

Al Wathba National Insurance Company PJSC

Condensed interim financial information

31 March 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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Board of Directors Report on the Company Business

For the period ending on (31/03/2023)

The Board of Directors of Al Wathba National Insurance Company is pleased to submit its quarterly report for the year 2023 on the company's business and activities, accompanied by the financial statements for the period ending on (03/31/2023).

Global economic indicators have shown continued pressures on various sectors affected by the continuation of the Russian-Ukrainian war on the one hand, and on the other hand the expectation of a continued upward trend in rising interest rates by central banks to reduce global inflation levels.

However, the performance of the Gulf markets witnessed an improvement in all sectors, supported by the continued rise in oil prices, which prompted an increase in the expected levels of growth during the year in financial results, aided also by growth in non-oil sectors such as tourism, construction, and services.

AWNIC has also successfully adopted and implemented IFRS 17 for the preparation of its financial statements with effect from 1st January 2023. The new accounting standard is expected to improve the comparability of results across the industry and involves a significant change in the classification of insurance results in the financial statements. It is to be noted that extensive actuarial calculations and usage of granular data is also required under IFRS 17. The new reporting framework also enables much more financial transparency and accountability, providing our esteemed stakeholders with a comprehensive and accurate depiction of our insurance operations. We would like to extend our sincere appreciation to our dedicated teams and the consultants who worked diligently to ensure a smooth transition to IFRS 17.

This trend in the UAE economy had a positive impact on the company's investments, which achieved net investment income 44.5 million dirhams, and the company's net profits amounted to 44.6 million dirhams, but the performance of the insurance portfolio achieved net losses amounting to (807) thousand dirhams affected by the performance of the motor insurance business written during the year 2022, which was affected by the level of competition on the one hand and the high inflationary costs on the other hand.

Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Sheikh Mohammed 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 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.



Sheikh Saif bin Mohammed bin Butti Al Hamed
Chairman of Board of Directors



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Independent Auditors' Report on Review of the Condensed Interim Financial Information

To the Shareholders of Al Wathba National Insurance Company PJSC

Introduction

We have reviewed the accompanying 31 March 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 31 March 2023;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2023;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2023;
- the condensed interim statement of changes in shareholders' equity for the three-month period ended 31 March 2023;
- the condensed interim statement of cash flows for the three-month period ended 31 March 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.



Al Wathba National Insurance Company PJSC
*Independent Auditors' Report on Review of the
Condensed Interim Financial Information
31 March 2023*

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 31 March 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: 22 May 2023

Al Wathba National Insurance Company PJSC

Condensed interim statement of financial position as at (Unaudited)

		31 March 2023 AED'000	31 December 2022 AED'000 <i>Restated*</i>
	<i>Note</i>		
Assets			
Property and equipment		3,326	3,573
Investment in associates		145,441	142,199
Financial assets at amortised cost	6	14,179	14,301
Financial assets at fair value through other comprehensive income	7	399,141	428,499
Financial assets at fair value through profit or loss	8	392,899	389,584
Investment properties		308,107	308,107
Investment property under development		8,119	7,719
Asset held for sale		-	19,934
Statutory deposits	9	6,000	6,000
Reinsurance contract assets	17.2	157,831	159,166
Prepayments and other receivables	10	35,389	9,703
Term deposits	9	10,205	10,151
Bank balances and cash	9	135,070	78,142
Total assets		1,615,707	1,577,078
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		9,474	9,474
Reinsurance risk reserve		1,574	1,256
Fair value reserve		(20,973)	(17,577)
Retained earnings		573,446	528,880
Total equity		1,014,524	973,036
Liabilities			
Borrowings	12	207,978	208,943
Employees' end of service benefits		5,609	5,695
Insurance contract liabilities	17.1	311,876	312,561
Reinsurance contract liabilities	17.2	43,794	41,593
Trade and other payables		31,926	35,250
Total liabilities		601,183	604,042
Total equity and liabilities		1,615,707	1,577,078



Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

The notes set out on pages 10 to 32 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 3 and 4.

