

Al Wathba National Insurance Company PJSC

Condensed interim financial information

30 September 2023

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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KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Corniche Road, P.O. Box 7613
Abu Dhabi, United Arab Emirates
Tel. +971 (2) 401 4800, www.kpmg.com/ae

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 2023 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 2023;
- the condensed interim statements of profit or loss for the three-month and nine-month periods ended 30 September 2023;
- the condensed interim statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed interim statement of changes in shareholders' equity for the nine-month period ended 30 September 2023;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2023; and
- notes to the condensed interim financial information.

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



Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 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: 14 November 2023

Al Wathba National Insurance Company PJSC

Condensed interim statement of financial position

as at

	Note	30 September 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000 Restated*
Assets			
Property and equipment		2,803	3,573
Investment in associates		143,877	142,199
Financial assets at amortised cost	5	14,033	14,301
Financial assets at fair value through other comprehensive income	6	372,628	428,499
Financial assets at fair value through profit or loss	7	529,428	389,584
Investment properties		322,171	308,107
Investment property under development		34,280	7,719
Asset held for sale		-	19,934
Statutory deposits	8	6,000	6,000
Reinsurance contract assets	16.2	156,904	159,166
Prepayments and other receivables	9	8,456	9,703
Term deposits	8	74,419	10,151
Bank balances and cash	8	90,233	78,142
Total assets		1,755,232	1,577,078
Equity and liabilities			
Equity			
Share capital	10	207,000	207,000
Legal reserve		103,500	103,500
Statutory reserve		51,750	51,750
General reserve		88,753	88,753
Capital reserve		9,474	9,474
Reinsurance risk reserve		1,865	1,256
Fair value reserve		106,116	(17,577)
Retained earnings		689,669	528,880
Total equity		1,258,127	973,036
Liabilities			
Borrowings	11	92,971	208,943
Employees' end of service benefits		5,468	5,695
Insurance contract liabilities	16.1	321,250	312,561
Reinsurance contract liabilities	16.2	51,268	41,593
Trade and other payables		26,148	35,250
Total liabilities		497,105	604,042
Total equity and liabilities		1,755,232	1,577,078


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

The notes set out on pages 8 to 35 form an integral part of this condensed interim financial information.

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

* Comparative information has been restated on account of first time adoption of IFRS 17 Insurance Contracts (refer note 3(b)).

Al Wathba National Insurance Company PJSC

Condensed interim statements of profit or loss

for the period ended 30 September (Unaudited)

	Note	Three-month period ended 2023 AED'000	2022 AED'000 <i>Restated*</i>	Nine-month period ended 2023 AED'000	2022 AED'000 <i>Restated*</i>
Insurance revenue	17	71,002	74,303	221,431	231,226
Insurance service expenses	17	(69,808)	(79,783)	(203,287)	(204,373)
Amounts recoverable from reinsurers for incurred claims	17	21,610	26,303	52,284	49,178
Allocation of reinsurance premiums	17	(26,905)	(23,068)	(81,515)	(73,489)
Insurance service results		(4,101)	(2,245)	(11,087)	2,542
Income / (loss) from investments, <i>net</i>	12	163,116	(4,396)	192,313	18,832
Income from investment properties (rental income), <i>net</i>		1,130	1,307	3,167	3,642
Share of (loss) / profit of equity-accounted investees		(808)	14,505	1,470	18,992
Loss from hedging		-	(98)	-	(1,287)
Net investment income		163,438	11,318	196,950	40,179
Finance income / (expenses) from insurance contracts issued		1,166	(359)	5,022	6,417
Finance income / (expenses) from reinsurance contracts held		774	(413)	(3,684)	(4,587)
Net insurance finance income / (expenses)		1,940	(772)	1,338	1,830
Net insurance and investment result		161,277	8,301	187,201	44,551
Other expense, <i>net</i>		(13,073)	(706)	(14,872)	(2,263)
Other finance costs		(2,022)	(3,469)	(8,128)	(7,999)
Profit for the period		146,182	4,126	164,201	34,289
Earnings per share:					
Earnings per share (AED)	13	0.71	0.02	0.79	0.17

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Al Wathba National Insurance Company PJSC

Condensed interim statements of profit or loss and other comprehensive income

for the period ended 30 September (Unaudited)

	Three-month period ended		Nine-month period ended	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
		Restated*		Restated*
Profit for the period	146,182	4,126	164,201	34,289
Other comprehensive income				
<i>Items that will not be reclassified subsequently to the statement of profit or loss:</i>				
Share of other comprehensive (loss) / gain of associates	(1,659)	102	711	(822)
Gain on sale of financial assets at fair value through other comprehensive income, net	30,636	8	28,106	654
Change in fair value of financial assets at fair value through other comprehensive income, net	65,659	(1,576)	133,473	(5,127)
<i>Items that are or may be reclassified subsequently to the statement of profit or loss:</i>				
Cash flow hedge - effective portion of changes in fair value	-	-	-	1,222
Other comprehensive income / (loss) for the period	94,636	(1,466)	162,290	(4,073)
Total comprehensive income for the period	240,818	2,660	326,491	30,216

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Al Wathba National Insurance Company PJSC

Condensed interim statement of changes in shareholders' equity

for the 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	Fair value reserve AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2022, as previously reported	207,000	103,500	51,750	88,753	9,959	491	(31,176)	(2,509)	545,756	973,524
Adjustment on initial application of IFRS 17, <i>net of tax</i>	-	-	-	-	-	-	-	-	(9,350)	(9,350)
Restated balance at 1 January 2022	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>88,753</u>	<u>9,959</u>	<u>491</u>	<u>(31,176)</u>	<u>(2,509)</u>	<u>536,406</u>	<u>964,174</u>
<i>Total comprehensive income (Restated*)</i>										
Profit for the period	-	-	-	-	-	-	-	-	34,289	34,289
Other comprehensive (loss) / income for the period	-	-	-	-	-	-	(5,949)	1,222	654	(4,073)
Total comprehensive (loss) / income for the period <i>(Restated*)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,949)</u>	<u>1,222</u>	<u>34,943</u>	<u>30,216</u>
Transfer to profit or loss account from cashflow hedge reserve	-	-	-	-	-	-	-	1,287	-	1,287
Payout of capital reserve	-	-	-	-	(163)	-	-	-	-	(163)
Transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,395	-	(2,395)	-
Dividend paid	-	-	-	-	-	-	-	-	(41,411)	(41,411)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	637	-	-	(637)	-
Restated balance at 30 September 2022	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>88,753</u>	<u>9,796</u>	<u>1,128</u>	<u>(34,730)</u>	<u>-</u>	<u>526,906</u>	<u>954,103</u>
Balance at 1 January 2023	207,000	103,500	51,750	88,753	9,474	1,256	(17,577)	-	528,880	973,036
<i>Total comprehensive income</i>										
Profit for the period	-	-	-	-	-	-	-	-	164,201	164,201
Other comprehensive income for the period	-	-	-	-	-	-	134,184	-	28,106	162,290
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,184</u>	<u>-</u>	<u>192,307</u>	<u>326,491</u>
Transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(10,491)	-	10,491	-
Dividend paid	-	-	-	-	-	-	-	-	(41,400)	(41,400)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	609	-	-	(609)	-
Balance at 30 September 2023	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>88,753</u>	<u>9,474</u>	<u>1,865</u>	<u>106,116</u>	<u>-</u>	<u>689,669</u>	<u>1,258,127</u>

