

Al Wathba National Insurance Company PJSC and its subsidiary

Condensed consolidated interim financial information

31 March 2022

Principal business address:

Al Wathba National Insurance Company PJSC
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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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders of Al Wathba National Insurance Company PJSC

Introduction

We have reviewed the accompanying 31 March 2022 condensed consolidated interim financial information of Al Wathba National Insurance Company PJSC (the "Company") and its subsidiary (the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2022;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of changes in shareholders' equity for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2022; 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.



Al Wathba National Insurance Company PJSC
Independent Auditors' Report on Review
of Condensed Consolidated Interim Financial Information
31 March 2022

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 2022 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: 14-May-2022

Al Wathba National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of financial position

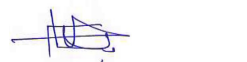
as at

		31 March 2022 (Unaudited) AED'000	31 December 2021 (Audited) AED'000
	Notes		
Assets			
Property and equipment		4,101	4,053
Investment in associates		148,551	145,866
Financial assets at amortised cost	5	14,181	14,301
Financial assets at fair value through other comprehensive income	6	405,385	366,279
Financial assets at fair value through profit or loss	7	604,092	603,751
Investment properties		272,657	259,900
Investment property under development		270	252
Insurance balances receivable	8	74,382	44,170
Reinsurers' share of unearned premiums reserve	9	59,043	28,648
Reinsurers' share of outstanding claims reserve	9	134,039	126,009
Reinsurers' share of claims incurred but not reported reserve	9	8,095	8,171
Other receivables and prepayments	8	57,874	49,270
Statutory deposit	10	6,000	6,000
Term deposits	10	56,818	78,138
Bank balances and cash	10	67,159	104,136
Total assets		1,912,647	1,838,944
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		9,796	9,959
Reinsurance risk reserve		798	491
Investment revaluation reserve		(3,621)	(31,176)
Cash flow hedge reserve		(562)	(2,509)
Retained earnings		582,189	545,756
Total equity		1,039,603	973,524
Technical reserves			
Unearned premiums reserve	9	153,973	139,515
Outstanding claims reserve	9	174,019	188,144
Claims incurred but not reported reserve	9	39,218	42,057
Unallocated loss adjustment expenses reserve	9	3,918	4,313
Unexpired risk reserve	9	5,126	1,887
Total technical reserves		376,254	375,916
Liabilities			
Borrowings	12	345,876	352,481
Employees' end of service benefits		5,269	5,746
Derivative financial instruments	13	873	2,898
Trade and other payables		144,772	128,379
		496,790	489,504
Total liabilities		873,044	865,420
Total equity and liabilities		1,912,647	1,838,944

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.



Chairman



Chief Executive Officer



Chief Financial Officer

The notes set out on pages 8 to 22 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 PJSC and its subsidiary

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

	Notes	2022 AED'000	2021 AED'000
Underwriting income			
Gross written premiums	18.1	96,587	103,772
Reinsurers' shares of gross written premiums	18.1	(61,442)	(38,548)
Net written premiums		35,145	65,224
Net transfer to unearned premiums reserve	18.1	15,937	(11,064)
Net premium earned		51,082	54,160
Commission income earned		7,152	5,876
Commission expense incurred		(15,231)	(15,211)
Gross underwriting income		43,003	44,825
Gross claims paid		(56,294)	(32,154)
Reinsurers' share of claims paid		7,499	9,274
Net claims paid		(48,795)	(22,880)
Change in gross outstanding claims reverse		14,125	1,956
Change in reinsurers' share of gross outstanding claims reserve		8,030	(3,007)
Net change in incurred but not reported claims reserve		2,763	(1224)
Change in allocated and unallocated loss adjustment expenses reserve		395	(20)
Change in unexpired risk reserve		(3,239)	(55)
Net claims incurred	18.1	(26,721)	(25,230)
Underwriting income		16,282	19,595
Expenses relating to underwriting		(10,407)	(9,476)
Net underwriting income		5,875	10,119
Income from investments, <i>net</i>	14	30,757	23,687
Income from investment properties (rental income), <i>net</i>		1,259	1,056
Loss from hedging		(755)	(796)
Share of profit from associates		2,608	5,433
Total income		39,744	39,499
Other expenses		(970)	(822)
Finance costs		(2,034)	(2,280)
Profit for the period		36,740	36,397
Earnings per share:			
Earnings per share (AED)	15	0.18	0.18