* Comparative information has been restated on account of first time adoption of IFRS 17 Insurance Contracts (refer note 5).

Al Wathba National Insurance Company PJSC

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

	Note	2023 AED'000	2022 AED'000 <i>Restated*</i>
Insurance revenue	18	75,165	81,481
Insurance service expenses	18	(70,201)	(63,845)
Amounts recoverable from reinsurers for incurred claims	18	18,360	14,486
Allocation of reinsurance premiums	18	(24,131)	(25,830)
Insurance service result		(807)	6,292
Income from Investment, <i>net</i>	13	43,371	30,757
Income from investment properties (rental income), <i>net</i>		1,141	1,258
Loss from hedging		-	(755)
Net investment income		44,512	31,260
Finance income / (expenses) from insurance contracts issued		693	(400)
Finance (expenses) / income from reinsurance contracts held		(472)	161
Net insurance finance income / (expenses)		221	(239)
Net insurance and investment result		43,926	37,313
Other income, <i>net</i>		508	1,083
Other finance costs		(3,434)	(2,034)
Share of profit of equity-accounted investees		3,577	2,608
Profit for the period		44,577	38,970
Earnings per share:			
Earnings per share (AED)	14	0.22	0.19

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* Comparative information has been restated on account of first time adoption of IFRS 17 Insurance Contracts (refer note 5).

Al Wathba National Insurance Company PJSC

Condensed interim statement of profit or loss and other comprehensive income
for the three-month period ended 31 March (Unaudited)

	2023 AED'000	2022 AED'000 <i>Restated*</i>
Profit for the period	44,577	38,970
Other comprehensive income		
<i>Items that will not be reclassified to condensed interim statement of profit or loss in subsequent periods</i>		
Share of other comprehensive (loss) / income of associates	(335)	75
Loss on sale of financial assets at fair value through other comprehensive income, <i>net</i>	(1,364)	-
Change in fair value of financial assets at fair value through other comprehensive income, <i>net</i>	(1,390)	27,480
<i>Items that are or may be reclassified to condensed interim statement of profit or loss in subsequent periods</i>		
Cash flow hedge - effective portion of changes in fair value	-	1,192
Other comprehensive (loss) / income for the period	(3,089)	28,747
Total comprehensive profit for the period	41,488	67,717

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Al Wathba National Insurance Company PJSC

Condensed interim statement of changes in shareholders' equity for the three-month period ended 31 March (Unaudited)

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Reinsurance risk reserve AED'000	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	207,000	103,500	51,750	88,753	9,959	491	(31,176)	(2,509)	536,406	964,174
<i>Total comprehensive income (restated*)</i>										
Profit for the period	-	-	-	-	-	-	-	-	38,970	38,970
Other comprehensive income for the period	-	-	-	-	-	-	27,555	1,192	-	28,747
Total comprehensive income for the period (restated*)	-	-	-	-	-	-	27,555	1,192	38,970	67,717
Transfer to profit or loss account from cashflow hedge reserve	-	-	-	-	-	-	-	755	-	755
Payout of capital reserve	-	-	-	-	(163)	-	-	-	-	(163)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	307	-	-	(307)	-
Restated balance at 31 March 2022	207,000	103,500	51,750	88,753	9,796	798	(3,621)	(562)	575,069	1,032,483
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	-	-	-	-	-	-	-	-	44,577	44,577
Other comprehensive loss for the period	-	-	-	-	-	-	(1,725)	-	(1,364)	(3,089)
Total comprehensive (loss) / income for the period	-	-	-	-	-	-	(1,725)	-	43,213	41,488
Transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(1,671)	-	1,671	-
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	318	-	-	(318)	-
Balance at 31 March 2023	207,000	103,500	51,750	88,753	9,474	1,574	(20,973)	-	573,446	1,014,524

The notes set out on pages 10 to 32 form an integral part of this condensed interim financial information.

* Comparative information has been restated on account of first time adoption of IFRS 17 Insurance Contracts (refer note 5).

