

Al Wathba National Insurance Company PJSC

Condensed interim financial information

30 September 2022

Principal business address:

Al Wathba National Insurance Company PJSC
P.O. Box: 45154
Abu Dhabi
UAE

Al Wathba National Insurance Company PJSC

Condensed interim financial information

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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Shareholders of Al Wathba National Insurance Company PJSC

Introduction

We have reviewed the accompanying 30 September 2022 condensed interim financial information of Al Wathba National Insurance Company PJSC ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2022;
- the condensed interim statement of profit or loss for the three month and nine-month periods ended 30 September 2022;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed interim statement of changes in shareholders' equity for the nine-month period ended 30 September 2022;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2022; 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.



Al Wathba National Insurance Company PJSC
*Independent Auditors' Report on Review of the
Condensed Interim Financial Information
30 September 2022*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2022 condensed 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: 12 November 2022

Al Wathba National Insurance Company PJSC

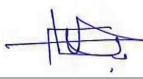
Condensed interim statement of financial position

as at

		30 September 2022 (Unaudited) AED'000	31 December 2021 (Audited) AED'000
	Notes		
Assets			
Property and equipment		3,745	4,053
Investment in associates		163,840	145,866
Financial assets at amortised cost	5	14,181	14,301
Financial assets at fair value through other comprehensive income	6	378,282	366,279
Financial assets at fair value through profit or loss	7	488,884	603,751
Investment properties		272,657	259,900
Investment property under development		5,944	252
Insurance balances receivable	8	62,411	44,170
Reinsurers' share of unearned premiums reserve	9	60,618	28,648
Reinsurers' share of outstanding claims reserve	9	128,524	126,009
Reinsurers' share of claims incurred but not reported reserve	9	8,897	8,171
Other receivables and prepayments	8	33,065	49,270
Statutory deposit	10	6,000	6,000
Term deposits	10	33,737	78,138
Restricted cash	12	35,014	30,005
Cash and cash equivalents	10	89,609	74,131
Total assets		1,785,408	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		1,128	491
Investment revaluation reserve		(34,729)	(31,176)
Cash flow hedge reserve		-	(2,509)
Retained earnings		534,310	545,756
Total equity		961,508	973,524
Technical reserves			
Unearned premiums reserve	9	143,839	139,515
Outstanding claims reserve	9	151,535	188,144
Claims incurred but not reported reserve	9	32,544	42,057
Unallocated loss adjustment expenses reserve	9	3,619	4,313
Unexpired risk reserve	9	8,100	1,887
Total technical reserves		339,637	375,916
Liabilities			
Borrowings	12	333,876	352,481
Employees' end of service benefits		5,444	5,746
Derivative financial instruments	13	-	2,898
Trade and other payables		144,943	128,379
		484,263	489,504
Total liabilities		823,900	865,420
Total equity and liabilities		1,785,408	1,838,944

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.


Chairman


Chief Executive Officer


Chief Financial Officer

The notes set out on pages 8 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 1 and 2.

