

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

Condensed consolidated interim financial information

30 June 2021

Principal business address:

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

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

Condensed consolidated interim financial information

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Board of Directors Report for the period ended 30/6/2021

The Board of Directors of Al Wathba National Insurance Company is pleased to present its semi-annual report for 2021 on the company's business and activities, accompanied by the reviewed financial information for the period ending on 30 June 2021.

The second quarter witnessed a gradual return to pre-pandemic levels of normalcy following the aftermath of the economic shutdown. The recovery of many vital economic sectors had a positive impact on the various operating companies; this was also evident in the improvement of the performance of financial markets as shown in investment results of the companies in general.

The subsequent rebound in economic growth once economies reopened however had a negative impact on the level of insurance premiums as this led to the re-emergence of the intense level of competition between insurers to compensate for the decrease in premiums. This had a direct impact on the level of insurance rates, particularly in individual motor and health insurance lines.

As for Al Wathba National Insurance Company's business, the results showed net profit of AED 88 million compared to an AED 80 million loss in 2020.

The improvement in the performance of the company's investment portfolio played a major role in this regard, as the company achieved net investment income (including other expenses) of 69 million dirhams, compared to the AED 105 million loss recorded in 2020.

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

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

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



شركة الوثبة الوطنية للتأمين .ش.م.ع.

During the period, the company also achieved net earned premiums of 106 million dirhams, compared to 95 million dirhams for 2020, and net insurance profits of 19.5 million dirhams.

Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Sheikh Khalifa Bin Zayed Al Nahyan, President of UAE and Ruler of Abu Dhabi and H.H Sheikh Mohamed Bin Rashid Al Maktoum, the Vice President , Prime Minister and the ruler of Dubai and H.H Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince and to all the rulers of the Emirates for their steadfast support for the progress of this country, all its economic institutions and Al Wathba National Insurance Company.

The Board would also like to express its sincere appreciation and gratitude to all the company's shareholders and customers for their trust and continuous support, and to all the company's employees for their dedication and contribution to the company's performance during the last period.

Shk. Saif Bin Mohamed Bin Butti Al Hamed
Chairman

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

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Independent Auditors' Report

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

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying 30 June 2021 condensed consolidated interim financial information of Al Wathba National Insurance Company P.J.S.C. (the "Company"), and its subsidiary (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2021;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated interim statement of changes in shareholders' equity for the six-month period ended 30 June 2021;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2021; and
- notes to the condensed consolidated interim financial information.

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



Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates
Date: 14 August 2021

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

Condensed consolidated interim statement of financial position

as at

		30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
	Note		
Assets			
Property and equipment		4,465	4,758
Investment in associates		133,383	121,922
Financial assets at amortised cost	5	14,290	14,320
Financial assets at fair value through other comprehensive income	6	300,538	273,613
Financial assets at fair value through profit or loss	7	448,883	382,902
Investment properties		278,078	278,077
Investment property under development	14(i)	-	9,423
Insurance balances receivable	8	57,826	56,637
Statutory deposit	10	6,000	6,000
Reinsurers' share of unearned premiums reserve	9	39,780	27,628
Reinsurers' share of outstanding claims reserve	9	125,474	110,980
Reinsurers' share of claims incurred but not reported reserve	9	8,587	8,883
Other receivables and prepayments	8	42,811	28,144
Term deposits	10	99,954	98,447
Bank balances and cash	10	162,165	144,901
Total assets		1,722,234	1,566,635
Equity and liabilities			
Equity			
Share capital	11	207,000	207,000
Legal reserve		103,500	103,500
Statutory reserve		51,750	51,750
General reserve		88,753	88,753
Capital reserve		9,959	9,959
Reinsurance risk reserve		297	15
Investment revaluation reserve		(89,381)	(127,019)
Cash flow hedge reserve		(4,852)	(5,929)
Retained earnings		470,268	395,090
Total equity		837,294	723,119
Technical reserves			
Unearned premiums reserve	9	162,854	131,254
Outstanding claims reserve	9	190,512	176,209
Claims incurred but not reported reserve	9	42,581	40,905
Unallocated loss adjustment expenses reserve	9	4,601	4,732
Unexpired risk reserve	9	1,264	1,588
Total technical reserves		401,812	354,688
Liabilities			
Borrowings	12	365,561	373,671
Employees' end of service benefits		7,920	7,724
Derivative financial instrument	13	5,242	6,306
Trade and other payables		104,405	101,127
		483,128	488,828
Total liabilities		884,940	843,516
Total equity and liabilities		1,722,234	1,566,635

