

**National Takaful Company
(Watania) P.J.S.C.**

REVIEW REPORT AND INTERIM CONDENSED
FINANCIAL STATEMENTS

31 MARCH 2021 (UNAUDITED)

**National Takaful Company
(Watania) P.J.S.C.**

DIRECTORS' REPORT

31 MARCH 2021



DIRECTOR'S STATEMENT FOR THE QUARTER ENDED MARCH 31, 2021

The Board of Directors is pleased to share its report for the quarter ended March 31, 2021 together with the Financial Statements as at that date.

Key highlights of the results are:

- Gross Written Contribution (GWC) of AED 93.3mn compared to AED 118.8mn in 2020.
- The claims ratio for Q1FY21 decreased to 61.7% from 68.4% in Q1FY20.
- The expense ratio in Q1FY21 was 20.4% as compared to 16.0% in Q1FY20 primarily due to fall in GWC and Net Earned Contribution.
- Overall combined ratio stood at 99.3% in Q1FY21 as compared to 99.8% in Q1FY20.
- Investment income for the quarter stood at AED 3.6mn as compared to AED 2.2mn in Q1FY20 due to better performance of the equity portfolio.
- The Company achieved net profit of AED 3.9mn in Q1FY21 as compared to AED 2.3mn in Q1FY20.
- Annualized return on Equity for 2020 was 15.3%.

Our net profit for the first quarter has shown a growth of 56% over 2020 on the back of better underwriting performance and investment profit. The trend in business, however, continues to be challenging. Our two key portfolios are witnessing a stiff price competition which is bound to have a negative impact on underwriting performance if the market continues to persist in that direction. Liquidity continues to be a challenge in the market. Outstanding receivable days has shown an increase compared to the previous quarter. However, we continue to monitor our ageing strictly along with being conservative in our provisioning policy.

Investment performance during the quarter was led by improvement in the performance of the equity portfolio. Local equity markets performed well which led to an increase of 67% in overall investment income. Although real estate prices have stabilized and shown some improvement over the previous year, the rental income witnessed a fall due to a y-o-y decline in rentals and pressure on occupancy. Fixed income portfolio continues to be under pressure due to low yields. We expect investment performance to be mixed with fixed income generating assets to be under pressure due to low yields.

Outlook

Real GDP in UAE is expected to grow by 2% in 2021 from negative 6%(e) in 2020. We should see the impact of that growth in company's financials in 2022. We expect the pressure on company's top-line to persist for the rest of the year. However, we believe our disciplined underwriting along with strict monitoring of expenses will help us achieve our profitability target for the year.

We would like to sincerely thank United Arab Emirates Government, Insurance Authority, our Clients and Business partners for their confidence in Watania. We acknowledge and thank the management team and employees for their hard work and dedication.

Dr. Ali Saeed Bin Harmel Aldhaheri
Chairman
National Takaful Company (Watania)

**National Takaful Company
(Watania) P.J.S.C.**

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2021



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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL TAKAFUL COMPANY (WATANIA) P.J.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of National Takaful Company (Watania) P.J.S.C. (the "Company") as at 31 March 2021, comprising of the interim statement of financial position as at 31 March 2021 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

9 May 2021
Abu Dhabi

National Takaful Company (Watania) P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2021

