

Ras Al Khaimah National Insurance Company P.S.C.

**Directors' report, review report and condensed interim
financial information for the three month period ended
31 March 2022**

Ras Al Khaimah National Insurance Company P.S.C.

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Ras Al Khaimah National Insurance Company P.S.C.**Directors' report for the three month period ended 31 March 2022**

The Board of Directors has pleasure in submitting their report and the condensed interim financial information as at 31 March 2022 and for the three month period ended 31 March 2022 which have been reviewed by the external auditors.

Incorporation and registered office

Ras Al Khaimah National Insurance Company P.S.C. ("RAK Insurance" or the "Company") was incorporated under an Emiri Decree Number 20/76 issued by HH Ruler of Ras Al Khaimah. The address of the registered office is RAK Insurance Head Office, 6th Floor RAK Bank ROC Office, Al Riffa, Ras Al Khaimah, United Arab Emirates.

Financial position and results

For the three month ended 31 March 2022, RAK Insurance recorded a net loss of AED 4.8 million as compared to net profit of AED 3.1 million in the three month period end 31 March 2021 (the "Previous Period").

Gross written premium increased by 1.5% to AED 107 million compared to AED 106 million in the Previous Period.

Gross underwriting income from insurance operations decreased to AED 7 million compared to AED 9 million in the Previous Period.

As at 31 March 2022, the Company's total assets decreased from AED 797 million as at 31 December 2021 to AED 760 million and the Shareholders' Equity decreased from AED 203 million as at 31 December 2021 to AED 193 million.

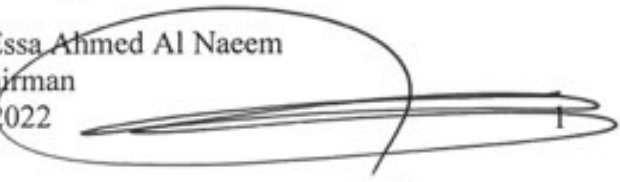
As at 31 March 2022, the Company's total liabilities were AED 567 million compared to AED 594 million at 31 December 2021.

Basic loss per share is AED 0.04 in the current period compared to basic earnings per share of AED 0.03 of the Previous Period on a capital base of AED 121.3 million.

On behalf of the Board of Directors of RAK Insurance, I would like to thank all who have contributed to our Company's success. Our sincere appreciation to the executive management and staff for their dedication, commitment and constant hard work. The Directors would also like to acknowledge our reinsurance partners, customers and all the stakeholders of the Company.

Yours faithfully,

Ahmed Essa Ahmed Al Naeem
Vice Chairman
11 May 2022





Review report on condensed interim financial information to the Board of Directors of Ras Al Khaimah National Insurance Company P.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ras Al Khaimah National Insurance Company P.S.C. (the "Company") as at 31 March 2022 and the related condensed interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers
11 May 2022

Jacques Fakhoury
Registered Auditor Number 379
Place: Ras Al Khaimah, United Arab Emirates

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of financial position

		As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
	Notes		
ASSETS			
Property and equipment	4	1,737,132	1,944,478
Intangible assets	5	6,344,389	6,619,820
Statutory deposit	7	10,000,000	10,000,000
Financial assets at fair value through other comprehensive income ("FVTOCI")	6	107,596,010	112,535,476
Bank balances and fixed deposits	11	190,977,474	192,385,619
Reinsurance contract assets	8	212,014,968	217,291,902
Deferred acquisition costs	20	22,436,874	23,228,424
Insurance and other receivables	9	146,052,011	175,405,403
Cash and cash equivalents	10	63,089,180	57,392,932
Total assets		760,248,038	796,804,054
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	121,275,000	121,275,000
Statutory reserve	13	49,756,048	49,756,048
Voluntary reserve	14	20,000,000	20,000,000
Reinsurance reserve	15	2,150,045	1,872,070
Cumulative changes in fair value of FVTOCI investments		(5,778,432)	(909,154)
Retained earnings		5,578,756	10,668,762
Net equity		192,981,417	202,662,726
LIABILITIES			
Provision for employees' end of service indemnity	18	6,320,407	6,115,257
Insurance contract liabilities	8	389,931,729	415,562,473
Deferred commission income	21	14,773,420	15,563,294
Bank borrowing	22	33,056,997	33,056,997
Insurance and other payables	17	123,184,068	123,843,307
Total liabilities		567,266,621	594,141,328
Total equity and liabilities		760,248,038	796,804,054

This condensed interim financial information was authorised for issue on 11 May 2022 by the Board of Directors and signed on its behalf by:

Ahmed Essa Ahmed Al Naeem
Vice Chairman

Ewen McRobbie
Chief Executive Officer

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of profit or loss

	Notes	For the three month period ended 31 March (Unaudited)	
		2022 AED	2021 AED
Insurance premium revenue earned	23	115,179,236	122,251,543
Insurance premium ceded to reinsurers	23	(48,804,746)	(46,545,361)
Net insurance premium revenue earned		66,374,490	75,706,182
Gross claims settled		(85,901,314)	(78,945,511)
Reinsurance share of claims settled		35,701,535	26,300,320
Net claims settled		(50,199,779)	(52,645,191)
Change in gross outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions	8	16,662,021	(1,812,213)
Change in reinsurance share of outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions	8	(10,989,482)	6,268,608
Change in gross mathematical reserve	8	970,513	289,446
Change in reinsurance share of mathematical reserve	8	(1,077,709)	(392,540)
Net claims incurred		(44,634,435)	(48,291,890)
Gross commission earned	21	3,905,316	4,338,213
Commission incurred	20	(18,951,904)	(22,745,387)
Net commission incurred		(15,046,588)	(18,407,174)
Gross underwriting income		6,693,467	9,007,118
General and administrative expenses	28	(14,784,538)	(13,157,690)
Reversal of impairment	6,9,11	502,983	3,286,564
Net underwriting loss		(7,588,088)	(864,008)
Interest income		2,109,716	1,900,773
Investment income net	24	8,333	1,993,172
Other income		658,008	34,774
(Loss) / profit for the period		(4,812,031)	3,064,711
Basic and diluted (loss) / earnings per share	16	(0.04)	0.03

