

**Islamic Arab Insurance Co. (Salama)
PJSC and its subsidiaries**

**REVIEW REPORT AND CONDENSED
CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Islamic Arab Insurance Co. (Salama) PSJC (the “Company”) and its subsidiaries (the “Group”), which comprise the interim consolidated statement of financial position as at 31 March 2022 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of 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.

Basis for Qualified Conclusion

The Group’s total assets include investment properties with a carrying amount of AED 142,784 thousand (2021:AED 142,055 thousand), investments which are carried at AED 552,031 thousand (2021:AED 559,066 thousand), and other assets and receivables which are carried at AED 242,545 thousand (2021:AED 256,354 thousand). The aforementioned assets include:

- Investment property with a carrying amount of AED 84,957 thousand (2021:AED 84,957 thousand) (note 6);
- Islamic placement investments of AED 47,142 thousand (2021:AED 47,142 thousand), available-for-sale investments of AED 62,561 thousand (2021:AED 62,561 thousand) and held to maturity investments of AED 65,738 thousand (2021:AED 65,738 thousand) (note 8); and
- Other receivables with a carrying amount of AED 33,639 thousand (2021:AED 33,639 thousand) (note 18).

Due to the ongoing litigations between the Group and different parties, we were unable to complete our review of the aforementioned investment property, investments and other receivables because we could not determine if the judgements applied and estimates made in the determination of the fair value of these assets were appropriate and we were unable to determine if the Group legally owned these assets.

This matter is described in notes 19 to the condensed consolidated interim financial statements. Had we been able to complete our review of the aforementioned investment property, investments, and other receivables, matters might have come to our attention indicating that adjustments might be necessary to the condensed consolidated interim financial information.

We have modified our audit opinion for the year ended 31 December 2021 consolidated financial statements with regard to the same matter.



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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Qualified Conclusion

Except for the adjustments to the condensed consolidated interim financial information that we might have become aware of had it not been for the matters described above, based on our review, nothing has come to our attention that causes us to believe the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

12 May 2022

Dubai, United Arab Emirates

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022 (unaudited)

| | <i>Notes</i> | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|--|--------------|--|---|
| Assets | | | |
| Property and equipment | | 34,699 | 36,480 |
| Goodwill and intangibles | | 118,057 | 117,772 |
| Investment properties | 6 | 142,784 | 142,055 |
| Right of use assets | | 3,410 | 4,426 |
| Investment in associates | 7 | 35,903 | 34,447 |
| Deposits | | 218,159 | 239,649 |
| Investments | 8 | 552,031 | 559,066 |
| Participants' investments in unit-linked contracts | 8.1 | 2,325,827 | 2,396,075 |
| Deposits with takaful and retakaful companies | | 1,989 | 2,387 |
| Contributions and takaful balance receivables | | 259,434 | 213,404 |
| Retakafuls' share of outstanding claims | | 276,919 | 262,350 |
| Retakafuls' share of unearned contribution | | 120,856 | 135,789 |
| Other assets and receivables | 18 | 242,545 | 256,354 |
| Restricted bank balances | | - | 258,469 |
| Bank balances and cash | 17 | 307,135 | 109,321 |
| Total assets | | 4,639,748 | 4,768,044 |
| Liabilities and policyholders' fund | | | |
| Outstanding claims and family takaful reserve | | 588,323 | 574,950 |
| Payable to participants for unit-linked contracts | | 2,323,700 | 2,394,963 |
| Unearned contribution reserve | | 362,103 | 327,756 |
| Takaful balances payable | | 198,433 | 205,662 |
| Short term borrowings | | 6,250 | 25,000 |
| Other payables and accruals | | 320,955 | 391,906 |
| Lease liabilities | | 3,584 | 4,639 |
| Total liabilities | | 3,803,348 | 3,924,876 |
| Policyholders' fund | | - | - |
| Total liabilities and policyholders' fund | | 3,803,348 | 3,924,876 |


The accompanying notes form an integral part of these condensed consolidated interim financial information.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022 (unaudited)

| | <i>Notes</i> | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|--|--------------|--|---|
| Equity | | | |
| Share capital | 10 | 1,210,000 | 1,210,000 |
| Treasury shares | 11 | (35,972) | (35,972) |
| Statutory reserve | 12 | 101,262 | 101,262 |
| Accumulated losses | | (361,850) | (371,672) |
| Other reserves | 13 | (150,572) | (136,131) |
| | | <hr/> | <hr/> |
| Equity attributable to Owners of the Company | | 762,868 | 767,487 |
| Non-controlling interest | | 73,532 | 75,681 |
| | | <hr/> | <hr/> |
| Total equity | | 836,400 | 843,168 |
| | | <hr/> | <hr/> |
| Total liabilities, policyholders' fund and equity | | 4,639,748 | 4,768,044 |
| | | <hr/> <hr/> | <hr/> <hr/> |



 Chairman



 Chief Executive Officer

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three month period ended 31 March 2022 (unaudited)

| | Three month period ended | |
|--|--------------------------|-----------|
| | 2022 | 31 March |
| | AED'000 | AED'000 |
| Gross written contributions | 304,958 | 427,558 |
| Less: reinsurance and retakaful contributions | | |
| Ceded | (80,443) | (185,981) |
| Net contributions | 224,515 | 241,577 |
| Net movement in unearned contributions | (62,255) | (68,215) |
| Contributions earned | 162,260 | 173,362 |
| Commission income on ceded reinsurance and Retakaful | 10,908 | 11,628 |
| | 173,168 | 184,990 |
| Underwriting expenses | | |
| Gross claims paid | 121,564 | 134,838 |
| Less: reinsurance and retakaful share of claims | | |
| Paid | (52,803) | (72,540) |
| Net claims paid | 68,761 | 62,298 |
| Net movement in outstanding claims and family takaful reserve | 3,873 | 1,482 |
| Claims incurred | 72,634 | 63,780 |
| Commission expense and other costs | 68,523 | 80,138 |
| | 141,157 | 143,918 |
| Net underwriting income | 32,011 | 41,072 |
| Income from investments | 11,295 | 12,257 |
| Other income | 3,176 | 3,908 |
| | 46,482 | 57,237 |
| Expenses | | |
| General, administrative and other expenses | (28,436) | (31,293) |
| Financial expenses | (610) | (540) |
| Net surplus before tax for the period | 17,436 | 25,404 |
| Taxation – current | (2,367) | (1,179) |
| Net surplus after tax for the period before distribution to policyholders | 15,069 | 24,225 |
| Distribution to policyholders of Company | - | - |
| Net surplus after tax and distribution to policyholders for the period | 15,069 | 24,225 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three month period ended 31 March 2022 (unaudited)