	Notes	31 March 2021 (Unaudited) AED '000	31 December 2020 (Audited) AED '000
ASSETS			
Takaful operations' assets			
Investments carried at fair value through other comprehensive income	10	55,345	53,987
Investment properties		4,600	4,600
Deferred policy acquisition cost		15,440	14,609
Retakaful share of unearned contribution	11	58,967	59,139
Retakaful share of claims	11	51,347	53,466
Advances, deposits and other assets		5,087	5,117
Contributions and retakaful balances receivables	5	118,549	105,362
Restricted bank deposits	6	15,249	15,249
Wakala deposits	7	45,000	50,000
Cash and cash equivalents	8	<u>31,696</u>	<u>27,094</u>
Total takaful operations' assets		401,180	388,623
Shareholders' assets			
Property and equipment		1,125	1,254
Intangible assets		2,115	1,841
Right-of-use-assets		8,360	8,608
Investments carried at fair value through other comprehensive income	9	38,235	35,531
Investment properties	10	16,410	15,410
Statutory deposit		6,000	6,000
Advances, deposits and other assets	4	4,749	1,957
Restricted bank deposits	6	2,000	2,000
Due from policyholders	14	34,716	43,559
Cash and cash equivalents	8	<u>24,925</u>	<u>11,510</u>
Total shareholders' assets		137,625	127,670
TOTAL ASSETS		538,805	516,293
Liabilities			
Takaful operations' liabilities			
Takaful and retakaful payables		94,787	82,016
Takaful contract liabilities	11	283,455	245,225
Unearned retakaful commission income		5,236	5,547
Other liabilities		12,986	12,276
Due to shareholders		<u>34,716</u>	<u>43,559</u>
Total takaful operations liabilities		401,180	388,623
Shareholders' liabilities			
Other liabilities		7,431	7,124
Employees' end of service benefits		8,565	7,839
Lease liabilities	9	<u>8,592</u>	<u>8,606</u>
Total shareholders' liabilities		24,588	23,569
Total liabilities		425,768	412,192
Participants' account			
Property and liability takaful fund	13	(183,390)	(177,061)
Qard hasan – financed by shareholders	13	<u>183,390</u>	<u>177,061</u>
Total surplus in participants' account		-	-
Shareholders' equity			
Share capital	12	150,000	150,000
Legal reserve		4,609	4,609
Retakaful default reserve		648	648
Revaluation reserve		(2,041)	(4,713)
Accumulated losses		<u>(40,179)</u>	<u>(46,443)</u>
Total shareholders' equity		113,037	104,101
TOTAL LIABILITIES, PARTICIPANTS' ACCOUNT AND SHAREHOLDERS' EQUITY		538,805	516,293

Chairman

Chief Executive Officer

The attached notes 1 to 22 form an integral part of these interim condensed financial information.

National Takaful Company (Watania) P.J.S.C.

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2021

	Notes	<i>Three months ended</i>	
		<i>2021</i>	<i>2020</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>AED'000</i>	<i>AED'000</i>
<i>31 March</i>			
Attributable to policyholders'			
Gross contributions written	16	93,261	118,748
Retakaful contributions ceded	16	(30,703)	<u>(44,520)</u>
Net takaful contributions		62,558	74,228
Change in net unearned contributions reserve		(15,061)	<u>(19,792)</u>
Net takaful contributions earned	16	47,497	54,436
Commissions earned		<u>2,891</u>	<u>3,317</u>
Gross takaful income		<u>50,388</u>	<u>57,753</u>
Gross claims paid		(55,443)	(59,617)
Retakaful share of claims paid		<u>21,701</u>	<u>21,605</u>
Net claims paid		(33,742)	(38,012)
Change in gross outstanding claims reserve		6,870	(5,229)
Change in retakaful share of outstanding claims reserve		(2,547)	5,708
Change in net incurred but not reported claims reserve		64	279
Change in unallocated loss adjustment expense reserve		<u>53</u>	<u>27</u>
Net takaful claims incurred		(29,302)	(37,227)
Other underwriting expenses		<u>(4,418)</u>	<u>(3,359)</u>
Total takaful expenses		(33,720)	<u>(40,586)</u>
Net takaful income		16,668	17,167
Policyholders' investments income		460	745
Wakala fees	17	(23,315)	(33,248)
Mudarib's share		(161)	(261)
Other income		<u>19</u>	<u>198</u>
Deficit of takaful result for the period		<u>(6,329)</u>	<u>(15,399)</u>
Attributable to shareholders'			
Shareholders' investments and other income, net	18	3,164	1,424
Wakala fees from policyholders	17	23,315	33,248
Mudarib's share from policyholders		161	261
General and administrative expenses	19	(9,589)	(8,574)
Commissions expense		(6,638)	(8,578)
Finance cost	9	(111)	(110)
Deficit from takaful operations		<u>(6,329)</u>	<u>(15,399)</u>
NET PROFIT FOR THE PERIOD		<u>3,973</u>	<u>2,272</u>
Basic and diluted earnings per share	20	<u>0.03</u>	<u>0.02</u>

The attached notes 1 to 22 form an integral part of these interim condensed financial information.