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of comprehensive income

	For the three month period ended 31 March (Unaudited)	
	2022	2021
	AED	AED
(Loss) / profit for the period	(4,812,031)	3,064,711
Other comprehensive income		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Net change in fair value of debt investments designated at FVTOCI	(4,801,620)	(1,082,172)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net change in fair value of equity investments designated at FVTOCI	(67,658)	811,162
Total other comprehensive loss for the period	<u>(4,869,278)</u>	<u>(271,010)</u>
Total comprehensive (loss) / income for the period	<u><u>(9,681,309)</u></u>	<u><u>2,793,701</u></u>

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of changes in equity

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative changes in fair value of FVTOCI investments AED	Retained earnings AED	Total AED
Balance at 31 December 2020 (audited)	121,275,000	48,708,862	20,000,000	949,485	650,387	11,492,284	203,076,018
Profit for the period	-	-	-	-	-	3,064,711	3,064,711
Other comprehensive loss for the period	-	-	-	-	(271,010)	-	(271,010)
Total comprehensive income for the period	-	-	-	-	(271,010)	3,064,711	2,793,701
Transfer to reinsurance reserve (Note 15)	-	-	-	235,795	-	(235,795)	-
Balance at 31 March 2021 (Unaudited)	121,275,000	48,708,862	20,000,000	1,185,280	379,377	14,321,200	205,869,719
Balance at 31 December 2021 (audited)	121,275,000	49,756,048	20,000,000	1,872,070	(909,154)	10,668,762	202,662,726
Loss for the period	-	-	-	-	-	(4,812,031)	(4,812,031)
Other comprehensive loss for the period	-	-	-	-	(4,869,278)	-	(4,869,278)
Total comprehensive loss for the period	-	-	-	-	(4,869,278)	(4,812,031)	(9,681,309)
Transfer to reinsurance reserve (Note 15)	-	-	-	277,975	-	(277,975)	-
Balance at 31 March 2022 (unaudited)	121,275,000	49,756,048	20,000,000	2,150,045	(5,778,432)	5,578,756	192,981,417

The notes on pages 8 to 40 form an integral part of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of cash flows

	Notes	For the three month period ended	
		31 March (Unaudited)	
		2022	2021
		AED	AED
Cash flows from operating activities			
(Loss) / profit for the period		(4,812,031)	3,064,711
Adjustments for:			
Depreciation of property and equipment	28	266,514	299,437
Depreciation of investment properties	28	-	42,651
Amortisation of intangible assets	28	376,425	370,310
Release of provision for impairment – net	6,8,11	(502,983)	(3,229,623)
Provision for employees' end of service indemnity	18	315,231	259,038
Realised gain on disposal of financial assets at FVTOCI	24	-	(1,102,114)
Interest income		(2,109,716)	(1,900,773)
Dividend income	24	(8,333)	(747,489)
Amortisation of premium on FVTOCI debt investments	6	77,442	60,147
Net income from investment properties	24	-	(143,602)
Written off property and equipment		37,630	-
Interest cost on bank borrowing		94,214	-
Realised loss on disposal of property and equipment	4	-	645
Operating cash flows before changes in working capital and payments of employees' end of service indemnity		(6,265,607)	(3,026,662)
Changes in working capital:			
Decrease / (increase) in reinsurance contract assets	8	5,276,934	(6,489,670)
Decrease in deferred acquisition costs	20	791,550	635,049
Decrease in deferred commission income	21	(789,874)	(1,098,713)
Decrease in insurance contract liabilities	8	(25,630,744)	(15,132,259)
Decrease in insurance and other receivables		21,615,546	21,131,873
Decrease in current accounts in a Lebanese bank	11	397	-
(Decrease) / increase in insurance and other payables		(666,429)	7,137,397
Net cash (used in) / generated from operations		(5,668,227)	3,157,015
Employees' end of service indemnity paid	18	(110,081)	(126,187)
Interest paid on bank borrowing		(87,024)	-
Net cash (used in) / generated from operating activities		(5,865,332)	3,030,828
Cash flows from investing activities			
Purchase of property and equipment	4	(96,798)	(488,230)
Purchase of intangible assets	5	(100,994)	-
Sales proceeds from disposal of property and equipment	4	-	3,699
Proceeds from maturity of financial assets at FVTOCI	6	-	7,346,000
Proceeds from sale of financial assets at FVTOCI	6	-	37,970,371
Rental income received from investment properties		-	143,602
Interest received		8,259,372	2,177,625
Dividend income received		-	449,920
Maturities of fixed deposits with banks with original maturities greater than three months	11	98,500,000	30,000,000
Placements of fixed deposits with banks with original maturities greater than three months	11	(95,000,000)	(40,000,000)
Net cash generated from investing activities		11,561,580	37,602,987
Net increase in cash and cash equivalents		5,696,248	40,633,815
Cash and cash equivalents at the beginning of the period		57,392,932	29,682,191
Net cash and cash equivalents at the end of the period	9	63,089,180	70,316,006

