

Al Wathba National Insurance Company PJSC and its subsidiary

Condensed consolidated interim financial information

30 June 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 30 June 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 30 June 2022;
- the condensed consolidated interim statement of profit or loss for the three month and six-month periods ended 30 June 2022;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated interim statement of changes in shareholders' equity for the six-month period ended 30 June 2022;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 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.



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 30 June 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: 08 August 2022

Al Wathba National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of financial position

as at

		30 June 2022 (Unaudited) AED'000	31 December 2021 (Audited) AED'000
	Notes		
Assets			
Property and equipment		3,868	4,053
Investment in associates		149,431	145,866
Financial assets at amortised cost	5	14,297	14,301
Financial assets at fair value through other comprehensive income	6	373,962	366,279
Financial assets at fair value through profit or loss	7	553,476	603,751
Investment properties		272,657	259,900
Investment property under development		3,104	252
Insurance balances receivable	8	57,297	44,170
Reinsurers' share of unearned premiums reserve	9	56,508	28,648
Reinsurers' share of outstanding claims reserve	9	117,128	126,009
Reinsurers' share of claims incurred but not reported reserve	9	8,889	8,171
Other receivables and prepayments	8	33,378	49,270
Statutory deposit	10	6,000	6,000
Term deposits	10	32,090	78,138
Restricted cash	12	10,254	30,005
Cash and cash equivalents	10	101,041	74,131
Total assets		1,793,380	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		946	491
Investment revaluation reserve		(33,256)	(31,176)
Cash flow hedge reserve		(98)	(2,509)
Retained earnings		532,723	545,756
Total equity		961,114	973,524
Technical reserves			
Unearned premiums reserve	9	129,178	139,515
Outstanding claims reserve	9	150,248	188,144
Claims incurred but not reported reserve	9	36,229	42,057
Unallocated loss adjustment expenses reserve	9	3,757	4,313
Unexpired risk reserve	9	4,995	1,887
Total technical reserves		324,407	375,916
Liabilities			
Borrowings	12	339,737	352,481
Employees' end of service benefits		5,404	5,746
Derivative financial instruments	13	168	2,898
Trade and other payables		162,550	128,379
		507,859	489,504
Total liabilities		832,266	865,420
Total equity and liabilities		1,793,380	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 25 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 period ended 30 June (Unaudited)

		Three-month period ended		Six-month period ended	
		2022	2021	2022	2021
	Note	AED'000	AED'000	AED'000	AED'000
			Restated*		Restated*
Underwriting income					
Gross written premiums	18.1	53,633	77,694	150,220	181,466
Reinsurers' share of gross written premiums	18.1	(29,587)	(17,936)	(91,029)	(56,484)
Net written premiums		24,046	59,758	59,191	124,982
Net transfer to unearned premiums reserve	18.1	22,260	(8,384)	38,197	(19,448)
Net premiums earned		46,306	51,374	97,388	105,534
Commissions income earned		6,987	7,115	14,139	12,991
Commissions expense incurred		(14,366)	(14,655)	(29,597)	(29,866)
Gross underwriting income		38,927	43,834	81,930	88,659
Gross claims paid		(67,311)	(32,896)	(123,605)	(65,050)
Reinsurers' share of claims paid		27,664	6,611	35,163	15,885
Net claims paid		(39,647)	(26,285)	(88,442)	(49,165)
Change in outstanding claims reserve		23,771	(16,259)	37,896	(14,303)
Change in reinsurers' share of outstanding claims reserve		(16,911)	17,501	(8,881)	14,494
Net change in incurred but not reported claims reserve		3,783	(748)	6,546	(1,972)
Change in unallocated loss adjustment expense reserve		161	151	556	131
Changes in unexpired risk reserve		131	379	(3,108)	324
Net claims incurred	18.1	(28,712)	(25,261)	(55,433)	(50,491)
Underwriting income		10,215	18,573	26,497	38,168
Expenses relating to underwriting		(7,952)	(9,205)	(18,359)	(18,681)
Net underwriting income		2,263	9,368	8,138	19,487
Investment (loss) / income, net	14	(7,527)	41,515	23,230	65,202
Income from investment properties - rental income	18.1	1,076	807	2,335	1,863
Loss from hedge instrument		(434)	(819)	(1,189)	(1,615)
Share of profit from associates	18.1	1,879	3,725	4,487	26,858
Total income		(2,743)	54,596	37,001	111,795
Other expenses		(920)	(783)	(1,890)	(1,605)
Finance costs		(2,496)	(2,024)	(4,530)	(4,304)
(Loss) / profit for the period		(6,159)	51,789	30,581	105,886
Earnings per share:					
(Loss) / earnings per share (AED)	15	(0.03)	0.25	0.15	0.51