| | Three month period ended | |
|---|---------------------------------|-----------------|
| | 2022 | 31 March |
| | AED'000 | 2021 |
| | | AED'000 |
| Attributable to: | | |
| Shareholders | 9,925 | 22,220 |
| Non-controlling interest | 5,144 | 2,005 |
| | <hr/> | <hr/> |
| | 15,069 | 24,225 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Basic and diluted earnings per share | | |
| (AED) (Note 16) | 0.008 | 0.019 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Basic and diluted earnings per | | |
| share (AED) – continuing operations | 0.008 | 0.019 |
| | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended 31 March 2022 (unaudited)

| | Three month period ended | |
|--|---------------------------------|-----------------|
| | 2022 | 31 March |
| | AED'000 | 2021 |
| | AED'000 | AED'000 |
| Net profit after tax and distribution to policyholders for the period | 15,069 | 24,225 |
| Other comprehensive (loss)/ income net of income tax | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Net movement or change in foreign exchange translation reserve | (22,928) | (2,289) |
| Net changes in fair value of available for sale investments | - | 135 |
| Share of other comprehensive income of associates | (43) | 255 |
| Total other comprehensive loss for the period | (22,971) | (1,899) |
| Total comprehensive (loss)/ income for the period | (7,902) | 22,326 |
| Attributable to: | | |
| Shareholders | (4,619) | 20,375 |
| Non-controlling interest | (3,283) | 1,951 |
| | (7,902) | 22,326 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2022 (unaudited)

| | Share capital AED'000 | Statutory reserve AED'000 | Revaluation reserve AED'000 | Foreign exchange translation reserve AED'000 | Investment fair value reserve AED'000 | Treasury shares AED'000 | Accumulated losses AED'000 | Regulatory reserve AED '000 | Total AED'000 | Non- controlling interest AED'000 | Total equity AED'000 |
|--|-----------------------------|---------------------------------|-----------------------------------|--|--|-------------------------------|----------------------------------|-----------------------------------|------------------|--|----------------------------|
| Balance at 1 January 2021 | 1,210,000 | 97,257 | 20,753 | (122,196) | (26,581) | (35,972) | (308,059) | 132 | 835,334 | 74,332 | 909,666 |
| Profit for the year | - | - | - | - | - | - | 22,220 | - | 22,220 | 2,005 | 24,225 |
| Other comprehensive income | | | | | | | | | | | |
| Net movement in foreign exchange translation reserve | - | - | - | (2,235) | - | - | - | - | (2,235) | (54) | (2,289) |
| Net changes in fair value of available-for-sale investments | - | - | - | - | 135 | - | - | - | 135 | - | 135 |
| Share of other comprehensive income of associates | - | - | - | - | 255 | - | - | - | 255 | - | 255 |
| Total other comprehensive income/(loss) | - | - | - | (2,235) | 390 | - | - | - | (1,845) | (54) | (1,899) |
| Total comprehensive income for the year | - | - | - | (2,235) | 390 | - | 22,220 | - | 20,375 | 1,951 | 22,326 |
| Transfer to regulatory reserve | - | - | - | - | - | - | (840) | 840 | - | - | - |
| Balance at 31 March 2021 | 1,210,000 | 97,257 | 20,753 | (124,431) | (26,191) | (35,972) | (286,679) | 972 | 855,709 | 76,283 | 931,992 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2022 (unaudited)

| | Share capital AED'000 | Statutory reserve AED'000 | Revaluation reserve AED'000 | Foreign exchange translation reserve AED'000 | Investment fair value reserve AED'000 | Treasury shares AED'000 | Accumulated losses AED'000 | Regulatory reserve AED '000 | Total AED'000 | Non-controlling interest AED'000 | Total equity AED'000 |
|---|--------------------------|------------------------------|--------------------------------|---|--|----------------------------|-------------------------------|--------------------------------|------------------|-------------------------------------|-------------------------|
| Balance at 1 January 2022 | 1,210,000 | 101,262 | 20,753 | (130,718) | (27,922) | (35,972) | (371,672) | 1,756 | 767,487 | 75,681 | 843,168 |
| Profit for the year | - | - | - | - | - | - | 9,925 | - | 9,925 | 5,144 | 15,069 |
| Other comprehensive income | | | | | | | | | | | |
| Net movement in foreign exchange translation reserve | - | - | - | (14,501) | - | - | - | - | (14,501) | (8,427) | (22,928) |
| Net changes in fair value of available-for-sale investments | | | | | | | | | | | |
| Share of other comprehensive income of associates | - | - | - | - | (43) | - | - | - | (43) | - | (43) |
| Total other comprehensive income/(loss) | - | - | - | (14,501) | (43) | - | - | - | (14,544) | (8,427) | (22,971) |
| Total comprehensive income for the year | - | - | - | (14,501) | (43) | - | 9,925 | - | (4,619) | (3,283) | (7,902) |
| Transfer to regulatory reserve | - | - | - | - | - | - | (103) | 103 | - | - | - |
| Increase in Capital | | | | | | | | | | 1,134 | 1,134 |
| Balance at 31 March 2022 | 1,210,000 | 101,262 | 20,753 | (145,219) | (27,965) | (35,972) | (361,850) | 1,859 | 762,868 | 73,532 | 836,400 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three month period ended 31 March 2022 (unaudited)