Al Wathba National Insurance Company PJSC

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

		Three-month period ended		Nine-month period ended	
		2022	2021	2022	2021
	Notes	AED'000	AED'000	AED'000	AED'000
Underwriting income					
Gross written premiums	18.1	87,398	87,392	237,618	268,858
Reinsurers' share of gross written premiums	18.1	(36,396)	(24,508)	(127,425)	(80,992)
Net written premiums		51,002	62,884	110,193	187,866
Net transfer to unearned premiums reserve	18.1	(10,551)	(8,827)	27,646	(28,275)
Net premiums earned		40,451	54,057	137,839	159,591
Commissions income earned		8,471	6,523	22,610	19,514
Commissions expense incurred		(15,566)	(20,107)	(45,163)	(49,973)
Gross underwriting income		33,356	40,473	115,286	129,132
Gross claims paid		(53,752)	(34,143)	(177,357)	(99,193)
Reinsurers' share of claims paid		14,520	4,103	49,683	19,988
Net claims paid		(39,232)	(30,040)	(127,674)	(79,205)
Change in outstanding claims reserve		(1,287)	2,496	36,609	(11,807)
Change in reinsurers' share of outstanding claims reserve		11,396	(1,223)	2,515	13,271
Net change in incurred but not reported claims reserve		3,693	(603)	10,239	(2,574)
Change in unallocated loss adjustment expenses reserve		138	192	694	323
Changes in unexpired risk reserve		(3,104)	607	(6,212)	931
Net claims incurred	18.1	(28,396)	(28,571)	(83,829)	(79,061)
Underwriting income		4,960	11,902	31,457	50,071
Expenses relating to underwriting		(10,117)	(9,609)	(28,476)	(28,290)
Net underwriting income		(5,157)	2,293	2,981	21,781
Investment (loss) / income, <i>net</i>	14	(4,396)	73,406	18,832	138,608
Income from investment properties - rental income	18.1	1,307	848	3,642	2,711
Loss from hedge instrument		(98)	(824)	(1,287)	(2,439)
Share of profit / (loss) from associates	18.1	14,505	(4,635)	18,992	22,223
Total income		6,161	71,088	43,160	182,884
Other expenses		(927)	(862)	(2,817)	(2,467)
Finance costs		(3,469)	(2,161)	(7,999)	(6,465)
Profit for the period		1,765	68,065	32,344	173,952
Earnings per share:					
Earnings per share (AED)	15	0.01	0.33	0.16	0.84

The notes set out on pages 8 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 1 and 2.

Al Wathba National Insurance Company PJSC

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

	Three-month period ended		Nine-month period ended	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Profit for the period	1,765	68,065	32,344	173,952
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 / (loss) of associates	103	(288)	(821)	486
Gain on sale of financial assets at fair value through other comprehensive income, <i>net</i>	7	220	653	1,664
Change in fair value of financial assets at fair value through other comprehensive income	(1,576)	23,824	(5,127)	54,072
<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	1,004	507	1,222	725
Other comprehensive (loss) / income for the period	(462)	24,263	(4,073)	56,947
Total comprehensive income for the period	1,303	92,328	28,271	230,899

The notes set out on pages 8 to 23 form an integral part of this condensed interim financial information.

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Condensed interim statement of changes in shareholders' equity

For nine-month period ended 30 September (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
<i>Total comprehensive income</i>										
Profit for the period	-	-	-	-	-	-	-	-	173,952	173,952
Other comprehensive income for the period	-	-	-	-	-	-	54,558	725	1,664	56,947
Total comprehensive income for the period	-	-	-	-	-	-	54,558	725	175,616	230,899
Dividend	-	-	-	-	-	-	-	-	(10,350)	(10,350)
Cashflow hedge reserve	-	-	-	-	-	-	-	1,304	-	1,304
Transfer to retained earnings on disposal of financial asset at FVOCI	-	-	-	-	-	-	4,345	-	(4,345)	-
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	405	-	-	(405)	-
Balance at 30 September 2021 (<i>Unaudited</i>)	207,000	103,500	51,750	88,753	9,959	420	(68,116)	(3,900)	(555,606)	944,972
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
<i>Total comprehensive income:</i>										
Profit for the period	-	-	-	-	-	-	-	-	32,344	32,344
Other comprehensive income for the period	-	-	-	-	-	-	(5,948)	1,222	653	(4,073)
Total comprehensive income for the period	-	-	-	-	-	-	(5,948)	1,222	32,997	28,271
Transfer to profit or loss account from cashflow hedge reserve	-	-	-	-	-	-	-	1,287	-	1,287
Transfer to retained earnings on disposal of financial assets at FVOCI	-	-	-	-	-	-	2,395	-	(2,395)	-
Pay-out of capital reserve	-	-	-	-	(163)	-	-	-	-	(163)
Dividend	-	-	-	-	-	-	-	-	(41,411)	(41,411)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	637	-	-	(637)	-
Balance at 30 September 2022 (<i>Unaudited</i>)	207,000	103,500	51,750	88,753	9,796	1,128	(34,729)	-	534,310	961,508

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

Condensed interim statement of cash flows
for the nine-month period ended 30 September (Unaudited)