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


H.E. Sheikh. Saif Bin Mohammed Bin Butti Al Hamed
Chairman


Bassam Chilmeran
Chief Executive Officer


Murali Krishnan
Chief Financial Officer

The notes set out on pages 10 to 24 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 3 and 4.

Al Wathba National Insurance Company P.J.S.C. 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	
	Note	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Gross premiums written	18.1	77,694	85,942	181,466	201,533
Reinsurance share of gross premiums written	18.1	(17,936)	(19,168)	(56,484)	(54,816)
Net premiums		59,758	66,774	124,982	146,717
Net transfer to unearned premiums reserve	18.1	(8,384)	(16,427)	(19,448)	(51,970)
Net premiums earned		51,374	50,347	105,534	94,747
Commissions income earned		7,115	9,766	12,991	19,995
Commissions expense incurred		(14,655)	(17,019)	(29,866)	(26,072)
Gross underwriting income		43,834	43,094	88,659	88,670
Gross claims paid		(32,896)	(22,285)	(65,050)	(51,549)
Reinsurers' share of gross claims paid		6,611	9,646	15,885	15,293
Net claims paid		(26,285)	(12,639)	(49,165)	(36,256)
Change in outstanding claims reserve		(16,259)	5,315	(14,303)	(4,587)
Change in reinsurers' share of outstanding claims reserve		17,501	(9,554)	14,494	5,555
Net change in incurred but not reported claims reserve		(748)	(2,644)	(1,972)	(3,094)
Change in unallocated loss adjustment expense reserve		151	(62)	131	(217)
Changes in unexpired risk reserve		379	(18)	324	994
Net claims incurred	18.1	(25,261)	(19,602)	(50,491)	(37,605)
Underwriting income		18,573	23,492	38,168	51,065
Expenses relating to underwriting		(9,205)	(15,665)	(18,681)	(26,356)
Net underwriting income		9,368	7,827	19,487	24,709
Investment income / (loss), net	14	41,515	(12,109)	65,202	(90,229)
Income from investment properties - rental income	18.1	807	1,517	1,863	2,956
Loss from hedge instrument		(819)	(117)	(1,615)	(20)
Share of profit / (loss) from associates	18.1	3,929	851	9,362	(7,141)
Total income / (loss)		54,800	(2,031)	94,299	(69,725)
Other expenses		(783)	(1,281)	(1,605)	(2,361)
Finance costs		(2,024)	(3,733)	(4,304)	(7,808)
Profit / (loss) for the period		51,993	(7,045)	88,390	(79,894)
Basic and diluted earnings / (loss) per share	15	0.25	(0.03)	0.43	(0.39)

The notes set out on pages 10 to 24 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 3 and 4.

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

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

for the period ended 30 June (Unaudited)

	Note	Three-month period ended		Six-month period ended	
		2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Profit / (loss) for the period		51,993	(7,045)	88,390	(79,894)
Other comprehensive income					
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods</i>					
Share of other comprehensive income / (loss) of associates		4,846	(2,552)	3,366	(10,095)
Gain / (loss) on sale of financial assets at fair value through other comprehensive income		1,444	(947)	1,444	241
Change in fair value of financial assets at fair value through other comprehensive income		27,075	179	30,248	(92,702)
<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		263	(680)	218	(5,703)
Other comprehensive income / (loss) for the period		33,628	(4,000)	35,276	(108,259)
Total comprehensive income / (loss) for the period		85,621	(11,045)	123,666	(188,153)

