

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

Condensed interim financial information (Unaudited)
For the three-month period ended 31 March 2023

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For the three-month period ended 31 March 2023

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

Directors' report for the three-month period ended 31 March 2023

The Board of Directors has pleasure in submitting their report and the condensed interim financial information as at 31 March 2023 and for the three-month period (the "Period") ended 31 March 2023 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

These financial statements are the first set of public information prepared by the Company under IFRS 17. All prior period comparatives have been restated as a result of the transition to IFRS 17 resulting in a one-off charge of AED 4.5 million that has been recorded in the Statement of Changes in Equity.

RAK Insurance incurred a net loss of AED 4.3 million for the three-month period ended 31 March 2023 as compared to a restated net loss of AED 3.7 million for the three-month period ended 31 March 2022 (the "Previous Period"). On an underlying basis, the business has shown signs of improvement compared to previous quarters. This improvement is expected to continue in future periods.

During the three-month period ended 31 March 2023, RAK insurance recorded a 25% increase in Gross Written Premiums (GWP) compared to the Previous Period. GWP will continue to be a Key Performance Indicator (KPI) for the Company as it transitions to IFRS 17. However, Insurance Revenue under IFRS 17, decreased by 9.9% to AED 108 million compared to AED 120 million (restated) in the previous period. This adversity will reverse in future periods as the difference between IFRS 4 and IFRS 17 is due to the timing of revenue recognition.

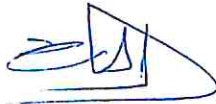
Net loss for the Period was AED 4.3 million compared to AED 3.7 million in the Prior Period due to a one-off provision for bad debts.

Whereas the Company's total assets increased from AED 562 million as at 31 December 2022 (restated) to AED 580 million as at 31 March 2023, the shareholders' equity decreased from AED 140 million as at 31 December 2022 (restated) to AED 137 million as at 31 March 2023 as a result of the loss in the Period.

Basic loss per share is AED 0.04 for the three-month ended 31 March 2023 as compared to a loss per share of AED 0.03 (restated) in the previous period on a capital base of AED 121 million.

On behalf of the Board of Directors of RAK Insurance, I would like to thank all who are working hard in the turnaround journey of the Company. 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,



Sheikh Omar Bin Saqr Bin Khalid Al Qasimi
Chairman
11 May 2023

شركة رأس الخيمة الوطنية للتأمين الفرع الرئيسي هاتف 800 72 54 فاكس 800 72 54 +971 7 228 85 00 ص. ب. 506 رأس الخيمة، الإمارات العربية المتحدة الإلكتروني info@rakinsurance.com الموقع www.rakinsurance.com
Ras Al Khaimah National Insurance Company (P.S.C.) Tel: 800 72 54, Fax: +971 7 228 85 00, P.O. Box 506, Ras Al Khaimah, UAE., E. info@rakinsurance.com W. www.rakinsurance.com

شركة مساهمة عامة تأسست سنة 1974 برأس مال مدفوع قدره 121,275,000 درهم إماراتي مسجلة لدى هيئة التأمين تحت رقم 84/7 بموجب القانون الاتحادي رقم 2007/6
Public Shareholding Company establishment in 1974 with a paid up capital of AED 121,275,000 Registered at the insurance Authority with registration no. 7/84 in conformity with the Federal Law No.6/2007
VAT Registration No. 100021693500003

Review report of the Independent Auditor To the Shareholders 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 2023 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows for the three-month period then ended and other related 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 the 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.

Other matter

The financial statements for the year ended 31 December 2022 and the condensed interim financial information for the period ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion and unmodified conclusion on those statements on 20 February 2023 and 11 May 2022 respectively.

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”.


GRANT THORNTON
Farouk Mohamed
Registration No: 86
Dubai, 11 May 2023



Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of financial position
As at 31 March 2023

	Notes	(Unaudited) 31 March 2023 AED	Restated (Audited) 31 December 2022 AED	Restated (Audited) 31 December 2021 AED
Assets				
Property and equipment		1,090,494	1,271,616	1,944,478
Intangible assets		5,427,748	5,641,820	6,619,820
Financial assets	6	120,944,883	108,410,347	112,535,476
Statutory deposit	7	10,000,000	10,000,000	10,000,000
Reinsurance contract assets	8	146,816,092	146,864,370	198,930,187
Insurance and other receivables	9	14,067,796	13,152,928	25,200,836
Cash and cash equivalents	10	20,786,188	9,628,747	57,392,932
Bank balances and fixed deposits	11	261,109,968	267,312,379	192,385,619
Total assets		580,243,169	562,282,207	605,009,348
Equity and liabilities				
Equity				
Share capital	12	121,275,000	121,275,000	121,275,000
Statutory reserve		49,756,048	49,756,048	49,756,048
Voluntary reserve		20,000,000	20,000,000	20,000,000
Reinsurance reserve		3,190,221	2,802,615	1,872,070
Cumulative changes in fair value of FVTOCI investments		(13,226,283)	(13,954,900)	(909,154)
(Accumulated losses) / retained earnings		(44,097,838)	(39,395,705)	6,701,147
Total equity		136,897,148	140,483,058	198,695,111
Liabilities				
Provision for employees' end of service indemnity		6,775,905	6,256,759	6,115,257
Insurance contract liabilities	8	307,365,129	305,139,050	332,398,381
Reinsurance contract liabilities	8	18,058,623	20,975,800	7,759,661
Bank borrowing	16	60,500,000	50,000,000	33,056,997
Insurance and other payables	14	50,646,364	39,427,540	26,983,941
Total liabilities		443,346,021	421,799,149	406,314,237
Total equity and liabilities		580,243,169	562,282,207	605,009,348

This condensed interim financial information was authorised for issue on 11 May 2023 by the Board of Directors and signed on its behalf by:

	
Sheikh Omar Bin Saqr Bin Khalid Al Qasimi Chairman	Sanjeev Badyal Acting Chief Executive Officer

The notes from 1 to 25 form an integral part of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Condensed interim income statement
For the period ended 31 March 2023