National Takaful Company (Watania) P.J.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2021

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Notes</i>	2021 <i>(Unaudited)</i> AED'000	2020 <i>(Unaudited)</i> AED'000
Net profit for the period		3,973	2,272
Other comprehensive income (loss)			
<i>Items that will not be reclassified subsequently to statement of income:</i>			
Change in fair value of investments carried at fair value through other comprehensive income	10	5,001	(15,497)
<i>Items that will be reclassified subsequently to statement of income:</i>			
Change in the fair value of financial assets carried at fair value through other comprehensive income	10	(38)	-
Impairment on financial assets designated as available for sale		<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the period		<u>4,963</u>	(15,497)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		<u>8,936</u>	(13,225)

The attached notes 1 to 22 form an integral part of these interim condensed financial information.

National Takaful Company (Watania) P.J.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2021

	<i>Share capital AED'000</i>	<i>Legal reserve AED'000</i>	<i>Retakaful default reserve AED'000</i>	<i>Revaluation reserve AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Total shareholders' equity AED'000</i>
As at 1 January 2020 (Audited)	150,000	2,766	-	(4,911)	(54,835)	93,020
Profit for the period	-	-	-	-	2,272	2,272
Other comprehensive loss for the period	-	-	-	(15,497)	-	(15,497)
Total comprehensive loss for the period	-	-	-	(15,497)	2,272	(13,225)
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	-	(156)	156	-
As at 31 March 2020 (Unaudited)	<u>150,000</u>	<u>2,766</u>	<u>-</u>	<u>(20,564)</u>	<u>(52,407)</u>	<u>79,795</u>
As at 1 January 2021 (Audited)	150,000	4,609	648	(4,713)	(46,443)	104,101
Profit for the period	-	-	-	-	3,973	3,973
Other comprehensive income for the period	-	-	-	4,963	-	4,963
Total comprehensive income for the period	-	-	-	4,963	3,973	8,936
Disposal of investments carried at fair value through other comprehensive income	-	-	-	(2,291)	2,291	-
As at 31 March 2021 (Unaudited)	<u>150,000</u>	<u>4,609</u>	<u>648</u>	<u>(2,041)</u>	<u>(40,179)</u>	<u>113,037</u>

The attached notes 1 to 22 form an integral part of these interim condensed financial information.

National Takaful Company (Watania) P.J.S.C.

INTERIM STATEMENT OF CASHFLOWS (UNAUDITED)

For the period ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
OPERATING ACTIVITIES			
Profit for the period		3,973	2,272
Adjustment for:			
Unearned contributions reserve, net		15,061	19,792
Change in gross outstanding claims and claims incurred but not reported reserves		(6,659)	5,378
Change in retakaful share of outstanding claims and claims incurred but not reported reserves		2,219	(6,163)
Depreciation of property and equipment and right-of-use assets and amortisation of intangible assets	19	489	504
Provision for end of service benefits		726	573
Provision for impairment of contributions and retakaful receivables	5 & 19	356	364
Finance cost		111	110
Dividend income	18	<u>(2,252)</u>	<u>(765)</u>
		14,024	22,065
Working changes in:			
Contributions and retakaful receivables		(13,543)	(19,069)
Advances, deposit and other assets		(2,762)	(1,934)
Takaful and retakaful payables		12,771	22,992
Deferred policy acquisition cost		(831)	(2,419)
Unearned retakaful commission income		(311)	1,213
Other liabilities		<u>1,017</u>	<u>167</u>
Net cash flows from operating activities		<u>10,365</u>	<u>23,015</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(48)	(186)
Purchase of intangible assets		(328)	(256)
Purchase of investments	10	(25,014)	(8,076)
Proceeds from disposal of investments		25,915	3,921
Restricted and wakala deposits		5,000	7,325
Dividends received		<u>2,252</u>	<u>765</u>
Net cash flows from investing activities		<u>7,777</u>	<u>3,493</u>
FINANCING ACTIVITY			
Lease liabilities instalment paid	9	<u>(125)</u>	<u>(1,015)</u>
Cash flow used in financing activity		<u>(125)</u>	<u>(1,015)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		18,017	25,493
Cash and cash equivalents at the beginning of the period		<u>38,604</u>	<u>45,434</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<u>56,621</u>	<u>70,927</u>

The attached notes 1 to 22 form an integral part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2021

1 LEGAL STATUS AND ACTIVITIES

National Takaful Company (Watania) PJSC (the “Company”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates on 12 July 2011 as a public joint stock company in accordance with the United Arab Emirates Federal Law No. (2) of 2015. Incorporation of the Company was approved by the Ministry of Economy with a ministerial resolution no. (379) on 28 June 2011.