	Note	2022 AED'000	2021 AED'000
Cash flow from operating activities			
Profit for the period		32,344	173,952
Adjustments for:			
Reversal for impairment loss on insurance balances receivable, <i>net</i>		(3,515)	(2,290)
Impairment loss on investment properties		-	9,423
Change in fair value of financial assets at fair value through profit or loss		41,082	(123,946)
Gain on disposal of financial assets at fair value through profit or loss	14	(26,887)	(6,625)
Loss on disposal of properties and equipment		-	5
Provision for employees' end of service benefits		648	548
Depreciation of property and equipment		1,352	1,475
Share of profit of associates		(18,992)	(22,223)
Finance costs		7,999	6,465
Dividend income		(35,717)	(25,519)
Interest income		(225)	(228)
Loss from derivative financial instruments		1,287	2,439
Cash flow from operating activities before working capital		(624)	13,476
Working capital changes:			
Insurance balances receivable, other receivables and prepayments		1,555	(28,062)
Trade and other payables		16,564	8,086
Change in unearned premiums reserve, <i>net</i>		(27,646)	28,275
Change in gross outstanding claims reserve, claims incurred but not reported reserve, allocated and unallocated loss adjustment expenses reserve and unexpired risk reserves		(40,603)	13,973
Change in reinsurers' share of outstanding claims reserve and claims incurred but not reported reserve		(3,242)	(14,117)
Cash (used in) / generated from operating activities		(53,996)	21,631
Employees' end of service benefits paid		(950)	(2,595)
Net cash (used in) / generated from operating activities		(54,946)	19,036
Cash flow from investing activities			
Purchase of property and equipment		(1,045)	(953)
Additions to investment properties and investment properties under development		(18,448)	(108)
Purchase of financial assets at fair value through profit or loss		(165,216)	(90,574)
Purchase of financial assets at fair value through other comprehensive income		(17,780)	(13,557)
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,304	14,344
Proceeds from disposal of financial assets at fair value through profit or loss		265,889	68,932
Withdrawal / (placement) of term deposits		44,401	(1,682)
Interest received		304	303
Dividends received from associates		195	1,266
Dividends received from other investments		35,683	25,519
Net cash generated from investing activities		145,287	3,490
Cash flow from financing activities			
Long term loan paid, <i>net of finance cost</i>		(18,605)	(14,586)
Pay-out of capital reserve		(163)	-
Restricted cash		(5,009)	(62,655)
Dividend paid		(41,411)	(10,350)
Settlement of derivative financial instrument		(1,676)	(2,437)
Finance costs paid		(7,999)	(6,465)
Net cash used in financing activities		(74,863)	(96,493)
Net increase in cash and cash equivalents		15,478	(73,967)
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	89,609	70,934

The notes set out on pages 8 to 23 form an integral part of this condensed interim financial information.

The independent auditor's report on the condensed financial information is set out on pages 1 to 2.

Al Wathba National Insurance Company PJSC

Notes to the condensed 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) *Statement of compliance*

This condensed interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Accordingly, this condensed 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 financial statements of the Company 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 nine-month period ended 30 September 2022 are not necessarily indicative of the results for the year ending 31 December 2022.

The Company is required, for the nine-month period ended 30 September 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 Company has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No. (32) of 2021.

(b) *Basis of measurement*

The condensed 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.

(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.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

2 Basis of preparation *(continued)*

(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.

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 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 2021.

3 Significant accounting policies

The accounting policies applied in the condensed interim financial information are the same as those applied by the Company in its 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 Company has not early adopted any of the forthcoming new or amended standards in preparing these condensed interim financial information.

Forthcoming requirements

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17"), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts ("IFRS 4") that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration 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 Company plans to adopt the standard on the required effective date and is currently evaluating the expected impact.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

4 New and amended standards and interpretations (continued)

Forthcoming requirements (continued)

IFRS 17 Insurance Contracts (continued)

<i>Other new standards or amendments</i>	<i>Effective date</i>
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

New currently effective requirements

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

<i>New standards or amendments</i>	<i>Effective date</i>
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

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 nine 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 nine 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> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Quoted securities	374,395	362,745
Unquoted securities	3,887	3,534
	378,282	366,279

The Company has registered certain securities in the name of a Director for the beneficial interest of the Company. The fair value of these securities as at 30 September 2022 was AED 4.70 million (31 December 2021: AED 5.23 million).