Al Wathba National Insurance Company PJSC

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

	Note	2023 AED'000	2022 AED'000 <i>Restated*</i>
Cash flow from operating activities			
Profit for the period		44,577	38,970
<i>Adjustments for:</i>			
Change in fair value of financial assets at fair value through profit or loss _{net}	8	(9,840)	(3,557)
Gain on disposal of financial assets at fair value through profit or loss _{net}	13	(11,286)	(11,023)
Gain on disposal of property and equipment		(24)	-
Provision for employees' end of service benefits		158	211
Depreciation of property and equipment		470	412
Share of profit of associates		(3,577)	(2,608)
Finance costs		3,434	2,034
Dividend income		(23,945)	(17,103)
Interest income		(72)	(74)
Loss on hedge instruments		-	755
Net cash used in operations		(105)	8,017
<i>Changes in:</i>			
Insurance and reinsurance contract assets		1,334	(10,011)
Insurance and reinsurance contract liabilities		1,516	(13,212)
Prepayment and other receivables		(1,731)	3,981
Trade and other payables		(3,324)	(26,278)
Cash used in operations		(2,310)	(37,503)
Employees' end of service benefits paid		(244)	(688)
Net cash used in operating activities		(2,554)	(38,191)
Cash flow from investing activities			
Purchase of property and equipment		(223)	(460)
Additions to investment properties under development		(399)	(12,775)
Purchase of financial assets at fair value through profit or loss	8	(52,671)	(82,073)
Purchase of financial assets at fair value through other comprehensive income	7	(983)	(11,626)
Proceeds from sale of property and equipment		24	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		27,587	-
Proceeds from disposal of financial assets at fair value through profit or loss		70,481	96,312
Proceeds from disposal of asset held for sale		19,935	-
(Placement) / withdrawal of term deposits		(54)	21,320
Interest received		151	150
Dividends received from other investments		33	-
Net cash generated from investing activities		63,881	10,848
Cash flow from financing activities			
Finance cost paid		(3,434)	(2,034)
Repayment of borrowings		(965)	(6,605)
Payout of capital reserve		-	(163)
Settlement of derivative financial instrument		-	(833)
Restricted cash movement		(15,322)	12,000
Net cash (used in) / generated from financing activities		(19,721)	2,365
Net increase / (decrease) in cash and cash equivalents		41,606	(24,978)
Cash and cash equivalents at 1 January		71,648	74,131
Cash and cash equivalents at 31 March		113,254	49,153

The notes set out on pages 10 to 32 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 3 and 4.

* Comparative information has been restated on account of first time adoption of IFRS 17 Insurance Contracts (refer note 5).

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 2022 the Company formed a Limited Liability Company 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 period ended 31 March 2023.

2. Basis of preparation

(a) Basis of accounting

As explained in note 3, the Company has adopted IFRS 17 Insurance Contracts, including any consequential amendments to other standards, with a date of initial application of 1 January 2023. The requirements of IFRS 17 have resulted in significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts in the opening balances.

(b) 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 5, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The results for the three-month period ended 31 March 2023 are not necessarily indicative of the results for the year ending 31 December 2023.

(c) 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.

(d) 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.

(e) 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 expense. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

2. Basis of preparation *(continued)*

(e) Use of judgements and estimates *(continued)*

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 insurance contracts where IFRS 17 is applied, as mentioned below:

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 include 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
- 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 refer to the interest rates used in discounting cash flows to determine the present value of future cash flows. 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.

Discount rate for Liability for Remaining Coverage

If insurance contracts in the group have a significant financing component, Company shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates, as determined on initial recognition.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

2. Basis of preparation *(continued)*

(e) Use of judgements and estimates *(continued)*

Discount rate (continued)

The Company is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year.

Discount rate for Liability for Incurred Claims

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred. The Company is currently discounting liability for incurred claims for all groups of insurance contracts.

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 shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. The purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk.

The risk adjustments for non-financial risk will be determined using the following techniques.

- Liabilities for incurred claims of non-life contracts: a confidence level technique;

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.

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.

3 New and amended standards 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 5.

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:

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

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

New currently effective requirements *(continued)*

<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	NA*

*Available for optional adoption / effective date deferred indefinitely

4 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 condensed financial statements as at and for the year ended 31 December 2022, except for insurance contracts where IFRS 17 is applied.

