Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim financial information

31 March 2023

Principal business address:
Abu Dhabi National Insurance Company PJSC
P.O. Box: 839
Abu Dhabi
UAE

Abu Dhabi National Insurance Company PJSC

Composition of Board of Directors

Chairman:	Sheikh Mohamed Bin Saif Al-Nahyan
Vice Chairman:	Sheikh Theyab Bin Tahnoon Al-Nahyan
Members:	H.E. Sultan Rashed Al-Dhaheri Mr. Abdulla Khalaf Al-Otaiba Mr. Omar Liaqat Mr. Abdulrahman Hamad Al-Mubarak Mr. Hazza Mohamed Rubayea Al-Mheiri Mr. Hamoodah Ghanem Bin Hamoodah Mrs. Futoon Hamdan Mohamed Al-Mazrouei
Chief Executive Officer:	Mr. Charalampos Mylonas
Address:	P.O. Box 839 Abu Dhabi United Arab Emirates
External auditors:	KPMG Lower Gulf Limited

Abu Dhabi National Insurance Company P.J.S.C.
Board of Directors' Statement
For the three-month period ended 31 March 2023

The Board of Directors is pleased to report Abu Dhabi National Insurance Company's financial results for the three months ended 31 March 2023.

ADNIC has demonstrated a strong underwriting performance, reflected in net insurance service results of AED 94.1 million,

The net income from investments for the first quarter of 2023 has increased by 94% to AED 46.3 million. The main drivers of investment income were higher interest and coupon incomes due to changes made in asset allocation in the prior year. Stable dividend income and higher mark-to-market gains also had a positive impact on the overall result.

As an outcome of strong underwriting and investment performance ADNIC has delivered net profit of AED 99.7 million (17.2 % increase versus prior) , and an increase in earnings per share from AED 0.15 to AED 0.17

As we continue to navigate the ever-evolving world of insurance, we understand the significance of digitalization and innovation. We are continuing to invest in key areas that impact our operations and enable sustainable growth. Our efforts to transform our operations through the use of cutting-edge technology and innovative solutions are aimed at improving our customers' experiences, increasing efficiency, and enabling us to better adapt to market changes. We are dedicated to leveraging the latest advancements to provide better service to our clients, and we firmly believe that our investments in digitalization and innovation will ensure our continued success and help us maintain our position as an industry leader.

Sustainability has long been a central operational pillar for us, and we have made significant progress towards creating a positive impact on both the environment and society. Our commitment to sustainability has driven us to implement innovative solutions and adopt best practices, resulting in tangible benefits for the communities we serve. We remain steadfast in our dedication to sustainability and will continue to priorities it as we move forward towards a brighter future.

We are grateful for the guidance received from the UAE's leadership and extend our sincere gratitude to His Highness Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE and His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President and Prime Minister, and Ruler of Dubai, and His Highness Sheikh Khaled bin Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi.

On behalf of the Board of Directors, I would like to thank our partners and shareholders for their continuous support which allows ADNIC to reinforce its position as UAE's reliable insurer. I want to thank our employees for their hard work and dedication. To our customers, thank you for continuously placing your trust in us.

Sheikh Mohamed Bin Saif Al-Nahyan
Chairman of the Board

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the three-month period ended 31 March 2023

Dear all, I am pleased to provide a comprehensive update of ADNIC's operating performance for the three-month period ended 31 March 2023 alongside considerations on the financial impact of the continuously evolving insurance and reinsurance market framework.

During the first quarter of 2023, we continued to effectively leverage our core competencies in a consistent and systematic manner. With a strong and wide capital base, a solvency ratio that boasts a significant surplus, core underwriting excellence, a robust enterprise risk management framework, and market-leading outward reinsurance arrangements, ADNIC has successfully reduced its relative exposure to highly reinsured corporate insurance programs and focused on maintaining and developing portfolios with strong underwriting income contribution potential. This strategy has resulted in an increase in risk retention in both absolute and percentage terms whilst reinsurance inwards commissions further increased compared to prior year and will be earned through 2023.

Despite continuous competitive pressure and increasing benefit utilization trends in consumer-related product lines, as well as regional severity loss activity in the property and casualty domain, ADNIC's loss cost basis has remained well within tolerance. Additionally, we have successfully maintained control over other operating expenses, which remain aligned with our strategic development goals.

Our investment performance for the quarter significantly improved compared to prior year, primarily due to changes made in the asset allocation approach. Stable dividend income and investment portfolio mark-to-market gains also contributed positively to the overall result.