	Notes	(Unaudited) Three-month period ended 31 March 2023 AED	<i>Restated</i> (Unaudited) Three-month period ended 31 March 2022 AED
Insurance revenue		107,874,274	119,721,119
Insurance service expenses	17	<u>(109,716,612)</u>	<u>(98,595,019)</u>
Insurance service result before reinsurance contracts held		<u>(1,842,338)</u>	21,126,100
Allocation of reinsurance premiums		(45,779,433)	(45,037,043)
Amounts recoverable from reinsurance for incurred claims		<u>38,296,087</u>	<u>23,300,535</u>
Net expenses from reinsurance contracts held		<u>(7,483,346)</u>	<u>(21,736,508)</u>
Insurance service result		<u>(9,325,684)</u>	<u>(610,408)</u>
Investment income	18	3,893,269	2,119,579
Insurance finance (expense)/income for insurance contracts issued	18	(2,173,471)	1,778,481
Reinsurance finance income/(expense) for reinsurance contracts held	18	<u>4,798,414</u>	<u>(1,409,780)</u>
Net insurance financial result		<u>2,624,943</u>	368,701
Mathematical reserves		(31,669)	(107,196)
Other operating expenses		(2,551,304)	(6,132,311)
Other underwriting income		<u>1,108,446</u>	<u>656,478</u>
Loss for the period		<u>(4,281,999)</u>	<u>(3,705,157)</u>
Basic and diluted loss per share	13	<u>(0.04)</u>	<u>(0.03)</u>

The notes from 1 to 25 form an integral part of this condensed interim financial information.

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Condensed interim statement of comprehensive income
For the period ended 31 March 2023**

	(Unaudited)	<i>Restated</i> (Unaudited)
	Three-month period ended 31 March 2023	Three-month period ended 31 March 2022
	AED	AED
Loss for the period	(4,281,999)	(3,705,157)
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 (Note 6)	555,106	(4,801,620)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net change in fair value of equity investments designated at FVTOCI (Note 6)	173,511	(67,658)
Total other comprehensive income/(loss) for the period	728,617	(4,869,278)
Total comprehensive loss for the period	(3,553,382)	(8,574,435)

The notes from 1 to 25 form an integral part of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of changes in equity
For the period ended 31 March 2023

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative changes in fair value of FVTOCI investments AED	(Accumulated losses) / retained earnings AED	Total equity AED
Balance at 1 January 2022, as previously reported	121,275,000	49,756,048	20,000,000	1,872,070	(909,154)	10,668,762	202,662,726
Adjustment on initial application of IFRS 17	-	-	-	-	-	(3,967,615)	(3,967,615)
Restated balance at 1 January 2022	121,275,000	49,756,048	20,000,000	1,872,070	(909,154)	6,701,147	198,695,111
Loss for the period (restated)	-	-	-	-	-	(3,705,157)	(3,705,157)
Other comprehensive loss for the period	-	-	-	-	(4,869,278)	-	(4,869,278)
Total comprehensive loss for the period	-	-	-	-	(4,869,278)	(3,705,157)	(8,574,435)
Transfer to reinsurance reserve	-	-	-	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)	2,718,015	190,120,676
Balance at 1 January 2023 (Audited)	121,275,000	49,756,048	20,000,000	2,802,615	(13,954,900)	(34,938,262)	144,940,501
Adjustment on initial application of IFRS 17	-	-	-	-	-	(4,457,443)	(4,457,443)
Restated balance as at 1 January 2023	121,275,000	49,756,048	20,000,000	2,802,615	(13,954,900)	(39,395,705)	140,483,058
Loss for the period	-	-	-	-	-	(4,281,999)	(4,281,999)
Other comprehensive income for the period	-	-	-	-	728,617	-	728,617
Total comprehensive income/(loss) for the period	-	-	-	-	728,617	(4,281,999)	(3,553,382)
Transfer to reinsurance reserve	-	-	-	387,606	-	(387,606)	-
Capital reduction in equity investment	-	-	-	-	-	(32,528)	(32,528)
Balance at 31 March 2023 (Unaudited)	121,275,000	49,756,048	20,000,000	3,190,221	(13,226,283)	(44,097,838)	136,897,148

The notes from 1 to 25 form an integral part of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of cash flows
For the period ended 31 March 2023

	Notes	(Unaudited) Three-month period ended 31 March 2023 AED	Restated (Unaudited) Three-month period ended 31 March 2022 AED
Cash flows from operating activities			
Loss for the period		(4,281,999)	(3,705,157)
Adjustments for:			
Depreciation of property and equipment		187,974	266,514
Amortisation of intangible assets	5	391,352	376,425
Provision/(release of provision) for impairment		1,458,600	(502,983)
Provision for employees' end of service indemnity		523,415	315,231
Realised gain on disposal of financial asset at FVTPL equity investments		(375,788)	-
Write-off of property and equipment	4	59,714	37,630
Amortisation of premium on FVTOCI debt investments		17,891	77,442
Interest income	18	(3,466,743)	(2,109,716)
Dividend income	18	(48,013)	(8,333)
Interest cost on bank borrowing		397,119	94,214
Operating cash flows before changes in working capital		(5,136,478)	(5,158,733)
Changes in working capital:			
Reinsurance contract assets and liabilities - net		(2,868,899)	13,253,346
Insurance contract liabilities		2,226,079	(23,380,867)
Insurance and other receivables		(1,873,914)	548,907
Insurance and other payables		11,218,813	9,068,723
Current accounts in a Lebanese bank		-	397
Net cash generated from/(used in) operations		3,565,601	(5,668,227)
Employees' end of service indemnity paid		(4,269)	(110,081)
Interest paid on bank borrowing		(397,119)	(87,024)
Net cash generated from/(used in) operating activities		3,164,213	(5,865,332)
Cash flows from investing activities			
Purchase of property and equipment	4	(66,569)	(96,798)
Purchase of intangible assets	5	(177,280)	(100,994)
Purchase of financial assets at FVTOCI	6	(13,739,897)	-
Purchase of financial assets at FVTPL	6	(1,499,999)	-
Proceeds from disposal of financial assets at FVTOCI	6	1,873,230	-
Proceeds from disposal of financial assets at FVTPL		1,875,787	-
Interest (paid)/received		2,790,530	8,259,372
Maturities of fixed deposits with banks with original maturities greater than three months		106,267,436	98,500,000
Placements of fixed deposits with banks with original maturities greater than three months		(99,830,010)	(95,000,000)
Net cash (used in) / generated from investing activities		(2,506,772)	11,561,580

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Condensed interim statement of cash flows (continued)
For the period ended 31 March 2023

	Notes	(Unaudited) Three-month period ended 31 March 2023 AED	<i>Restated</i> (Unaudited) Three-month period ended 31 March 2022 AED
Cash flows from financing activity			
Increase in bank borrowing	16	10,500,000	-
Net cash used in financing activity		<u>10,500,000</u>	<u>-</u>
Net increase in cash and cash equivalents		11,157,441	5,696,248
Cash and cash equivalents at beginning of the period		9,628,747	57,392,932
Cash and cash equivalents at end of the period	10	<u>20,786,188</u>	<u>63,089,180</u>

The notes from 1 to 25 form an integral part of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C. Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information For the period ended 31 March 2023

1 Legal status and activities

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, as amended, concerning Financial Regulations of Insurance Companies issued by the Central Bank of UAE and regulation of its operations and is registered in the Insurance Companies Register of the Central Bank of the UAE, under registration number 7.