The notes set out on pages 8 to 35 form an integral part of this condensed interim financial information.

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Al Wathba National Insurance Company PJSC

Condensed interim statement of cash flows

for the nine-month period ended 30 September (Unaudited)

	Note	2023 AED'000	2022 AED'000 Restated*
Cash flow from operating activities			
Profit for the period		164,201	34,289
<i>Adjustments for:</i>			
Changes in fair value of financial assets at fair value through profit or loss, <i>net</i>	12	(135,022)	41,082
Gain on disposal of financial assets at fair value through profit or loss, <i>net</i>	12	(32,177)	(26,887)
Gain on disposal of property and equipment		(24)	-
Provision for employees' end of service benefits		523	648
Depreciation of property and equipment		1,387	1,352
Share of profit of associates		(1,470)	(18,992)
Finance costs		8,128	7,999
Dividend income		(30,299)	(35,717)
Interest income		(641)	(225)
Loss on hedge instruments		-	1,287
Net cash (used in) / generated from operations		(25,394)	4,836
<i>Changes in:</i>			
Insurance and reinsurance contract assets		2,262	(12,265)
Insurance and reinsurance contract liabilities		18,364	(39,882)
Prepayments and other receivables		1,431	15,971
Trade and other payables		(2,873)	(22,656)
Cash used in operations		(6,210)	(53,996)
Employees' end of service benefits paid		(750)	(950)
Net cash used in operating activities		(6,960)	(54,946)
Cash flow from investing activities			
Purchase of property and equipment		(617)	(1,045)
Additions to investment properties and investment properties under development		(40,625)	(18,448)
Purchase of financial assets at fair value through profit or loss	7	(76,637)	(165,216)
Purchase of financial assets at fair value through other comprehensive income	6	(2,653)	(17,780)
Proceeds from sale of property and equipment		25	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		220,103	1,304
Proceeds from disposal of financial assets at fair value through profit or loss		103,991	265,889
Proceeds from disposal of asset held for sale		19,934	-
(Placement) / withdrawal of term deposits		(24,633)	44,401
Interest received		725	304
Dividends received from associates		503	195.00
Dividends received from other investments		30,299	35,683
Net cash generated from investing activities		230,415	145,287
Cash flow from financing activities			
Finance cost paid		(8,128)	(7,999)
Repayment of borrowings		(115,972)	(18,605)
Payout of capital reserve		-	(163)
Dividend paid		(41,400)	(41,411)
Unclaimed dividend paid		(6,229)	-
Settlement of derivative financial instrument		-	(1,676)
Restricted cash movement		6,494	(5,009)
Net cash used in financing activities		(165,235)	(74,863)
Net increase in cash and cash equivalents		58,220	15,478
Cash and cash equivalents at 1 January		71,648	74,131
Cash and cash equivalents at 30 September		129,868	89,609

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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 Central Bank of UAE and Organisation of the Insurance Operations and its amendments, Federal Decree Law No. 32 of 2021 concerning the Commercial Companies, 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 the writing of general insurance business of all classes. The Company operates through its registered head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates, P.O. Box 45154, Abu Dhabi, United Arab Emirates. The Company’s shares are listed on Abu Dhabi Securities Exchange (ADX).

During the year of 2022 the Company has formed a Limited Liability Company as its subsidiary named as “Al Wathba Real Estate Development L.L.C.”, registered on 28 October 2022 in accordance with the provisions of the Federal Decree Law No. 32 of 2021 concerning the Commercial Companies with its registered office established in Dubai. Al Wathba Real Estate Development L.L.C. was not operational as at and for the nine-month period ended 30 September 2023.

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 condensed annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2022 except for changes in significant accounting policy as provided in note 3(b), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results for the year ending 31 December 2023.

(b) Basis of measurement

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

(c) Functional and reporting currency

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

(d) Use of judgements and estimates

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

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

2 Basis of preparation *(continued)*

(d) Use of judgements and estimates (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is 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 2022, except for the change in accounting policy as described in note 3(b).

3 (a) Significant Accounting policies

The accounting policies applied by the Company in this condensed interim financial information are the same as those applied by the Company in its annual financial statements as at and for the year ended 31 December 2022, except for insurance contracts where IFRS 17 is applied.

3 (b) Changes in significant accounting policies

The Company has initially adopted IFRS 17, from 1 January 2023. This Standard has brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts for the year ended 31 December 2022.

IFRS 17, 'Insurance Contracts' is applicable for annual reporting periods commencing on 1 January 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

Insurance and reinsurance contracts

Definition and classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks.

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in the condensed interim financial information apply to insurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

The Company does not write any investment contracts with discretionary participation features or insurance contracts with direct participation features.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

3 (b) Changes in significant accounting policies (*continued*)

Insurance and reinsurance contracts (*continued*)

Changes to classification and measurement

For the Company, IFRS 17 has not resulted in a material change in the classification of insurance contracts relative to IFRS 4.

Previously, the Company measured contracts at the line of business level under IFRS 4. IFRS 17 has introduced a new unit of accounts at which insurance and reinsurance contracts are measured. Contracts are grouped into a unit of account based on the portfolio, cohort, and profitability group to which the contract belongs.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

For the Company, IFRS 17 has not resulted in a material change in the classification of insurance contracts relative to IFRS 4.