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

Condensed consolidated interim statement of changes in shareholders' equity for the 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	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2020 (Audited)	207,000	103,500	51,750	81,185	9,959	-	(95,122)	-	400,019	765,859
<i>Total comprehensive income:</i>										
Loss for the period	-	-	-	-	-	-	-	-	(79,894)	(79,894)
Other comprehensive (loss) / income	-	-	-	-	-	-	(102,797)	(5,703)	241	(108,259)
Total comprehensive loss	-	-	-	-	-	-	(102,797)	(5,703)	(79,653)	(182,450)
Transferred to retained earnings on disposal of financial assets at FVOCI	-	-	-	-	-	-	12,710	-	(12,710)	-
Cash flow hedge reserve	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2020 (Unaudited)	207,000	103,500	51,750	81,185	9,959	-	(185,209)	(5,703)	307,656	577,706
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	-	-	-	-	-	-	-	-	88,390	88,390
Other comprehensive income	-	-	-	-	-	-	33,614	218	1,444	35,276
Total comprehensive income	-	-	-	-	-	-	33,614	218	89,834	123,666
Dividend	-	-	-	-	-	-	-	-	(10,350)	(10,350)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	282	-	-	(282)	-
Transferred to retained earnings on disposal of financial assets at FVOCI	-	-	-	-	-	-	4,024	-	(4,024)	-
Transfer to profit or loss account from cash flow hedge reserve	-	-	-	-	-	-	-	859	-	859
Balance at 30 June 2021 (Unaudited)	207,000	103,500	51,750	88,753	9,959	297	(89,381)	(4,852)	470,268	837,294

The notes set out on pages 10 to 24 form an integral part of this condensed consolidated interim financial information.

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

Condensed consolidated interim statement of cash flows (unaudited)

for the six-month period ended 30 June

	Note	30 June 2021 AED'000	30 June 2020 AED'000
Cash flow from operating activities			
Profit / (loss) for the period		88,390	(79,894)
Adjustments for:			
Provision for allowance for impairment of insurance balances receivable		(1,342)	5,385
Impairment loss on investment property		9,423	-
Change in fair value of financial assets at FVTPL	14	(56,620)	73,084
(Gain) / loss on disposal of financial assets at FVTPL	14	(269)	38,966
Provision for employees end of service benefits		383	363
Depreciation on property and equipment		1,067	735
Share of (profit) / loss from associates		(9,362)	7,141
Finance costs		4,304	7,808
Dividend income	14	(24,738)	(28,615)
Interest income	14	(149)	(188)
Loss from hedge instrument		1,615	20
Cash flow from operating activities before working capital		12,702	24,805
Working capital changes:			
Insurance balance receivables, prepayments and other receivables		(14,484)	(51,941)
Trade and other payables		3,278	28,755
Change in unearned premiums reserve - net		19,448	51,971
Change in gross outstanding claims reserve, claims incurred but not reported reserve including allocated and unallocated loss adjustment expense reserve and unexpired risk reserves		15,524	6,545
Change in reinsurance share of outstanding claims reserve and claims incurred but not reported reserves		(14,198)	(5,196)
Cash generated from operations		22,270	54,939
Employees' end of service benefits paid		(187)	(326)
Net cash generated from operating activities		22,083	54,613
Cash flow from investing activities			
Purchase of property and equipment		(774)	(681)
Purchase of financial assets at FVTPL		(31,063)	(14,850)
Purchase of financial assets at FVOCI		(8)	-
Purchase of investment in associates		-	(16)
Proceeds from disposal of financial assets at FVOCI		4,775	7,462
Proceeds from disposal of financial assets at FVTPL		21,971	91,753
(Placement) / withdrawal of term deposits		(1,507)	4,875
Interest received		148	188
Dividends received from associates		1,267	1,330
Dividends received		24,738	28,615
Net cash generated from investing activities		19,547	118,676
Cash flow from financing activities			
Finance cost paid		(4,304)	(7,808)
Term loan received		-	377,561
Term loan repayment		(8,110)	-
Dividend paid		(10,350)	-
Settlement of derivative financial instrument		(1,602)	-
Net cash (used in) / generated from financing activities		(24,366)	369,753
Net increase in cash and cash equivalents		17,264	543,042
Cash and cash equivalents at the beginning of the period		144,901	(343,413)
Restricted cash		(74,655)	-
Cash and cash equivalents at the end of the period	10	87,510	199,629

The notes set out on pages 10 to 24 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 3 and 4.