Principal non-cash transactions:

There were no non-cash transactions during the three-month periods ended 31 March 2022 and 31 March 2021.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022

1 General information

Ras Al Khaimah National Insurance Company P.S.C. (the “Company”) is a public joint-stock company, established and incorporated in the Emirate of Ras Al Khaimah by Emiri decree No. 20/76 dated 26 October 1976. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations, as amended, and is registered in the Insurance Companies Register of the Central Bank of the UAE (formerly, the UAE Insurance Authority), under registration number 7.

The Company is required, for the three month period ended 31 March 2022, to be in compliance with the provisions of the UAE Federal Law No. 2 of 2015, as amended. On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 (“Companies Law”) was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Company has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021.

Federal Decree Law No. (24) of 2020 which amends certain provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the UAE (“CBUAE”).

The Company is a subsidiary of National Bank of Ras Al Khaimah P.S.C. (the “Parent company”) which is incorporated in the Emirate of Ras Al Khaimah, United Arab Emirates. The address of the Company’s registered head office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company is to undertake all classes of insurance business including life assurance, saving and accumulation of funds. The Company operates through its head office in Ras Al Khaimah and branch offices in Ras Al Khaimah, Dubai, Sharjah, and Abu Dhabi.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (“IFRS”)

2.1 New and revised IFRSs and interpretations applied on the condensed 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 this condensed interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 – Effective 1 January 2022

Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions Extension of the practical expedient – Effective 1 April 2021

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

2 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRSs issued but not yet effective and not early adopted

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 "Insurance contracts"	1 January 2023

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Amendments to IAS 1, Presentation of financial statements on classification of liabilities	Deferred until accounting periods starting not earlier than 1 January 2024
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The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

In June 2021, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2024.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
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Amendments to IFRS 17, ‘Insurance Contracts’	1 January 2023
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The IASB issued the amendments to IFRS 17, ‘Insurance contracts’, on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB’s targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

On 28 October 2021, the IASB (‘Board’) redeliberated the Exposure Draft proposing a narrow-scope amendment relating to the presentation of comparative information on initial application of both IFRS 9, ‘Financial Instruments’, and IFRS 17, ‘Insurance Contracts’, considering the feedback from the comment letters received.

The amendment would permit an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17 and IFRS 9. The overlay would allow such assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. Following feedback on the proposals, the Board extended the scope of the overlay to include all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. The overlay could also be applied by entities that already apply IFRS 9. The Board issued the amendment to IFRS 17 on 9 December 2021.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
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Amendments to IFRS 17, ‘Insurance Contracts’ (continued)

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

Management anticipates that IFRS 17 will be adopted in the Company’s financial statements on its application date. The application of IFRS 17 will have an impact on amounts reported and disclosures made in the Company’s financial statements in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review. The Company has appointed an external advisor to support the business through the design and implementation phases of IFRS 17. The Company, with the help of the external advisor has performed an operational impact analysis and a financial impact assessment and concluded that all insurance and reinsurance contracts can be accounted for under the Premium Allocation Approach (“PAA”) due to the short term nature of the business the Company writes.

As a result of this, management does not expect the results of adoption of IFRS 17 to be materially different to those of IFRS 4. Management is currently working with their external advisor to initiate parallel runs between IFRS 17 and IFRS 4 to further assess any gaps that may arise in the implementation of IFRS 17 prior to the effective date.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 -	1 January 2023
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

2 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022
<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and management is in the process of assessing the impact of these new standards, interpretations and amendments on the Company's financial statements.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

3 Summary of significant accounting policies

3.1 Basis of preparation

This condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and complies with the applicable requirements of the laws in the U.A.E.

The condensed interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

This condensed interim financial information has been prepared on the historical cost basis, except for financial assets carried at fair value through other comprehensive income which are carried at fair value.

The Company's condensed interim statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, insurance and other receivables, insurance and other payables and bank borrowing. The following balances would generally be classified as non-current: property and equipment, intangible assets and statutory deposit. The following balances are of mixed nature (including both current and non-current portions): financial assets at fair value through other comprehensive income, reinsurance contract assets, deferred acquisition costs, insurance contract liabilities, deferred commission income, bank balances and fixed deposits and provision for employees' end of service indemnity.

The condensed interim financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual audited financial statements for the year ended 31 December 2021.

The accounting policies, presentation and methods in this condensed interim financial information are consistent with those used in the audited financial statements 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.

3.1.1 Judgements and estimates

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2021.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

3.1.2 Insurance and financial risk management

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2021. There have been no changes in any risk management policies since the year end.

The accounting policies in respect of property and equipment, intangible assets and financial assets have been disclosed in this condensed interim financial information as required by Securities and Commodities Authority ("SCA") notification dated 12 October 2008 (Notes 3.2 to 3.4).

3.2 Property and equipment

Land and buildings are recognised at historical cost, less subsequent depreciation and impairment if any for buildings only. All other property and equipment are carried at historical cost less accumulated depreciation and any identified impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

	Years
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4
Computer equipment	4

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

3.3 Intangible assets

Intangible assets comprise computer software and are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 10 years.