For presentation in the statement of financial position, the line items for insurance and reinsurance contracts issued and reinsurance contracts will change significantly compared with the current format of the financial statements. Balance sheet items related to insurance and reinsurance contracts are currently split into the following line items:

- Assets:
 - Insurance balances receivable;
 - Reinsurers' share of unearned premiums reserve;
 - Reinsurers' share of outstanding claims reserve; and
 - Reinsurers' share of claims incurred but not reported reserve.
- Liabilities:
 - Unearned premiums reserve;
 - Outstanding claims reserve;
 - Claims incurred but not reported reserve; and
 - Allocated and unallocated loss adjustment expenses reserve.

Under IFRS 17, the Company will aggregate insurance and reinsurance contracts issued and reinsurance contracts held, respectively and present separately on the balance sheet:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

Measurement approach

The Company applies the premium allocation approach (PAA) to simplify the measurement of contracts for all groups. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

3 (b) Changes in significant accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Measurement approach (continued)

Contracts written by the Company that have a coverage period of one year or less are automatically eligible for the PAA. The Company does write some contracts that have a coverage period exceeding one year and which are not automatically eligible. These are the Property, Casualty and Engineering portfolios. For all the groups of contracts within the portfolio, the LRC measured under the PAA and the general measurement model (GMM) were projected over the lifetime of the contracts, considering different reasonable scenarios, to determine if the differences were significant. The Company has found that for all these contracts, the PAA provided a reasonable approximation of the GMM and were thus eligible for measurement under the PAA.

As the PAA is an optional simplified approach for the measurement of the LRC, an entity may choose to use the PAA when the measurement is not materially different from that under the GMM or if the coverage period of each contract in the group of insurance contracts is one year or less.

The Company applies the PAA to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Company performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Company expects all of its contracts to be eligible for PAA measurement model.

Under the PAA, LRC is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. The Company plans not to make an allowance for time value of money on the LRC for groups of contracts, since the contracts do not contain a significant financing component.

Insurance revenue and insurance service expenses are recognised in the income statement based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Onerosity determination (define 'facts and circumstances')

Under the PAA, the Company shall assume no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise. The Company will perform the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if 'facts and circumstances' indicate that there are significant changes in product pricing, product design, plans and forecasts.

The Company has established a process for the underwriting team to capture onerous, potentially onerous, and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

3 (b) Changes in significant accounting policies (continued)

Insurance and reinsurance contracts (continued)

The actuaries provide a series of estimates for the historical combined ratio which is adjusted to reflect the expected combined ratio and enable the differentiation between onerous and profitable groups of contracts.

Once the portfolios are classified into groups according to their profitability, a flag shall be imported into the system. Insurance groups of contracts shall be treated differently within the system if classified as onerous. Once a group has been defined, the Company will not reassess the composition of the groups subsequently.

Insurance revenue and insurance service expenses

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognise insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For insurance contracts measured under the PAA, expected premium receipts are allocated to insurance revenue based on the passage of time over the coverage period of a group of contracts with the exception of Engineering (all risk) and Construction (all risk) contracts where revenue is recognised using an increasing risk pattern and Marine Cargo where it is assumed that 25% of premium is unearned at the valuation date. IFRS 17 requires losses to be recognised immediately on contracts that are expected to be onerous.

Insurance service expenses include incurred claims and benefits, other incurred directly attributable expenses, insurance acquisition cash flows amortisation, changes that relate to past service i.e., changes in the fulfilment cash flows ("FCF") relating to the liability for incurred claims ("LIC"), changes that relate to future service (i.e., changes in the FCF that result in onerous contract losses or reversals of those losses) and insurance acquisition cash flows assets impairment.

Accounting policy choices

The following table sets out the accounting policy choices that the Company adopted:

Particulars	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	Where the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortising them over the contract's coverage period.	The Company amortised the insurance acquisition cash flows for all contracts. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.
Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	The Company has not accounted for an allowance for time value of money on the LRC for groups of contracts, since the contracts do not contain a significant financing component.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

3 (b) Changes in significant accounting policies (continued)

Insurance and reinsurance contracts (continued)

Accounting policy choices (continued)

Particulars	IFRS 17 options	Adopted approach
Liability for Incurred Claims ("LIC") adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Company has decided to adjust LIC cash flows for the time value of money, as claims are not expected to be paid within 12 months from the date of loss.
Insurance finance income and expenses	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in other comprehensive income (OCI). The accounting policy choice (the profit or loss or OCI option) is applied on a portfolio basis.	The Company has included changes in discount rates and other financial changes in profit or loss.
Disaggregation of risk adjustment	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and has included the entire change within the insurance service result.
Presentation of income / (expense) from reinsurance contracts held	IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses on a net basis. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the premiums paid (as reinsurance expenses) in line items separate from insurance revenue and insurance service expenses.	The Company elected to present it separately on a gross basis as amounts recoverable from reinsurers for incurred claims and allocation of reinsurance premiums' in the insurance service result.
Length of cohorts contracts held	Under the guidance of the IFRS 17, entities shall not include contracts issued more than one year apart in the same group in reference to grouping annual / semi-annual / quarterly / monthly cohorts of new business, since it determines a corresponding time limit which enables the option to further divide the groups into smaller groups based on smaller cohorts.	Having smaller cohorts would result in multiple groups and would result in increased measurement requirements, the Company has decided the length of cohort to be on an annual basis.

The GMM has not been applied by the Company, as the contracts written / held are either auto PAA eligible or have passed the PAA eligibility test carried out by the Company.

Variable fee approach is also not being applied as the Company does not issue any unit linked insurance contracts.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

3 (b) Changes in significant accounting policies (*continued*)

Insurance and reinsurance contracts (*continued*)

Areas of significant judgements

The following are key judgements and estimates which the Company applied as a result of IFRS 17. The Company has elected to determine cumulative results for each interim reporting period, and estimates made by the Company in previous interim financial statements will not be considered when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

Best Estimate of Liabilities

The best estimate liability (BEL) represents the explicit, unbiased and probability weighted best estimate (expected value) of the future cash outflows minus the future cash inflows that arise when the Company fulfils its obligations with respect to the insurance contracts. The BEL thus includes the effects of discounting, allowing for financial risks (to the extent not included in the estimate of the cash flows).

The Company will make use of the following assumptions to project the cash flows for the non-life business where required:

- Expected premium receipts pattern;
- Expected claims ratio;
- Expected attributable expense ratio;
- Expected bad debt;
- Expected incidence of risk; and
- Expected claims payment pattern.