The notes set out on pages 8 to 22 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 PJSC and its subsidiary

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

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

	2022 AED'000	2021 AED'000
Profit for the period	36,740	36,397
Other comprehensive income		
<i>Items that will not be reclassified subsequently to statement of profit or loss:</i>		
Share of other comprehensive income of associates, <i>net</i>	75	1,520
Changes in fair value relating to financial assets at fair value through other comprehensive income, <i>net</i>	27,480	3,173
<i>Items that are or may be reclassified subsequently to statement of profit or loss:</i>		
Cash flow hedge - effective portion of changes in fair value	1,192	(45)
Other comprehensive income for the period	28,747	4,648
Total comprehensive income for the period	65,487	41,045

The notes set out on pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

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Al Wathba National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of changes in shareholders' equity for three-month period ended 31 March (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 2021 (<i>Audited</i>)	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
Cashflow hedge reserve	-	-	-	-	-	-	-	430	-	430
Transfer from retained earnings to reinsurance default risk reserve	-	-	-	-	-	193	-	(193)	-	-
Balance at 31 March 2021 (<i>Unaudited</i>)	<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>(5,737)</u>	<u>431,487</u>	<u>764,594</u>
Balance at 1 January 2022 (<i>Audited</i>)	207,000	103,500	51,750	88,753	9,959	491	(31,176)	(2,509)	545,756	973,524
Total comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	36,740	36,740
Other comprehensive income for the period	-	-	-	-	-	-	27,555	1,192	-	28,747
Total comprehensive income for the period	-	-	-	-	-	-	27,555	1,192	36,740	65,487
Transfer to profit or loss account from cashflow hedge reserve	-	-	-	-	-	-	-	755	-	755
Payout of capital reserve	-	-	-	-	(163)	-	-	-	-	(163)
Transfer from retained earnings to reinsurance default risk reserve	-	-	-	-	-	307	-	-	(307)	-
Balance at 31 March 2022 (<i>Unaudited</i>)	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>88,753</u>	<u>9,796</u>	<u>798</u>	<u>(3,621)</u>	<u>(562)</u>	<u>582,189</u>	<u>1,039,603</u>

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 PJSC and its subsidiary

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

	Notes	2022 AED'000	2021 AED'000
Cash flow from operating activities			
Profit for the period		36,740	36,397
Adjustments for:			
Reversal for impairment of insurance balances receivable, <i>net</i>	8	(1)	(59)
Change in fair value of financial assets at fair value through profit or loss		(3,557)	(5,794)
Gain on disposal of financial assets at fair value through profit or loss	11	(11,023)	(379)
Provision for employees' end of service benefits		211	180
Depreciation of property and equipment		412	411
Share of profit of associates		(2,608)	(5,433)
Finance costs		2,034	2,280
Dividend income		(17,103)	(24,035)
Interest income		(74)	(74)
Loss from derivative financial instruments		755	796
Cash flow from operating activities before working capital		5,786	4,290
Working capital changes:			
Insurance balances receivable, other receivables and prepayments		(21,670)	(26,970)
Trade and other payables		16,393	22,822
Change in unearned premiums reserve, <i>net</i>		(15,937)	11,064
Change in gross outstanding claims reserve, claims incurred but not reported reserve, allocated and unallocated loss adjustment expenses reserve and unexpired risk reserves		(14,120)	(447)
Change in reinsurers' share of outstanding claims reserve and claims incurred but not reported reserves		(7,954)	2,797
Cash (used in) / generated from operations		(37,502)	13,556
Employees' end of service benefits paid		(688)	(177)
Net cash (used in) / generated from operating activities		(38,190)	13,379
Cash flow from investing activities			
Purchase of property and equipment		(460)	(533)
Purchase of investment properties and property under development		(12,775)	-
Purchase of financial assets at fair value through profit or loss		(82,073)	(9,912)
Purchase of financial assets at fair value through other comprehensive income		(11,626)	-
Proceeds from sale of financial assets at fair value through profit or loss		96,312	19,201
Withdrawal / (placement) of term deposits		21,320	(492)
Interest received		150	151
Dividends received from associates		-	435
Dividends received from other investments		-	179
Net cash generated from investing activities		10,848	9,029
Cash flow from financing activities			
Long term loan paid, <i>net of finance cost</i>		(6,605)	(1,462)
Restricted cash		12,000	(77,239)
Pay-out from capital reserve		(163)	-
Settlement of derivative financial instrument		(833)	(807)
Finance costs paid		(2,034)	(2,280)
Net cash generated from / (used in) financing activities		2,365	(81,788)
Net decrease in cash and cash equivalents		(24,977)	(59,380)
Cash and cash equivalents at the beginning of the period		74,131	144,901
Cash and cash equivalents at the end of the period	10	49,154	85,521