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

Notes to the condensed consolidated interim financial information

1 Legal status and principal activities

Al Wathba National Insurance Company PJSC (the “Company”), incorporated in Abu Dhabi is registered as a public shareholding Company in accordance with the UAE Federal Law No. (8) of 1984 (as amended) and is governed by the provisions of Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and organization of the Insurance Operations and its amendments, Federal Law No. (2) of 2015, concerning the Commercial Companies and its Amendments, Insurance Authority Board of Directors’ Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority Board of Directors’ Decision No. (23) of 2019 concerning Instructions Organising Reinsurance Operations.

The Company’s principal activity is writing of general insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates. The Company’s shares are listed on Abu Dhabi Securities Exchange (ADX).

2 Basis of preparation

(a) *Basis of consolidation*

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

Subsidiary	Principal activity	Country of incorporation	Ownership
AWNIC Investments Limited	Investment Management	Cayman Islands	100%

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

(b) *Statement of compliance*

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Accordingly, the condensed consolidated interim financial information does not include all of the information required for a complete set of financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results for the year ending 31 December 2021.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. (2) of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

(c) *Basis of measurement*

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

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

Notes to the condensed consolidated interim financial information

2 Basis of preparation (continued)

(d) *Functional and reporting currency*

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

(e) *Use of judgments and estimates*

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

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

3 Significant accounting policies

The accounting policies applied in 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 2020.

3.1 Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

Other standards

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

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

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

Notes to the condensed consolidated interim financial information

4 Commitments and contingencies

Contingent liabilities

As at 30 June 2021, the Group had contingent liabilities in respect of outstanding letters of guarantees issued in the normal course of business amounting to AED 0.5 million (*31 December 2020: AED 0.5 million*).

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of business. Management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 11.8 million (*31 December 2020: AED 16.3 million*) representing amounts expected to result in a probable outflow of economic resources.

There were no outstanding commitments as at 30 June 2021 (*31 December 2020: Nil*).

5 Financial assets at amortised cost

Included in financial assets at amortised cost are two unlisted five-year sukuks 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% (*31 December 2020: Three unlisted five year sukuks amounting to 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

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Quoted securities	291,022	258,016
Unquoted securities	9,516	15,597
	<u>300,538</u>	<u>273,613</u>

The Group has registered certain unquoted securities in the name of a Director for the beneficial interest of the Group. The fair value of these securities as at 30 June 2021 was AED 11.8 million (*31 December 2020: AED 9.8 million*).

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

Within UAE	300,145	269,839
Outside UAE	393	3,774
	<u>300,538</u>	<u>273,613</u>

Al Wathba National Insurance Company P.J.S.C.
Notes to the condensed consolidated interim financial information

7 Financial assets at fair value through profit or loss

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Quoted equity securities	<u>448,883</u>	<u>382,902</u>

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

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Within UAE	<u>448,883</u>	<u>382,902</u>

8 Insurance balances receivable, other receivables and prepayments

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Due from policy holders and brokers	46,496	41,757
Due from policy holders - related parties (<i>note 16</i>)	21,376	24,021
Due from insurance and reinsurance companies	17,896	20,143
	<u>85,768</u>	<u>85,921</u>
<i>Less: allowance for expected credit losses</i>	(27,942)	(29,284)
Insurance balances receivable	<u>57,826</u>	<u>56,637</u>
Prepayments	7,760	1,849
Accrued income	2,766	2,091
Other receivables	32,285	24,204
	<u>42,811</u>	<u>28,144</u>
Other receivables and prepayments	<u>100,637</u>	<u>84,781</u>

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Notes to the condensed consolidated interim financial information