The notes set out on pages 8 to 25 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.

* Comparative information has been restated (refer note 20).

Al Wathba National Insurance Company PJSC and its subsidiary

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

for the period ended 30 June (Unaudited)

	Three-month period ended		Six-month period ended	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
		Restated*		Restated*
(Loss) / profit for the period	(6,159)	51,789	30,581	105,886
Other comprehensive income				
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods</i>				
Share of other comprehensive (loss) / income of associates	(999)	(746)	(924)	774
Gain on sale of financial assets at fair value through other comprehensive income	646	1,444	646	1,444
Change in fair value of financial assets at fair value through other comprehensive income	(31,031)	27,075	(3,551)	30,248
<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	30	263	1,222	218
Other comprehensive (loss) / income for the period	(31,354)	28,036	(2,607)	32,684
Total comprehensive (loss) / income for the period	(37,513)	79,825	27,974	138,570

The notes set out on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

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* Comparative information has been restated (refer note 20).

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

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	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 (Audited)	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 (restated*)	-	-	-	-	-	-	-	-	105,886	105,886
Other comprehensive income for the period (restated*)	-	-	-	-	-	-	31,022	218	1,444	32,684
Total comprehensive income for the period (restated*)	-	-	-	-	-	-	31,022	218	107,330	138,570
Dividend	-	-	-	-	-	-	-	-	(10,350)	(10,350)
Cashflow hedge reserve	-	-	-	-	-	-	-	859	-	859
Transfer to retained earnings on disposal of financial asset at FVOCI	-	-	-	-	-	-	4,024	-	(4,024)	-
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	282	-	-	(282)	-
Balance at 30 June 2021 (Unaudited) (restated*)	207,000	103,500	51,750	88,753	9,959	297	(91,973)	(4,852)	478,764	852,198
Balance at 1 January 2022 (Audited)	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	-	-	-	-	-	-	-	-	30,581	30,581
Other comprehensive income for the period	-	-	-	-	-	-	(4,475)	1,222	646	(2,607)
Total comprehensive income for the period	-	-	-	-	-	-	(4,475)	1,222	31,227	27,974
Transfer to profit or loss account from cashflow hedge reserve	-	-	-	-	-	-	-	1,189	-	1,189
Transfer to retained earnings on disposal of financial assets at FVOCI	-	-	-	-	-	-	2,395	-	(2,395)	-
Pay-out of capital reserve	-	-	-	-	(163)	-	-	-	-	(163)
Dividend	-	-	-	-	-	-	-	-	(41,410)	(41,410)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	455	-	-	(455)	-
Balance at 30 June 2022 (Unaudited)	207,000	103,500	51,750	88,753	9,796	946	(33,256)	(98)	532,723	961,114

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

* Comparative information has been restated (refer note 20).

Condensed consolidated interim statement of cash flows
for the six-month period ended 30 June (Unaudited)