Al Wathba National Insurance Company PJSC

Notes to the condensed 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> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	378,117	366,112
Outside UAE	165	167
	<u>378,282</u>	<u>366,279</u>

7 Financial assets at fair value through profit or loss

	<i>(Unaudited)</i> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Quoted equity securities	<u>488,884</u>	<u>603,751</u>

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

	<i>(Unaudited)</i> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	<u>488,884</u>	<u>603,751</u>

8 Insurance balances receivable, other receivables and prepayments

	<i>(Unaudited)</i> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Due from policy holders and brokers	47,098	40,335
Due from policy holders - related parties <i>(note 16)</i>	15,567	14,978
Due from insurance and reinsurance companies	24,400	17,027
	<u>87,065</u>	<u>72,340</u>
<i>Less: allowance for expected credit losses</i>	<u>(24,654)</u>	<u>(28,170)</u>
Insurance balances receivable	<u>62,411</u>	<u>44,170</u>
Prepayments	5,414	15,371
Accrued income	1,376	2,873
Other receivables	26,275	31,026
	<u>33,065</u>	<u>49,270</u>
Total other receivables and prepayments	<u>33,065</u>	<u>49,270</u>
Total insurance balances receivable, other receivables and prepayments	<u>95,476</u>	<u>93,440</u>

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

9 Insurance contract liabilities and reinsurance contract assets

	<i>(Unaudited)</i> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Liabilities arising from insurance contracts		
Unearned premiums reserve	143,839	139,515
Outstanding claims reserve (i)	151,535	188,144
Claims incurred but not reported reserve	32,544	42,057
Unallocated loss adjustment expenses reserve	3,619	4,313
Unexpired risk reserve	8,100	1,887
	<u>339,637</u>	<u>375,916</u>
Reinsurance contract assets		
Reinsurers' share of unearned premiums reserve	60,618	28,648
Reinsurers' share of outstanding claims reserve	128,524	126,009
Reinsurers' share of incurred but not reported reserve	8,897	8,171
	<u>198,039</u>	<u>162,828</u>
Insurance contract liabilities, net		
Unearned premiums reserve	83,221	110,867
Outstanding claims reserve (i)	23,011	62,135
Claims incurred but not reported reserve	23,647	33,886
Unallocated loss adjustment expenses reserve	3,619	4,313
Unexpired risk reserve	8,100	1,887
	<u>141,598</u>	<u>213,088</u>

(i) Outstanding claims reserve includes allocated loss adjustment expenses reserve of AED 5.70 million (31 December 2021: AED 5.20 million)

10 Cash and cash equivalents

	<i>(Unaudited)</i> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Statutory deposit	6,000	6,000
Term deposits	33,737	78,138
Bank balances and cash	89,609	74,131
	<u>129,346</u>	<u>158,269</u>
Total bank balances, deposits and cash	129,346	158,269
Less: statutory deposits	(6,000)	(6,000)
Less: term deposits with original maturity of three months or more	(33,737)	(78,138)
	<u>89,609</u>	<u>74,131</u>
Cash and cash equivalents in the condensed interim statement of cash flows	<u>89,609</u>	<u>74,131</u>

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

10 Cash and cash equivalents *(continued)*

Geographical concentration of total bank balances, deposits and cash is as follows:

	<i>(Unaudited)</i> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	129,346	158,269

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 from 2.45% to 3.25% 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 Company 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> 30 September 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 relating to the results for the year ended 31 December 2021 *(31 December 2021: 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 relating to the results for the year ended 31 December 2020)*.

12 Borrowings

	<i>(Unaudited)</i> 30 September 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Term loan 1	87,743	107,489
Term loan 2	246,133	244,992
	333,876	352,481

Term loan 1

During 2020, the Company obtained a bank facility amounting to AED 133.50 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 94.12 million *(31 December 2021: AED 107.49 million)*.

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Notes to the condensed interim financial information

12 Borrowings (continued)

Term loan 2

During 2020, the Company obtained a bank facility amounting to AED 237.90 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. During September 2022, the loan which was repayable in one bullet payment extended to 60 months from the inception date that is February 2025. 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 245.62 million (31 December 2021: AED 244.99 million).

Cash amounting to AED 35.01 million is secured against term loan 2 (31 December 2021: AED 30.01 million).

