investments carried at fair value through profit or loss	379	2,046
Changes in fair value of investments carried at fair value through profit or loss	5,794	(97,433)
Interest income	74	92
Dividend income	24,035	23,472
Other expenses related to investments	(6,595)	(6,297)
	<u>23,687</u>	<u>(78,120)</u>

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15 Earnings / (loss) per share

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

The following reflects the income and share data used in the earnings per share computation:

	Three-month period ended 31 March	
	2021 (Unaudited)	2020 (Unaudited)
Profit / (loss) for the period (AED'000)	36,397	(72,849)
Weighted average number of ordinary shares outstanding during the period (<i>shares in '000</i>)	207,000	207,000
Basic and diluted earnings / (loss) per share (AED)	0.18	(0.35)

16 Related parties

Identity of related parties

Related parties comprise the Directors of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation of decisions. The Group 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 consolidated interim statement of financial position are as follows:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
<i>Included in insurance receivables (note 8)</i>		
Due from policy holders	32,196	24,021
<i>Included in other payables</i>		
Due to policy holders	(6,438)	(11,592)
<i>Key management personnel</i>		
Long term benefits	2,878	2,838
Remuneration of key management personnel (i)	975	993

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Notes to the condensed consolidated interim financial information

16 Related parties (continued)

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

Transactions with related parties during the period are as follows:

	31 March 2021 (Unaudited) AED'000	31 March 2020 (Unaudited) AED'000
Gross premiums written	20,539	26,604
Net claims paid	3,623	3,638

17 Fair value of financial instruments

A number of the Group'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 Group 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 Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
At 31 March 2021 (Unaudited)				
Financial assets at fair value through-profit or loss	358,310	21,476	-	379,786
Financial assets at fair value through-other comprehensive income	238,826	25,000	12,960	276,786
	597,136	46,476	12,960	656,572

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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 2020 (Audited)</i>				
Financial assets at fair value through-profit or loss	359,228	23,674	-	382,902
Financial assets at fair value through-other comprehensive income	230,457	27,559	15,597	273,613
	<u>589,685</u>	<u>51,233</u>	<u>15,597</u>	<u>656,515</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 values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples.

Reconciliation of level 3 fair value measurement

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

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Balance as at 1 January	15,597	23,038
Change in fair value	<u>(2,637)</u>	<u>(7,441)</u>
Balance at 31 December	<u>12,960</u>	<u>15,597</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 consolidated interim financial information

18 Segment reporting

For management purposes, the Group is organised into departments based on the classes of insured risks. The reportable operating segments of the Group are marine and aviation, fire and general accident, motor, medical, 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 Group's income and profit for the period.

18.1 Segment revenue and results

	Three-month period ended 31 March (unaudited) 2021					
	Marine and Aviation	Fire and General Accident	Motor	Medical	Investments	Total
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Gross premiums written	2,637	40,258	59,108	1,769	-	103,772
Reinsurance share of ceded premiums	(2,131)	(31,519)	(3,520)	(1,378)	-	(38,548)
Net change in unearned premium reserve	(112)	(3,969)	(6,817)	(166)	-	(11,064)
Net claims incurred	(144)	(1,040)	(23,859)	(187)	-	(25,230)
Net commission earned / (incurred)	240	999	(10,563)	(11)	-	(9,335)
Rental income – net	-	-	-	-	1,056	1,056
Income from investments - net of finance costs	-	-	-	-	20,611	20,611
Share of profit from associate - net	-	-	-	-	5,433	5,433
Segment profit before allocated expenses	490	4,729	14,349	27	27,100	46,695
Allocated expenses – net	(316)	(2,754)	(6,251)	(155)	-	(9,476)
Segment profit	174	1,975	8,098	(128)	27,100	37,219
Unallocated expenses	-	-	-	-	-	(822)
Profit for the period	-	-	-	-	-	36,397

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18 Segment reporting (continued)