This condensed interim financial information has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021.

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, and Abu Dhabi.

2 Basis of preparation

This condensed interim financial information are for the three-month period ended 31 March 2023 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. This condensed interim financial information has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and complies with the applicable requirements of the laws in the U.A.E.

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 and financial assets carried at fair value through profit and loss which are carried at fair value and the provision for employees’ end of service indemnity which is calculated in line with UAE labour laws.

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, fair value through profit and loss, insurance and other receivables and insurance and other payables. 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, reinsurance contract assets, insurance contract liabilities, reinsurance contract liabilities, bank balances and fixed deposits and provision for employees’ end of service indemnity.

The condensed interim financial information does not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2022. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

3 Significant accounting policies

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of this condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2022, except for application of new standards effective as of 1 January 2023 and several amendments and interpretations apply for the first time in 2023.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS

IFRS 17 Insurance Contracts

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

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

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

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of coverage are more than 12 months apart;

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued)

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision); and
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

The Company capitalises its insurance acquisition cash flows.. No separate asset is recognised for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

Changes to presentation and disclosure

For presentation in the condensed interim statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

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

The groups referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the condensed interim statement of profit or loss and condensed interim other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as ‘value of business acquired’), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each condensed interim financial information line item and EPS. The effects of adopting IFRS 17 on the condensed interim financial information at 1 January 2022 are presented in the condensed interim statement of changes in equity.

Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company’s products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law, regulation or internal policies specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided into groups of contracts by quarter of issue and profitability for recognition and measurement purposes. Hence, within each quarter of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by profitability committee that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Company has a Profitability Assessment Committee that meets at regular intervals to determine the profitability groupings of each portfolio of contracts. The committee acts as a forum to collect input from the pricing and underwriting functions and assess the relevant facts and circumstances which indicate that groups of contracts are onerous at initial recognition.

Below are some of the relevant facts and circumstances that the Company considers:

- Evaluation of expected combines ratios;
- Pricing information;
- Results of similar contracts it has recognised; and
- Environment factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous the Company recognises a group of reinsurance contracts held;
- If the reinsurance contracts provide proportionate coverage at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- In all other cases, from the beginning of the coverage period of the group the Company adds new contracts to the group when they are issued or initiated.

Contract boundary

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

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary.

Or

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement - Premium Allocation Approach (continued)

Insurance contracts – initial measurement (continued)

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with:

- The extent of future cash flows related to any derivatives embedded in the contracts.
- The length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed, plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows that the Company pays or receives before the group of insurance contracts is recognised. There is no allowance for time value of money as the premiums are mostly received within one year of the coverage period.

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, however, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period;
- Minus capitalised insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Insurance acquisition cash flows are allocated on a straight-line basis to profit or loss.

**Ras Al Khaimah National Insurance Company P.S.C.
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**Notes to the condensed interim financial information
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3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Reinsurance contracts

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired);
- Or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

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

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts issued.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

**Ras Al Khaimah National Insurance Company P.S.C.
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**Notes to the condensed interim financial information
For the period ended 31 March 2023**

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets are also measured at FVTOCI.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

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 2022. Except for the below judgements.

Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

3 Significant accounting policies (continued)

Judgements and estimates (continued)

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to capitalise all insurance acquisition cashflows upon payments.

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

The Company use bottom-up approach to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rate was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a AAA credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
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3 Significant accounting policies (continued)

Judgements and estimates (continued)

Discount rates (continued)

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years		20 years	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Insurance contracts issued										
AED	5.41%	5.56%	4.49%	5.20%	4.29%	5.00%	3.72%	4.24%	1.84%	2.10%
Reinsurance contracts held										
AED	5.41%	5.56%	4.49%	5.20%	4.29%	5.00%	3.72%	4.24%	1.84%	2.10%

Risk adjustment for non-financial risk

The Company use Mack method or bootstrapping to determine its risk adjustment for non-financial risk. The bootstrap effectively allows the Company to measure the uncertainty about the amount and timing of the cash flows that arise from non-financial risk since bootstrapping the triangles aims to illustrate the variability of the paid claims.

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 80th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 80th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

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 2022. 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.

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.

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

3 Significant accounting policies (continued)

Property and equipment (continued)

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.

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.

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:

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

3 Significant accounting policies (continued)

Financial assets (continued)

Classification and measurement - Financial assets (continued)

- 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).

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 recognised 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.

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.

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

3 Significant accounting policies (continued)

Financial assets (continued)

Impairment (continued)

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.

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.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

3 Significant accounting policies (continued)

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.

4 Property and equipment

All property and equipment are located in the United Arab Emirates.

During the three month period ended 31 March 2023, the Company purchased AED 66,569 (during the year ended 31 December 2022: AED 234,813) of various types of equipment, net book value of disposals of AED Nil (during the year ended 31 December 2022: AED 7,372) and net book value of write-offs of AED 59,714 (during the year ended 31 December 2022: AED 37,630).

5 Intangible assets

Intangible assets include computer software.

During the three month period ended 31 March 2023, the Company recorded additions of AED 177,280 (during the year ended 31 December 2022: AED 538,388) to its computer software.

The amortisation charge for the three month period ended 31 March 2023 amounted to AED 391,352 (for the year ended 31 December 2022: AED 1,516,388).