9 Insurance contract liabilities and reinsurance contract assets

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
<i>Liabilities arising from insurance contracts</i>		
Gross unearned premiums reserves ("UPR")	162,854	131,254
Gross outstanding claims reserve ("OCLR") (i)	190,512	176,209
Claims incurred but not reported reserve ("IBNR")	42,581	40,905
Unallocated loss adjustment reserve	4,601	4,732
Unexpired risk reserve	1,264	1,588
	401,812	354,688
<i>Reinsurance contract assets</i>		
Reinsurers' share of unearned premiums reserve	(39,780)	(27,628)
Reinsurers' share of outstanding claims reserve	(125,474)	(110,980)
Reinsurers' share of IBNR reserve	(8,587)	(8,883)
	(173,841)	(147,491)
<i>Net</i>		
Unearned premiums reserve	123,074	103,626
Outstanding claims reserve	65,038	65,229
Claims incurred but not reported reserve	33,994	32,022
Unallocated loss adjustment expenses	4,601	4,732
Unexpired risk reserve	1,264	1,588
	227,971	207,197

(i) Outstanding claims reserve includes allocated loss adjustment expense reserve of AED 4.53 million (31 December 2020: AED 4.73 million)

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10 Cash and cash equivalents

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Bank balances and cash	162,165	144,901
Statutory deposit	6,000	6,000
Term deposits	99,954	98,447
Bank and cash balances	268,119	249,348
Less: term deposits with original maturity over 3 months	(99,954)	(98,447)
Less: restricted cash pledged against borrowings	(74,655)	(77,239)
Less: statutory deposits	(6,000)	(6,000)
Cash and cash equivalents	87,510	67,662

Geographical concentration of cash and bank balances is as follows:

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Within UAE	162,148	144,901

Term deposits are held with financial institutions in UAE. The original maturity ranges from three to twelve months. Interest is receivable at annual rates ranging from 0.02% to 5.50% per annum (31 December 2020: 0.03% to 6.15% per annum).

In accordance with the requirements of Federal Law No. (6) of 2007, concerning Establishment of Insurance Authority and Organisation of its Operations, the Group maintains a bank deposit of AED 6 million (31 December 2020: AED 6 million) which cannot be utilised without the consent of the UAE Insurance Authority (now Central Bank of UAE).

11 Share capital

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Authorised, issued and fully paid		
207,000,000 (31 December 2020: 207,000,000)		
ordinary shares of AED 1 each	207,000	207,000

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12 Borrowings

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Term loan 1	244,728	244,433
Term loan 2	120,833	129,238
	<u>365,561</u>	<u>373,671</u>

Term loan 1

During 2020, the Group obtained a bank facility amounting to AED 237.9 million from an international commercial bank to finance its operations and short-term liabilities. The loan carries fixed interest rate of 3-month EIBOR plus 1.75% per annum and charged quarterly. The amount of the loan is repayable in one bullet payment at the end of the loan term of three years. The loan is secured against investments in equity securities and investment in associates. As at reporting date, the outstanding loan balance including finance cost was AED 244.8 million (*31 December 2020: AED 244.4 million*).

Term loan 2

During 2020, the Group obtained a bank facility amounting to AED 133.5 million from a local commercial bank. The loan carries fixed interest rate of 3-month EIBOR plus 2.30% per annum and charged quarterly. The amount of the loan is repayable in twenty 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 120.8 million (*31 December 2020: AED 129.2 million*).

13 Derivative financial instruments

Cash flow hedges – Interest rate swap

The Group is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

In order to reduce its exposure to interest rates 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 2021 was AED 245 million (*31 December 2020: 245 million*).

The derivative instrument which is entered into for the purpose of cash flow hedge had a negative fair value of AED 5.2 million at 30 June 2021 (*31 December 2020: negative fair value of AED 6.3 million*).

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14 Investment income / (loss), net

	Three-month period ended 30 June		Six-month period ended 30 June	
	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
(Loss) / gain on disposal of financial assets at fair value through profit or loss	(110)	(41,012)	269	(38,966)
Impairment loss on investment property (i)	(9,423)	-	(9,423)	-
Changes in fair value of financial assets carried at fair value through profit or loss	50,826	24,349	56,620	(73,084)
Interest income	75	96	149	188
Dividend income	703	5,143	24,738	28,615
Other expenses related to investments	(556)	(685)	(7,151)	(6,982)
	<u>41,515</u>	<u>(12,109)</u>	<u>65,202</u>	<u>(90,229)</u>

- (i) The Group planned to construct a new residential tower on a plot of land located in Technology, Electronic, Commerce and Media Free Zone Authority ("Tecom, Dubai"). However, the Group has cancelled the planned construction and accordingly design and engineering costs for the construction have been fully impaired.