	Note	2022 AED'000	2021 AED'000 Restated*
Cash flow from operating activities			
Profit for the period		30,581	105,886
Adjustments for:			
Reversal for impairment loss on insurance balances receivable, <i>net</i>		(3,003)	(1,342)
Impairment loss on investment properties		-	9,423
Change in fair value of financial assets at fair value through profit or loss		30,441	(56,620)
Gain on disposal of financial assets at fair value through profit or loss	14	(21,464)	(269)
Provision for employees' end of service benefits		435	383
Depreciation of property and equipment		877	1,067
Share of profit of associates		(4,487)	(26,858)
Finance costs		4,530	4,304
Dividend income		(34,222)	(24,738)
Interest income		(148)	(149)
Loss from derivative financial instruments		1,189	1,615
Cash flow from operating activities before working capital		4,729	12,702
Working capital changes:			
Insurance balances receivable, other receivables and prepayments		5,801	(14,484)
Trade and other payables		34,171	3,278
Change in unearned premiums reserve, <i>net</i>		(38,197)	19,448
Change in gross outstanding claims reserve, claims incurred but not reported reserve, allocated and unallocated loss adjustment expenses reserve and unexpired risk reserves		(41,172)	15,524
Change in reinsurers' share of outstanding claims reserve and claims incurred but not reported reserve		8,163	(14,198)
Cash (used in) / generated from operating activities		(26,505)	22,270
Employees' end of service benefits paid		(777)	(187)
Net cash (used in) / generated from operating activities		(27,282)	22,083
Cash flow from investing activities			
Purchase of property and equipment		(692)	(774)
Additions to investment properties and investment properties under development		(15,609)	-
Purchase of financial assets at fair value through profit or loss		(157,612)	(31,063)
Purchase of financial assets at fair value through other comprehensive income		(11,881)	(8)
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,295	4,775
Proceeds from disposal of financial assets at fair value through profit or loss		198,910	21,971
Withdrawal / (placement) of term deposits		46,048	(1,507)
Interest received		148	148
Dividends received from associates		-	1,267
Dividends received from other investments		34,189	24,738
Net cash generated from investing activities		94,796	19,547
Cash flow from financing activities			
Long term loan paid, <i>net of finance cost</i>		(12,744)	(8,110)
Pay-out of capital reserve		(163)	-
Dividend paid		(41,410)	(10,350)
Settlement of derivative financial instrument		(1,508)	(1,602)
Finance costs paid		(4,530)	(4,304)
Net cash used in financing activities		(60,355)	(24,366)
Net increase / (decrease) in cash and cash equivalents		7,159	17,264
Cash and cash equivalents at the beginning of the period		74,131	144,901
Restricted cash		19,751	(74,655)
Cash and cash equivalents at the end of the period	10	101,041	87,510

The notes set out on pages 8 to 25 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.

* Comparative information has been restated (refer note 20).

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 six-month period ended 30 June 2022 are not necessarily indicative of the results for the year ending 31 December 2022.

The Group is required, for the six-month period ended 30 June 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> 30 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Quoted securities	370,079	362,745
Unquoted securities	3,883	3,534
	373,962	366,279

The Group has registered certain securities in the name of a Director for the beneficial interest of the Group. The fair value of these securities as at 30 June 2022 was AED 4.70 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> 30 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	373,810	366,112
Outside UAE	152	167
	<u>373,962</u>	<u>366,279</u>

7 Financial assets at fair value through profit or loss

	<i>(Unaudited)</i> 30 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Quoted equity securities	<u>553,476</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 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	<u>553,476</u>	<u>603,751</u>

8 Insurance balances receivable, other receivables and prepayments

	<i>(Unaudited)</i> 30 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Due from policy holders and brokers	47,370	40,335
Due from policy holders - related parties <i>(note 16)</i>	19,306	14,978
Due from insurance and reinsurance companies	15,788	17,027
	<u>82,464</u>	<u>72,340</u>
<i>Less: allowance for expected credit losses</i>	<u>(25,167)</u>	<u>(28,170)</u>
Insurance balances receivable	<u>57,297</u>	<u>44,170</u>
Prepayments	7,597	15,371
Accrued income	2,731	2,873
Other receivables	23,050	31,026
	<u>33,378</u>	<u>49,270</u>
Total other receivables and prepayments	<u>33,378</u>	<u>49,270</u>
Total insurance balances receivable, other receivables and prepayments	<u>90,675</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> 30 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Liabilities arising from insurance contracts		
Unearned premiums reserve	129,178	139,515
Outstanding claims reserve (i)	150,248	188,144
Claims incurred but not reported reserve	36,229	42,057
Unallocated loss adjustment expenses reserve	3,757	4,313
Unexpired risk reserve	4,995	1,887
	324,407	375,916
Reinsurance contract assets		
Reinsurers' share of unearned premiums reserve	56,508	28,648
Reinsurers' share of outstanding claims reserve	117,128	126,009
Reinsurers' share of incurred but not reported reserve	8,889	8,171
	182,525	162,828
Insurance contract liabilities, net		
Unearned premiums reserve	72,670	110,867
Outstanding claims reserve (i)	33,120	62,135
Claims incurred but not reported reserve	27,340	33,886
Unallocated loss adjustment expenses reserve	3,757	4,313
Unexpired risk reserve	4,995	1,887
	141,882	213,088