5 Changes in significant accounting policies

Insurance and reinsurance contracts

Definition and classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

5 Changes in significant accounting policies (*continued*)

Insurance and reinsurance contracts (*continued*)

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company.

The Company will discount claims with an expected settlement period of more than one year and not discount any claims with an expected settlement period of less than 12 months. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

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 account 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.

As the PAA is an optional simplified approach for the measurement of the liability of remaining coverage, an entity may choose to use the premium allocation approach when the measurement is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage 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 applies the premium allocation approach 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.

Changes to preparation and disclosures

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.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

5 Changes in significant accounting policies (*continued*)

Insurance and reinsurance contracts (*continued*)

Separating components from insurance and reinsurance contracts

At inception, the Company is required to identify:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components - i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

The Company does not underwrite any insurance contracts that contain embedded derivatives or distinct investment components. The Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component. Currently, the Company's insurance portfolios do not contain any non-insurance components that will need to be unbundled from insurance contracts.

Level of aggregation

The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Company considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

For reinsurance contracts, the risks that must be similar and managed together to those transferred from the underlying contract to the issuer of the reinsurance contract is required to be considered. When deciding whether these risks are similar, reference must be made to the risk profile of underlying contracts as well as the nature of the risks that are transferred.

If risks covered are not similar enough between different treaties, they will not be classified into the same portfolio. It is possible for a portfolio to consist of a single reinsurance treaty if there are no other reinsurance treaties that are deemed to have similar risks and are managed together.

Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- The beginning of the coverage period of the group of contracts. The coverage period is the period during which the Company provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.

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Notes to the condensed interim financial information

5 Changes in significant accounting policies (continued)

Insurance and reinsurance contracts (continued)

- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Company recognises a group of reinsurance contracts initiated that provide proportionate coverage at the later of the beginning of the coverage period of the group of reinsurance contracts and the initial recognition of any underlying contract and recognises all other groups of reinsurance contracts from the beginning of the coverage period of the group of reinsurance contracts. The coverage period is the period during which the Company receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year.

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.

Measurement - Contracts measured under the PAA

The Company may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:

- a) the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general requirement; or
- b) the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less. The Company uses the PAA to simplify the measurement of groups of contracts on the following basis:
 - insurance contracts: the coverage period of motor contract in the group of contracts is one year or less;
 - insurance contract: PAA eligibility test has been performed for Casualty, Engineering, General Accident, Marine and Property. The Company reasonably expects that the resulting measurement would not differ materially from the result of applying the accounting policies for general measurement model; and

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

5 Changes in significant accounting policies (*continued*)

Insurance and reinsurance contracts (*continued*)

- reinsurance contracts: the Company reasonably expects that the resulting measurement would not differ materially from the result of applying the general measurement model

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received, decreased by the amount recognised as insurance revenue for coverage provided, decreased by insurance acquisition cash flows and increased by amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period. 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.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. It include gross estimated cost of claims incurred but not settled and claims incurred but not reported at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

Estimates of salvage recoveries are included as an allowance in the estimates of claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those 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.

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.

Modification and derecognition

The Company derecognises insurance contracts when:

- a) The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

5 Changes in significant accounting policies (*continued*)

Insurance and reinsurance contracts (*continued*)

Modification and derecognition (*continued*)

- b) The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Acquisition & attributable cost

The Company had defined acquisition expenses as the costs of selling, underwriting, starting and issuing a group of insurance contracts as per the Standard 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.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk, and changes therein.

For all groups of contracts, the entire insurance finance income or expense for the period presented in the statement of income. The Company does not disaggregate separately the finance income or expenses between profit or loss and other comprehensive income.

If an entity prepares interim financial statements applying IAS 34 "*Interim Financial Reporting*", the entity shall make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period. The Company has chosen to make adjustments to estimates on an annual basis.

Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under (iii)) are included in the carrying amount of the related portfolios of contracts.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented separately on a gross basis as 'amounts recoverable from reinsurers for incurred claims and allocation of reinsurance premiums' in the insurance service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

5 Changes in significant accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

For groups of insurance contracts measured under the PAA, the Company recognises 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. However, the cashflow of VAT are excluded from the calculation of insurance service result.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage for contracts measured under the PAA at the amount of ceding premiums paid less ceding commission received from the reinsurer.

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.

6 Financial assets at amortised cost

Included in financial assets at amortised cost are two sukuks 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 sukuks 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 179 thousand for the three-month period ended 31 March 2023 (31 December 2022: accrued profit of AED 301 thousand).

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

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

	31 March 2023 AED'000	31 December 2022 AED'000
Quoted securities	398,416	427,774
Unquoted securities	725	725
	<u>399,141</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 31 March 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:

	31 March 2023 AED'000	31 December 2022 AED'000
At beginning of the period / year	428,499	366,279
Additions	983	111,845
Disposals	(28,951)	(62,165)
Changes in fair value	(1,389)	12,540
Balance at end of the period / year	<u>399,142</u>	<u>428,499</u>

The geographical distribution of investments at FVOCI is as follows:

	31 March 2023 AED'000	31 December 2022 AED'000
Within UAE	398,984	428,352
Outside UAE	158	147
	<u>399,142</u>	<u>428,499</u>

8 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 investments at fair value through profit or loss is as follows

	31 March 2023 AED'000	31 December 2022 AED'000
At beginning of the period / year	389,584	603,751
Additions	52,671	179,893
Disposals	(59,196)	(346,672)
Changes in fair value (note 13)	9,840	(47,388)
Balance at end of the period / year	<u>392,899</u>	<u>389,584</u>

9 Cash and cash equivalents (*Unaudited*)

	31 March 2023 AED'000	31 December 2022 AED'000
Bank balances and cash	135,070	78,142
Statutory deposit	6,000	6,000
Term deposits	10,205	10,151
Total bank balances, deposits and cash	<u>151,275</u>	<u>94,293</u>
<i>Less: deposits with original maturity over 3 months</i>	(10,205)	(10,151)
<i>Less: restricted cash pledged against borrowings</i>	(21,816)	(6,494)
<i>Less: statutory deposits</i>	(6,000)	(6,000)
Cash and cash equivalents for the purpose of the statement of cash flows	<u>113,254</u>	<u>71,648</u>

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

9 Cash and cash equivalents (*Unaudited*) (*continued*)

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

	31 March 2023 AED'000	31 December 2022 AED'000
Within UAE	151,275	94,293

Deposits are held with financial institutions in UAE, with an original maturity of twelve months from the date of placement. Interest is receivable at annual rates ranging from 2.45% to 4.25% 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.

10 Prepayments and other receivable (*Unaudited*)

	31 March 2023 AED'000	31 December 2022 AED'000
Prepayments	6,300	3,902
Accrued income	24,218	326
Other receivable	4,871	5,475
	35,389	9,703

11 Share Capital (*Unaudited*)

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

12 Borrowings (*Unaudited*)

	31 March 2023 AED'000	31 December 2022 AED'000
Term loan 1	88,444	88,895
Term loan 2	119,534	120,048
	207,978	208,943

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

	31 March 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 period / year	3,434	11,466
Repayments made during the period / year	(4,399)	(155,004)
Balance as at	207,978	208,943

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

12 Borrowings (Unaudited) (continued)

Term loan 1

During 2020, the Company obtained a bank facility amounting to AED 133,466 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 31 March 2023, the outstanding loan balance was AED 88,444 thousand (31 December 2022: AED 81,129 thousand).

Documentation of takeover of Term loan 1 with an international commercial bank is in its final stage against the mortgage of the head office building and villas in Dubai. An amount of AED 7,766 thousand was received during 2022 in addition to Term loan 1 for making the last loan repayment to a local bank.

Term loan 2

During 2020, the Company obtained a bank facility amounting to AED 237,576 thousand (31 December 2022: AED 237,576 thousand from a local commercial bank) 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 last quarter of the previous year the Company repaid AED 125,000 thousand. As at reporting date, the outstanding loan balance including finance cost was AED 119,534 thousand (31 December 2022: AED 120,048 thousand).