For the measurement of the liability for incurred claims (LIC), the Company will use a blended approach (i.e. the chain-ladder, bornhuetter ferguson and expected loss ratio techniques are used) for calculating the IBNR and IBNER for all direct lines of business. For the measurement of the inwards reinsurance LIC, the Company will use the expected loss ratio method given the small size of this portfolio.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Discount rate

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin. After estimating the future cash flows arising from the insurance contracts, discounting shall be used to calculate the present value of these cash flows, in order to reflect the time value of money and the financial risks associated with these cash flows. This is done to the extent that the financial risks are not already included in the cash flow estimates.

The discount rates applied to the estimates of the future cash flows in discounting shall:

- a) Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- b) Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- c) Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

3 (b) Changes in significant accounting policies (*continued*)

Insurance and reinsurance contracts (*continued*)

Areas of significant judgements (*continued*)

Discount rate (continued)

The bottom-up approach was used to derive the discount rate for all contracts within the scope of IFRS 17. Under the bottom-up approach, the discount rate is determined as the risk-free yield. In order to eliminate the need for an explicit assumption regarding the illiquidity premium, Volatility Adjusted European Insurance and Occupational Pensions Authority (EIOPA) published risk-free rates were utilised. A country risk premium was incorporated to adjust the rates and derive UAE-specific risk-free rates.

Risk Adjustment

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

The Company has estimated the risk adjustment using a confidence level approach for liabilities for incurred claims. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

"The Company adopted the PAA approach after conducting PAA eligibility test. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognised as onerous."

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- a) the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- b) both of the following criteria are satisfied:
 - the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
 - the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

Judgement might be required to assess the Company's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

3 (b) Changes in significant accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Areas of significant judgements *(continued)*

Modification and derecognition

An insurance contract may be modified, either by agreement between the parties or as result of regulation. If the terms are modified, an entity must derecognise the original insurance contract and recognise the modified contract as a new contract, if and only if certain conditions as prescribed in IFRS 17 are satisfied. The exercise of a right included in the terms of a contract is not a modification. Any contract modification that changes the accounting model or the applicable standard for measuring the components of the insurance contract, is likely to result in derecognition.

If a contract modification meets none of the conditions for derecognition, any changes in cash flows caused by the modification are treated as changes in the estimates of the fulfilment cash flows. For contracts applying the premium allocation approach, any adjustments to premium receipts or insurance acquisition cash flows arising from a modification adjust the liability for remaining coverage and insurance revenue is allocated to the period for services provided (which would also require judgement in determining the period to which the modification applies).

Measurement of expenses

The Company has defined acquisition expenses as the costs of selling, underwriting and started issuing a group of insurance contracts as per IFRS 17 requirements. The Company has defined acquisition costs as attributable to a contract (or group of contracts) if the cost is incurred to acquire a specific contract or group of contracts (as opposed to new business in general).

Insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

Under IFRS 17, attributable costs refer to costs that are either fully or partially related to insurance operations. These costs are allocated to the group of insurance contracts level, while non-allocable expenses are recognised directly in the profit and loss account. The allocation of expenses must be done in a systematic and rational manner that reflects the transfer of services provided by the insurer over the coverage period. All general and management expenses incurred by the Company in a particular year will be allocated to groups of contract cohorts of the same year, based on a systematic and rational basis.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

Transition from IFRS 4 to IFRS 17

The Company has applied a full retrospective approach in applying IFRS 17 which resulted in a decrease in opening retained earnings as at 1 January 2022 amounting to AED 9,400 thousand arising from actuarial risk adjustment, discounting and loss component adjustment. Also, the profit for the year ended 31 December 2022 increased by AED 9,500 thousand, due to actuarial risk adjustment, loss component and discounting adjustments. The relevant insurance liabilities and assets accounted for under IFRS 4 have been reclassified to insurance contract liabilities as a single line item. The relevant reinsurance liabilities and assets accounted for under IFRS 4 have been reclassified to reinsurance contract liabilities / assets as a single line item.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

4 New and amended standard and interpretations

New currently effective requirements

IFRS 17 Insurance Contracts

The Company has initially applied IFRS 17 Insurance Contracts (IFRS 17), which replaces IFRS 4 Insurance Contracts (IFRS 4), including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts for the prior year.

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 application of the principles set out under IFRS 17 is covered in note 3(b).

Other new standards or amendments

The Company has initially adopted Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1 January 2023, however, these amendments do not have any material impact on the Company's condensed interim financial information. The following are other new standards or amendments which do not have a significant impact on the Company's condensed interim financial information, when effective:

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

Forthcoming requirements

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted any of the forthcoming new or amended standards in preparing this condensed interim financial information.

<i>New standards or amendments</i>	<i>Effective date</i>
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 – Sale or Construction of Assets between an Investor and its Associate or Joint Venture	N/A*

*Available for optional adoption / effective date deferred indefinitely

5 Financial assets at amortised cost

Included in financial assets at amortised cost are two sukuk with a total amount of AED 9,000 thousand which carry profit of six month EIBOR+495 bps or 6.05%, whichever is higher and one bond amounting to AED 5,000 thousand which carries profit of 8.25% (31 December 2022: two sukuk with a total amount of AED 9,000 thousand which carry profit of six month EIBOR+495 bps or 6.05%, whichever is higher and one bond amounting to AED 5,000 thousand which carries profit of 8.25%) having an accrued profit of AED 192 thousand for the nine-month period ended 30 September 2023 (31 December 2022: accrued profit of AED 301 thousand).

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

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

	30 September 2023 AED'000	31 December 2022 AED'000
Quoted securities	371,920	427,774
Unquoted securities	708	725
	<u>372,628</u>	<u>428,499</u>

Certain securities are registered in the name of a director for the beneficial interest of the Company. The fair value of these securities as at 30 September 2023 was AED Nil (*31 December 2022: AED Nil*).