The notes set out on pages 8 to 22 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 PJSC 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 (as amended) concerning the establishment of the Insurance Authority and Organisation of the Insurance Operations and its amendments, Federal Law No. (2) of 2015 (as amended), concerning the Commercial Companies and its Amendments, Central Bank of UAE Board of Directors’ Decision No. (25) of 2014 Pertinent to Financial Regulations for insurance companies and Central Bank of UAE Board of Directors’ Decision No. (23) of 2019 concerning Instructions Organising Reinsurance Operations.

The Company’s principal activity is writing of general insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai and Al Ain. 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).

2 Basis of preparation

(a) Basis of consolidation

The condensed consolidated interim financial information comprises the financial results of the Company and those of its following 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.

(b) Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Accordingly, this condensed consolidated interim financial information does not include all of the information required for a complete set of consolidated 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 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The results for the three-month period ended 31 March 2022 are not necessarily indicative of the results for the year ending 31 December 2022.

The Group is required, for the three-month period ended 31 March 2022, to be in compliance with the provisions of the UAE Federal Law No. (2) of 2015 (as amended). On 20 September 2021, the UAE Federal Decree Law No. (32) of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. (2) of 2015 (as amended). The Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No. (32) of 2021.

(c) Basis of measurement

The condensed consolidated interim financial information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss, 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 PJSC and its subsidiary

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 2021.

3 Significant accounting policies

The accounting policies applied in the 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 2021.

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 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial information.

Forthcoming requirements

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 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 new standards or amendments

Effective date

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimate	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

4 New and amended standards and interpretations *(continued)*

New currently effective requirements

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 standards or amendments</i>	<i>Effective date</i>
Amendment to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Insight Intended Use	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022

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

5 Financial assets at amortised cost

Included in financial assets at amortised cost are two unlisted five-year sukuk with a total amount of AED 9 million (which carry profit of six month EIBOR+495 bps or 6.05%, whichever is higher) and one bond amounting to AED 5 million (which carries profit of 6.14% per annum) respectively *(31 December 2021: two sukuk with a total amount of AED 9 million which carry profit of six month EIBOR+495 bps or 6.05%, whichever is higher and one bond amounting to AED 5 million which carries profit of 8.25%)*

6 Financial assets at fair value through other comprehensive income

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Quoted securities	401,501	362,745
Unquoted securities	3,884	3,534
	405,385	366,279

The Group has registered certain securities in the name of a Director was for the beneficial interest of the Group. The fair value of these securities as at 31 March 2022 was AED 4.93 million *(31 December 2021: AED 5.23 million)*.

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

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

The geographical distribution of financial assets at fair value through other comprehensive income is as follows:

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	405,236	366,112
Outside UAE	149	167
	<u>405,385</u>	<u>366,279</u>

7 Financial assets at fair value through profit or loss

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Quoted equity securities	<u>604,092</u>	<u>603,751</u>

The geographical distribution of financial assets at fair value through profit or loss is as follows:

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	<u>604,092</u>	<u>603,751</u>