The registered office address of the Company is P.O. Box No. 6457 Abu Dhabi, United Arab Emirates. The Company is primarily authorised to engage in providing all classes of non family takaful solutions in accordance with UAE Federal Law No. (6) of 2007 concerning establishment of the insurance authority and organisation of its operations, and is registered with the Insurance Companies Register of Insurance Authority of U.A.E. under registration no. (90).

The accompanying interim condensed financial statements of the Company for the period ended 31 March 2021 have been authorised for issue in accordance with a resolution of the Board of Directors on 9 May 2021.

2 BASIS OF PREPARATION

Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2020. In addition, results for the period ended 31 March 2021 are not necessarily indicative of the results for the year ending 31 December 2021.

The interim condensed financial statements have been prepared on the historical cost basis except for the investments carried at fair value through other comprehensive income and investment properties.

The interim condensed financial statements are presented in United Arab Emirates Dirhams (“AED”), being the functional and presentation currency of the Company. All the values are rounded to the nearest thousand (AED’000) except when otherwise indicated.

Use of estimates and judgement

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

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the financial statements as at and for the year ended 31 December 2020.

Impact of novel coronavirus (COVID-19)

The outbreak of COVID-19 continues to progress and evolve, causing disruption to business and economic activity. There has been macro economic uncertainty with regards to prices and demand for commodities. However, the scale and duration of these developments remain uncertain but could impact earnings, cash flow and financial condition. The Company is monitoring the evolution of the COVID 19 pandemic and will continue to assess further impacts going forward.

The currently known impacts of COVID-19 on the Company are slight delays in customers collections due to Covid-19 but management is closely monitoring the situation and has kept adequate provision for expected credit losses. In addition, there was a drop in contributions written during the period as a result of the continuance impact from COVID-19, which management is currently putting efforts to address in subsequent periods. The management does not anticipate a future material impact of this outbreak on the Company’s financial statements at this stage.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2021

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2020, except for the adoption of the following new standards effective as of 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Interest Rate Benchmark Reform - Phase 2: *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

4 STATUTORY DEPOSIT

In accordance with the requirements of Federal Law No. (6) of 2007, regarding the establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 6,000 thousand which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a bank in UAE, carrying a profit rate of 2% per annum (31 December 2020: 3.25% per annum).

5 CONTRIBUTION AND RETAKAFUL BALANCES RECEIVABLES

	<i>(Unaudited)</i> 31 March 2021 AED'000	<i>(Audited)</i> 31 December 2020 AED'000
Due from participants	97,454	88,942
Due from takaful and retakaful operators	26,173	20,857
Due from brokers and agents	<u>4,956</u>	<u>5,241</u>
	128,583	115,040
Less: allowance for expected credit losses	<u>(10,034)</u>	<u>(9,678)</u>
Net contributions and retakaful receivables	<u>118,549</u>	<u>105,362</u>

As at 31 March 2021, contributions and retakaful balances receivables at a nominal value of AED 10,034 thousand (31 December 2020: AED 9,678 thousand) were impaired.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2021

5 CONTRIBUTION AND RETAKAFUL BALANCES RECEIVABLES continued

Movement of allowance for expected credit losses of contributions and retakaful receivables is as follows:

	<i>(Unaudited)</i> 31 March 2021 <i>AED'000</i>	<i>(Audited)</i> 31 December 2020 <i>AED'000</i>
At the beginning of the period / year	9,678	8,112
Charge for the period / year (note 19)	<u>356</u>	<u>1,566</u>
At end of the period / year	<u>10,034</u>	<u>9,678</u>

6 RESTRICTED BANK DEPOSITS

	<i>(Unaudited)</i> 31 March 2021 <i>AED'000</i>	<i>(Audited)</i> 31 December 2020 <i>AED'000</i>
Takaful operations' assets	15,249	15,249
Shareholders' assets	<u>2,000</u>	<u>2,000</u>
	<u>17,249</u>	<u>17,249</u>

Restricted bank deposits are held in margin accounts to issue takaful business related performance and tender bonds.