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
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6 Financial assets

The Company's financial investments at the end of reporting period are detailed below:

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Investments at FVTOCI		
Quoted debt	117,005,141	106,559,639
Quoted equity securities	4,093,675	1,994,312
Allowance for impairment	(153,933)	(143,604)
	<u>120,944,883</u>	<u>108,410,347</u>

FVTOCI investments comprise of quoted equity and debt instruments within the G.C.C. region except one investment valued at AED 8.1 million as at 31 March 2023 (31 December 2022: AED 8.5 million) which is an investment outside the G.C.C. region. The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI. Debt instruments carry an interest rate ranging from 1.96% to 6.75% per annum (31 December 2022: 1.96% to 6.75%) and they are redeemable at par from 2023 to 2033 (31 December 2022: 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 movement in the financial investments is as follows:

	FVTOCI debt AED	FVTOCI equity AED	FVTOCI total AED
Balance at 31 December 2022 (Audited)	106,416,035	1,994,312	108,410,347
Additions during the period	11,781,517	1,958,380	13,739,897
Disposals during the period	(1,873,230)	-	(1,873,230)
Net change in fair value	555,106	173,511	728,617
Capital reduction in equity	-	(32,528)	(32,528)
Amortisation of premium on FVTOCI debt investments to profit or loss	(17,891)	-	(17,891)
Allowance for impairment	(10,329)	-	(10,329)
Balance at 31 March 2023 (Unaudited)	<u>116,851,208</u>	<u>4,093,675</u>	<u>120,944,883</u>
Balance at 31 December 2021 (Audited)	111,801,771	733,705	112,535,476
Additions during the year	19,852,768	1,505,362	21,358,130
Maturity during the year	(12,253,130)	-	(12,253,130)
Net change in fair value	(12,800,991)	(244,755)	(13,045,746)
Amortisation of premium on FVTOCI debt investments to profit or loss	(229,465)	-	(229,465)
Release of impairment	45,082	-	45,082
Balance at 31 December 2022 (Audited)	<u>106,416,035</u>	<u>1,994,312</u>	<u>108,410,347</u>

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

6 Financial assets (continued)

	FVTPL equity AED
Balance at 31 December 2022 (Audited)	-
Additions during the period	1,499,999
Disposals during the period	(1,875,787)
Realised gain on disposal of FVTPL equity investments	375,788
Balance at 31 March 2023 (Unaudited)	-

Details of provision for impairment were as follows:

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Balance at the beginning of the period/year	143,604	188,686
Provision for/(reversal of) impairment during the period/year	10,329	(45,082)
Balance at the end of the period/year	153,933	143,604

There were no reclassifications between financial investment categories during 2023 and 2022.

All the investments in scope of the impairment model are in stage 1.

7 Statutory deposit

A deposit of AED 10 million (31 December 2022: 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, as amended. 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") for the same amount. This deposit cannot be withdrawn without prior approval of the CBUAE and bears an interest rate of 5.15% per annum (31 December 2022: 4.5% per annum).

**Ras Al Khaimah National Insurance Company P.S.C.
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8 Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	(Unaudited) 2023			(Audited) 2022		
	Assets AED	Liabilities AED	Net AED	Assets AED	Liabilities AED	Net AED
Insurance contracts issued						
Life and Medical	-	(127,738,365)	(127,738,365)	-	(124,290,423)	(124,290,423)
General and Motor	-	(179,626,764)	(179,626,764)	-	(180,848,627)	(180,848,627)
Total insurance contracts issued	-	(307,365,129)	(307,365,129)	-	(305,139,050)	(305,139,050)
Reinsurance contracts held						
Life and Medical	48,606,190	-	48,606,190	48,589,531	-	48,589,531
General and Motor	98,209,902	(18,058,623)	80,151,279	98,274,839	(20,975,800)	77,299,039
Total reinsurance contracts held	146,816,092	(18,058,623)	128,757,469	146,864,370	(20,975,800)	125,888,570

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims.

The Company disaggregates information to provide disclosure in respect of major product lines separately: Life & Medical and General & Motor. This disaggregation has been determined based on how the company is managed.

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table on the next page:

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

8 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2023	Life and Medical			General and Motor			Total (Unaudited) AED
	Liabilities for remaining coverage	Liabilities for incurred claims	Estimates of the present value of future cash flows (Unaudited) AED	Liabilities for remaining coverage	Liabilities for incurred claims	Estimates of the present value of future cash flows (Unaudited) AED	
	Excluding loss component (Unaudited) AED	Loss component (Unaudited) AED	Risk adjustment (Unaudited) AED	Excluding loss component (Unaudited) AED	Loss component (Unaudited) AED	Risk adjustment (Unaudited) AED	
Insurance contract liabilities as at 1 January	34,321,573	427,931	87,122,767	2,418,152	5,267,649	121,587,398	305,139,050
Insurance revenue	(73,816,430)	-	-	-	-	-	(107,874,274)
Insurance service expenses	11,183,192	3,580,286	64,475,689	27,992	(2,938,923)	24,765,634	109,716,612
Incurred claims and other expenses	-	-	75,189,418	1,174,946	-	29,669,435	107,192,785
Amortisation of insurance acquisition cash flows	11,183,192	-	-	-	-	-	19,280,676
Losses on onerous contracts and reversals of those losses	-	3,580,286	-	-	(2,938,923)	-	641,363
Changes to liabilities for incurred claims	-	-	(10,713,729)	(1,146,954)	-	(4,903,801)	(17,398,212)
Insurance service result	(62,633,238)	3,580,286	64,475,689	27,992	(2,938,923)	24,765,634	1,842,338
Insurance finance expenses	-	-	616,621	29,054	-	1,438,745	2,173,471
Total changes in the statement of comprehensive income	(62,633,238)	3,580,286	65,092,310	57,046	(2,938,923)	26,204,379	4,015,809
Cash flows							
Premiums received	57,935,875	-	-	-	-	-	85,739,653
Claims and other expenses paid	-	-	(51,947,670)	-	-	(18,067,429)	(70,015,099)
Insurance acquisition cash flows	(8,636,667)	-	-	-	-	(8,877,617)	(17,514,284)
Total cash flows	49,299,208	-	(51,947,670)	-	-	(18,067,429)	(1,789,730)
Net insurance contract liabilities as at 31 March	20,987,543	4,008,217	100,267,407	2,475,198	2,328,726	129,724,347	307,365,129