13 Investment income, net (Unaudited)

	Three-month period ended	
	31 March 2023	31 March 2022
	AED'000	AED'000
		Restated
Gain on disposal of financial assets at fair value through profit or loss, net	11,286	11,023
Changes in fair value of financial assets carried at fair value through profit or loss (note 8)	9,840	3,557
Interest income	72	74
Dividend income	23,945	17,103
Other investment expense, net	(1,772)	(1,000)
	<u>43,371</u>	<u>30,757</u>

14 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.

	Three-month period ended	
	31 March 2023	31 March 2022
		Restated
Profit for the period (AED'000)	<u>44,577</u>	<u>38,970</u>
Ordinary shares outstanding during the period (shares in '000)	<u>207,000</u>	<u>207,000</u>
Earnings per share (AED)	<u>0.22</u>	<u>0.19</u>

There is no dilution effect to the basic earnings per share

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

15 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.

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

	31 March 2023 AED'000	31 December 2022 AED'000
Due from related parties	33,859	29,905
Due to related parties	11,465	5,912
Prepaid expenses	268	383

Transactions with related parties during the period are as follows:

	Three-month period ended 31 March 2023 AED'000	31 March 2022 AED'000 <i>Restated</i>
Insurance revenue	21,071	20,900
Insurance service expenses	4,550	2,722
Other expenses-rent	115	115
Remuneration of key management personnel (i)	761	991

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

16 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.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

16 Fair value of financial instruments (Unaudited) (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 March 2023				
Financial assets at fair value through profit or loss	389,556	3,343	-	392,899
Financial assets at fair value through other comprehensive income	392,480	5,936	725	399,141
	<u>782,036</u>	<u>9,279</u>	<u>725</u>	<u>792,040</u>
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2022				
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.

Reconciliation of level 3 fair value measurement

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

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

17 Insurance and reinsurance contract assets and liabilities (Unaudited)

17.1 Insurance contracts issued

	As at 31 March 2023 (Unaudited)				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding loss component	Loss component - onerous contracts	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	
	AED'000	AED'000	AED'000	AED'000	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	(75,165)	-	-	-	(75,165)
Insurance service expense					
Incurred claims and other directly attributable expenses	-	(3,766)	59,641	3,043	58,918
Losses on onerous contracts	-	5,953	-	-	5,953
Insurance acquisition cashflow amortisation	9,400	-	-	-	9,400
Reversal of losses on onerous contracts	-	(3,755)	-	-	(3,755)
Changes that relate to past service - adjustment to the LIC	-	-	(178)	(137)	(315)
Total insurance service expenses	9,400	(1,568)	59,463	2,906	70,201
Finance income from insurance contracts issued	-	-	(693)	-	(693)
Total changes in the statement of income	(65,765)	(1,568)	58,770	2,906	(5,657)
Cash flows					
Premiums received	69,289	-	-	-	69,289
Claims and other directly attributable expenses paid	-	-	(54,121)	-	(54,121)
Insurance acquisition cashflows paid	(10,196)	-	-	-	(10,196)
Total cash inflows / (outflows)	59,093	-	(54,121)	-	4,972
Insurance contract liabilities - closing	55,214	14,328	231,872	10,462	311,876
Insurance contract assets - closing	-	-	-	-	-
Closing balance - net	55,214	14,328	231,872	10,462	311,876