3.4 Financial assets

Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- (i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- (ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- (iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
 - a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
 - b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Classification and measurement - Financial assets (continued)

Equity instruments at FVTOCI

Investments in equity instruments/funds at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings. The Company has designated all investments in equity instruments that are not held for trading as FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt instruments at amortised cost or at FVTOCI

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Classification and measurement - Financial assets (continued)

Financial assets at FVTPL

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI; or/and
- (ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Impairment

The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits; insurance and other receivables that are not measured at FVTPL; and debt investments measured subsequently at amortised cost or at FVTOCI.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for insurance and other receivables at an amount equal to lifetime ECLs. Current accounts with banks, debt investments measured subsequently at amortised cost or at FVTOCI, fixed deposits and statutory deposits are assessed to have low credit risk as they are held with reputable local banks.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Forward-looking information considered includes the future prospects of the industries in which the Company's receivables operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Impairment (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Impairment (continued)

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits, debt investments measured at amortised cost or FVTOCI, and insurance and other receivables are presented in the statement of profit or loss within "(charge)/release of provision for impairment".

Measurement of ECL

The Company employs statistical models for ECL calculations for bank balances, statutory and fixed deposits. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation were derived from the Company's internally developed statistical models and other historical data. They were adjusted to reflect forward-looking information.

The Company reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried are credit impaired.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

4 Property and equipment

All property and equipment are in the United Arab Emirates.

During the three month period ended 31 March 2022, the Company purchased AED 96,798 (during the year ended 31 December 2021: AED 559,862) of various types of equipment, there were no disposals (during the year ended 31 December 2021: AED 5,923) and write-offs of AED 37,630 (during the year ended 31 December 2021: AED 62).

5 Intangible assets

	Computer software AED
Cost	
At 31 December 2020 (Audited)	14,812,395
Additions during the year	244,589
At 31 December 2021 (Audited)	15,056,984
Additions during the year	100,994
At 31 March 2022 (Unaudited)	15,157,978
Accumulated amortization	
At 31 December 2020 (Audited)	6,953,886
Charge for the year	1,483,278
At 31 December 2021 (Audited)	8,437,164
Charge for the year (Note 28)	376,425
At 31 March 2022 (Unaudited)	8,813,589
Carrying amount	
At 31 March 2022 (Unaudited)	6,344,389
At 31 December 2021 (Audited)	6,619,820

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

6 Financial assets at fair value through other comprehensive income (“FVTOCI”)

The Company’s financial investments at the end of reporting period are detailed below.

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
FVTOCI	107,777,442	112,724,162
Less: Allowance for impairment	<u>(181,432)</u>	<u>(188,686)</u>
	<u>107,596,010</u>	<u>112,535,476</u>

FVTOCI investments comprise of quoted equity and debt instruments. The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI. Debt instruments carry interest rates ranging from 1.96% to 6.75% per annum (31 December 2021: 1.96% to 6.75% per annum) and they are redeemable at par from 2022 to 2033 (31 December 2021: 2022 to 2033) based on their maturity dates. There are no significant concentrations of credit risk for debt instruments and the carrying amount reflected above represents the Company’s maximum exposure to credit risk for such assets.

The financial assets held at FVTOCI disclosed above include quoted debt investments amounting to AED 65.8 million as at 31 March 2022 (31 December 2021: AED 69.6 million) which are pledged against the bank borrowing (Notes 26.1 and 22).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

6 Financial assets at fair value through other comprehensive income (“FVTOCI”) (continued)

The movement in the financial investments is as follows:

	FVTOCI - debt AED	FVTOCI - equity AED
Balance at 31 December 2020 (audited)	57,499,288	15,407,141
Additions during the year	100,598,176	165,972
Proceeds from disposals during the year	(37,970,372)	(15,449,495)
Realised gain on disposal of financial investments	1,102,114	376,394
Maturities during the year	(7,346,000)	-
Net change in fair value	(1,793,234)	233,693
Amortisation of premium on FVTOCI debt instruments to profit or loss	(272,413)	-
Less: Allowance for impairment	(15,788)	-
Balance at 31 December 2021 (audited)	111,801,771	733,705
Net change in fair value	(4,801,620)	(67,658)
Amortisation of premium on FVTOCI debt instruments to profit or loss	(77,442)	-
Less: Release of impairment	7,254	-
Balance at 31 March 2022 (unaudited)	106,929,963	666,047

Details of provision for impairment were as follows:

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	188,686	172,898
(Reversal of provision) / allowance for impairment during the period / year	(7,254)	15,788
Balance at the end of the period / year	181,432	188,686

There were no reclassifications between financial investment categories during 2022 and 2021.

All the investments in scope of the impairment model are in Stage 1 and there have been no movements between the stages during the period.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

7 Statutory deposit

A deposit of AED 10 million (31 December 2021: AED 10 million) has been placed with one of the banks, in accordance with Article (42) of the UAE Federal Law No. (6) of 2007. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favour of the Central Bank of the United Arab Emirates ("CBUAE") (formerly, the UAE Insurance Authority) for the same amount. This deposit cannot be withdrawn without prior approval of the CBUAE and bears an interest rate of 0.5% per annum (31 December 2021: 0.5% per annum).