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

	30 September 2023 AED'000	31 December 2022 AED'000
At beginning of the period / year	428,499	366,279
Additions	2,653	111,845
Disposals	(191,997)	(62,165)
Changes in fair value	133,473	12,540
Balance at end of the period / year	<u>372,628</u>	<u>428,499</u>

The geographical distribution of financial assets at FVOCI is as follows:

Within UAE	372,448	428,352
Outside UAE	180	147
	<u>372,628</u>	<u>428,499</u>

7 Financial assets at fair value through profit or loss (*Unaudited*)

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

	30 September 2023 AED'000	31 December 2022 AED'000
At beginning of the period / year	389,584	603,751
Additions	76,637	179,893
Disposals	(71,814)	(346,672)
Changes in fair value (<i>note 12</i>)	135,022	(47,388)
Balance at end of the period / year	<u>529,429</u>	<u>389,584</u>

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

8 Cash and cash equivalents (*Unaudited*)

	30 September 2023 AED'000	31 December 2022 AED'000
Bank balances and cash	90,233	78,142
Statutory deposit	6,000	6,000
Term deposits	74,419	10,151
Total bank balances, deposits and cash	170,652	94,293
Less: deposits with original maturity of three months or more	(34,784)	(10,151)
Less: restricted cash pledged against borrowings	-	(6,494)
Less: statutory deposits	(6,000)	(6,000)
Cash and cash equivalents for the purpose of the statement of cash flows	129,868	71,648

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

	30 September 2023 AED'000	31 December 2022 AED'000
Within UAE	170,652	94,293

Deposits are held with financial institutions in UAE, with an original maturity period of one to twelve months from the date of placement. Interest is receivable at annual rates ranging from 3.25% to 6.10% per annum (*31 December 2022: 2.45% to 4.25% per annum*).

In accordance with the requirements of UAE Federal Law No. (6) of 2007 (as amended), the Company maintains a bank deposit of AED 6,000 thousand (*31 December 2022: AED 6,000 thousand*) which cannot be utilised without the consent of the Assistant Governor of the Banking and Insurance Supervision Department of Central Bank of UAE.

9 Prepayments and other receivables (*Unaudited*)

	30 September 2023 AED'000	31 December 2022 AED'000
Prepayments	4,024	3,902
Accrued income	569	326
Other receivables	3,863	5,475
	8,456	9,703

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

10 Share capital (*Unaudited*)

	30 September 2023 AED'000	31 December 2022 AED'000
<i>Authorised, issued and fully paid</i>		
207,000,000 (31 December 2022: 207,000,000) ordinary shares of AED 1 each	<u>207,000</u>	<u>207,000</u>

11 Borrowings (*Unaudited*)

	30 September 2023 AED'000	31 December 2022 AED'000
Term loan 1	92,971	88,895
Term loan 2	-	120,048
	<u>92,971</u>	<u>208,943</u>

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

	30 September 2023 AED'000	31 December 2022 AED'000
<i>Term loan facilities</i>		
Opening balance	208,943	352,481
Add: finance cost incurred during the year	8,128	11,466
Repayments made during the year	(124,100)	(155,004)
Balance as at	<u>92,971</u>	<u>208,943</u>

Term loan 1

During 2020 the Company obtained a bank facility amounting to AED 87,614 thousand (31 December 2022: AED 133,466 thousand from a local commercial bank) from an international commercial bank to refinance customer indebtedness with local bank. The loan carries fixed interest rate of 3-month EIBOR plus margin and charged quarterly. The amount of the loan is repayable in twenty-four quarterly principal instalments commencing from 12 April 2023 till 12 April 2029. The loan is secured against investment properties comprising head office building and five villas. As at 30 September 2023, the outstanding loan balance was AED 92,971 thousand (31 December 2022: AED 81,129 thousand).

Term loan 2

During 2020, the Company obtained a bank facility amounting to AED 237,576 thousand from an international commercial bank to finance its operations and short-term liabilities. The loan carries fixed interest rate of 3-month EIBOR plus margin 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 was extended to 60 months from the inception date to February 2025. The loan is secured against investments in equity securities and investment in associates. During the reporting period the Company repaid the loan of AED 120,048 thousand. As at reporting date, the outstanding loan balance including finance cost was AED Nil (31 December 2022: AED 120,048 thousand).

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

12 Investment income, *net (Unaudited)*

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
Gain on disposal of financial assets at fair value through profit or loss, <i>net</i>	20,562	5,423	32,177	26,887
Changes in fair value of financial assets carried at fair value through profit or loss (note 7)	134,202	(10,640)	135,022	(41,082)
Interest income	529	79	641	225
Dividend income	1,450	1,494	30,299	35,717
Other investment income / (expense), <i>net</i>	6,373	(752)	(5,826)	(2,915)
	<u>163,116</u>	<u>(4,396)</u>	<u>192,313</u>	<u>18,832</u>

13 Earnings per share (*Unaudited*)

Earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year.

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
Profit for the period (AED'000)	<u>146,182</u>	<u>4,126</u>	<u>164,201</u>	<u>34,289</u>
Ordinary shares outstanding during the period (shares in 000)	<u>207,000</u>	<u>207,000</u>	<u>207,000</u>	<u>207,000</u>
Earnings per share (AED)	<u>0.71</u>	<u>0.02</u>	<u>0.79</u>	<u>0.17</u>

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

14 Related parties (*Unaudited*)

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.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

14 Related parties (*Unaudited*) (*continued*)

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

	As at 30 September 2023 (AED'000)		
	Directors & Key management	Others	Total
Insurance contract balance	9,175	174	9,349
Prepaid Expenses	38	-	38
	As at 31 December 2022 (AED'000)		
	Directors & Key management	Others	Total
Insurance contract balance	23,993	-	23,993
Prepaid Expenses	383	-	383
	24,376	-	24,376

Others related parties balance are receivables from associates of the Company of AED 174 thousand for the period ended 30 September 2023 (*31 December 2022: Nil*).

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

	Nine-month period ended 30th September 2023 (AED'000)		
	Directors & Key management	Others	Total
Insurance revenue	33,770	196	33,966
Insurance service expenses	18,422	-	18,422
Rental expenses	344	-	344
Other expenses (i)	13,708	-	13,708
Remuneration of key management	2,374	-	2,374
	Three-month period ended 30th September 2023 (AED'000)		
	Directors & Key management	Others	Total
Insurance revenue	7,434	54	7,488
Insurance service expenses	6,446	-	6,446
Rental expenses	114	-	114
Other expenses (i)	13,708	-	13,708
Remuneration of key management	690	-	690

(i) Included in the bonus for current year is an amount of AED 10,000 thousand for the member of board of a director of the Company which pertains to the result of the year 31 December 2022 which was approved by nomination and remuneration committee on 27 March 2023.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