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

8 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2022	Life and Medical				General and Motor				Total (Unaudited) AED
	Liabilities for remaining coverage		Liabilities for incurred claims		Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component (Unaudited) AED	Loss component (Unaudited) AED	Estimates of the present value of future cash flows (Unaudited) AED	Risk adjustment (Unaudited) AED	Excluding loss component (Unaudited) AED	Loss component (Unaudited) AED	Estimates of the present value of future cash flows (Unaudited) AED	Risk adjustment (Unaudited) AED	(Unaudited) AED
Insurance contract liabilities as at 1 January	47,262,845	595,177	103,943,651	2,683,388	36,092,619	4,171,878	129,991,608	7,657,215	332,398,381
Insurance revenue	(309,886,552)	-	-	-	(150,080,578)	-	-	-	(459,967,130)
Insurance service expenses	70,808,628	(167,246)	222,961,846	(309,246)	38,142,892	1,095,771	70,911,168	(377,565)	403,066,248
Incurred claims and other expenses	-	-	270,295,642	5,034,859	-	-	105,152,974	3,978,283	384,461,758
Amortisation of insurance acquisition cash flows	70,808,628	-	-	-	38,142,892	-	-	-	108,951,520
Losses on onerous contracts and reversals of those losses	-	(167,246)	-	-	-	1,095,771	-	-	928,525
Changes to liabilities for incurred claims	-	-	(47,333,796)	(5,344,105)	-	-	(34,241,806)	(4,355,848)	(91,275,555)
Insurance service result	(239,077,924)	(167,246)	222,961,846	(309,246)	(111,937,686)	1,095,771	70,911,168	(377,565)	(56,900,882)
Insurance finance expenses	-	-	221,245	44,010	-	-	(945,551)	132,095	(548,201)
Total changes in the statement of comprehensive income	(239,077,924)	(167,246)	223,183,091	(265,236)	(111,937,686)	1,095,771	69,965,617	(245,470)	(57,449,083)
<i>Cash flows</i>									
Premiums received	301,822,549	-	-	-	161,434,591	-	-	-	463,257,140
Claims and other expenses paid	-	-	(240,003,975)	-	-	-	(78,369,827)	-	(318,373,802)
Insurance acquisition cash flows	(75,685,897)	-	-	-	(39,007,689)	-	-	-	(114,693,586)
Total cash flows	226,136,652	-	(240,003,975)	-	122,426,902	-	(78,369,827)	-	30,189,752
Net insurance contract liabilities as at 31 December	34,321,573	427,931	87,122,767	2,418,152	46,581,835	5,267,649	121,587,398	7,411,745	305,139,050

Ras Al Khaimah National Insurance Company P.S.C.
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Notes to the condensed interim financial information
For the period ended 31 March 2023

8 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

	Life and Medical		General and Motor		Total (Unaudited) AED				
	Assets for remaining coverage		Assets for remaining coverage						
	Excluding loss recovery component (Unaudited) AED	Amounts recoverable on incurred claims Estimates of the present value of future cash flows (Unaudited) AED	Excluding loss recovery component (Unaudited) AED	Amounts recoverable on incurred claims Estimates of the present value of future cash flows (Unaudited) AED					
Reinsurance contract assets as at 1 January	(176,792,989)	346,066	223,719,817	1,316,637	(57,545,527)	1,676,865	149,459,094	4,684,407	146,864,370
Reinsurance contract liabilities as at 1 January	-	-	-	-	(127,655,881)	3,532	105,556,224	1,120,325	(20,975,800)
Net reinsurance contract (liabilities)/assets as at 1 January	(176,792,989)	346,066	223,719,817	1,316,637	(185,201,408)	1,680,397	255,015,318	5,804,732	125,888,570
An allocation of reinsurance premiums	(30,155,552)	-	-	-	(15,623,881)	-	-	-	(45,779,433)
Amounts recoverable from reinsurers for incurred claims	-	1,181,707	27,024,286	248,032	-	(918,680)	10,248,499	512,243	38,296,087
Amounts recoverable for incurred claims and other expenses	-	-	33,402,040	649,485	-	-	15,362,362	744,222	50,158,109
Loss-recovery on onerous underlying contracts and adjustments	-	1,181,707	-	-	-	(918,680)	-	-	263,027
Changes to amounts recoverable for incurred claims	-	-	(6,377,754)	(401,453)	-	-	(5,113,863)	(231,979)	(12,125,049)
Net income or expense from reinsurance contracts held	(30,155,552)	1,181,707	27,024,286	248,032	(15,623,881)	(918,680)	10,248,499	512,243	(7,483,346)
Reinsurance finance income	-	-	2,394,582	15,819	-	-	2,556,742	69,745	5,036,888
Effect of changes in non-performance risk of reinsurers	-	-	(163,676)	-	-	-	(74,798)	-	(238,474)
Total changes in the statement of comprehensive income	(30,155,552)	1,181,707	29,255,192	263,851	(15,623,881)	(918,680)	12,730,443	581,988	(2,684,932)
Cash flows									
Premiums paid	13,579,894	-	-	-	9,235,139	-	-	-	22,815,033
Amounts received	-	-	(14,108,433)	-	-	-	(3,152,769)	-	(17,261,202)
Total cash flows	13,579,894	-	(14,108,433)	-	9,235,139	-	(3,152,769)	-	5,553,831
Net reinsurance contract assets/(liabilities) as at 31 March	(193,368,647)	1,527,773	238,866,576	1,580,488	(191,590,150)	761,717	264,592,992	6,386,720	128,757,469
Reinsurance contract assets as at 31 March	(193,368,647)	1,527,773	238,866,576	1,580,488	(60,402,159)	761,717	152,841,974	5,008,370	146,816,092
Reinsurance contract liabilities as at 31 March	-	-	-	-	(131,187,991)	-	111,751,018	1,378,350	(18,058,623)
Net reinsurance contract assets/(liabilities) as at 31 March	(193,368,647)	1,527,773	238,866,576	1,580,488	(191,590,150)	761,717	264,592,992	6,386,720	128,757,469

Ras Al Khaimah National Insurance Company P.S.C.
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Notes to the condensed interim financial information
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8 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