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

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

17.1 Insurance contracts issued (*continued*)

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

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

17.2 Reinsurance contracts held

As at 31 March 2023 (Unaudited)					
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total
	Excluding loss component	Loss component - onerous contracts	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	
	AED'000	AED'000	AED'000	AED'000	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	24,131	-	-	-	24,131
Amount recoverable from reinsurers					
Incurring claims and other directly attributable expenses	-	-	(17,723)	(881)	(18,604)
Changes that relate to past service - adjustment to the LIC	-	-	2,301	(2,057)	244
Total amount recoverable from reinsurers - net	-	-	(15,422)	(2,938)	(18,360)
Finance income from reinsurance contracts held	-	-	472	-	472
Total changes in the statement of income	24,131	-	(14,950)	(2,938)	6,243
Cash flows					
Premiums ceded paid	(21,930)	-	-	-	(21,930)
Recoveries from reinsurers	-	-	19,223	-	19,223
Total cash inflows / (outflows)	(21,930)	-	19,223	-	(2,707)
Reinsurance contract liabilities - closing	43,794	-	-	-	43,794
Reinsurance contract assets - closing	-	-	(150,685)	(7,146)	(157,831)
Closing balance - net	43,794	-	(150,685)	(7,146)	(114,037)

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

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

17.2 Reinsurance contracts held (*continued*)

As at 31 December 2022 (<i>Restated</i>)					
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total
	Excluding loss component	Loss component - onerous contracts	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	
	AED'000	AED'000	AED'000	AED'000	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)
Allocation of reinsurance premium paid	106,291	-	-	-	106,291
Amount recoverable from reinsurers	-	-	-	-	-
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
Total amount recoverable from reinsurers - <i>net</i>	-	-	(68,471)	4,777	(63,694)
Finance expenses from reinsurance contracts held	-	-	(275)	-	(275)
Total changes in the statement of income	106,291	-	(68,746)	4,777	42,322
Cash flows					
Premiums ceded paid	(82,205)	-	-	-	(82,205)
Recoveries from reinsurers	-	-	53,876	-	53,876
Total cash inflows / (outflows)	(82,205)	-	53,876	-	(28,329)
Reinsurance contract liabilities - closing	41,593	-	-	-	41,593
Reinsurance contract assets - closing	-	-	(154,957)	(4,209)	(159,166)
Closing balance - <i>net</i>	41,593	-	(154,957)	(4,209)	(117,573)

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

18 Segment information (Unaudited)

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

	As at 31 March 2023 (Unaudited)				
	Motor AED'000	Fire & General accident AED'000	Marine AED'000	Investment AED'000	Total AED'000
Insurance revenue					
Insurance revenue from contracts measured under PAA	40,139	31,959	3,067	-	75,165
Total insurance revenue	40,139	31,959	3,067	-	75,165
Insurance service expenses					
Incurred claim and other directly attributable expenses	(38,096)	(18,562)	(2,261)	-	(58,919)
Changes that relate to past service - adjustments to the LIC	(5,868)	4,606	1,578	-	316
(Losses) on onerous contracts and reversal of the losses	(2,198)			-	(2,198)
Insurance acquisition cash flows amortisation	(5,390)	(4,374)	364	-	(9,400)
Total Insurance service expenses	(51,552)	(18,330)	(319)	-	(70,201)
Income from reinsurance contracts held					
Incurred claims recovered	4,983	12,766	855	-	18,604
Changes that relate to past service - adjustments to LIC	5,881	(5,434)	(691)	-	(244)
Reinsurance expenses	10,864	7,332	164	-	18,360
Allocation of reinsurance premiums	(4,195)	(19,057)	(879)	-	(24,131)
Total net income / (expenses) from reinsurance contracts	6,669	(11,725)	(715)	-	(5,771)
Total insurance service result	(4,744)	1,904	2,033	-	(807)
Net insurance finance expenses	-	-	-	221	221
Net investment income	-	-	-	44,512	44,512
Other income, <i>net</i>	-	-	-	508	508
Other finance costs	-	-	-	(3,434)	(3,434)
Share of profit of equity-accounted investees	-	-	-	3,577	3,577
Profit for the period	(4,744)	1,904	2,033	45,384	44,577