14 Related parties (*Unaudited*) (*continued*)

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

	<u>Nine-month period ended 30th September 2022</u> (AED'000)		
	Directors & Key management	Others	Total
Insurance revenue	<u>27,014</u>	<u>-</u>	<u>27,014</u>
Insurance service expenses	<u>10,455</u>	<u>-</u>	<u>10,455</u>
Rental expenses	<u>344</u>	<u>-</u>	<u>344</u>
Remuneration of key management	<u>2,870</u>	<u>-</u>	<u>2,870</u>
	<u>Three-month period ended 30th September 2022</u> (AED'000)		
	Directors & Key management	Others	Total
Insurance revenue	<u>3,387</u>	<u>-</u>	<u>3,387</u>
Insurance service expenses	<u>3,926</u>	<u>-</u>	<u>3,926</u>
Rental expenses	<u>114</u>	<u>-</u>	<u>114</u>
Remuneration of key management	<u>753</u>	<u>-</u>	<u>753</u>

15 Fair value of financial instruments and non-financial assets (*Unaudited*)

Financial instruments comprise of financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

15 Fair value of financial instruments and non-financial assets (Unaudited)(Continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<i>As at 30 September 2023</i>				
Financial assets at fair value through profit or loss	526,628	2,800	-	529,428
Financial assets at fair value through other comprehensive income	366,720	5,200	708	372,628
	<u>893,348</u>	<u>8,000</u>	<u>708</u>	<u>902,056</u>
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<i>As at 31 December 2022</i>				
Financial assets at fair value through profit or loss	386,241	3,343	-	389,584
Financial assets at fair value through other comprehensive income	421,838	5,936	725	428,499
	<u>808,079</u>	<u>9,279</u>	<u>725</u>	<u>818,083</u>

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the period. For Level 3 investments, the fair valuation techniques used for this condensed interim financial information are same as those described in Company's last annual financial statements for the year ended 31 December 2022.

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

Reconciliation of level 3 fair value measurement

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

	30 September 2023 AED'000	31 December 2022 AED'000
Balance as at 1 January	725	3,534
Disposal	(17)	(4)
Change in fair value	-	(2,805)
Balance as at	<u>708</u>	<u>725</u>

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

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

16 Insurance and reinsurance contract assets and liabilities (Unaudited)

16.1 Insurance contracts issued

	As at 30 September 2023				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component AED'000	Loss component - onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Insurance contract liabilities - opening	61,886	15,896	227,223	7,556	312,561
Insurance contract assets - opening	-	-	-	-	-
Net opening balance	61,886	15,896	227,223	7,556	312,561
Insurance revenue	(221,431)	-	-	-	(221,431)
Insurance service expense					
Incurred claims and other directly attributable expenses	-	(24,489)	138,553	4,689	118,753
Insurance acquisition cashflow amortisation	30,372	-	-	-	30,372
Losses on onerous contracts	-	27,699	-	-	27,699
Reversal of losses on onerous contracts	-	(10,117)	-	-	(10,117)
Changes that relate to past service - adjustment to the LIC	-	-	37,625	(1,045)	36,580
Total insurance service expenses	30,372	(6,907)	176,178	3,644	203,287
Finance income from insurance contracts issued	-	-	(5,022)	-	(5,022)
Total changes in the statement of comprehensive income	(191,059)	(6,907)	171,156	3,644	(23,166)
Cash flows					
Premiums received	219,845	-	-	-	219,845
Claims and other directly attributable expenses paid	-	-	(156,906)	-	(156,906)
Insurance acquisition cashflows paid	(31,084)	-	-	-	(31,084)
Total cash inflows / (outflows)	188,761	-	(156,906)	-	31,855
Insurance contract liabilities - closing	59,588	8,989	241,473	11,200	321,250
Insurance contract assets - closing	-	-	-	-	-
Closing balance - net	59,588	8,989	241,473	11,200	321,250

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

16 Insurance and reinsurance contract assets and liabilities (*Unaudited*) (*continued*)

16.1 Insurance contracts issued (*continued*)

	<i>As at 31 December 2022 (Restated)</i>				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component AED'000	Loss component - onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Insurance contract liabilities - opening	82,550	5,209	253,223	16,802	357,784
Insurance contract assets - opening	-	-	-	-	-
<i>Net opening balance</i>	82,550	5,209	253,223	16,802	357,784
<i>Insurance revenue</i>	(303,341)	-	-	-	(303,341)
<i>Insurance service expenses</i>	-	-	-	-	-
Incurred claims and other directly attributable expenses	-	(28,016)	258,312	3,623	233,919
Insurance acquisition cashflow amortisation	52,856	-	-	-	52,856
Losses on onerous contracts	-	54,613	-	-	54,613
Reversal of losses on onerous contracts	-	(15,910)	-	-	(15,910)
Changes that relate to past service - adjustment to the LIC	-	-	(28,633)	(12,869)	(41,502)
<i>Total insurance service expenses</i>	52,856	10,687	229,679	(9,246)	283,976
Finance income from insurance contracts issued	-	-	437	-	437
<i>Total changes in the statement of comprehensive income</i>	(250,485)	10,687	230,116	(9,246)	(18,928)
<i>Cash flows</i>					
Premiums received	268,540	-	-	-	268,540
Claims and other directly attributable expenses paid	-	-	(256,116)	-	(256,116)
Insurance acquisition cashflows paid	(38,719)	-	-	-	(38,719)
<i>Total cash inflows / (outflows)</i>	229,821	-	(256,116)	-	(26,295)
Insurance contract liabilities - closing	61,886	15,896	227,223	7,556	312,561
Insurance contract assets - closing	-	-	-	-	-
<i>Closing balance - net</i>	61,886	15,896	227,223	7,556	312,561

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

16 Insurance and reinsurance contract assets and liabilities (Unaudited) (continued)

16.2 Reinsurance contracts held

As at 30 September 2023					
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		
	Excluding loss component AED'000	Loss component - onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Reinsurance contract liabilities - opening	41,593	-	-	-	41,593
Reinsurance contract assets - opening	-	-	(154,958)	(4,208)	(159,166)
Net opening balance	41,593	-	(154,958)	(4,208)	(117,573)
Allocation of reinsurance premiums paid	81,515	-	-	-	81,515
Amount recoverable from reinsurers					
Incurred claims and other directly attributable expenses	-	-	(54,017)	(3,074)	(57,091)
Changes that relate to past service - adjustment to the LIC	-	-	4,701	(664)	4,037
Effect of changes in the risk of reinsurers non-performance	-	-	770	-	770
Total amount recoverable from reinsurers - net	-	-	(48,546)	(3,738)	(52,284)
Finance income from reinsurance contracts held	-	-	3,684	-	3,684
Total changes in the statement of comprehensive income	81,515	-	(44,862)	(3,738)	32,915
Cash flows					
Premiums ceded paid	(71,840)	-	-	-	(71,840)
Recoveries from reinsurers	-	-	50,862	-	50,862
Total cash inflows / (outflows)	(71,840)	-	50,862	-	(20,978)
Reinsurance contract liabilities - closing	51,268	-	-	-	51,268
Reinsurance contract assets - closing	-	-	(148,958)	(7,946)	(156,904)
Closing balance - net	51,268	-	(148,958)	(7,946)	(105,636)