2022	Life and Medical			General and Motor			
	Assets for remaining coverage	Amounts recoverable on incurred claims	Assets for remaining coverage	Amounts recoverable on incurred claims	Estimates of the present value of future cash flows (Unaudited)	Risk adjustment (Unaudited)	Total (Unaudited)
	Excluding loss recovery component (Unaudited) AED	Loss component (Unaudited) AED	Excluding loss recovery component (Unaudited) AED	Loss component (Unaudited) AED	Estimates of the present value of future cash flows (Unaudited)	Risk adjustment (Unaudited)	Total (Unaudited) AED
Reinsurance contract assets as at 1 January	(182,384,303)	489,213	(159,030,436)	1,428,418	271,100,898	5,950,951	198,930,187
Reinsurance contract liabilities as at 1 January	-	-	(11,571,787)	-	3,663,426	148,700	(7,759,661)
Net reinsurance contract assets/(liabilities) as at 1 January	(182,384,303)	489,213	(170,602,223)	1,428,418	274,764,324	6,099,651	191,170,526
Allocation of reinsurance premiums	(91,705,253)	-	(82,785,486)	-	-	-	(174,490,739)
Amounts recoverable from reinsurers for incurred claims	-	(143,147)	-	251,979	19,093,910	(398,738)	84,461,227
Amounts recoverable for incurred claims and other expenses	-	-	-	-	49,596,008	2,443,512	147,281,884
Loss-recovery on onerous underlying contracts and adjustments	-	(143,147)	-	251,979	-	-	108,832
Changes to amounts recoverable for incurred claims	-	-	(27,029,880)	-	(30,502,098)	(2,842,250)	(62,929,489)
Net income or expense from reinsurance contracts held	(91,705,253)	(143,147)	(82,785,486)	251,979	19,093,910	(398,738)	(90,029,512)
Reinsurance finance income	-	-	2,607,564	-	731,284	103,819	3,466,634
Effect of changes in non-performance risk of reinsurers	-	-	1,395,541	-	(146,342)	-	1,249,199
Total changes in the statement of comprehensive income	(91,705,253)	(143,147)	(82,785,486)	251,979	19,678,852	(294,919)	(85,313,679)
<i>Cash flows</i>							
Premiums paid	97,296,567	-	68,186,301	-	-	-	165,482,868
Amounts received	-	-	(106,023,287)	-	(39,427,858)	-	(145,451,145)
Total cash flows	97,296,567	-	(68,186,301)	-	(39,427,858)	-	20,031,723
Net reinsurance contract assets/(liabilities) as at 31 December	(176,792,989)	346,066	(185,201,408)	1,680,397	255,015,318	5,804,732	125,888,570
Reinsurance contract assets as at 31 December	(176,792,989)	346,066	(57,545,327)	1,676,865	149,459,094	4,684,407	146,864,370
Reinsurance contract liabilities as at 31 December	-	-	(127,655,881)	3,532	105,556,224	1,120,325	(20,975,800)
Net reinsurance contract assets/(liabilities) as at 31 December	(176,792,989)	346,066	(185,201,408)	1,680,397	255,015,318	5,804,732	125,888,570

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9 Insurance and other receivables

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Insurance agents and brokers receivables	1,624,342	1,606,539
Accrual of interest and other income	1,519,922	795,702
Advances and prepayments	10,298,618	9,846,606
Other receivables	5,601,041	5,261,677
	<u>19,043,923</u>	<u>17,510,524</u>
Allowance for impairment	(4,976,127)	(4,357,596)
	<u>14,067,796</u>	<u>13,152,928</u>

Other receivables mainly pertain to an amount of AED 3.9 million (31 December 2022: AED 3.9 million) for the exposure to a Lebanese bank that does not meet the recognition and classification requirements of cash at bank (Note 11).

Movement in the allowance for impairment was as follows:

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Balance at the beginning of the period / year	4,357,596	2,306,825
Provision for impairment during the period / year	618,531	127,674
Write-offs during the period / year	-	1,923,097
Balance at the end of the period / year	<u>4,976,127</u>	<u>4,357,596</u>

10 Cash and cash equivalents

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Cash in hand	21,597	19,295
Current accounts with banks	20,764,591	9,609,452
	<u>20,786,188</u>	<u>9,628,747</u>

11 Bank balances and fixed deposits

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Fixed deposits with original maturities greater than three months	260,646,684	266,850,379
Fixed deposits under lien	600,000	600,000
Allowance for impairment	(136,716)	(138,000)
Total fixed deposits	<u>261,109,968</u>	<u>267,312,379</u>

Certain fixed deposits with carrying amount of AED 600,000 as at 31 March 2023 (31 December 2022: AED 600,000) are under lien against letters of guarantee amounting to AED 550,000 (31 December 2022: AED 550,000). The interest rates on fixed deposits with banks range between 2.7% to 5.65% per annum (31 December 2022: 1.8% to 5.65% per annum). All fixed deposits are held in local banks in the United Arab Emirates.

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

11 Bank balances and fixed deposits (continued)

As of 31 March 2023, fixed deposits with original maturities greater than three months disclosed above include deposits amounting to AED 60,602,945 (31 December 2022: AED 50,102,945) which are pledged against bank borrowing (Note 16). Details of allowance for impairment as per IFRS 9 were as follows:

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Balance at the beginning of the period / year	138,000	1,532,788
Provision for impairment during the period / year	(1,284)	928
Transfer of provision for asset in Lebanon (Note 9)	-	(1,395,716)
Balance at the end of the period / year	<u>136,716</u>	<u>138,000</u>

All the bank balances and fixed deposits in scope of the impairment model are in stage 1 and there have been no movements between the stages during the period / year.

12 Share capital

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Authorised, issued and fully paid: 121.275 million ordinary shares of AED 1 each	<u>121,275,000</u>	<u>121,275,000</u>

(31 December 2022: 121.275 million ordinary shares of AED 1 each)

13 Basic and diluted loss per share

	For the three month period ended 31 March (Unaudited)	
	2023	<i>Restated</i> 2022
Loss for the period (in AED)	<u>(4,281,999)</u>	<u>(3,705,157)</u>
Number of shares	<u>121,275,000</u>	<u>121,275,000</u>
Basic and diluted loss per share (in AED)	<u>(0.04)</u>	<u>(0.03)</u>

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

14 Insurance and other payables

	(Unaudited) 31 March 2023 AED	<i>Restated</i> (Audited) 31 December 2022 AED
Payables to third party administrators and suppliers	17,433,491	11,464,374
Due to related parties	16,683,415	15,752,195
Accrued expenses	5,704,231	6,328,369
Employees' benefits payable	250,000	-
Other payable balances	8,649,855	3,957,230
Dividends payable	<u>1,925,372</u>	<u>1,925,372</u>
	<u>50,646,364</u>	<u>39,427,540</u>

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

15 Dividend and Directors' remuneration

At the Annual General Meeting held on 12 April 2023, the shareholders approved not paying a dividend or Board of Directors' remuneration for the year ended 31 December 2022. (At the Annual General Meeting held on 14 April 2022, the shareholders approved a dividend distribution of AED 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 were not reflected in the financial statements since they were approved subsequent to 31 March 2022).