| | Three month period ended | |
|--|---------------------------------|-----------------|
| | 2022 | 31 March |
| | AED'000 | 2021 |
| | | AED'000 |
| Cash flows from operating activities | | |
| Profit for the period | 15,069 | 24,225 |
| Adjustments for: | | |
| Depreciation of property and equipment | 961 | 750 |
| Depreciation on right to use assets | 525 | 977 |
| Net movement in unearned contributions reserve | 49,280 | 68,073 |
| Unrealized (gain)/loss on investment | 5,573 | 2,419 |
| Unrealised gain on investment properties | (4,572) | |
| Amortisation of intangible assets | 267 | 194 |
| Share of profit from associates | (1,499) | (1,251) |
| Dividend income | (827) | (194) |
| | 64,777 | 95,193 |
| Operating cash flows before changes in operating assets and liabilities | | |
| Increase in deposits with takaful and retakaful companies | 398 | 8 |
| Increase in contributions and takaful balance receivable | (46,030) | (132,218) |
| Increase in due from/to related parties | - | - |
| Decrease in other assets and receivables | 13,809 | 39,133 |
| Increase in outstanding claims (net of retakaful) | (1,196) | 1,795 |
| Increase in takaful payables and other payables | (78,180) | 81,403 |
| Release of restricted bank balances | 258,469 | |
| | 212,047 | 85,314 |
| Net cash generated from operating activities | | |
| Cash flows from investing activities | | |
| Disposal/(purchase) of property and equipment | 820 | (167) |
| Purchase of intangible assets | (552) | (114) |
| Investments properties-net | - | 606 |
| Repayment of principal and interest on lease liability | (1,059) | (1,001) |
| Decrease in term deposits under lien or with maturity after three months | 854 | 82 |
| Net movement in deposits | 21,490 | (11,174) |
| Dividend received | 827 | 194 |
| Increase in investments – net | (38,847) | (20,963) |
| Net movement in participants' investments in unit-linked contracts | (1,015) | 1,458 |
| | (17,482) | (31,079) |
| Net cash used in investing activities | | |
| Cash flows from financing activities | | |
| Funds received from short term borrowings | 6,250 | - |
| Net movement in non-controlling interest | (2,149) | - |
| | 4,101 | - |
| Net cash from financing activities | | |
| Net increase in cash and cash equivalents | 198,666 | 54,235 |
| Cash and cash equivalents at the beginning of the period | 104,440 | 83,821 |
| | 303,106 | 138,056 |
| Cash and cash equivalents at the end of the period | | |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022 (unaudited)

1. GENERAL INFORMATION

Islamic Arab Insurance Co. (Salama) PJSC (“the Company”) is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari’ah principles and in accordance with the relevant Articles of the Company, UAE Federal Law No. (2) of 2015 for commercial companies and U.A.E. Federal Law No. (6) of 2007, concerning regulations of insurance operations.

The Company and its subsidiaries are referred to as “the Group”. Tariic Holding B.S.C (Tariic), a subsidiary of the Company, is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Shari’ah principles:

| Subsidiaries | Group’s Ownership | | Country of incorporation | Activity |
|--|-------------------|------------------|--------------------------|-----------------------|
| | 31 March 2022 | 31 December 2021 | | |
| <i>Directly owned</i> | | | | |
| Tariic Holding Company B.S.C | 99.40% | 99.40% | Kingdom of Bahrain | No takaful operations |
| Misr Emirates Takaful Life Insurance Co. | 85% | 85% | Egypt | Family takaful |
| Salama Immobilier | 84.25% | 84.25% | Senegal | No takaful operations |
| Egyptian Saudi Insurance Home | 51.15% | 51.15% | Egypt | General takaful |
| <i>Through Tariic</i> | | | | |
| Salama Assurances Algeria | 96.98% | 96.98% | Algeria | General takaful |

Coronavirus (COVID-19) outbreak and its impact on the Group

With the rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures.

The UAE Government has implemented restrictions on travelling as well as strict quarantine measures, impacting a wide range of industries, and the insurance industry is expected to be indirectly affected.

Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact on the Group’s profitability position as at reporting date. This is primarily because insurance activities in the UAE continue and are not subject to many of the restrictions mentioned above.

Management has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Group and has concluded that the main impacts on the Group’s profitability/liquidity position may arise from:

- recoverability of contributions and takaful balance receivables,
- fair value measurement of financial instruments,
- fair value measurement of investment properties,
- impairment of goodwill, and
- provision for outstanding claims and claims incurred but not reported.

The Group has performed stress testing as required by the Insurance Authority of UAE on a monthly basis approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern and there have been no updates to the business plan in the current period. Accordingly, these condensed consolidated interim financial information have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2: The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

2.2 New and revised IFRS standards and interpretations but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*: Effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*: Effective for annual periods beginning on or after 1 January 2022. In May 2021, the IASB has issued an exposure draft deferring the effective date of the standard to 1 January 2023;
- Amendments to IFRS 3: *Reference to the Conceptual Framework*: Effective for annual periods beginning on or after 1 January 2022;
- Amendment to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*: Effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*: Effective for annual periods beginning on or after 1 January 2022; and
- Annual Improvements 2018-2021 cycle:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective for annual periods beginning on or after 1 January 2022);
 - IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability (effective for annual periods beginning on or after 1 January 2022); and
 - IAS 41 Agriculture – Taxation in fair value measurements - The amendment removes the requirement that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41 (effective for annual periods beginning on or after 1 January 2022);

2.3 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

The Group has performed an assessment of the amendment and concluded that its activities are predominantly connected with insurance. Management has applied the temporary exemption in its reporting period starting on 1 January 2018. The Group has decided to opt for the options to defer application of IFRS 9 given in said amendments to IFRS 4 "Insurance contracts" and concluded to apply IFRS 9 w.e.f. from 1 January 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard (IAS) No. 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated interim financial information are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated and all value are rounded to the nearest thousand (AED 1000) except when otherwise indicated.