15 Basic and diluted earnings / (loss) per share

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

Diluted earnings / (loss) per share is calculated by dividing the profit / (loss) for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

	Three-month period ended 30 June		Six-month period ended 30 June	
	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
Profit / (loss) for the period	<u>51,993</u>	<u>(7,045)</u>	<u>88,390</u>	<u>(79,894)</u>
Weighted average number of ordinary shares outstanding during the period ('000)	<u>207,000</u>	<u>207,000</u>	<u>207,000</u>	<u>207,000</u>
Basic and diluted earnings / (loss) per share (AED)	<u>0.25</u>	<u>(0.03)</u>	<u>0.43</u>	<u>(0.39)</u>

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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:

	30 June 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
<i>Included in insurance receivables</i>		
Due from policy holders (note 8)	21,376	24,021
Prepaid expenses	153	-
<i>Included in other payables</i>		
Due to policy holders	(5,462)	(11,592)
<i>Key management personnel</i>		
Long term benefits	2,921	2,838

Transactions with related parties during the period are as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
Gross premiums written	3,787	3,068	24,326	29,672
Net claims paid	2,065	3,990	5,688	7,628
Other expenses-rent	115	127	230	255
Remuneration of key management personnel (i)	976	992	1,951	1,988

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

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17 Fair value of financial instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<i>At 30 June 2021 (Unaudited)</i>				
<i>Financial assets measured at fair value</i>				
Financial assets at fair value through profit or loss	415,993	32,890	-	448,883
Financial assets at fair value through other comprehensive income	252,736	38,287	9,515	300,538
	<u>668,729</u>	<u>71,177</u>	<u>9,515</u>	<u>749,421</u>
<i>Financial liability measured at fair value</i>				
Derivative financial instrument	-	5,242	-	5,242

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Notes to the condensed consolidated interim financial information

17 Fair value of financial instruments (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<i>At 31 December 2020 (Audited)</i>				
Financial assets measured at fair value				
Financial assets at fair value through-profit or loss	359,228	23,674	-	382,902
Financial assets at fair value through-other comprehensive income	230,457	27,559	15,597	273,613
	<u>589,685</u>	<u>51,233</u>	<u>15,597</u>	<u>656,515</u>
Financial liability measured at fair value				
Derivative financial instrument	-	6,306	-	6,306
	<u>-</u>	<u>6,306</u>	<u>-</u>	<u>6,306</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 same as those described in Group's last annual financial statements for the year ended 31 December 2020.

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.

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 June 2021 (Unaudited) AED'000	30 June 2020 (Unaudited) AED'000
Balance as at 1 January	15,597	23,038
Disposal	(3,332)	-
Change in fair value	(2,750)	(3,452)
Balance at 30 June	<u>9,515</u>	<u>19,586</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 P.J.S.C. 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 2021 (unaudited)						
	Marine and Aviation AED '000	Fire and General Accident AED '000	Motor AED '000	Medical AED '000	Investments AED '000	Total AED '000
Gross premiums written	4,331	57,189	118,170	1,776	-	181,466
Reinsurance share of ceded premiums	(3,519)	(44,605)	(6,976)	(1,384)	-	(56,484)
Net change in unearned premium reserve	(5)	(3,031)	(16,480)	68	-	(19,448)
Net claims incurred	(118)	(2,590)	(47,421)	(361)	-	(50,491)
Net commission earned / (incurred)	881	2,960	(20,693)	(23)	-	(16,875)
Rental income – net	-	-	-	-	1,863	1,863
Income from investments - net of finance costs	-	-	-	-	59,283	59,283
Share of profit from associate – net	-	-	-	-	9,362	9,362
Segment profit before allocated expenses	1,570	9,923	26,600	76	70,508	108,676
Allocated expenses, net	(595)	(5,091)	(12,645)	(350)	-	(18,681)
Segment profit / (loss)	975	4,832	13,955	(274)	70,508	89,995
Unallocated expenses						(1,605)
Profit for the period						88,390