18.1 Segment revenue and results (continued)

	Three-month period ended 31 March (unaudited) 2020					
	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	1,242	34,730	77,765	1,854	-	115,591
Reinsurance share of ceded premiums	(964)	(27,361)	(5,755)	(1,298)	-	(35,648)
Net change in unearned premium reserve	(78)	(4,254)	(31,014)	(197)	-	(35,543)
Net claims incurred	(92)	(1,246)	(16,423)	(242)	-	(18,003)
Net commission earned / (incurred)	(34)	(231)	1,453	(12)	-	1,176
Rental income	-	-	-	-	1,439	1,439
Share of loss of associates - net	-	-	-	-	(82,098)	(82,098)
Income from investments - net of finance costs	-	-	-	-	(7,992)	(7,992)
Segment profit / (loss) before allocated expenses	74	1,368	26,026	105	(88,651)	(61,078)
Allocated expenses – net	(288)	(2,521)	(7,647)	(235)	-	(10,691)
Segment profit / (loss)	214	(1,153)	18,379	(130)	(88,651)	(71,769)
Unallocated expenses						(1,080)
Loss for the period						(72,849)

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Notes to the condensed consolidated interim financial information

18 Segment reporting (continued)

18.2 Segment assets and liabilities

	As at 31 March 2021 (Unaudited)			As at 31 December 2020 (Audited)		
	Underwriting AED'000	Investments AED'000	Total AED'000	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	443,745	1,202,566	1,646,311	392,702	1,165,050	1,557,752
Unallocated assets			9,101			8,883
Total assets			1,655,412			1,566,635
Segment liabilities	467,890	390,879	858,769	422,173	393,203	815,376
Unallocated liabilities			32,049			28,140
Total liabilities			890,818			843,516
Capital expenditure	533	-	533	1,047	-	1,047

18.3 Segment revenue from underwriting departments

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

	31 March 2021 (Unaudited) AED'000	31 March 2020 (Unaudited) AED'000
Motor	60,525	79,752
Engineering	16,208	15,506
Fire and general accidents	28,001	25,850
Marine and aviation	3,145	1,496
Medical	1,769	1,854
	109,648	124,458

19 Commitments and contingencies

Contingent liabilities

As at 31 March 2021, the Group had contingent liabilities in respect of outstanding letters of guarantees issued in the normal course of business amounting to AED 0.5 million (31 December 2020: AED 0.5 million).

Legal claims

The Group, 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 17 million (31 December 2020: AED 16.3 million) representing amounts expected to result in a probable outflow of economic resources.

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20 Financial risk management

The Group's risk management policies with regards to financial instruments are the same as those disclosed in note 31 to the annual consolidated financial statements of the Group for the year ended 31 December 2020

21 Impact of Covid-19

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain the spread of the virus.

(a) Insurance risk

In its underwriting segment, the Group is primarily exposed to business interruption policies. With regards to Business Interruption (BI) policies, the Group has in place pandemic and infectious disease policy exclusions as well. The Group has evaluated all business interruption policies in force for which the Group may have to incur claim payouts. As a result of initial examination of the policies, the Group determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Group. Furthermore, the Group has been able to retain major customers during the period ended 31 March 2021 and has generally witnessed renewals and new business across some major lines of businesses.

(b) Credit risk

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of counterparties.

(c) Liquidity risk

The Group continues to monitor and respond to all liquidity requirements that are presented. The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in the current extreme stress. As at the reporting date the liquidity position of the Group remains strong and is well placed to absorb and manage the impacts of this disruption.

(d) Business continuity plan

The Group 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 Group 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 Group to estimate the impact of Covid-19 and the judgments applied by management in assessing the values of assets and liabilities as at 31 March 2021 includes both quantitative and qualitative criteria such as risk profiling and actuarial analysis. Such analysis has enabled the Group to timely and accurately identify its exposure although these are subject to significant judgment due to the rapidly changing dynamics of Covid-19.

22 General

The condensed consolidated interim financial information of the Group was approved for issuance by the Board of Directors on 13 May 2021.