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 rate 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 derivative instrument which is entered into for the purpose of cash flow hedge has been closed during the period and fair value is AED Nil as at 30 September 2022 (31 December 2021: negative fair value of AED 2.90 million).

14 Investment (loss) / income, net (Unaudited)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Gain on disposal of financial assets at fair value through profit or loss	5,423	6,356	26,887	6,625
Change in fair value of investment properties	-	-	-	(9,423)
Changes in fair value of financial assets carried at fair value through profit or loss	(10,640)	67,326	(41,082)	123,946
Interest income	79	79	225	228
Dividend income	1,494	781	35,717	25,519
Other expenses related to investments	(752)	(1,136)	(2,915)	(8,287)
	<u>(4,396)</u>	<u>73,406</u>	<u>18,832</u>	<u>138,608</u>

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Notes to the condensed interim financial information

15 Earnings per share (*Unaudited*)

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 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
Profit for the period (AED'000)	1,765	68,065	32,344	173,952
Ordinary shares outstanding during the period (shares in '000)	207,000	207,000	207,000	207,000
Earnings per share (AED)	0.01	0.33	0.16	0.84

There is no dilution effect to the basic (loss) / earnings per share.

16 Related parties

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The Company 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 interim statement of financial position are as follows:

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
<i>Included in insurance balances receivable</i>		
Due from policyholders (<i>note 8</i>)	15,567	14,978
<i>Included in trade and other payables</i>		
Due to policyholders	(8,238)	(4,087)
<i>Key management personnel</i>		
Long term benefits	144	43

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

16 Related parties (continued)

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Gross written premiums	3,387	3,418	27,014	27,744
Net claims paid	3,926	2,660	10,455	8,328
Other expenses-rent	114	114	344	344
Remuneration of key management personnel (i)	753	1,210	2,870	3,161

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

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.

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

17 Fair value of financial instruments (continued)

Assets measured at fair value – fair value hierarchy

The table below analyses assets at fair values 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 30 September 2022 (Unaudited)				
<i>Financial assets measured at fair value</i>				
Financial assets at fair value through profit or loss	456,670	32,214	-	488,884
Financial assets at fair value through other comprehensive income	336,895	37,500	3,887	378,282
	<u>793,565</u>	<u>69,714</u>	<u>3,887</u>	<u>867,166</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

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 the same as those described in the Company's last annual financial statements for the year ended 31 December 2021.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

17 Fair value of financial instruments *(continued)*

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

Fair value of financial instruments measured at amortised cost

	Carrying amount AED'000	Fair value AED'000
30 September 2022 (Unaudited)		
Financial assets at amortised cost	14,181	13,500
31 December 2021 (Audited)		
Financial assets at amortised cost	14,301	13,300

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> 30 September 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	357	(8,731)
Disposal of financial assets	(4)	(3,332)
Balance at 30 September	3,887	3,534

Al Wathba National Insurance Company PJSC

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 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 Company's income and profit for the period.

18.1 Segment revenue and results

	Nine-month period ended 30 September 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	8,134	106,086	121,574	1,824	-	237,618
Reinsurers' share of gross written premiums	(5,966)	(87,593)	(32,450)	(1,416)	-	(127,425)
Net transfer to unearned premiums reserve	(409)	(2,890)	31,054	(109)	-	27,646
Net claims incurred	(1,294)	(2,467)	(80,455)	387	-	(83,829)
Net commission earned / (incurred)	601	3,961	(27,076)	(39)	-	(22,553)
Income from investment properties - rental income, <i>net</i>	-	-	-	-	3,642	3,642
Income from investments - <i>net of finance costs</i>	-	-	-	-	9,546	9,546
Share of profit from associates, <i>net</i>	-	-	-	-	18,992	18,992
Segment profit before allocated expenses	1,066	17,097	12,647	647	32,180	63,637
Allocated expenses, <i>net</i>	(1,072)	(7,843)	(18,564)	(997)	-	(28,476)
Segment (loss) / profit for the period	(6)	9,254	(5,917)	(350)	32,180	35,161
Unallocated expenses						(2,817)
Profit for the period						32,344