These deposits carry a profit rate of 0.58% to 2% (31 December 2020: 0.58% to 2.0%) per annum.

7 WAKALA DEPOSITS

	<i>(Unaudited)</i> 31 March 2021 <i>AED'000</i>	<i>(Audited)</i> 31 December 2020 <i>AED'000</i>
Takaful operations' assets	<u>45,000</u>	<u>50,000</u>

The above wakala deposits carry a profit rate of 2% to 3.5% (31 December 2020: 2.0% to 3.50%) per annum.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2021

8 CASH AND CASH EQUIVALENTS

	<i>(Unaudited)</i> 31 March 2021 <i>AED'000</i>	<i>(Audited)</i> 31 December 2020 <i>AED'000</i>
Cash on hand	20	20
Cash at banks – current accounts	<u>56,601</u>	<u>38,584</u>
	<u>56,621</u>	<u>38,604</u>
Takaful operations' assets	31,696	27,094
Shareholders' assets	<u>24,925</u>	<u>11,510</u>
	<u>56,621</u>	<u>38,604</u>

The geographical distribution of cash and cash equivalents is as follows:

	<i>(Unaudited)</i> 31 March 2021 <i>AED'000</i>	<i>(Audited)</i> 31 December 2020 <i>AED'000</i>
Outside UAE	521	111
Inside UAE	<u>56,100</u>	<u>38,493</u>
	<u>56,621</u>	<u>38,604</u>

9 RIGHT-OF-USE ASSETS / LEASE LIABILITIES

	<i>(Unaudited)</i> 31 March 2021 <i>AED'000</i>	<i>(Audited)</i> 31 December 2020 <i>AED'000</i>
Right-of-use-assets		
Balance at the beginning of the period / year	8,608	9,303
Modification during the period / year	-	333
Depreciation expense	<u>(258)</u>	<u>(1,028)</u>
Balance at the end of the period / year	<u>8,350</u>	<u>8,608</u>
Lease liabilities		
Balance at the beginning of the period / year	8,606	9,201
Modification during the period / year	-	333
Interest expense	111	444
Payments	<u>(125)</u>	<u>(1,372)</u>
Balance at the end of the period / year	<u>8,592</u>	<u>8,606</u>

National Takaful Company (Watania) P.J.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2021

10 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>(Unaudited)</i> <i>31 March</i> <i>2021</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>AED'000</i>
Takaful operation's assets		
Sukuk	23,099	23,320
Less: allowance for expected credit losses	<u>(51)</u>	<u>(51)</u>
	23,048	23,269
Quoted equity securities	<u>32,297</u>	<u>30,718</u>
	<u>55,345</u>	<u>53,987</u>
Shareholders' assets		
Sukuk	9,909	9,909
Less: allowance for expected credit losses	<u>(278)</u>	<u>(278)</u>
	9,631	9,631
Quoted equity securities	<u>28,604</u>	<u>25,900</u>
	<u>38,235</u>	<u>35,531</u>
Total	<u>93,580</u>	<u>89,518</u>

The movement in the investments at fair value through other comprehensive income is as follows:

	<i>Sukuk</i> <i>AED'000</i>	<i>Equity</i> <i>securities</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
At 1 January	32,900	56,618	89,518
Additions	-	25,014	25,014
Disposals	(183)	(25,732)	(25,915)
Change in fair value	<u>(38)</u>	<u>5,001</u>	<u>4,963</u>
Fair value at period end	<u>32,679</u>	<u>60,901</u>	<u>93,580</u>

The geographical distribution of investments is as follows:

	<i>(Unaudited)</i> <i>31 March</i> <i>2021</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>AED'000</i>
Inside UAE	77,767	75,718
Outside UAE	<u>15,813</u>	<u>13,800</u>
	<u>93,580</u>	<u>89,518</u>

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11 RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES

	<i>(Unaudited)</i> <i>31 March</i> <i>2021</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>AED'000</i>
Gross takaful contract liabilities:		
Outstanding claims reserve	63,206	70,076
Incurred but not reported – claims reserve	23,568	23,304
Unallocated loss adjusted expense reserve	1,848	1,901
Unearned contributions reserve	<u>164,833</u>	<u>149,944</u>
	<u>253,455</u>	<u>245,225</u>
Retakaful contract assets:		
Outstanding claims reserve	40,213	42,760
Incurred but not reported – claims reserve	<u>11,034</u>	<u>10,706</u>
Retakaful share of claims	51,247	53,466
Retakaful share of unearned contributions reserve	<u>58,967</u>	<u>59,139</u>
	<u>110,214</u>	<u>112,605</u>
Takaful liabilities - net:		
Outstanding claims reserve	22,993	27,316
Incurred but not reported – claims reserve	12,534	12,598
Unallocated loss adjusted expense reserve	1,848	1,901
Unearned contributions reserve	<u>105,866</u>	<u>90,805</u>
	<u>143,241</u>	<u>132,620</u>

12 SHARE CAPITAL

	<i>(Unaudited)</i> <i>31 March</i> <i>2021</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>AED'000</i>
Authorised, issued and fully paid up capital		
150,000,000 shares of AED 1 each	<u>150,000</u>	<u>150,000</u>

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13 POLICYHOLDERS' FUND

	<i>(Unaudited)</i> 31 March 2021 AED'000	<i>(Audited)</i> 31 December 2020 AED'000
<i>Deficit in policyholders' fund:</i>		
Balance at the beginning of the period / year	(177,061)	(156,897)
Deficit for the period / year	<u>(6,329)</u>	<u>(20,164)</u>
	<u>(183,390)</u>	<u>(177,061)</u>
<i>Qard Hasan from shareholders:</i>		
Balance at the beginning of the period / year	177,061	156,897
Provided during the period / year	<u>6,329</u>	<u>20,164</u>
	<u>183,390</u>	<u>177,061</u>
Total participants' account, net	<u>=====</u>	<u>=====</u>

The shareholders of the Company have financed the policyholders' deficit in accordance with the Company's policy.

14 DUE FROM POLICYHOLDERS AND DUE FROM SHAREHOLDERS

	<i>(Unaudited)</i> 31 March 2021 AED'000	<i>(Audited)</i> 31 December 2020 AED'000
Qard Hasan (note 13)	183,390	177,061
Less: Wakala fee receivables	(202,500)	(199,196)
Transfers and payments to takaful operations	<u>(15,606)</u>	<u>(21,424)</u>
	<u>(34,716)</u>	<u>(43,559)</u>

15 RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the revised International Accounting Standard 24.

The following balances were outstanding at the end of the reporting period:

	<i>(Unaudited)</i> 31 March 2021 AED'000	<i>(Audited)</i> 31 December 2020 AED'000
<i>Balances with related parties:</i>		
Payable to a related party	<u>(78)</u>	<u>(78)</u>
Sukuk investment	<u>9,909</u>	<u>9,909</u>

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15 RELATED PARTY TRANSACTIONS continued

The following are the details of significant transactions with related parties:

	<i>(Unaudited)</i> 31 March 2021 AED'000	<i>(Unaudited)</i> 31 March 2020 AED'000
Profit received form a sukuk investment	<u>210</u>	<u>210</u>

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Compensation to key management:

Short term benefits	531	531
Post-employment benefits	<u>86</u>	<u>86</u>
	<u>617</u>	<u>617</u>