(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 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Statutory deposit	6,000	6,000
Term deposits	32,090	78,138
Bank balances and cash	101,041	74,131
Total bank balances, deposits and cash	139,131	158,269
Less: statutory deposits	(6,000)	(6,000)
Less: term deposits with original maturity of three months or more	(32,090)	(78,138)
Cash and cash equivalents in the condensed consolidated interim statement of cash flows	101,041	74,131

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 total bank balances, deposits and cash is as follows:

	<i>(Unaudited)</i> 30 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Within UAE	149,385	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 from 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> 30 June 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 June 2022 AED'000	<i>(Audited)</i> 31 December 2021 AED'000
Term loan 1	94,119	107,489
Term loan 2	245,618	244,992
	339,737	352,481

Term loan 1

During 2020, the Group 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)*.

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

12 Borrowings (continued)

Term loan 2

During 2020, the Group 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. 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 10.25 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 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 30 June 2022 is AED 245.00 million (31 December 2021: AED 245.00 million).

The derivative instrument which is entered into for the purpose of cash flow hedge had a negative fair value of AED 0.02 million as at 30 June 2022 (31 December 2021: negative fair value of AED 2.90 million).

14 Investment income, net (Unaudited)

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Gain / (loss) on disposal of financial assets at fair value through profit or loss	10,441	(110)	21,464	269
Change in fair value of investment properties	-	(9,423)	-	(9,423)
Changes in fair value of financial assets carried at fair value through profit or loss	(33,998)	50,826	(30,441)	56,620
Interest income	74	75	147	149
Dividend income	17,119	703	34,222	24,738
Other expenses related to investments	(1,163)	(556)	(2,162)	(7,151)
	<u>(7,527)</u>	<u>41,515</u>	<u>23,230</u>	<u>65,202</u>

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated 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 June		Six-month period ended 30 June	
	2022	2021 <i>Restated*</i>	2022	2021 <i>Restated*</i>
(Loss) / profit for the period (AED'000)	(6,159)	51,789	30,581	105,886
Ordinary shares outstanding during the period (shares in '000)	207,000	207,000	207,000	207,000
(Loss) / earnings per share (AED)	(0.03)	0.25	0.15	0.51

* Comparative information has been restated (*refer note 20*).

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) 30 June 2022 AED'000	(Audited) 31 December 2021 AED'000
<i>Included in insurance balances receivable</i>		
Due from policyholders (<i>note 8</i>)	19,306	14,978
<i>Included in trade and other payables</i>		
Due to policyholders	(3,946)	(4,087)
<i>Key management personnel</i>		
Long term benefits	103	43

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

16 Related parties (continued)

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Gross written premiums	<u>2,727</u>	<u>3,787</u>	<u>23,627</u>	<u>24,326</u>
Net claims paid	<u>3,807</u>	<u>2,065</u>	<u>6,529</u>	<u>5,688</u>
Other expenses-rent	<u>115</u>	<u>115</u>	<u>230</u>	<u>230</u>
Remuneration of key management personnel (i)	<u>1,186</u>	<u>976</u>	<u>2,117</u>	<u>1,951</u>

- (i) The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.
- (ii) During 2020, the Group had 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.

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated 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 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 30 June 2022 (Unaudited)				
<i>Financial assets measured at fair value</i>				
Financial assets at fair value through profit or loss	521,347	32,129	-	553,476
Financial assets at fair value through other comprehensive income	332,677	37,402	3,883	373,962
	<u>854,024</u>	<u>69,531</u>	<u>3,883</u>	<u>927,438</u>
<i>Financial liability measured at fair value</i>				
Derivative financial instrument	-	168	-	168
	<u>-</u>	<u>168</u>	<u>-</u>	<u>168</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.