These condensed consolidated interim financial information have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2021.

This condensed consolidated interim financial information does not include all the information required for full audited annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2021. In addition, results for the three month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

4. CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

The existence of novel coronavirus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure, and until now, only subjective assessment of the impact can be used.

Recoverability of contributions and takaful balance receivables

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on management’s assessment, the Group has not identified a material impact on the recoverability of contribution and takaful balance receivables for the period ended 31 March 2022.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets. The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on management’s assessment, the Group has not identified a material impact on the fair values of any financial assets and liabilities for the period ended 31 March 2022 other than the change which is already reflected in the condensed interim financial information.

4. CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Fair value measurement of investment properties

As the real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

Based on management's assessment, the Group has not identified any significant impact to the fair values of investment properties for the period ended 31 March 2022. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Impairment of goodwill

The Group has performed an assessment of the impact of COVID-19 on an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Management used sensitivity analyses in estimating of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Group's determined that there is no material impact on fair value of goodwill for the period ended 31 March 2022.

Provision for outstanding claims and claims incurred but not reported

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements, provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported for the period ended 31 March 2022. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

5. TAKAFUL AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of takaful and financial risks: underwriting risk, market risk (which includes foreign currency risk, profit rate risk and price risk), credit risk and liquidity risk.

The condensed interim consolidated financial information does not include all takaful and financial risk management information and disclosures required in the annual consolidated financial statements; therefore, they should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2021.

There have been no changes in the risk management department or in any risk management policies since the year end.

6. INVESTMENT PROPERTIES

The geographic dispersion of investment properties is as follows.

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|-------------|--|---|
| Within UAE | 9,000 | 9,000 |
| Outside UAE | 133,784 | 133,055 |
| | 142,784 | 142,055 |

The variations in the value of investment properties are due to change in foreign exchange translation of investment properties held in foreign operations.

The Group has an investment in Kingdom of Saudi Arabia amounting to AED 85 million which is subject to an ongoing legal case as described in note 19.

The Group investment properties portfolio is being managed and maintained by a third party; administrative costs and the rental income received from these properties are being set off with the administrative fees.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

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For the three month period ended 31 March 2022 (unaudited)

7. INVESTMENT IN ASSOCIATES

The principal significant associates of the Group, all of which have 31 December as their year-end are as follows.

| Associates | Ownership | | Country of incorporation | 31 March 2022 | 31 December 2021 |
|-------------------------------------|-----------|------|-----------------------------|------------------------|----------------------|
| | 2022 | 2021 | | (unaudited) AED'000 | (audited) AED'000 |
| Islamic Insurance Jordan | 20% | 20% | Jordan | 35,903 | 34,447 |
| | | | | 35,903 | 34,447 |
| | | | | 35,903 | 34,447 |
| Movements during the period/year | | | | | |
| | | | | 31 March 2022 | 31 December 2021 |
| | | | | (unaudited) AED'000 | (audited) AED'000 |
| Balance at 1 January | | | | 34,447 | 32,932 |
| Share of profit from associates | | | | 1,499 | 1,960 |
| Dividend received | | | | - | (1,236) |
| Share of other comprehensive income | | | | (43) | 791 |
| | | | | 35,903 | 34,447 |
| | | | | 35,903 | 34,447 |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022 (unaudited)

8. INVESTMENTS

| | 31 March 2022 (unaudited) | | | 31 December 2021 (audited) | | |
|--|-----------------------------------|---|------------------|-----------------------------------|---|------------------|
| | Domestic investment AED'000 | Inter- national investment AED'000 | Total AED'000 | Domestic investment AED'000 | Inter- national investment AED'000 | Total AED'000 |
| Financial assets at fair value through profit or loss | | | | | | |
| Shares and securities | - | 51,167 | 51,167 | - | 59,534 | 59,534 |
| Available-for-sale investments | | | | | | |
| Mutual fund and externally managed portfolios | - | 62,561 | 62,561 | - | 62,561 | 62,561 |
| Shares and securities | - | 910 | 910 | - | 934 | 934 |
| | - | 63,471 | 63,471 | - | 63,495 | 63,495 |
| Islamic placements* | - | 178,528 | 178,528 | - | 172,762 | 172,762 |
| Held to maturity | | | | | | |
| Sukuk and | | | | | | |
| Government bonds | - | 114,480 | 114,480 | - | 118,890 | 118,890 |
| Wakalah certificates | 54,094 | - | 54,094 | 54,094 | - | 54,094 |
| Other Mudariba Investments | - | 90,291 | 90,291 | - | 90,291 | 90,291 |
| | 54,094 | 204,771 | 258,865 | 54,094 | 209,181 | 263,275 |
| | 54,094 | 497,937 | 552,031 | 54,094 | 504,972 | 559,066 |

*Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.79% to 5% (2021: 0.22% to 5%) and maturing in more than three month when acquired.

The following investments are subject to an ongoing legal case as described in note 19.

- Islamic placement investments of AED 47.14 million (2021:AED 47.14 million);
- Available-for-sale investments of AED 62.56 million (2021:AED 62.56 million); and
- Held to maturity investments of AED 65.74 million (2021:AED 65.74 million).