16 NET CONTRIBUTIONS

	<i>Gross</i> <i>contributions</i> <i>written</i> <i>AED'000</i> <i>a</i>	<i>Change in</i> <i>gross</i> <i>unearned</i> <i>contributions</i> <i>AED'000</i> <i>b</i>	<i>Gross</i> <i>contributions</i> <i>earned</i> <i>AED'000</i> <i>c = a-b</i>	<i>Retakaful</i> <i>contributions</i> <i>ceded</i> <i>AED'000</i> <i>d</i>	<i>Change in</i> <i>retakaful</i> <i>share of</i> <i>unearned</i> <i>contributions</i> <i>AED'000</i> <i>e</i>	<i>Retakaful</i> <i>contributions</i> <i>earned</i> <i>AED'000</i> <i>f=d-e</i>	<i>Net</i> <i>contributions</i> <i>earned</i> <i>AED'000</i> <i>g=c-f</i>
<i>For the three month ended 31 March 2021 (Unaudited)</i>							
Medical	57,484	9,571	47,913	19,625	840	18,785	29,128
Motor	25,095	3,707	21,388	4,653	(1,825)	6,478	14,910
Engineering	2,748	(99)	2,847	1,074	(25)	1,099	1,748
Property	3,282	1,162	2,120	2,478	781	1,697	423
Marine cargo & hull	835	303	532	581	192	389	143
Others	<u>3,817</u>	<u>245</u>	<u>3,572</u>	<u>2,292</u>	<u>(135)</u>	<u>2,427</u>	<u>1,145</u>
Total	<u>93,261</u>	<u>14,889</u>	<u>78,372</u>	<u>30,703</u>	<u>(172)</u>	<u>30,875</u>	<u>47,497</u>
<i>For the three month ended 31 March 2020 (Unaudited)</i>							
Medical	71,063	21,776	49,287	27,221	6,286	20,935	28,352
Motor	36,886	7,762	29,124	10,486	3,878	6,608	22,516
Engineering	2,608	(604)	3,212	1,272	(286)	1,558	1,654
Property	3,107	1,012	2,095	2,245	619	1,626	469
Marine cargo & hull	610	161	449	453	107	346	103
Others	<u>4,474</u>	<u>633</u>	<u>3,841</u>	<u>2,843</u>	<u>344</u>	<u>2,499</u>	<u>1,342</u>
Total	<u>118,748</u>	<u>30,740</u>	<u>88,008</u>	<u>44,520</u>	<u>10,948</u>	<u>33,572</u>	<u>54,436</u>

17 WAKALA FEES

The shareholders manage the takaful operations of the Company for the policyholders and charge a maximum of 35% of gross contributions written. During the period ended 31 March 2021, wakala fee has been charged at 25% (31 March 2020: 28%).

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18 SHAREHOLDERS' INVESTMENT AND OTHER INCOME

	<i>(Unaudited)</i> <i>31 March</i> <i>2021</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2020</i> <i>AED'000</i>
Profit on wakala deposits and sukuk	250	342
Dividends income	2,252	765
Rental income from investment properties, net	257	317
Other income	<u>405</u>	<u>-</u>
	<u>3,164</u>	<u>1,424</u>

19 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>(Unaudited)</i> <i>31 March</i> <i>2021</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>31 March</i> <i>2020</i> <i>AED'000</i>
Staff costs	7,134	6,291
Audit, legal and other professional expenses	606	641
IT costs	532	419
Depreciation and amortisation	489	504
Impairment of takaful and retakaful receivables (note 5)	356	364
Directors remuneration	239	-
Office stationary and maintenance	211	214
Rent and service charges	53	67
Others, net	<u>(31)</u>	<u>74</u>
	<u>9,589</u>	<u>8,574</u>

20 BASIC AND DILUTED EARNINGS PER SHARE

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

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

	<i>Three months ended</i> <i>31 March</i>	
	<i>2021</i>	<i>2020</i>
Profit for the period (<i>AED '000</i>)	<u>3,973</u>	<u>2,272</u>
Weighted average number of ordinary shares outstanding during the period	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.03</u>	<u>0.02</u>

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21 SEGMENTAL INFORMATION

For the three-month period ended 31 March 2021 (Unaudited)