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18 Segment reporting (continued)

18.1 Segment revenue and results (continued)

Six-month period ended 30 June 2020
(unaudited)

	Marine and Aviation AED '000	Fire and General Accident AED '000	Motor AED '000	Medical AED '000	Investments AED '000	Total AED '000
Gross premiums written	3,427	49,099	147,149	1,858	-	201,533
Reinsurance share of ceded premiums	(2,600)	(38,226)	(12,697)	(1,293)	-	(54,816)
Net change in unearned premium reserve	(211)	(3,549)	(48,342)	132	-	(51,970)
Net claims incurred	(246)	(1,550)	(35,342)	(467)	-	(37,605)
Net commission earned / (incurred)	288	1,391	(7,733)	(23)	-	(6,077)
Rental income - net	-	-	-	-	2,956	2,956
Loss from investments including finance costs	-	-	-	-	(98,057)	(98,057)
Share of loss from associate - net	-	-	-	-	(7,141)	(7,141)
Segment profit / (loss) before allocated expenses	658	7,165	43,035	207	(102,242)	(51,177)
Allocated expenses, net	(726)	(5,468)	(19,719)	(443)	-	(26,356)
Segment profit / (loss)	(68)	1,697	23,316	(236)	(102,242)	(77,533)
Unallocated expenses						(2,361)
Loss for the period						(79,894)

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Notes to the condensed consolidated interim financial information

18 Segment reporting *(continued)*

18.2 Segment assets and liabilities

	As at 30 June 2021 <i>(Unaudited)</i>			As at 31 December 2020 <i>(Audited)</i>		
	Underwriting AED'000	Investments AED'000	Total AED'000	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	450,628	1,262,647	1,713,275	392,702	1,165,050	1,557,752
Unallocated assets			8,959			8,883
Total assets			<u>1,722,234</u>			<u>1,566,635</u>
Segment liabilities	481,212	381,297	862,509	422,173	393,203	815,376
Unallocated liabilities			22,431			28,140
Total liabilities			<u>884,940</u>			<u>843,516</u>

18.3 Segment revenue from underwriting departments

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

	30 June 2021 <i>(Unaudited)</i> AED'000	30 June 2020 <i>(Unaudited)</i> AED'000
Marine and aviation	5,720	4,022
Fire and general accident	65,727	55,924
Motor	121,234	159,724
Medical	1,776	1,858
	<u>194,457</u>	<u>221,528</u>

19 Financial risk management

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

20 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.

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20 Impact of Covid-19 *(continued)*

(a) Insurance risk

In its underwriting segment, the Group is primarily exposed to business interruption policies. With regards to Business Interruption (BI) policies, the Group has in place pandemic and infectious disease policy exclusions as well. The Group has evaluated all business interruption policies in force for which the Group may have to incur claim payouts. As a result of initial examination of the policies, the Group determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Group. Furthermore, the Group has been able to retain major customers during the six-month period ended 30 June 2021 and has generally witnessed renewals and new business across some major lines of businesses.

(b) Credit risk

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates are being reviewed continuously by the Group's management.

(c) Liquidity risk

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

(d) Business continuity plan

The Group has remained fully operational throughout the period and has put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted services to customers and the operations. The outbreak has not caused any significant delays in policies issuance and claims settlements. The Group will continue to monitor the reverberations of Covid-19, if any, on its customers and operations and will take further action as needed.

The steps taken by the Group to estimate the impact of Covid-19 and the judgments applied by management in assessing the values of assets and liabilities as at 30 June 2021 includes both quantitative and qualitative criteria such as risk profiling and actuarial analysis. Such analysis has enabled the Group to timely and accurately identify its exposure although these are subject to significant judgment due to the rapidly changing dynamics of Covid-19.

21 General

The condensed consolidated interim financial information of the Group was approved for issuance by the Board of Directors on 11 August 2021.