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022 (unaudited)

8. INVESTMENTS (continued)

8.1 Participants' investments in unit-linked contracts

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|--|--|---|
| Financial asset at fair value through profit or loss | 2,325,827 | 2,396,075 |

Determining fair values

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 March 2022 (Unaudited)

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Financial assets | | | | |
| Fair value through profit or loss | | | | |
| Participants' investments in unit-linked contracts | - | 2,325,827 | - | 2,325,827 |
| Shares and securities | 51,167 | - | - | 51,167 |
| | 51,167 | 2,325,827 | - | 2,376,994 |
| Available-for-sale | | | | |
| Mutual fund | - | 62,561 | - | 62,561 |
| Shares and securities | 382 | 528 | - | 910 |
| | 382 | 63,089 | - | 63,471 |
| Non-financial assets | | | | |
| Investment properties (note 6) | - | - | 142,784 | 142,784 |
| Financial liabilities | | | | |
| Payable to participants for unit-linked contracts | - | 2,323,700 | - | 2,323,700 |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022 (unaudited)

8. INVESTMENTS (continued)

8.1 Participants' investments in unit-linked contracts (continued)

31 December 2021 (audited)

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|--|--------------------|--------------------|--------------------|------------------|
| Financial assets | | | | |
| Fair value through profit or loss | | | | |
| Participants' investments in unit-linked contracts | - | 2,396,075 | - | 2,396,075 |
| Shares and securities | 59,534 | - | - | 59,534 |
| | <u>59,534</u> | <u>2,396,075</u> | <u>-</u> | <u>2,455,609</u> |
| Available-for-sale | | | | |
| Mutual fund | - | 62,561 | - | 62,561 |
| Shares and securities | 392 | 542 | - | 934 |
| | <u>392</u> | <u>63,103</u> | <u>-</u> | <u>63,495</u> |
| Non-financial assets | | | | |
| Investment properties | - | - | 142,055 | 142,055 |
| Financial liabilities | | | | |
| Payable to participants for unit-linked contracts | - | 2,394,963 | - | 2,394,963 |

9. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). The Group's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. Following are the details of significant transactions with related parties.

| | 2022 (unaudited) AED'000 | 2021 (unaudited) AED'000 |
|---|--------------------------------|--------------------------------|
| Contribution | 65 | 1,879 |
| Claims paid | - | 8,184 |
| | <u>65</u> | <u>10,063</u> |
| Compensation of key management personnel | | |
| Short term benefits | 1,441 | 1,549 |
| Employees end of service benefits | 12 | 217 |
| | <u>1,453</u> | <u>1,766</u> |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022 (unaudited)

9. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|--|--|---|
| Cash and bank balances | 301 | 301 |
| Investments held-to-maturity Wakalah certificates | 54,094 | 54,094 |
| Participants' investments in unit-linked contracts | 352,755 | 369,494 |

10. SHARE CAPITAL

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|--|--|---|
| Issued and fully paid (1,210 million ordinary shares of AED 1 each) | 1,210,000 | 1,210,000 |

11. TREASURY SHARES

In 2008, the Company bought back 21,669,790 shares amounting to AED 35.97 million. The treasury shares are debited as a separate category of shareholders' equity at cost. The process for capital reduction has been initiated by the company

12. STATUTORY RESERVE

In accordance with Article 239 of the U.A.E. Federal Law No. (2) of 2015 and the Articles of Association of the Company, 10% of the net profit is required to be transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

13. OTHER RESERVES

Other reserves includes following:

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|--------------------------------------|--|---|
| Revaluation reserve | 20,753 | 20,753 |
| Foreign exchange translation reserve | (145,219) | (130,718) |
| Investment fair value reserve | (27,965) | (27,922) |
| Regulatory reserve – UAE operations | 1,859 | 1,756 |
| | (150,572) | (136,131) |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022 (unaudited)

14. WAKALAH SHARE

The shareholders manage the takaful operations of the Group for the policyholders and charge 9.87% (2021: 7.91%) of gross written contributions and participant investment revenues of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2021: 15%) of mortality costs.

15. QARD HASAN

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 | 31 March 2021 (unaudited) AED'000 |
|---|--|---|--|
| Balance at 1 January | - | (688,010) | (688,010) |
| Net surplus attributable to policyholders for the period/year | | 5,994 | 1,890 |
| Surplus distribution to policyholders of family takaful | - | - | - |
| Write-off of Qard Hassan | - | 682,016 | |
| | <u> </u> | <u> </u> | <u> </u> |
| Financed by shareholders | - | - | (686,120) |
| | <u> </u> | <u> </u> | <u> </u> |

The shareholders of the Group financed the policyholders' deficit in accordance with the takaful contracts between the Group and its Policyholders.

16. BASIC AND DILUTED EARNINGS PER SHARE

| | Three month period ended 31 March | |
|--|--|-----------------------------|
| | 2022 (unaudited) | 2021 (unaudited) |
| Profit for the period attributable to shareholders (AED'000) | 9,925 | 22,220 |
| | <u> </u> | <u> </u> |
| Number of shares (in thousands) | 1,188,330 | 1,188,330 |
| | <u> </u> | <u> </u> |
| Basic and diluted earnings per share (AED) | 0.008 | 0.019 |
| | <u> </u> | <u> </u> |

Basic earnings per share are calculated by dividing the profit for the period by the number of weighted average shares outstanding at the end of the reporting period after taking into account the treasury shares held. Diluted earnings per share is equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022 (unaudited)

17. CASH AND CASH EQUIVALENTS

| | 31 March 2022 AED'000 (unaudited) | 31 December 2021 AED'000 (Audited) | 31 March 2021 AED'000 (unaudited) |
|--|--|---|--|
| Cash in hand | 40 | 69 | 28 |
| Cash at bank | 290,704 | 346,886 | 131,128 |
| Term deposits | 16,389 | 20,835 | 14,947 |
| | 307,133 | 367,790 | 146,103 |
| Less: term deposits with maturity after three months | - | - | (3,159) |
| Less: term deposits under lien | (4,027) | (4,881) | (4,888) |
| Less: Restricted bank balances (note 19) | - | (258,469) | - |
| | 303,106 | 104,440 | 138,056 |

18. OTHER ASSETS AND RECEIVABLES

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|---------------------|--|---|
| Deferred commission | 134,282 | 178,156 |
| Prepaid commission | 2,887 | 6,024 |
| Others | 105,376 | 72,174 |
| | 242,545 | 256,354 |

The other assets and receivables include other receivables amounting to AED13.8 million which was previously subjected to a legal case, and on which the Group has won, and the court has issued performance order and is now under execution against the relevant counter parties. The other assets and receivable also include other receivable amounting to AED19.85 million receivable against sale of investment in Best Re Holding Ltd.