	<i>Medical</i> <i>AED'000</i>	<i>Non-medical</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Takaful income			
Gross contributions written	57,484	35,777	93,261
Retakaful contribution ceded	<u>(19,625)</u>	<u>(11,078)</u>	<u>(30,703)</u>
Net takaful contributions	37,859	24,699	62,558
Change in net unearned contribution reserve	<u>(8,731)</u>	<u>(6,330)</u>	<u>(15,061)</u>
Net takaful contributions earned	29,128	18,369	47,497
Commissions earned	<u>172</u>	<u>2,719</u>	<u>2,891</u>
Gross takaful income	<u>29,300</u>	<u>21,088</u>	<u>50,388</u>
Gross claim paid	(39,855)	(15,588)	(55,443)
Retakaful share of claims paid	<u>19,673</u>	<u>2,028</u>	<u>21,701</u>
Net claims paid	(20,182)	(13,560)	(33,742)
Change in gross outstanding claims reserve	3,133	3,737	6,870
Change in retakaful share of outstanding claims reserve	(2,068)	(479)	(2,547)
Change in net incurred but not reported claims reserve	167	(103)	64
Change in unallocated loss adjustment expense reserve	<u>18</u>	<u>35</u>	<u>53</u>
Net takaful claims incurred	(18,932)	(10,370)	(29,302)
Other underwriting expenses	<u>(3,218)</u>	<u>(1,200)</u>	<u>(4,418)</u>
Total takaful expenses	<u>(22,150)</u>	<u>(11,570)</u>	<u>(33,720)</u>
Net takaful income	7,150	9,518	16,668
Policyholders' investment income	282	178	460
Wakala fees	(14,292)	(9,023)	(23,315)
Mudarib's share	(99)	(62)	(161)
Other income	<u>-</u>	<u>19</u>	<u>19</u>
(Deficit) surplus of takaful result for the period	<u>(6,959)</u>	<u>630</u>	<u>(6,329)</u>

Segment reporting by business in respect of assets and liabilities are not available for disclosure purposes.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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21 SEGMENTAL INFORMATION continued

For the three-month period ended 31 March 2020 (Unaudited)

	<i>Medical</i> <i>AED '000</i>	<i>Non-medical</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
Takaful income			
Gross contributions written	71,063	47,685	118,748
Retakaful contribution ceded	<u>(27,221)</u>	<u>(17,299)</u>	<u>(44,520)</u>
Net takaful contributions	43,842	30,386	74,228
Change in net unearned contribution reserve	<u>(15,490)</u>	<u>(4,302)</u>	<u>(19,792)</u>
Net takaful contributions earned	28,352	26,084	54,436
Commissions earned	<u>357</u>	<u>2,960</u>	<u>3,317</u>
Gross takaful income	<u>28,709</u>	<u>29,044</u>	<u>57,753</u>
Gross claim paid	(29,679)	(29,938)	(59,617)
Retakaful share of claims paid	<u>15,840</u>	<u>5,765</u>	<u>21,605</u>
Net claims paid	(13,839)	(24,173)	(38,012)
Change in gross outstanding claims reserve	(7,999)	2,770	(5,229)
Change in retakaful share of outstanding claims reserve	2,947	2,761	5,708
Change in net incurred but not reported claims reserve	(135)	414	279
Change in unallocated loss adjustment expense reserve	<u>(42)</u>	<u>69</u>	<u>27</u>
Net takaful claims incurred	(19,068)	(18,159)	(37,227)
Other underwriting expenses	<u>(2,165)</u>	<u>(1,194)</u>	<u>(3,359)</u>
Total takaful expenses	<u>(21,233)</u>	<u>(19,353)</u>	<u>(40,586)</u>
Net takaful income	7,476	9,691	17,167
Policyholders' investment income	356	389	745
Wakala fees	(19,091)	(14,157)	(33,248)
Mudarib's share	(125)	(136)	(261)
Other income	<u>176</u>	<u>22</u>	<u>198</u>
Deficit of takaful result for the period	<u>(11,208)</u>	<u>(4,191)</u>	<u>(15,399)</u>

Segment reporting by business in respect of assets and liabilities are not available for disclosure purposes.

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22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Financial instruments measured at fair value – fair value hierarchy

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

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
31 March 2021 (Unaudited)				
Investments carried at fair value through other comprehensive income	<u>93,580</u>	<u>—</u>	<u>—</u>	<u>93,580</u>
31 December 2020 (Audited)				
Investments carried at fair value through other comprehensive income	<u>89,518</u>	<u>—</u>	<u>—</u>	<u>89,518</u>

During the period / year there was no transfers between fair value hierarchy levels.

Financial instruments not measured at fair value – fair value hierarchy

Carrying value of all other assets and liabilities that are not measured at fair value are close approximates of their fair values.