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

18 Segment reporting *(continued)*

18.1 Segment revenue and results *(continued)*

	Nine-month period ended 30 September 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	6,830	80,902	179,348	1,778	-	268,858
Reinsurers' share of gross written premiums	(5,432)	(63,720)	(10,454)	(1,386)	-	(80,992)
Net transfer to unearned premiums reserve	(86)	(2,364)	(26,133)	308	-	(28,275)
Net claims incurred	26	(2,031)	(76,494)	(562)	-	(79,061)
Net commission earned / (incurred)	1,126	4,135	(35,685)	(35)	-	(30,459)
Income from investment properties - rental income, <i>net</i>	-	-	-	-	2,711	2,711
Income from investments, <i>net of finance costs</i>	-	-	-	-	129,704	129,704
Share of profit from associates, <i>net</i>	-	-	-	-	22,223	22,223
Segment profit before allocated expenses	2,464	16,922	30,582	103	154,638	204,709
Allocated expenses, <i>net</i>	(979)	(7,756)	(19,118)	(437)	-	(28,290)
Segment profit / (loss) for the period	1,485	9,166	11,464	(334)	154,638	176,419
Unallocated expenses						(2,467)
Profit for the period						173,952

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Notes to the condensed interim financial information

18 Segment reporting *(continued)*

18.2 Segment assets and liabilities

	As at 30 September 2022 <i>(Unaudited)</i>			As at 31 December 2021 <i>(Audited)</i>		
	Underwriting AED'000	Investments AED'000	Total AED'000	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	371,519	1,406,946	1,778,465	379,909	1,436,471	1,816,380
Unallocated assets			6,943			22,564
Total assets			1,785,408			1,838,944
Segment liabilities	457,547	346,406	803,953	453,073	372,453	825,526
Unallocated liabilities			19,947			39,894
Total liabilities			823,900			865,420

18.3 Segment revenue from underwriting departments *(Unaudited)*

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

	30 September 2022 AED'000	30 September 2021 AED'000
Marine and aviation	9,818	8,742
Fire, engineering and general accident	121,974	93,871
Motor	126,613	183,981
Medical	1,824	1,778
	260,229	288,372

19 Financial risk management

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

20 Risk management

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

Capital risk management (Unaudited)

The solvency regulations identify the required solvency margins to be held in addition to insurance liabilities. The solvency margins (presented in the table below) must be maintained at all times throughout the period. The Company is subject to solvency regulations which it has complied with during the period. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

Al Wathba National Insurance Company PJSC

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20 Risk management (continued)

Capital risk management (Unaudited) (continued)

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required solvency margins. In accordance with Circular No. CBUAE/BSN/2022/923 of CBUAE dated 28 February 2022, the Company has disclosed the solvency position for the six-month period ended 30 June 2022 as the current nine-month period ended 30 September 2022 solvency position is not finalised.

	30 June 2022 AED'000	31 December 2021 AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	250,177	246,396
Minimum Guarantee Fund (MGF)	83,392	82,132
<i>Own funds</i>		
Basic Own Funds	439,644	394,838
MCR Solvency Margin - (Surplus)	339,644	294,838
SCR Solvency Margin - (Surplus)	189,466	148,442
MGF Solvency Margin - (Surplus)	356,251	312,706

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 Company to estimate the impact of COVID-19 and the judgements applied by management in assessing the values of assets and liabilities as at 30 September 2022.

i) Assessment of expected credit loss

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

For the nine-month period ended 30 September 2022, the Company 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.

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Notes to the condensed interim financial information

21 *Impact of COVID-19 (continued)*

ii) Liquidity risk management

In response to COVID-19 outbreak, the Company continues to monitor and respond to all liquidity requirements that are presented. The Company continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Company in the current extreme stress. As at the reporting date the liquidity position of the Company remains strong and is well placed to absorb and manage the impacts of this disruption.

22 **Commitments and contingencies**

Contingent liabilities

As at 30 September 2022, the Company had contingent liabilities in respect of outstanding letters of guarantees issued in the normal course of business amounting to AED 0.60 million (*31 December 2021: AED 1.30 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 7.5 million (*31 December 2021: AED 11.70 million*) representing amounts expected to result in a probable outflow of economic resources.

23 **General**

The condensed interim financial information of the Company was approved for issuance by the Board of Directors on 11 November 2022.