8 Insurance contract liabilities and reinsurance contract assets

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Insurance contract liabilities		
Outstanding claims	125,053,638	142,334,853
Unallocated loss adjustment expense reserve	4,729,191	4,601,892
Claims incurred but not reported	46,877,971	46,386,077
Unearned premium	180,991,293	189,547,859
Unexpired risk reserve	18,289,067	17,730,710
Mathematical reserve	13,990,569	14,961,082
	<u>389,931,729</u>	<u>415,562,473</u>
Reinsurance contract assets		
Outstanding claims	(94,610,232)	(106,204,231)
Claims incurred but not reported	(31,123,224)	(30,518,707)
Unearned premium	(72,690,747)	(65,177,742)
Unexpired risk reserve	(12,956,969)	(13,679,717)
Mathematical reserve	(633,796)	(1,711,505)
	<u>(212,014,968)</u>	<u>(217,291,902)</u>
Insurance contract liabilities – net		
Outstanding claims	30,443,406	36,130,622
Unallocated loss adjustment expense reserve	4,729,191	4,601,892
Claims incurred but not reported	15,754,747	15,867,370
Unearned premiums	108,300,546	124,370,117
Unexpired risk reserve	5,332,098	4,050,993
Mathematical reserve	13,356,773	13,249,577
	<u>177,916,761</u>	<u>198,270,571</u>

As at 31 March 2022, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, LUX Actuaries & Consultants amounted to AED 390 million and AED 178 million respectively (31 December 2021: AED 416 million and AED 198 million respectively). Claims incurred but not reported have been calculated on a best estimate basis. The actuary used Chain Ladder ("CL"), Bornhuetter-Ferguson ("BF"), Expected Loss Ratios ("ELR") and Cape Cod ("CC") methods to estimate the ultimate claims. After applying each of the methods listed, the actuary took a weighted average of the results of the methods.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

9 Insurance and other receivables

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Premium receivables	122,645,704	126,726,429
Reinsurance companies' receivables	28,304,908	40,074,434
Insurance agents and brokers receivables	1,477,946	1,350,299
Due from related parties (Note 26.1)	11,943,872	21,854,463
Accrual of interest and other income	1,336,635	9,569,487
Advances and prepayments	7,651,590	7,117,445
Other receivables	1,576,830	1,288,055
	174,937,485	207,980,612
Less: Allowance for impairment	(28,885,474)	(32,575,209)
	146,052,011	175,405,403

Movement in the allowance for impairment was as follows:

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	32,575,209	54,708,082
(Reversal of provision) / allowance for impairment during the period / year	(495,004)	187,850
Write-offs during the period / year	(3,194,731)	(22,320,723)
Balance at the end of the period / year	28,885,474	32,575,209

The balances written off during the three month period ended 31 March 2022 predominantly relate to receivables that were fully provided for as at 31 December 2021. Management has assessed those receivables to be non-recoverable during the three month period ended 31 March 2022 and wrote them off after obtaining the necessary approvals.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

10 Cash and cash equivalents

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Cash in hand	23,786	24,567
Current accounts with banks	26,956,947	42,032,940
Fixed deposits with original maturities of three months or less	36,108,447	15,335,425
	<u>63,089,180</u>	<u>57,392,932</u>

Fixed deposits with original maturities of three months or less carry interest at the rate from 1.75% to 2.55% (31 December 2021: 2.65%) per annum.

11 Bank balances and fixed deposits

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Current accounts in a Lebanese bank	3,987,764	3,988,161
Allowance for impairment	(1,395,717)	(1,394,875)
Total current accounts with a Lebanese bank	<u>2,592,047</u>	<u>2,593,286</u>
Fixed deposits with original maturities greater than three months	187,921,773	189,330,246
Fixed deposits under lien	600,000	600,000
Allowance for impairment	(136,346)	(137,913)
Total fixed deposits	<u>188,385,427</u>	<u>189,792,333</u>
Total bank balances and fixed deposits	<u>190,977,474</u>	<u>192,385,619</u>

The exposure to a Lebanese bank does not meet the requirements to be classified as cash and cash equivalents, as cash and cash equivalents are subject to an insignificant risk of changes in value. Accordingly, the balance with the Lebanese bank does not satisfy the criteria of cash and cash equivalents and it was classified separately.

Certain fixed deposits with carrying amount of AED 600,000 as at 31 March 2022 (31 December 2021: AED 600,000) are under lien against letters of guarantee amounting to AED 550,000 (31 December 2021: AED 550,000).

The interest rates on fixed deposits with banks range between 0.5% to 4.5% (31 December 2021: 0.5% to 4.8%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

11 Bank balances and fixed deposits (continued)

Details of allowance for impairment as per IFRS 9 were as follows:

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	1,532,788	163,509
(Reversal of provision) / allowance for impairment during the period / year	(725)	1,369,279
Balance at the end of the period / year	<u>1,532,063</u>	<u>1,532,788</u>

12 Share capital

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Authorised, issued and fully paid: 121.275 million ordinary shares of AED 1 each (31 December 2021: 121.275 million ordinary shares of AED 1 each)	<u>121,275,000</u>	<u>121,275,000</u>

13 Statutory reserve

In accordance with the U.A.E. Federal Law Number (2) of 2015, as amended and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. Transfers to the statutory reserve are reflected at the end of the financial year.

14 Voluntary reserve

As per the Company's Articles of Association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilized for any other purpose unless approved by the Shareholders' General Assembly. No transfer to voluntary reserve was made during the three month period ended 31 March 2022 or the year ended 31 December 2021.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

15 Reinsurance reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has transferred AED 277,975 from Retained earnings to the Reinsurance Reserve being 0.5% of the total insurance premium ceded to reinsurers during the three month period ended 31 March 2022 (year ended 31 December 2021: AED 922,585). The Company shall accumulate such provision period on period and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within CBUAE.