The management believes at this stage that these receivables are recoverable and thus, no provision has been made.

19. COMMITMENTS AND CONTINGENCIES

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|----------------------|--|---|
| Letters of guarantee | 13,820 | 15,038 |

Deposits including statutory deposits amounting to AED 14.03 million (2021: AED 14.18 million) are held as lien by the bank against the above guarantee.

19. COMMITMENTS AND CONTINGENCIES (continued)

Ongoing legal case

In the prior years, a bank (previously related party) has filed legal claim against the Group seeking to obligate the Group to pay a net sum of AED 258 million after setting off investment property amounting to AED 83 million and available for sale investments amounting to AED 54 million against the alleged loan granted to the Group amounting to AED 395 million during the year 2008. In 2022, the above claim was dismissed by the court in the first instance stage. As at reporting date, no provision has been considered by the Group's management in respect of this claim of AED 258 million and also aforementioned investment property and available for sale investments are continuing to be recorded in these consolidated financial statements at AED 85 million and AED 58 million respectively.

Furthermore, a Precautionary Attachment Order has been issued by the bank Court against the Company on the request of the bank, however, the management has taken immediate action to file a grievance request and the Court has decided to cancel the aforesaid Precautionary Attachment Order (Court Cancellation Decision). This Court Cancellation Decision has been appealed by the bank and the Court issued a decision overruling the Court Cancellation Decision (the Appeal Decision). The Management has appealed on cassation the Appeal Decision and the Appeal Court of Dubai has issued its judgement in March 2022, refuting the Letter of Demand and cancelling the legal actions taken against the Company Therefore, full amount that was blocked under the bank attachment order has been released, amounting to AED 258.46m.

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by policyholders, cedants and retakaful operators in connection with policies issued. The management believes, based on independent legal counsel opinions that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore, as per independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the consolidated financial statements. However, a provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no significant capital commitments at 31 March 2022 (2021: nil)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2021 (unaudited)

20. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (UNAUDITED)

| | For the three month period ended 31 March 2022 | | | | For the three month period ended 31 March 2021 | | | |
|--|--|--------------------------|--|------------------|--|--------------------------|--|------------------|
| | Shareholders AED'000 | Policyholders AED'000 | Non- controlling interest AED'000 | Total AED'000 | Shareholders AED'000 | Policyholders AED'000 | Non-controlling interest AED'000 | Total AED'000 |
| Net underwriting income | | | | | | | | |
| Income | - | 32,011 | - | 32,011 | - | 41,072 | - | 41,072 |
| Wakalah share (Note 14) | 19,240 | (19,240) | - | - | 23,545 | (23,545) | - | - |
| Mudarib share (Note 14) | 5 | (5) | - | - | 7 | (7) | - | - |
| Net technical charges from policyholders to shareholders | 16,031 | (16,031) | - | - | 15,855 | (15,855) | - | - |
| Net underwriting income from Subsidiaries | 10,811 | (10,811) | - | - | 11,743 | (11,743) | - | - |
| Income from investments | 11,282 | 13 | - | 11,295 | 12,236 | 21 | - | 12,257 |
| Other income | 3,042 | 134 | - | 3,176 | 3,767 | 141 | - | 3,908 |
| | 60,411 | (13,929) | | 46,482 | 67,153 | (9,916) | | 57,237 |
| Expenses | | | | | | | | |
| General, administrative and other Expenses | (28,436) | - | - | (28,436) | (31,293) | - | - | (31,293) |
| Financial expenses | (610) | - | - | (610) | (540) | - | - | (540) |
| Commission paid and other costs | (13,929) | 13,929 | - | - | (11,806) | 11,806 | - | - |
| Net profit/(loss) before tax for the period | 17,436 | - | - | 17,436 | 23,514 | 1,890 | - | 25,404 |
| Tax – current | (2,367) | - | - | (2,367) | (1,179) | - | - | (1,179) |
| Net profit/(loss) after tax for the period | 15,069 | - | - | 15,069 | 22,335 | 1,890 | - | 24,225 |
| Gain from discontinued operations | - | - | - | - | - | - | - | - |
| Share of non-controlling interest | (5,144) | - | 5,144 | - | (2,005) | - | 2,005 | - |
| Distribution to policyholders of the Company | - | - | - | - | - | - | - | - |
| Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund | - | - | - | - | 1,890 | (1,890) | - | - |
| Net profit for the period | 9,925 | - | 5,144 | 15,069 | 22,220 | - | 2,005 | 24,225 |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2021 (unaudited)

20. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (continued)

Condensed consolidated interim statement of financial position

| | 31 March 2022 (unaudited) AED'000 | 31 December 2021 (audited) AED'000 |
|--|--|---|
| ASSETS | | |
| <i>Participants' assets</i> | | |
| Participants' investments in unit-linked contracts | 2,325,827 | 2,396,075 |
| Contributions and takaful balance receivables | 179,802 | 128,449 |
| Retakafuls' share of outstanding claims | 204,064 | 197,402 |
| Retakafuls' share of unearned contributions | 70,007 | 82,889 |
| Other assets and receivables | 13 | 9 |
| Restricted bank balances | - | 258,469 |
| Investments | 65,737 | 18,594 |
| Cash and bank balances | 254,637 | 74,710 |
| | <hr/> | <hr/> |
| Total participants' assets | 3,100,086 | 3,156,597 |
| Total shareholders' assets * | 1,539,662 | 1,611,447 |
| | <hr/> | <hr/> |
| Total assets | 4,639,748 | 4,768,044 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities | | |
| <i>Participants' liabilities</i> | | |
| Outstanding claims and family takaful reserve | 327,099 | 315,543 |
| Payable to participants for unit-linked contracts | 2,323,700 | 2,394,963 |
| Unearned contributions reserve | 213,182 | 161,481 |
| Takaful balances payable | 127,088 | 129,611 |
| Other payables and accruals | 109,017 | 153,072 |
| | <hr/> | <hr/> |
| Total participants' liabilities | 3,100,086 | 3,154,670 |
| Total shareholders' liabilities* | 703,262 | 770,206 |
| | <hr/> | <hr/> |
| Total liabilities | 3,803,348 | 3,924,876 |
| | <hr/> | <hr/> |
| Net assets employed | 836,400 | 843,168 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Financed by: | | |
| Shareholders' equity | 762,868 | 767,487 |
| Non-controlling interest | 73,532 | 75,681 |
| | <hr/> | <hr/> |
| | 836,400 | 843,168 |
| | <hr/> <hr/> | <hr/> <hr/> |