8 Insurance balances receivable, other receivables and prepayments

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Due from policy holders and brokers	57,363	40,335
Due from policy holders - related parties <i>(note 16)</i>	28,905	14,978
Due from insurance and reinsurance companies	16,283	17,027
	<u>102,551</u>	<u>72,340</u>
<i>Less: allowance for expected credit losses</i>	<u>(28,169)</u>	<u>(28,170)</u>
Total insurance balances receivable	<u>74,382</u>	<u>44,170</u>
Prepayments	10,653	15,371
Accrued income	19,958	2,873
Other receivables	27,263	31,026
Total other receivables and prepayments	<u>57,874</u>	<u>49,270</u>
Total insurance balances receivable, other receivables and prepayments	<u>132,256</u>	<u>93,440</u>

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

9 Insurance contract liabilities and reinsurance contract assets

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Liabilities arising from insurance contracts		
Unearned premiums reserves ("UPR")	153,973	139,515
Outstanding claims reserve ("OCLR") (i)	174,019	188,144
Claims incurred but not reported reserve ("IBNR")	39,218	42,057
Unallocated loss adjustment expenses reserve	3,918	4,313
Unexpired risk reserve	5,126	1,887
	<u>376,254</u>	<u>375,916</u>
Reinsurance contract assets		
Reinsurers' share of unearned premiums reserve	59,043	28,648
Reinsurers' share of outstanding claims reserve	134,039	126,009
Reinsurers' share of incurred but not reported reserve	8,095	8,171
	<u>201,177</u>	<u>162,828</u>
Insurance contract liabilities, net		
Unearned premiums reserve	94,930	110,867
Outstanding claims reserve (i)	39,980	62,135
Claims incurred but not reported reserve	31,123	33,886
Unallocated loss adjustment expenses reserve	3,918	4,313
Unexpired risk reserve	5,126	1,887
	<u>175,077</u>	<u>213,088</u>

(i) Outstanding claims reserve includes allocated loss adjustment expenses reserve of AED 5.6 million (31 December 2021: AED 5.2 million)

10 Cash and cash equivalents

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Statutory deposit	6,000	6,000
Term deposits	56,818	78,138
Bank balances and cash	67,159	104,136
	<u>129,977</u>	<u>188,274</u>
Bank and cash balances	129,977	188,274
Less: statutory deposits	(6,000)	(6,000)
Less: term deposits with original maturity over three months	(56,818)	(78,138)
Less: restricted cash pledged against borrowings	(18,005)	(30,005)
	<u>49,154</u>	<u>74,131</u>
Cash and cash equivalents		

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

10 Cash and cash equivalents *(continued)*

Geographical concentration of bank balances and cash is as follows:

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	129,977	188 274

Term deposits are held with financial institutions in the UAE. The original maturity ranges from three to twelve months. Interest is receivable at annual rates ranging 0.09% to 3.50% per annum (*31 December 2021: 0.09% to 5.50% per annum*).

In accordance with the requirements of Federal Law No. (6) of 2007 (as amended), concerning Establishment of Insurance Authority and Organisation of its Operations, the Group maintains a bank deposit of AED 6 million (*31 December 2021: AED 6 million*) which cannot be utilised without the consent of the Assistant Governor of the Banking and Insurance Supervision Department of Central Bank of UAE.

11 Share capital

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Authorised, issued and fully paid		
207,000,000 (<i>31 December 2021: 207,000,000</i>)		
ordinary shares of AED 1 each	207,000	207,000

At the Annual General Meeting held on 25 April 2022, the shareholders approved the distribution of cash dividend of AED 0.20 amounting to AED 41,400 thousand (*31 December 2020: Annual General Meeting held on 25 April 2021, the shareholders approved the distribution of cash dividend of AED 0.05 amounting to AED 10,350 thousand*).

12 Borrowings

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Term loan 1	100,694	107,489
Term loan 2	245,182	244,992
	345,876	352,481

Term loan 1

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 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 100.69 million (*31 December 2021: AED 107.49 million*).

Al Wathba National Insurance Company PJSC and its subsidiary

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12 Borrowings (continued)

Term loan 2

During 2020, the Group obtained a bank facility amounting to AED 237.9 million 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 including finance cost was AED 248.2 million (31 December 2020: AED 244.9 million).

13 Derivative financial instrument

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 2022 is AED 245.0 million (31 December 2021: AED 245.0 million).