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	1,872,070	949,485
Transfer from retained earnings	277,975	922,585
Balance at the end of the period / year	<u>2,150,045</u>	<u>1,872,070</u>

16 Basic and diluted (loss) / earnings per share

	For the three month period ended 31 March (Unaudited)	
	2022	2021
(Loss) / profit for the period (in AED)	<u>(4,812,031)</u>	3,064,711
Number of shares	<u>121,275,000</u>	121,275,000
Basic and diluted (loss) / earnings per share (in AED)	<u>(0.04)</u>	0.03

Basic (loss) / earnings per share are calculated by dividing the profit for the period by the number of weighted average shares outstanding during the reporting period. Diluted (loss) / earnings per share is equivalent to basic (loss) / earnings per share as the Company did not issue any new instrument that would impact (loss) / earnings per share when executed.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

17 Insurance and other payables

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Payables to third party administrators and suppliers	37,596,830	35,049,433
Reinsurance companies' payables	36,119,750	42,181,096
Due to related parties (Note 26.1)	15,325,340	13,463,225
Accrued expenses	12,818,128	6,837,103
Employees' benefits payable	547,802	2,074,446
Commissions payable	15,396,501	18,477,442
Other payable balances	3,454,345	3,835,190
Dividends payable	1,925,372	1,925,372
	<u>123,184,068</u>	<u>123,843,307</u>

18 Provision for employees' end of service indemnity

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the year	6,115,257	6,064,285
Charge for the year	315,231	1,136,399
Amounts paid during the year	(110,081)	(1,085,427)
Balance at the end of the year	<u>6,320,407</u>	<u>6,115,257</u>

19 Dividend and Directors' remuneration

At the Annual General Meeting held on 14 April 2022, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 for the year ended 31 December 2021 and Board of Directors' remuneration of AED 835,780. The dividend distribution and the Board of Directors' remuneration have not been reflected in the financial statements since they were approved subsequent to 31 March 2022. (2021: at the Annual General Meeting held on 14 April 2021, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 for the year ended 31 December 2020 and Board of Directors' remuneration of AED 1,347,546 for the year ended 31 December 2020).

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

20 Deferred acquisition cost

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	23,228,424	24,088,139
Acquisition costs paid during the period / year	18,160,354	75,476,830
Amortisation charge for the period / year	(18,951,904)	(76,336,545)
Balance at the end of the period / year	<u>22,436,874</u>	<u>23,228,424</u>

Of the deferred acquisition costs balance as at 31 March 2022, AED 19,430,853 (31 December 2021: AED 19,167,846) is expected to be amortised no more than 12 months after the reporting period and AED 3,006,021 (31 December 2021: AED 4,060,578) is expected to be amortised more than 12 months after the reporting period.

21 Deferred commission income

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Balance at the beginning of the period / year	15,563,294	19,240,758
Commission received during the period / year	3,115,442	14,683,138
Commission income earned during the period / year	(3,905,316)	(18,360,602)
Balance at the end of the period / year	<u>14,773,420</u>	<u>15,563,294</u>

Of the deferred commission income balance as at 31 March 2022, AED 11,652,148 (31 December 2021: AED 11,331,949) is expected to be earned no more than 12 months after the reporting period and AED 3,121,272 (31 December 2021: AED 4,231,345) is expected to be earned more than 12 months after the reporting period.

22 Bank borrowing

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Short-term bank loan (Note 26.1)	<u>33,056,997</u>	<u>33,056,997</u>

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

22 Bank borrowing (continued)

During the year ended 31 December 2021, the Company obtained a short-term loan amounting AED 33,056,997 to fund the purchase of investment securities. The loan is secured by assignment of debt investments in the amount of AED 65.8 million as at 31 March 2022 (31 December 2021: AED 69.6 million) in favor of the National Bank of Ras Al Khaimah, the Parent Company (Note 6). The loan carries an interest rate of 0.85% per annum plus 3 Month USD LIBOR and matures on 8 June 2022.

23 Net insurance premium revenue

	For the three month period ended 31 March (Unaudited)	
	2022	2021
	AED	AED
Gross written premiums		
Gross written premiums	107,181,027	105,596,517
Change in unearned premiums	8,556,566	15,634,716
Change in unexpired risk reserve ("URR")	(558,357)	1,020,310
	<u>115,179,236</u>	<u>122,251,543</u>
Reinsurance premiums ceded		
Reinsurance premiums ceded	(55,595,003)	(47,158,963)
Change in reinsurance share of unearned premiums	7,513,005	3,348,392
Change in reinsurance share of unexpired risk reserve ("URR")	(722,748)	(2,734,790)
	<u>(48,804,746)</u>	<u>(46,545,361)</u>
Net insurance premium revenue	<u>66,374,490</u>	<u>75,706,182</u>

24 Investment income - net

	For the three month period ended 31 March (Unaudited)	
	2022	2021
	AED	AED
Dividend income from financial investments	8,333	747,489
Net income from investment properties	-	143,602
Realised gain on disposal of financial investments at FVTOCI	-	1,102,081
	<u>8,333</u>	<u>1,993,172</u>

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

25 Segment information

The Company is organised into two segments: Life and Medical as one segment and Motor and General as the other segment.