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

18 Segment information (Unaudited)

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

	As at 31 March 2022 (Restated)				
	Motor AED'000	Fire & Genral accident AED'000	Marine AED'000	Investment AED'000	Total AED'000
Insurance revenue					
Insurance revenue from contracts measured under PAA	48,013	24,688	8,780	-	81,481
Total insurance revenue	48,013	24,688	8,780	-	81,481
Insurance service expenses					
Incurred claim and other directly attributable expenses	(27,001)	(19,060)	(6,676)	-	(52,737)
Changes that relate to past service - adjustments to the LIC	4,186	8,082	(1,370)	-	10,898
(Losses) on onerous contracts and reversal of the losses	(4,168)			-	(4,168)
Insurance acquisition cash flows amortisation	(11,648)	(4,859)	(1,331)	-	(17,838)
Total Insurance service expenses	(38,631)	(15,837)	(9,377)	-	(63,845)
Income from reinsurance contracts held					
Incurred claims recovered	1,102	16,151	2,995	-	20,248
Changes that relate to past service - adjustments to LIC	410	(6,499)	327	-	(5,762)
Reinsurance expenses	1,512	9,652	3,322	-	14,486
Reinsurance premium ceded	(3,957)	(16,074)	(5,799)	-	(25,830)
Total net expenses income from reinsurance contracts	(2,445)	(6,422)	(2,477)	-	(11,344)
Total insurance service result	6,937	2,429	(3,074)	-	6,292
Net insurance finance expenses				(239)	(239)
Net investment income				31,260	31,260
Other income, net				1,083	1,083
Other finance costs				(2,034)	(2,034)
Share of profit of equity-accounted investees				2,608	2,608
Profit for the period	6,937	2,429	(3,074)	32,678	38,970

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

18 Segment information (*Unaudited*) (continued)

Balances for segment assets and liabilities as follows

	As at 31 March 2023 (Unaudited)				
	Motor	Fire & General accident	Marine	Investment	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Insurance contract assets	-	-	-	-	-
Reinsurance contract asset	19,648	133,364	4,819	-	157,831
Segment assets	-	-	-	1,267,886	1,267,886
Unallocated assets	-	-	-	-	189,990
Total assets	19,648	133,364	4,819	1,267,886	1,615,707
Insurance contract liabilities	154,887	148,101	8,888	-	311,876
Reinsurance contract liabilities	2,799	37,585	3,410	-	43,794
Segment liabilities	-	-	-	207,978	207,978
Unallocated liabilities	-	-	-	-	37,535
Total Liabilities	157,686	185,686	12,298	207,978	601,183

	As at 31 December 2022 (<i>Restated</i>)				
	Motor	Fire & General accident	Marine	Investment	Total
	AED'000	AED'000	AED'000	AED'000	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
Total assets	17,021	135,751	6,394	1,310,343	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	-	-	-	-	40,945
Total Liabilities	151,036	187,506	15,612	208,943	604,042

19 Financial risk management

The Company's risk management policies with regards to financial instruments are the same as those disclosed in note 30 to the annual financial statements of the Company for the year ended 31 December 2022.

20 Risk management

The Company's insurance and financial risk management policies with regards to financial instruments and insurance risk are the same as those disclosed in note 30 to the annual financial statements of the Company for the year ended 31 December 2022.

Al Wathba National Insurance Company PJSC

Notes to the condensed interim financial information

20 Risk management (continued)

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 year ended 31 December 2022 as the current three-month period ended 31 March 2023 solvency position is not finalised.

	31 December 2022 AED'000	31 December 2021 AED'000
Minimum Capital Requirement (MCR)	<u>100,000</u>	<u>100,000</u>
Solvency Capital Requirement (SCR)	<u>261,997</u>	<u>246,396</u>
Minimum Guarantee Fund (MGF)	<u>87,332</u>	<u>82,132</u>
<i>Own funds</i>		
Basic Own Funds	<u>488,317</u>	<u>394,838</u>
MCR Solvency Margin - (Surplus)	388,317	294,838
SCR Solvency Margin - (Surplus)	226,321	148,442
MGF Solvency Margin - (Surplus)	400,985	312,706

21 Commitments and contingencies

Contingent liabilities

At 31 March 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 7,934 thousand (31 December 2022: AED 7,934 thousand) representing amounts expected to result in a probable outflow of economic resources.

22 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. The Company has assessed the possible impact on the financial statements, and concluded that the results are not impacted by the transition requirements.

23 General

The condensed interim financial information of the Company was approved for issuance by the Board of Directors on 22 May 2023.