The derivative instrument which is entered into for the purpose of cash flow hedge had a negative fair value of AED 0.9 million as at 31 March 2022 (31 December 2021: negative fair value of AED 2.9 million).

14 Investment income, net (Unaudited)

	Three-month period ended 31 March	
	2022	2021
	AED'000	AED'000
Gain on disposal of financial assets carried at fair value through profit or loss	11,023	379
Changes in fair value of financial assets carried at fair value through profit or loss	3,557	5,794
Interest income	74	74
Dividend income	17,103	24,035
Other expenses related to investments, net	(1,000)	(6,595)
	<u>30,757</u>	<u>23,687</u>

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15 Earnings per share (*Unaudited*)

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

	Three-month period ended 31 March	
	2022	2021
Profit for the period used for calculating earnings per share (AED'000)	36,740	36,397
Ordinary shares outstanding during the period (shares in '000)	207,000	207,000
Earnings per share (AED)	0.18	0.18

There is no dilution effect to the basic earnings per share.

16 Related parties

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The Group maintains significant balances with these related parties which arise from commercial transactions in the ordinary course of business at commercial rates.

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

	(Unaudited) 31 March 2022 AED'000	(Audited) 31 December 2021 AED'000
<i>Included in insurance balances receivable</i>		
Due from policyholders (<i>note 8</i>)	28,905	14,978
<i>Included in other payables</i>		
Due to policyholders	(5,912)	(4,087)
<i>Key management personnel</i>		
Long term benefits	60	43

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16 Related parties (continued)

Transactions with related parties during the period are as follows: (Unaudited)

	Three-month period ended 31 March	
	2022	2021
	AED'000	AED'000
Gross written premiums	20,900	20,539
Net claims paid	2,722	3,623

- (i) The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.
- (i) During the period, the Group has assigned their voting rights in Al Waha Capital PJSC in favour of one of the associates (Foodco. Holding PJSC) ("the associate") and the Group will represent the associate's interest in the Board of Al Waha Capital PJSC.

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.

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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17 Fair value of financial instruments (continued)

Assets measured at fair value – fair value hierarchy

The table below analyses assets at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 March 2022 (Unaudited)				
<i>Financial assets measured at fair value</i>				
Financial assets at fair value through profit or loss	572,808	31,284	-	604,092
Financial assets at fair value through other comprehensive income	365,084	36,417	3,884	405,385
	<u>937,892</u>	<u>67,701</u>	<u>3,884</u>	<u>1,009,477</u>
<i>Financial liability measured at fair value</i>				
Derivative financial instrument	-	873	-	-
	<u>-</u>	<u>873</u>	<u>-</u>	<u>-</u>
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2021 (Audited)				
<i>Financial assets measured at fair value</i>				
Financial assets at fair value through profit or loss	571,791	31,960	-	603,751
Financial assets at fair value through other comprehensive income	325,541	37,204	3,534	366,279
	<u>897,332</u>	<u>69,164</u>	<u>3,534</u>	<u>970,030</u>
<i>Financial liability measured at fair value</i>				
Derivative financial instrument	-	2,898	-	2,898
	<u>-</u>	<u>2,898</u>	<u>-</u>	<u>2,898</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 consolidated interim financial information are the same as those described in the Group's last annual consolidated financial statements for the year ended 31 December 2021.

Except as mentioned above, management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim statement of financial position approximate their fair values.

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Notes to the condensed consolidated interim financial information

17 Fair value of financial instruments *(continued)*

Reconciliation of level 3 fair value measurement

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

	<i>(Unaudited)</i> 31 March 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Balance at 1 January	3,534	15,597
Change in fair value of financial assets	350	(8,731)
Disposal	-	(3,332)
Balance at 31 March / December	<u>3,884</u>	<u>3,534</u>