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

16 Insurance and reinsurance contract assets and liabilities (Unaudited) (continued)

16.2 Reinsurance contracts held (continued)

	As at 31 December 2022 (Restated)				
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		
	Excluding loss component AED'000	Loss component – onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Reinsurance contract liabilities – opening	17,507	-	-	-	17,507
Reinsurance contract assets – opening	-	-	(140,087)	(8,986)	(149,073)
Net opening balance	17,507	-	(140,087)	(8,986)	(131,566)
<i>Allocation of reinsurance premiums paid</i>	106,291	-	-	-	106,291
<i>Amount recoverable from reinsurers</i>					
Incurred claims and other directly attributable expenses	-	-	(76,270)	(2,018)	(78,288)
Changes that relate to past service – adjustment to the LIC	-	-	7,799	6,795	14,594
<i>Total amount recoverable from reinsurers – net</i>	-	-	(68,471)	4,777	(63,694)
Finance income from reinsurance contracts held	-	-	(275)	-	(275)
<i>Total changes in the statement of comprehensive income</i>	106,291	-	(68,746)	4,777	42,322
<i>Cash flows</i>					
Premiums ceded paid	(82,205)	-	-	-	(82,205)
Recoveries from reinsurers	-	-	53,876	-	53,876
<i>Total cash inflows / (outflows)</i>	(82,205)	-	53,876	-	(28,329)
Reinsurance contract liabilities – closing	41,593	-	-	-	41,593
Reinsurance contract assets – closing	-	-	(154,957)	(4,209)	(159,166)
<i>Closing balance – net</i>	41,593	-	(154,957)	(4,209)	(117,573)

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

17 Segment information (*Unaudited*)

Balances for insurance and reinsurance revenue and insurance service result - applicable to all measurement models are as follows:

	Nine-month period ended 30 September 2023 (<i>Unaudited</i>)				
	Motor AED'000	Fire and General accident AED'000	Marine AED'000	Investments AED'000	Total AED'000
Insurance revenue					
Insurance revenue from contracts measured under PAA	118,948	92,044	10,439	-	221,431
Total insurance revenue	118,948	92,044	10,439	-	221,431
Insurance service expenses					
Incurred claim and other directly attributable expenses	(58,357)	(55,118)	(5,278)	-	(118,753)
Changes that relate to past service - adjustments to the LIC	(62,010)	24,276	1,154	-	(36,580)
Losses on onerous contracts	(17,582)	-	-	-	(17,582)
Insurance acquisition cash flows' amortisation	(17,618)	(11,432)	(1,322)	-	(30,372)
Total insurance service expenses	(155,567)	(42,274)	(5,446)	-	(203,287)
Income from reinsurance contracts held					
Incurred claims recovered	13,570	40,810	2,711	-	57,091
Changes that relate to past service - adjustments to LIC	18,234	(21,580)	(691)	-	(4,037)
Effect of changes in the risk of reinsurers non-performance	(24)	(720)	(26)	-	(770)
Reinsurance expenses	31,780	18,510	1,994	-	52,284
Allocation of reinsurance premiums	(20,875)	(56,678)	(3,962)	-	(81,515)
Total net income / (expenses) from reinsurance contracts	10,905	(38,168)	(1,968)	-	(29,231)
Total insurance service results	(25,714)	11,602	3,025	-	(11,087)
Net insurance finance income	-	-	-	1,338	1,338
Net investment income	-	-	-	185,972	185,972
Other expenses, <i>net</i>	-	-	-	(3,894)	(3,894)
Other finance costs	-	-	-	(8,128)	(8,128)
Profit for the period	(25,714)	11,602	3,025	175,288	164,201

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

17 Segment information (*Unaudited*)(*continued*)

	Three-month period ended 30 September 2023 (Unaudited)				
	Motor AED'000	Fire and General accident AED'000	Marine AED'000	Investments AED'000	Total AED'000
Insurance revenue					
Insurance revenue from contracts measured under PAA	38,361	27,606	5,035	-	71,002
Total insurance revenue	38,361	27,606	5,035	-	71,002
Insurance service expenses					
Incurred claim and other directly attributable expenses	(16,923)	(22,284)	(1,843)	-	(41,050)
Changes that relate to past service - adjustments to the LIC	(21,935)	9,883	(401)	-	(12,453)
Losses on onerous contracts	(5,812)	-	-	-	(5,812)
Insurance acquisition cash flows' amortisation	(5,175)	(4,489)	(829)	-	(10,493)
Total insurance service expenses	(49,845)	(16,890)	(3,073)	-	(69,808)
Income from reinsurance contracts held					
Incurred claims recovered	3,711	18,097	1,123	-	22,931
Changes that relate to past service - adjustments to LIC	8,118	(9,636)	236	-	(1,282)
Effect of changes in the risk of reinsurers non-performance	(4)	(33)	(2)	-	(39)
Reinsurance expenses	11,825	8,428	1,357	-	21,610
Allocation of reinsurance premiums	(6,874)	(18,942)	(1,089)	-	(26,905)
Total net income / (expenses) from reinsurance contracts	4,951	(10,514)	268	-	(5,295)
Total insurance service results	(6,533)	202	2,230	-	(4,101)
Net insurance finance income	-	-	-	1,940	1,940
Net investment income	-	-	-	154,460	154,460
Other expenses, <i>net</i>	-	-	-	(2,095)	(2,095)
Other finance costs	-	-	-	(2,022)	(2,022)
Profit for the period	(6,533)	202	2,230	150,283	146,182

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

17 Segment information (*Unaudited*) (*continued*)

Balances for insurance and reinsurance revenue and insurance service result - applicable to all measurement models are as follows:

	Nine-month period ended 30 September 2022 (<i>Restated</i>)				
	Motor AED'000	Fire & General accident AED'000	Marine AED'000	Investment AED'000	Total AED'000
<i>Insurance revenue</i>					
Insurance revenue from contracts measured under PAA	137,218	86,588	7,420	-	231,226
	137,218	86,588	7,420	-	231,226
<i>Insurance service expenses</i>					
Incurred claim and other directly attributable expenses	(50,935)	(61,766)	(7,891)	-	(120,592)
Changes that relate to past service - adjustments to the LIC	(37,483)	14,251	788	-	(22,444)
Losses on onerous contracts	(22,476)			-	(22,476)
Insurance acquisition cash flows amortisation	(25,574)	(12,207)	(1,080)	-	(38,861)
<i>Total Insurance service expenses</i>	(136,468)	(59,722)	(8,183)	-	(204,373)
<i>Income from reinsurance contracts held</i>					
Incurred Claims recovered	9,223	46,893	5,337	-	61,453
Changes that relate to past service - adjustments to LIC	(267)	(11,466)	(542)	-	(12,275)
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
<i>Reinsurance expenses</i>	8,956	35,427	4,795	-	49,178
<i>Allocation of reinsurance premiums</i>	(13,187)	(56,165)	(4,137)	-	(73,489)
Total net (expenses) / income from reinsurance contracts	(4,231)	(20,738)	658	-	(24,311)
Total insurance service result	(3,481)	6,128	(105)	-	2,542
Net insurance finance income	-	-	-	1,830	1,830
Net investment income	-	-	-	40,179	40,179
Other expenses, <i>net</i>	-	-	-	(2,263)	(2,263)
Other finance costs	-	-	-	(7,999)	(7,999)
Profit / (loss) for the period	(3,481)	6,128	(105)	31,747	34,289

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

17 Segment information (*Unaudited*) (*continued*)

	Three-month period ended 30 September 2022 (<i>Restated</i>)				
	Motor AED'000	Fire & General accident AED'000	Marine AED'000	Investment AED'000	Total AED'000
<i>Insurance revenue</i>					
Insurance revenue from contracts measured under PAA	43,457	28,021	2,825	-	74,303
	43,457	28,021	2,825	-	74,303
<i>Insurance service expenses</i>					
Incurred claim and other directly attributable expenses	(12,496)	(30,058)	(932)	-	(43,486)
Changes that relate to past service - adjustments to the LIC	(18,980)	7,424	(517)	-	(12,073)
Losses on onerous contracts	(13,955)	-	-	-	(13,955)
Insurance acquisition cash flows amortisation	(7,209)	(2,739)	(321)	-	(10,269)
<i>Total Insurance service expenses</i>	(52,640)	(25,373)	(1,770)	-	(79,783)
<i>Income from reinsurance contracts held</i>					
Incurred Claims recovered	7,208	24,315	337	-	31,860
Changes that relate to past service - adjustments to LIC	(551)	(6,107)	394	-	(6,264)
Effect of changes in the risk of reinsurers non-performance	16	656	35	-	707
<i>Reinsurance expenses</i>	6,673	18,864	766	-	26,303
<i>Allocation of reinsurance premiums</i>	(5,687)	(16,125)	(1,256)	-	(23,068)
Total net income / (expenses) from reinsurance contracts	986	2,739	(490)	-	3,235
Total insurance service result	(8,197)	5,387	565	-	(2,245)
Net insurance finance expenses				(772)	(772)
Net investment income				11,318	11,318
Other expenses, <i>net</i>				(706)	(706)
Other finance costs				(3,469)	(3,469)
Profit for the period	(8,197)	5,387	565	6,371	4,126

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

17 Segment information (*Unaudited*) (*continued*)

Balances for segment assets and liabilities as follows

As at 30 September 2023					
	Motor AED'000	Fire and General accident AED'000	Marine AED'000	Investments AED'000	Total AED'000
Insurance contract assets	-	-	-	-	-
Reinsurance contract asset	26,817	124,697	5,390	-	156,904
Segment assets	-	-	-	1,416,417	1,416,417
Unallocated assets	-	-	-	181,911	181,911
Total assets	26,817	124,697	5,390	1,598,328	1,755,232
Insurance contract liabilities	156,729	153,699	10,822	-	321,250
Reinsurance contract liabilities	7,006	41,148	3,114	-	51,268
Segment liabilities	-	-	-	92,971	92,971
Unallocated liabilities	-	-	-	31,616	31,616
Total liabilities	163,735	194,847	13,936	124,587	497,105
As at 31 December 2022 (<i>Restated</i>)					
	Motor AED'000	Fire and General accident AED'000	Marine AED'000	Investments AED'000	Total AED'000
Insurance contract assets	-	-	-	-	-
Reinsurance contract asset	17,021	135,751	6,394	-	159,166
Segment assets	-	-	-	1,310,343	1,310,343
Unallocated assets	-	-	-	107,569	107,569
Total assets	17,021	135,751	6,394	1,417,912	1,577,078
Insurance contract liabilities	143,467	157,181	11,913	-	312,561
Reinsurance contract liabilities	7,569	30,325	3,699	-	41,593
Segment liabilities	-	-	-	208,943	208,943
Unallocated liabilities	-	-	-	40,495	40,945
Total liabilities	151,036	187,506	15,612	249,438	604,042

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

18 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 2022.

19 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 2022.

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.

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 period ended 30 June 2023 as the current nine-month period ended 30 September 2023 solvency position is not finalised.

	30 June 2023 AED'000	31 December 2022 AED'000
Total capital held by the company	207,000	207,000
Minimum capital requirement (MCR)	100,000	100,000
Solvency capital requirement (SCR)	267,582	261,997
Minimum guarantee fund (MGF)	89,194	87,332
<i>Own funds</i>		
Basic own funds	536,222	488,317
MCR solvency margin - (surplus)	436,222	388,317
SCR solvency margin - (surplus)	268,640	226,321
MGF solvency margin - (surplus)	447,028	400,985

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

20 Commitments and contingencies

Contingent liabilities

At 30 September 2023, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 543 thousand (31 December 2022: AED 543 thousand).

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. Management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 8,909 thousand (31 December 2022: AED 7,934 thousand) representing amounts expected to result in a probable outflow of economic resources.

21 Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000. For the Company, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024.

In accordance with IAS 12 Income Taxes, the related deferred tax accounting impact has been considered for the interim financial period ended 30 September 2023. Since the corporate tax was introduced only recently, this may create tax risks in UAE that are more significant than in other countries. The Company has assessed the deferred tax implications for the nine months ended 30 September 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not expected to be material. The Company shall continue to monitor critical Cabinet Decisions to determine the impact on the Group, from deferred tax perspective.

22 General

The condensed interim financial information of the Company was approved for issuance by the Board of Directors on 13 November 2023.