* Shareholders' assets and liabilities represents affairs of the subsidiaries as shareholder funds are used for the investments thereon.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

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For the three month period ended 31 March 2021 (unaudited)

21. OPERATING SEGMENT

By business

| | <u>Three month period ended 31 March 2022</u> | | | <u>Three month period ended 31 March 2021</u> | | |
|---|---|---------------------------|------------------|---|---------------------------|------------------|
| | General takaful AED'000 | Family takaful AED'000 | Total AED'000 | General takaful AED'000 | Family takaful AED'000 | Total AED'000 |
| Gross written contributions | 219,915 | 85,043 | 304,958 | 326,050 | 101,508 | 427,558 |
| Net contributions earned | 99,787 | 62,473 | 162,260 | 98,302 | 75,060 | 173,362 |
| Commissions income on ceded reinsurance and Retakaful | 10,908 | - | 10,908 | 10,620 | 1,008 | 11,628 |
| | 110,695 | 62,473 | 173,168 | 108,922 | 76,068 | 184,990 |
| Net claims incurred | (73,065) | 431 | (72,634) | (61,045) | (2,735) | (63,780) |
| Commissions expense and other costs | (28,007) | (40,516) | (68,523) | (27,184) | (52,954) | (80,138) |
| Net underwriting income | | | 32,011 | 20,693 | 20,379 | 41,072 |
| Investment and other income | | | 14,471 | | | 16,165 |
| Unallocated expenses and tax | | | (31,413) | | | (33,012) |
| Net profit after tax | | | 15,069 | | | 24,225 |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

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For the three month period ended 31 March 2021 (unaudited)

21. OPERATING SEGMENT (continued)

By geography

| | <u>Three month period ended 31 March 2022</u> | | | <u>Three month period ended 31 March 2021</u> | | |
|--|---|---------------------|---------------------|---|---------------------|---------------------|
| | Africa AED'000 | Asia AED'000 | Total AED'000 | Africa AED'000 | Asia AED'000 | Total AED'000 |
| Gross written contributions | 64,614 | 240,344 | 304,958 | 78,174 | 349,384 | 427,558 |
| Net contributions earned | 52,904 | 109,356 | 162,260 | 57,958 | 115,404 | 173,362 |
| Commissions income on ceded reinsurance and retakaful | 3,372 | 7,536 | 10,908 | 3,940 | 7,688 | 11,628 |
| Net claims incurred | 56,276 (31,373) | 116,892 (41,261) | 173,168 (72,634) | 61,898 (32,080) | 123,092 (31,700) | 184,990 (63,780) |
| Commissions expense and other costs | (14,092) | (54,431) | (68,523) | (18,077) | (62,061) | (80,138) |
| Net underwriting income | 10,811 | 21,200 | 32,011 | 11,741 | 29,331 | 41,072 |
| Investment and other income | | | 14,471 | | | 16,165 |
| Unallocated expenses and tax | | | (31,413) | | | (33,012) |
| Net profit after tax | | | 15,069 | | | 24,225 |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2021 (unaudited)

21. OPERATING SEGMENT (continued)

By business

31 March 2022 (Unaudited)

| | General takaful AED'000 | Family takaful AED'000 | Total AED'000 |
|--|-------------------------------|------------------------------|------------------|
| ASSETS | | | |
| Property and equipment | 31,949 | 2,750 | 34,699 |
| Goodwill and intangibles | 116,111 | 1,946 | 118,057 |
| Investment properties | 142,784 | - | 142,784 |
| Right to use assets | 1,326 | 2,084 | 3,410 |
| Investment in associates | 35,903 | - | 35,903 |
| Deposits | 172,572 | 45,587 | 218,159 |
| Investments | 437,187 | 114,844 | 552,031 |
| Participants' investments in unit-linked contracts | | 2,325,827 | 2,325,827 |
| Deposits with takaful and retakaful companies | 1,989 | - | 1,989 |
| Contributions and takaful balance receivables | 237,361 | 22,073 | 259,434 |
| Retakafuls' share of outstanding claims | 182,341 | 94,578 | 276,919 |
| Retakafuls' share of unearned contributions | 115,676 | 5,180 | 120,856 |
| Other assets and receivables | 63,877 | 178,668 | 242,545 |
| Bank balances and cash | 86,793 | 220,342 | 307,135 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | 1,625,869 | 3,013,879 | 4,639,748 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES | | | |
| Outstanding claims and family takaful reserve | 328,713 | 259,610 | 588,323 |
| Payable to Participants for unit-linked contracts | - | 2,323,700 | 2,323,700 |
| Unearned contributions reserve | 306,719 | 55,384 | 362,103 |
| Short term borrowings | 1,875 | 4,375 | 6,250 |
| Takaful balances payable | 145,806 | 52,627 | 198,433 |
| Other payables and accruals | 119,974 | 200,981 | 320,955 |
| Lease liabilities | 1,406 | 2,178 | 3,584 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 904,493 | 2,898,855 | 3,803,348 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Net assets employed | 721,376 | 115,024 | 836,400 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Financed by: | | | |
| Shareholders' equity | | | 762,868 |
| Non-controlling interest | | | 73,532 |
| | | | <hr/> |
| | | | 836,400 |
| | | | <hr/> <hr/> |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2021 (unaudited)