Al Wathba National Insurance Company PJSC and its subsidiary

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> 30 June 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	349	(8,731)
Disposal of financial assets	-	(3,332)
Balance at 30 June	<u>3,883</u>	<u>3,534</u>

Al Wathba National Insurance Company PJSC and its subsidiary

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

	Six-month period ended 30 June 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	5,841	80,958	61,645	1,776	-	150,220
Reinsurers' share of gross written premiums	(4,300)	(67,559)	(17,791)	(1,379)	-	(91,029)
Net transfer to unearned premiums reserve	(354)	(2,790)	41,545	(204)	-	38,197
Net claims incurred	(1,013)	(1,086)	(53,765)	431	-	(55,433)
Net commission earned / (incurred)	283	2,380	(18,096)	(25)	-	(15,458)
Rental income, <i>net</i>	-	-	-	-	2,335	2,335
Income from investments - <i>net of finance costs</i>	-	-	-	-	17,511	17,511
Share of profit from associate, <i>net</i>	-	-	-	-	4,487	4,487
Segment profit before allocated expenses	457	11,903	13,538	599	24,333	50,830
Allocated expenses, <i>net</i>	(725)	(5,053)	(11,800)	(781)	-	(18,359)
Segment (loss) / profit	(268)	6,850	1,738	(182)	24,333	32,471
Unallocated expenses						(1,890)
Profit for the period						30,581

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

18 Segment reporting *(continued)*

18.1 Segment revenue and results *(continued)*

	Six-month period ended 30 June 2021 <i>(Unaudited) (restated*)</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	4,331	57,189	118,170	1,776	-	181,466
Reinsurers' share of gross written premiums	(3,519)	(44,605)	(6,976)	(1,384)	-	(56,484)
Net transfer to unearned premiums reserve	(5)	(3,031)	(16,480)	68	-	(19,448)
Net claims incurred	(118)	(2,590)	(47,421)	(362)	-	(50,491)
Net commission earned / (incurred)	881	2,960	(20,693)	(23)	-	(16,875)
Rental income, <i>net</i>	-	-	-	-	1,863	1,863
Loss from investments, <i>net of finance costs</i>	-	-	-	-	59,283	59,283
Share of profit from associate, <i>net</i>	-	-	-	-	26,858	26,858
Segment profit before allocated expenses	1,570	9,923	26,600	75	88,004	126,172
Allocated expenses, <i>net</i>	(595)	(5,091)	(12,645)	(350)	-	(18,681)
Segment profit / (loss)	975	4,832	13,955	(275)	88,004	107,491
Unallocated expenses						(1,605)
Profit for the period						105,886

* Comparative information has been restated *(refer note 20)*.

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

18 Segment reporting (continued)

18.2 Segment assets and liabilities

	As at 30 June 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	380,440	1,404,635	1,785,075	379,909	1,436,471	1,816,380
Unallocated assets			8,305			22,564
Total assets			1,793,380			1,838,944
Segment liabilities	458,680	352,314	810,994	453,073	372,453	825,526
Unallocated liabilities			21,272			39,894
Total liabilities			832,266			865,420

18.3 Segment revenue from underwriting departments (Unaudited)

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.

	30 June 2022 AED'000	30 June 2021 AED'000
Engineering	25,324	-
Marine and aviation	6,871	5,720
Fire and general accident	66,103	65,727
Motor	64,285	121,234
Medical	1,776	1,776
	164,359	194,457

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 Correction of errors

At 1 January 2021, management of the associate company (Hily Holding PJSC) ("the associate") of the Group received confirmation from two shareholders of Al Waha Capital PJSC (which is an investee of the associate) ("investee"), one of whom is Al Wathba National Insurance Company PJSC who owns 8.6% and other shareholder who owns 4.0% in Al Waha Capital PJSC, respectively stating that they have assigned their voting rights in favour of the associate and will represent the associate's interest in the Board of the investee. This assignment resulted in the associate having meaningful representation in the Board of Directors of the investee. Accordingly, the investee is considered as an associate for the six-month period ended 30 June 2021, and the associate had restated its condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2021 to reflect Al Waha Capital PJSC as an associate effective 1 January 2021 with its shareholding of 8.8% having effective voting rights of 21.4%.