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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 2022 (<i>unaudited</i>)					
	Marine and Aviation	Fire and General Accident	Motor	Medical	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written premiums	3,706	57,464	33,683	1,734	-	96,587
Reinsurers' share of gross written premiums	(2,842)	(47,981)	(9,272)	(1,347)	-	(61,442)
Net transfer to unearned premiums reserve	(247)	(4,308)	20,784	(292)	-	15,937
Net claims incurred	(530)	(1,521)	(25,172)	502	-	(26,721)
Net commission earned / (incurred)	55	1,337	(9,459)	(12)	-	(8,079)
Rental income, <i>net</i>	-	-	-	-	1,259	1,259
Income from investments - <i>net of finance costs</i>	-	-	-	-	27,968	27,968
Share of profit from associate, <i>net</i>	-	-	-	-	2,608	2,608
Segment profit before allocated expenses	142	4,991	10,564	585	31,835	48,117
Allocated expenses, <i>net</i>	(391)	(3,334)	(6,493)	(189)	-	(10,407)
Segment (loss) / profit	(249)	1,657	4,071	396	31,835	37,710
Unallocated expenses						(970)
Profit for the period						36,740

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18 Segment reporting *(continued)*

18.1 Segment revenue and results *(continued)*

	Three-month period ended 31 March 2021 <i>(Unaudited)</i>					
	Marine and Aviation AED'000	Fire and General Accident AED'000	Motor AED'000	Medical AED'000	Investments AED'000	Total AED'000
Gross written premiums	2,637	40,258	59,108	1,769	-	103,772
Reinsurers' share of gross written premiums	(2,131)	(31,519)	(3,520)	(1,378)	-	(38,548)
Net transfer to unearned premiums 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, <i>net</i>	-	-	-	-	1,056	1,056
Loss from investments, <i>net of finance costs</i>	-	-	-	-	20,611	20,611
Share of loss from associate, <i>net</i>	-	-	-	-	5,433	5,433
Segment profit before allocated expenses	490	4,729	14,349	27	27,100	46,695
Allocated expenses, <i>net</i>	(316)	(2,754)	(6,251)	(155)	-	(9,476)
Segment profit / (loss)	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)

18.2 Segment assets and liabilities

	As at 31 March 2022 (Unaudited)			As at 31 December 2021 (Audited)		
	Underwriting AED'000	Investments AED'000	Total AED'000	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	1,495,303	409,349	1,904,652	379,909	1,436,471	1,816,380
Unallocated assets			7,995			22,564
Total assets			1,912,647			1,838,944
Segment liabilities	361,121	491,377	852,498	453,073	372,453	825,526
Unallocated liabilities			20,546			39,894
Total liabilities			873,044			865,420

18.3 Segment revenue from underwriting departments

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

	(Unaudited) 30 March 2022 AED'000	(Unaudited) 30 March 2021 AED'000
Engineering	16,680	16,208
Marine and aviation	4,253	3,145
Fire and general accident	46,273	28,001
Motor	34,799	60,525
Medical	1,734	1,769
	103,739	109,64

19 Financial risk management

The Group's risk management policies with regards to financial instruments are the same as those disclosed in note 30 to the annual consolidated financial statements of the Group for the year ended 31 December 2021.

20 Commitments and contingencies

Contingent liabilities

As at 31 March 2022, the Group had contingent liabilities in respect of outstanding letters of guarantees issued in the normal course of business amounting to AED 0.6 million (31 December 2021: AED 1.3 million).

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20 Commitments and contingencies *(continued)*

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 11.7 million (*31 December 2021: AED 11.7 million*) representing amounts expected to result in a probable outflow of economic resources.

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.

This note outlines the steps taken by the Group to estimate the impact of COVID-19 and the judgements applied by management in assessing the values of assets and liabilities as at 31 March 2022.

i) Assessment of expected credit loss

The Group used a range of macro-economic factors in the assessment of ECL. The Group periodically reviews, and updates selected economic series and applies judgement in determining what constitutes reasonable and forward-looking estimates.

For the three-month period ended 31 March 2022, the Group has used the mechanism to stress the probability scenario weightages to assess additional ECL requirements due to COVID-19 as in comparison to the scenario weightages used as of 31 December 2021.

In the context of COVID-19 crisis, Loss given Default (“LGD”) and Exposure at Default (“EAD”) estimates have also been assessed. This assessment has considered several aspects including cash situation and credit rating of the counterparties.

ii) Liquidity risk management

In response to COVID-19 outbreak, 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.

22 General

The condensed consolidated interim financial information of the Group was approved for issuance by the Board of Directors on 13 May 2022.