These segments are the basis on which the Company reports its primary segment information to the Chief Executive Officer. Gross written premiums represent the total income arising from insurance contracts. The Company does not conduct any business outside the UAE. There are no transactions between the business segments.

The following is an analysis of the Company's condensed interim statement of profit or loss classified by major segments:

	For the three month period ended 31 March 2022		
	(Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	70,816,764	36,364,263	107,181,027
Net insurance premium revenue earned	54,874,332	11,500,158	66,374,490
Net claims settled	(41,951,916)	(8,247,863)	(50,199,779)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	4,506,864	1,058,480	5,565,344
Net claims incurred	(37,445,052)	(7,189,383)	(44,634,435)
Commission earned	1,295,573	2,609,743	3,905,316
Commission incurred	(14,396,834)	(4,555,070)	(18,951,904)
Net commission incurred	(13,101,261)	(1,945,327)	(15,046,588)
Gross underwriting income	4,328,019	2,365,448	6,693,467
General and administrative expenses	(7,107,636)	(7,676,902)	(14,784,538)
Release of provision / (provision for impairment)	572,508	(69,525)	502,983
Net underwriting loss	(2,207,109)	(5,380,979)	(7,588,088)
Interest income	567,840	1,541,876	2,109,716
Investment income net	-	8,333	8,333
Other income	656,478	1,530	658,008
Loss for the period	(982,791)	(3,829,240)	(4,812,031)

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

25 Segment information (continued)

	For the three month period ended 31 March 2021 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	73,135,253	32,461,264	105,596,517
Net insurance premium revenue earned	60,100,188	15,605,994	75,706,182
Net claims settled	(46,860,512)	(5,784,679)	(52,645,191)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	3,393,304	959,997	4,353,301
Net claims incurred	(43,467,208)	(4,824,682)	(48,291,890)
Commission earned	1,302,324	3,035,889	4,338,213
Commission incurred	(18,667,500)	(4,077,887)	(22,745,387)
Net commission incurred	(17,365,176)	(1,041,998)	(18,407,174)
Gross underwriting (loss) / income	(732,196)	9,739,314	9,007,118
General and administrative expenses (Release of provision) / provision for impairment	(7,186,640)	(5,971,050)	(13,157,690)
	(524,451)	3,811,015	3,286,564
Net underwriting (loss) / income	(8,443,287)	7,579,279	(864,008)
Interest income	775,107	1,125,666	1,900,773
Investment income net	-	1,993,172	1,993,172
Other income	29,700	5,074	34,774
(Loss) / profit for the period	(7,638,480)	10,703,191	3,064,711

The following is an analysis of the Company's assets, liabilities and equity classified by segment:

	As at 31 March 2022 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Total assets	297,623,480	462,624,558	760,248,038
Total equity	2,950,524	190,030,893	192,981,417
Total liabilities	294,672,956	272,593,665	567,266,621

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

25 Segment information (continued)

	As at 31 December 2021 (Audited)		
	Life and Medical AED	Motor and General AED	Total AED
Total assets	330,739,534	466,064,520	796,804,054
Total equity	3,933,316	198,729,410	202,662,726
Total liabilities	326,806,218	267,335,110	594,141,328

26 Related party balances and transactions

The Company, 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. Related parties include the Company's major shareholders, directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel. The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

26.1 At the end of the reporting period/year, amounts due from/to related parties were as follows:

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Due from Parent company (premiums receivable)	4,254,043	9,036,076
Due from directors (premiums receivable)	-	6,300
Due from other related parties under common control (premium receivable)	7,689,829	12,812,087
Total due from related parties (Note 9)	11,943,872	21,854,463
Due to Parent company (commissions payable and advances)	(15,305,368)	(13,428,722)
Due to other related parties under common control (claim payable)	(19,972)	(34,503)
Total due to related parties (Note 17)	(15,325,340)	(13,463,225)

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

26 Related party balances and transactions (continued)

26.1 At the end of the reporting period/year, amounts due from/to related parties were as follows (continued)

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Fixed deposits placed with Parent company	<u>56,225,250</u>	<u>41,725,250</u>
Bank balances placed with Parent company	<u>23,879,279</u>	<u>35,988,821</u>
Bank borrowing (parent company) (Note 22)	<u>(33,056,997)</u>	<u>(33,056,997)</u>
Accrued interest payable on bank borrowing	<u>(30,838)</u>	<u>(23,648)</u>
Allowance for impairment on premiums receivable (parent company)	<u>(31,905)</u>	<u>(66,004)</u>
Accrued interest receivable on bank balances and fixed deposits placed with Parent company	<u>120,065</u>	<u>202,855</u>

Balances due from and due to related parties are interest free and repayable on demand, except bank borrowing.