16 Bank borrowing

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Bank overdraft	<u>60,500,000</u>	<u>50,000,000</u>

Overdraft facilities are secured against fixed deposit with carrying value of AED 60,602,945 (31 December 2022: AED 50,102,945). The overdraft carries an interest rate of 0.5% above the interest rate earned on the fixed deposits secured against the overdraft facilities and are repayable on demand.

17 Insurance service expense

For the three month period ended 31 March 2023	Life and medical (Unaudited) AED	General and motor (Unaudited) AED	Total (Unaudited) AED
Incurring claims and other expenses	76,364,364	30,828,421	107,192,785
Amortisation of insurance acquisition cash flows	11,183,192	8,097,484	19,280,676
Losses on onerous contracts and reversals of those losses	3,580,286	(2,938,923)	641,363
Changes to liabilities for incurred claims	(11,860,683)	(5,537,529)	(17,398,212)
	<u>79,267,159</u>	<u>30,449,453</u>	<u>109,716,612</u>

Restated

For the three month period ended 31 March 2022

Incurring claims and other expenses	79,104,251	26,608,349	105,712,600
Amortisation of insurance acquisition cash flows	17,418,489	8,895,196	26,313,685
Losses on onerous contracts and reversals of those losses	(60,468)	854,587	794,119
Changes to liabilities for incurred claims	(17,918,272)	(16,307,113)	(34,225,385)
	<u>78,544,000</u>	<u>20,051,019</u>	<u>98,595,019</u>

**Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)**

**Notes to the condensed interim financial information
For the period ended 31 March 2023**

18 Total investment income and net insurance financial result

The table below presents an analysis of total investment income and insurance finance result recognised in profit or loss and OCI in the period:

For the three month period ended 31 March 2023	Life and Medical (Unaudited) AED	General and Motor (Unaudited) AED	Total (Unaudited) AED
Investment income			
Amounts recognised in the profit or loss			
Interest income	844,211	2,622,532	3,466,743
Dividend income from financial investments	-	48,013	48,013
Realised gain on disposal of financial investments at FVTPL	-	375,788	375,788
Other income	-	2,725	2,725
	844,211	3,049,058	3,893,269
Insurance finance income/(expenses) from insurance contracts issued			
Interest accreted to insurance contracts using current financial assumptions	(647,812)	(1,314,005)	(1,961,817)
Due to changes in interest rates and other financial assumptions	2,137	(213,791)	(211,654)
Total insurance finance expenses from insurance contracts issued	(645,675)	(1,527,796)	(2,173,471)
Represented by:			
Amounts recognised in profit or loss	(645,675)	(1,527,796)	(2,173,471)
Amounts recognised in OCI	-	-	-
Reinsurance finance income/(expenses) from reinsurance contracts held			
Interest accreted to reinsurance contracts using current financial assumptions	2,454,976	2,600,684	5,055,660
Changes in non-performance risk of reinsurer	(163,676)	(74,798)	(238,474)
Due to changes in interest rates and other financial assumptions	(44,575)	25,803	(18,772)
Reinsurance finance income from reinsurance contracts held	2,246,725	2,551,689	4,798,414
Represented by:			
Amounts recognised in profit or loss	2,246,725	2,551,689	4,798,414
Amounts recognised in OCI	-	-	-
Total insurance finance expenses and reinsurance finance income	1,601,050	1,023,893	2,624,943
Represented by:			
Amounts recognised in profit or loss	1,601,050	1,023,893	2,624,943
Amounts recognised in OCI	-	-	-

Ras Al Khaimah National Insurance Company P.S.C.
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Notes to the condensed interim financial information
For the period ended 31 March 2023

18 Total investment income and net insurance financial result (continued)

The table below presents an analysis of total investment income and insurance finance result recognised in profit or loss and OCI in the period:

For the three month period ended 31 March 2022	Life and Medical (Unaudited) AED	General and Motor (Unaudited) AED	Total (Unaudited) AED
Investment income			
Amounts recognised in the profit or loss			
Interest income	567,840	1,541,876	2,109,716
Dividend income from financial investments	-	8,333	8,333
Other income	-	1,530	1,530
	567,840	1,551,739	2,119,579
<i>Insurance finance income/ (expenses) from insurance contracts issued</i>			
Interest accreted to insurance contracts using current financial assumptions			
	(96,819)	(164,783)	(261,602)
Due to changes in interest rates and other financial assumptions			
	340,840	1,699,243	2,040,083
Total insurance finance income from insurance contracts issued	244,021	1,534,460	1,778,481
Represented by:			
Amounts recognised in profit or loss	244,021	1,534,460	1,778,481
Amounts recognised in OCI	-	-	-
<i>Reinsurance finance income/ (expenses) from reinsurance contracts held</i>			
Interest accreted to reinsurance contracts using current financial assumptions			
	325,906	306,282	632,188
Changes in non-performance risk of reinsurer			
	(206,875)	392,282	185,407
Due to changes in interest rates and other financial assumptions			
	(535,938)	(1,691,437)	(2,227,375)
Reinsurance finance expenses from reinsurance contracts held	(416,907)	(992,873)	(1,409,780)
Represented by:			
Amounts recognised in profit or loss	(416,907)	(992,873)	(1,409,780)
Amounts recognised in OCI	-	-	-
Total insurance finance expenses and reinsurance finance income	(172,886)	541,587	368,701
Represented by:			
Amounts recognised in profit or loss	(172,886)	541,587	368,701
Amounts recognised in OCI	-	-	-

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

19 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 income statement classified by major segments:

	For the three month period ended 31 March 2023		
	(Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Insurance revenue	73,816,430	34,057,844	107,874,274
Insurance service expenses	(79,267,159)	(30,449,453)	(109,716,612)
Insurance service result before reinsurance contracts held	(5,450,729)	3,608,391	(1,842,338)
Allocation of reinsurance premiums	(30,155,552)	(15,623,881)	(45,779,433)
Amounts recoverable from reinsurance	28,454,025	9,842,062	38,296,087
Net expenses from reinsurance contracts held	(1,701,527)	(5,781,819)	(7,483,346)
Investment income	844,211	3,049,058	3,893,269
Finance income/(expenses) from insurance contracts issued	(645,675)	(1,527,796)	(2,173,471)
Finance income/(expenses) from reinsurance contracts held	2,246,725	2,551,689	4,798,414
Net insurance financial result	1,601,050	1,023,893	2,624,943
Mathematical reserves	(31,669)	-	(31,669)
Other operating expenses	(1,342,119)	(1,209,185)	(2,551,304)
Other underwriting income	1,108,446	-	1,108,446
Loss for the period	(4,972,337)	690,338	(4,281,999)

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

19 Segment information (continued)

	For the three month period ended 31 March 2022		
	(Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Insurance revenue	86,237,731	33,483,388	119,721,119
Insurance service expenses	(78,637,035)	(19,957,984)	(98,595,019)
Insurance service result before reinsurance contracts held	7,600,696	13,525,404	21,126,100
Allocation of reinsurance premiums	(26,747,089)	(18,289,954)	(45,037,043)
Amounts recoverable from reinsurance	21,653,045	1,647,490	23,300,535
Net expenses from reinsurance contracts held	(5,094,044)	(16,642,464)	(21,736,508)
Investment income	567,840	1,551,739	2,119,579
Finance income/(expenses) from insurance contracts issued	244,021	1,534,460	1,778,481
Finance income/(expenses) from reinsurance contracts held	31,574	(1,441,354)	(1,409,780)
Net insurance financial result	275,595	93,106	368,701
Mathematical reserves	(107,196)	-	(107,196)
Other operating expenses	(4,901,260)	(1,231,051)	(6,132,311)
Other underwriting income	656,478	-	656,478
Loss for the period	(1,001,891)	(2,703,266)	(3,705,157)

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

	As at 31 March 2023 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
	Total assets	181,857,652	398,385,517
Total equity	(20,386,278)	157,283,426	136,897,148
Total liabilities	202,243,930	241,102,091	443,346,021

	As at 31 December 2022 (Audited)		
	Life and Medical AED	Motor and General AED	Total AED
	Total assets	185,958,251	376,323,956
Total equity	(9,877,294)	150,360,352	140,483,058
Total liabilities	195,835,545	225,963,604	421,799,149

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

20 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. 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.

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

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Due from Parent company (premiums receivable)	7,694,539	5,240,255
Due from directors (premiums receivable)	20,733	44,648
Due from other related parties under common control (premium receivable)	<u>28,301,103</u>	<u>11,714,961</u>
Total due from related parties	<u>36,016,375</u>	<u>16,999,864</u>
Due to Parent company (commissions payable and advances)	(18,639,107)	(18,938,754)
Due to other related parties under common control (claims payable)	<u>(64,860)</u>	<u>(861,765)</u>
Total due to related parties	<u>(18,703,967)</u>	<u>(19,800,519)</u>
	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Fixed deposits placed with Parent company	<u>120,861,561</u>	<u>124,017,267</u>
Bank balances placed with Parent company	<u>11,419,474</u>	<u>8,634,651</u>
Allowance for impairment on premiums receivable (Parent company)	<u>(424,636)</u>	<u>(466,474)</u>

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

Ras Al Khaimah National Insurance Company P.S.C.
Condensed interim financial information (Unaudited)

Notes to the condensed interim financial information
For the period ended 31 March 2023

20 Related party balances and transactions (continued)

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

	For the three month period ended 31 March (Unaudited)	
	2023 AED	2022 AED
Gross written premiums (Parent company)	21,087,907	22,194,875
Gross written premiums (Directors)	26,745	5,199
Gross written premiums (other related parties under common control)	24,356,278	2,926,361
Claims paid (Parent company)	(15,503,134)	(8,225,757)
Claims paid (Director)	(12,362)	-
Claims paid (other related parties under common control)	(1,058,401)	(378,911)
Commission expenses (Parent company)	(1,767,161)	(10,130,954)
Rent expenses (Parent company)	(118,750)	(118,750)
Central function support recharges (Parent company)	(250,000)	(250,000)
Interest income (Parent company)	1,202,573	141,224
Interest cost (Parent company)	-	(94,214)

During the three month ended 31 March 2023, the Company has sold financial assets at AED 1.9 million (31 December 2022: AED 19.9 million) and purchased financial assets at FVTOCI amounting to AED 13.7 million (31 December 2022: nil) through the Parent company / from external parties.

Key management personnel compensation

	For the three month period ended 31 March (Unaudited)	
	2023 AED	2022 AED
Board of Directors' remuneration	-	207,569
Short-term benefits	1,550,620	1,715,008
Long-term benefits	37,219	41,144
	<u>1,587,839</u>	<u>1,963,721</u>

21 Contingent liabilities

	(Unaudited)	(Audited)
	31 March 2023 AED	31 December 2022 AED
Letters of guarantee	<u>10,567,144</u>	<u>10,567,341</u>

Letters of guarantee includes AED 10 million (31 December 2022: 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.
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Notes to the condensed interim financial information
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22 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.

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 6 of this condensed interim financial information.

Fair value of financial instruments carried at fair value

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 2022.

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 maximise 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:

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED				
FVTOCI:						
Debt securities	116,851,208	106,416,035	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity securities	4,093,675	1,994,312	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.
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23 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 summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	65,312,002	56,600,411
Minimum Guarantee Fund (MGF)	71,024,958	71,909,398
Basic Own Funds	116,465,233	115,146,083
MCR Solvency Margin - Minimum Capital Requirement surplus	16,465,233	15,146,083
MCR Solvency Margin - Solvency Capital Requirement surplus	51,153,231	58,545,671
MGF Solvency Margin – Minimum Guarantee Fund surplus	<u>45,440,275</u>	<u>43,236,685</u>

24 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 2023.

25 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 2023.