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

20 Correction of errors (continued)

The following table summarises the impact on the Group's condensed consolidated interim financial information: (Unaudited)

	Three-month period ended 30 June 2021			Six-month period ended 30 June 2021		
	As previously reported AED'000	Adjustments AED'000	As restated AED'000	As previously reported AED'000	Adjustments AED'000	As restated AED'000
<i>Condensed consolidated interim statement of profit or loss</i>						
Share of profit of associates	3,929	(204)	3,725	9,362	17,496	26,858
Others	48,064	-	48,064	79,028	-	79,028
Profit for the period	51,993	(204)	51,789	88,390	17,496	105,886
Earnings per share (AED)	0.25	0.00	0.25	0.43	0.08	0.51
	Three-month period ended 30 June 2021			Six-month period ended 30 June 2021		
	As previously reported AED'000	Adjustments AED'000	As restated AED'000	As previously reported AED'000	Adjustments AED'000	As restated AED'000
<i>Condensed consolidated interim statement of profit or loss and other comprehensive income</i>						
Profit for the period	51,993	(204)	51,789	88,390	17,496	105,886
Share of other comprehensive income / (loss) of associates	1,846	(2,096)	(250)	3,366	(2,592)	774
Others	28,782	-	28,782	31,910	-	31,910
Other comprehensive income for the period	30,628	(2,096)	28,532	35,276	(2,592)	32,684
Total comprehensive income for the period	82,621	(2,300)	80,321	123,666	14,904	138,570

Al Wathba National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

20 Correction of errors (continued)

As at 30 June 2021			
	As previously reported AED'000	Adjustments AED'000	As restated AED'000
Condensed consolidated interim statement of changes in shareholders' equity			
Investment revaluation reserve	(89,381)	(2,592)	(91,973)
Retained earnings	470,268	17,496	487,764
Others	456,407	-	456,407
Total equity	837,294	14,904	852,198
Six-month period ended 30 June 2021			
	As previously reported AED'000	Adjustments AED'000	As restated AED'000
Condensed consolidated interim statement of cash flows			
Cash flows from operating activities			
Profit for the period	88,390	17,496	105,886
Share of profit of associates	(9,362)	(17,496)	(26,858)
Others	(56,945)	-	(56,945)
Net cash generated from operating activities	22,083	-	22,083

The above correction of error does not have any impact on cashflows from investing and financing activities.

The above correction of error does not have any impact on the consolidated statement of financial position as at 31 December 2021 on account of correction made in the condensed consolidated interim financial information for the nine-month period ended 30 September 2021.

21 Risk management

The Group'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 consolidated financial statements of the Group 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 Group is subject to solvency regulations which it has complied with during the period. The Group has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

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Notes to the condensed consolidated interim financial information

21 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 Group 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 Group has disclosed the solvency position for the three-month period ended 31 March 2022 as the current six-month period ended 30 June 2022 solvency position is not finalised.

	31 March 2022 AED'000	31 December 2021 AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	252,354	246,396
Minimum Guarantee Fund (MGF)	84,118	82,132
<i>Own funds</i>		
Basic Own Funds	420,552	394,838
MCR Solvency Margin - (Surplus)	320,552	294,838
SCR Solvency Margin - (Surplus)	168,198	148,442
MGF Solvency Margin - (Surplus)	336,434	312,706

22 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 30 June 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 six-month period ended 30 June 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.

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Notes to the condensed consolidated interim financial information

22 *Impact of COVID-19 (continued)*

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.

23 Commitments and contingencies

Contingent liabilities

As at 30 June 2022, the Group 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 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 11.70 million (*31 December 2021: AED 11.70 million*) representing amounts expected to result in a probable outflow of economic resources.

24 General

The condensed consolidated interim financial information of the Group was approved for issuance by the Board of Directors on 08 August 2022