26.2 During the period, the Company entered the following transactions with related parties:

	For the three month period ended 31 March (Unaudited) 2022 AED	2021 AED
Gross written premiums (Parent company)	<u>22,194,875</u>	<u>28,130,819</u>
Gross written premiums (directors)	<u>5,199</u>	<u>4,655</u>
Gross written premiums (other related parties under common control)	<u>2,926,361</u>	<u>3,039,929</u>
Claims paid (Parent company)	<u>(8,225,757)</u>	<u>(13,303,400)</u>
Claims paid (other related parties under common control)	<u>(378,911)</u>	<u>(236,390)</u>
Commission expenses (Parent company)	<u>(10,130,954)</u>	<u>(14,591,164)</u>
Rent expenses (Parent company)	<u>(118,750)</u>	<u>(118,750)</u>
Internal audit fee (Parent company)	<u>(125,000)</u>	<u>(125,000)</u>
Interest income (Parent company)	<u>141,224</u>	<u>172,422</u>
Interest cost (Parent company)	<u>(94,214)</u>	<u>-</u>

There were no acquisitions (31 December 2021: AED 53.4 million) or disposals (31 December 2021: AED 100.8 million) of FVTOCI assets during the three months period ended 31 March 2022 through the Parent company / from external parties.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

26 Related party balance and transactions (continued)

26.3 Key management personnel compensation

	For the three month period ended 31 March (Unaudited)	
	2022	2021
	AED	AED
Board of Directors' remuneration	207,569	222,546
Short-term benefits	1,715,008	1,390,149
Long-term benefits	41,144	57,034
	<u>1,963,721</u>	<u>1,669,729</u>

27 Contingent liabilities

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Audited) AED
Letters of guarantee	<u>10,567,444</u>	<u>10,567,481</u>

Letters of guarantee includes AED 10 million (31 December 2021: AED 10 million) issued in favour of the CBUAE (formerly, the UAE Insurance Authority).

The above guarantees were issued in the normal course of business.

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Company's financial performance or financial position.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

28 General and administrative expenses

	For the three month period ended 31 March (Unaudited)	
	2022	2021
	AED	AED
Staff costs	9,809,677	8,356,428
Professional fees	814,147	406,340
Marketing expenses	232,806	54,511
Communication expenses	232,383	211,350
Travel and entertainment expenses	40,594	56,882
Depreciation of property and equipment	266,514	299,437
Depreciation of investment properties	-	42,651
Amortisation of intangible assets (Note 5)	376,425	370,310
Rental costs – operating leases	297,532	317,025
Administration and license expenses	187,557	328,304
IT, utilities and maintenance	963,916	806,062
Bank charges	382,403	233,069
Other expenses	1,180,584	1,675,321
	14,784,538	13,157,690

29 Fair value measurements

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.

29.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed interim financial information approximate their fair values except for financial investments measured at fair value through other comprehensive income of which fair value is determined based on the quoted market prices and disclosed in Note 5 of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

29 Fair value measurements (continued)

29.2 Fair value of financial instruments carried at fair value

29.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2021.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

- Level 1 the fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.
- Level 2 the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument is included in Level 2.
- Level 3 if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets	31 March 2022 (Unaudited) AED	31 December 2021 (Audited) AED				
FVTOCI:						
Debt securities	99,639,805	104,491,681	Level 1	Quoted bid prices in an active market	None	N/A
Debt securities	7,290,158	7,310,090	Level 2	Quoted bid prices from third parties	None	N/A
Quoted equity securities	666,047	733,705	Level 1	Quoted bid prices in an active market	None	N/A

There were no transfers between levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

30 Capital risk management

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (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 year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. The table below summarizes 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.

	As at 31 March 2022 (Unaudited) AED	As at 31 December 2021 (Unaudited) AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	66,034,425	76,716,761
Minimum Guarantee Fund (MGF)	63,734,428	64,592,340
Basic Own Funds	128,479,451	152,963,193
MCR Solvency Margin - Minimum Capital Requirement (Surplus)	28,479,451	52,963,193
SCR Solvency Margin - Solvency Capital Requirement (Surplus)	62,445,026	76,246,433
MGF Solvency Margin – Minimum Guarantee Fund (Surplus)	64,745,023	88,370,853

31 Covid-19 and the current economic situation

The spread of coronavirus (COVID-19) since early 2020 has resulted in macro-economic uncertainty across all sectors of the economy due to the price and demand for oil, reduced economic activity, disruption to global supply chains and the potential postponement of large-scale events. Despite the lockdowns being lifted and activities resuming to the “new normal” in the United Arab Emirates during the second half of 2020, the full impact of COVID-19 on the economy cannot be reliably measured. Consistent with the market sentiment, management expects that the uncertain future macro-economic environment could impact the earnings, cash flows and financial condition of the Company as well as those of our counter parties. The Company is monitoring these metrics on a regular basis and will respond to any threats identified.

During the three month period ended 31 March 2022, the Company had 7 (31 December 2021: 95) reported medical claims and 3 (31 December 2021: 117) reported credit life claims in relation to COVID-19. The net exposure during the three month period ended 31 March 2022 of the medical and credit life COVID-19 claims is immaterial. As at the date of the condensed interim statement of financial position, the Company has one business interruption claim, which is immaterial to the financial statements for the three month period ended 31 March 2022. The Company is closely monitoring its loss experience and adjusting the technical reserves where appropriate.

Ras Al Khaimah National Insurance Company P.S.C.

Notes to the condensed interim financial information for the three month period ended 31 March 2022 (continued)

31 Covid-19 and the current economic situation (continued)

The Company is continuing with its business continuity and remote working plans and continues to provide services to its customers within the agreed service level agreements. Further, the Company continues to monitor its liquidity position on a regular basis. This liquidity position along with other parameters are shared with the regulators on a regular basis as part of the Company's reporting obligations.

32 Subsequent events

There have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the three month period ended 31 March 2022.

33 Approval of the condensed interim financial information

The condensed interim financial information was approved by the Board of Directors and authorised for issue on 11 May 2022.