21. OPERATING SEGMENT (continued)

By business

31 December 2021 (Audited)

| | General takaful AED'000 | Family takaful AED'000 | Total AED'000 |
|--|----------------------------|---------------------------|------------------|
| Assets | | | |
| Property and equipment | 33,485 | 2,995 | 36,480 |
| Goodwill and intangibles | 115,692 | 2,080 | 117,772 |
| Investment properties | 142,055 | - | 142,055 |
| Right of use assets | 1,752 | 2,674 | 4,426 |
| Investments in associates | 34,447 | - | 34,447 |
| Deposits | 188,195 | 51,454 | 239,649 |
| Investments | 442,574 | 116,492 | 559,066 |
| Participants' investments in unit-linked contracts | - | 2,396,075 | 2,396,075 |
| Deposits with takaful and retakaful companies | 2,387 | - | 2,387 |
| Contributions and takaful balance receivables | 191,991 | 21,413 | 213,404 |
| Retakafuls' share of outstanding claims | 179,294 | 83,056 | 262,350 |
| Retakafuls' share of unearned contributions | 130,677 | 5,112 | 135,789 |
| Other assets and receivables | 62,729 | 193,625 | 256,354 |
| Restricted bank balances | - | 258,469 | 258,469 |
| Bank balances and cash | 63,889 | 45,432 | 109,321 |
| | <u>1,589,167</u> | <u>3,178,877</u> | <u>4,768,044</u> |
| Liabilities and policyholders' fund | | | |
| Outstanding claims and family takaful reserve | 324,096 | 250,854 | 574,950 |
| Payable to Participants for unit-linked contracts | - | 2,394,963 | 2,394,963 |
| Unearned contributions reserve | 266,124 | 61,632 | 327,756 |
| Short term borrowings | 7,500 | 17,500 | 25,000 |
| Takaful balances payable | 152,540 | 53,122 | 205,662 |
| Other payables and accruals | 144,264 | 247,642 | 391,906 |
| Lease liabilities | 1,857 | 2,782 | 4,639 |
| Total liabilities | <u>861,247</u> | <u>2,736,760</u> | <u>3,598,007</u> |
| Policyholders' fund | - | - | - |
| Net assets employed | <u>688,111</u> | <u>150,382</u> | <u>843,168</u> |
| Financed by: | | | |
| Shareholders' equity | | | 767,487 |
| Non-controlling interest | | | 75,681 |
| | | | <u>843,168</u> |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2021 (unaudited)

22. CLASSES AND CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of each class of financial assets and liabilities and their fair values.

For instruments carried at amortised cost, management believes that their carrying values approximates to their fair values.

31 March 2022 (Unaudited)

| | FVTPL AED'000 | Available for sale investments AED'000 | Amortised cost AED'000 | Total AED'000 |
|--|------------------|---|------------------------------|------------------|
| Financial assets | | | | |
| Investments | 51,167 | 63,471 | 437,393 | 552,031 |
| Deposits | - | - | 218,159 | 218,159 |
| Participants' investments in unit-linked contracts | 2,325,827 | - | - | 2,325,827 |
| Deposits with takaful and retakaful Companies | - | - | 1,989 | 1,989 |
| Contributions and takaful balance receivables | - | - | 259,434 | 259,434 |
| Other assets and receivables | - | - | 59,413 | 59,413 |
| Bank balances and cash | - | - | 307,135 | 307,135 |
| | <u>2,376,994</u> | <u>63,471</u> | <u>1,283,523</u> | <u>3,723,988</u> |
| Financial liabilities | | | | |
| Payable to participants for unit-linked contracts | 2,323,700 | - | - | 2,323,700 |
| Takaful balances payable | - | - | 198,433 | 198,433 |
| Other payables and accruals | - | - | 285,538 | 285,538 |
| Lease liabilities | - | - | 3,584 | 3,584 |
| | <u>2,323,700</u> | <u>-</u> | <u>487,555</u> | <u>2,811,255</u> |

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2021 (unaudited)

22. CLASSES AND CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

31 December 2021 (audited)

| | FVTPL AED'000 | Available for- sale investments AED'000 | Amortised cost AED'000 | Total carrying amount AED'000 |
|--|------------------|--|---------------------------|-------------------------------------|
| Financial assets | | | | |
| Investments | 59,534 | 63,495 | 436,037 | 559,066 |
| Deposits | - | - | 239,649 | 239,649 |
| Participants' investments in unit- linked contracts | 2,396,075 | - | - | 2,396,075 |
| Deposits with takaful and retakaful companies | - | - | 2,387 | 2,387 |
| Contributions and takaful balance receivables | - | - | 208,729 | 208,729 |
| Other assets and receivables | - | - | 59,654 | 59,654 |
| Bank balances and cash | - | - | 109,321 | 109,321 |
| | <u>2,455,609</u> | <u>63,495</u> | <u>1,055,777</u> | <u>3,574,881</u> |
| Financial liabilities | | | | |
| Payable to participants for unit- linked contracts | 2,394,963 | - | - | 2,394,963 |
| Takaful balances payable | - | - | 205,662 | 205,662 |
| Other payables | - | - | 350,779 | 350,779 |
| Lease liabilities | - | - | 4,639 | 4,639 |
| | <u>2,394,963</u> | <u>-</u> | <u>561,080</u> | <u>2,956,043</u> |

23. SUBSEQUENT EVENTS

Dividend declaration

At the annual general meeting held on 29 April 2022, the Shareholders approved a cash dividend of 2 fils per share total amounting to AED 23.77 million (2021: AED 98.04 million).

24. FINANCIAL REGULATIONS

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, as at 31 March 2022, the Company has a solvency deficit (Solvency Capital Requirement (SCR) Solvency Margin - Deficit). The Company is in the process preparing the plan to meet the solvency requirements

25. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial information were approved by the Board of Directors and authorised for issue on 12 May 2022.