I am also extremely pleased to share that ADNIC is one of the first insurance companies globally to publish its financial statements prepared in accordance with new Insurance Accounting standard IFRS 17. The hard work and dedication of the ADNIC team enabled the implementation of this complex standard in a timely fashion so that today we are in a position to disclose our financials in full compliance with the relevant requirements prescribed by the standard thereby replacing IFRS 4 Insurance Contracts (IFRS 4) along with any corresponding amendments to other standards, as of 1 January 2023. The adoption of these standards has brought substantial transformations in the accounting of insurance and reinsurance contracts. As a result, we have restated specific comparative figures for the prior year in accordance with the new standard.

Key Financial Highlights (prior year numbers are reinstated in line with IFRS 17 standard requirements)

Total Insurance revenue
For the three-month period ended 31 March 2023, ADNIC's total insurance revenue stood at AED 1.0 billion, compared to AED 1.1 billion for the same period in 2022.

Net insurance service result
For the three-month period ended 31 March 2023, ADNIC's net insurance service result stood at AED 94.1 million, against AED 98.3 million for the same period in 2022.

Net Income from investment
ADNIC's net income from investment increased by 94.0% to AED 46.3 million for the three-month period ended 31 March 2023, compared to AED 23.9 million for the same period in 2022.

Other operating expenses
Other operating expenses for the three-month period ended 31 March 2023 stood at AED 42.7 million, compared to AED 38.9 million for the same period in 2022.

Profit for the period
For the three-month period ended 31 March 2023, profit for the period increased by 17.2% to AED 99.7 million, compared to AED 85.0 million for the same period in 2022.

Finally I would like to express my gratitude to ADNIC's Board of Directors and shareholders for their unwavering support, our clients and business partners for placing their confidence in our company, and our management team and employees for their devoted and relentless contributions.

Charalampos Mylonas
Chief Executive Officer

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim financial information

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

To the Board of Directors of Abu Dhabi National Insurance Company PJSC

Introduction

We have reviewed the accompanying 31 March 2023 condensed consolidated interim financial information of Abu Dhabi National Insurance Company PJSC (the "Company") and its subsidiary (the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2023;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of changes in shareholders' equity for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2023; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates

Date: 09 MAY 2023

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of financial position
as at (Unaudited)

	Note	31 March 2023 AED'000	31 December 2022 AED'000 *Restated**
Assets			
Insurance contract assets	6	**764**	2,706
Reinsurance contract assets	6	**2,075,461**	1,662,970
Property and equipment		**78,659**	82,750
Financial assets at amortised cost	8	**966,854**	961,658
Financial assets at fair value through other comprehensive income	8	**1,506,084**	1,594,847
Financial assets at fair value through profit or loss	8	**374,829**	407,673
Investment properties		**672,669**	672,669
Statutory deposits	9	**10,000**	10,000
Prepayments and other receivables	7	**48,153**	36,368
Deposits	9	**243,545**	278,331
Cash and cash equivalents	9	**568,445**	692,583
Total assets		**6,545,463**	6,402,555
Equity and liabilities			
Equity			
Share capital		**570,000**	570,000
Share premium		**110,925**	110,925
Legal reserve		**285,000**	285,000
General reserve		**1,000,000**	1,000,000
Fair value reserve		**(177,259)**	(186,468)
Finance income / expense / other comprehensive income reserve (OCI) from insurance and reinsurance contracts issue		**87,153**	77,177
Reinsurance default risk reserve		**50,926**	43,892
Retained earnings	10	**688,389**	827,727
Total equity		**2,615,134**	2,728,253
Liabilities			
Insurance contract liabilities	6	**3,722,342**	3,428,626
Reinsurance contract liabilities	6	**-**	23,818
Employees' end of service benefits		**23,050**	23,922
Bank overdraft	9	**23,254**	44,400
Other payables		**161,683**	153,536
Total liabilities		**3,930,329**	3,674,302
Total equity and liabilities		**6,545,463**	6,402,555

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Chairman of the Board of Directors

Chief Executive Officer

The notes set out on pages 8 to 62 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

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

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of profit or loss

for the three-month period ended 31 March (Unaudited)

	Note	**2023** **AED'000**	2022 AED'000 *Restated**
Insurance revenue	*15*	**1,003,082**	1,116,144
Insurance service expenses	*15*	**(752,024)**	(632,092)
Income from reinsurance contracts	*15*	**453,615**	284,405
Expenses from reinsurance contracts	*15*	**(610,611)**	(670,160)
Insurance service result		**94,062**	98,297
Net Investment income	*11*	**46,322**	23,875
Finance income from insurance contracts, *net*	*11*	**9,846**	166
Finance (expenses) / income from reinsurance contracts, *net*	*11*	**(7,834)**	1,622
Net finance income		**2,012**	1,788
Net financial result		**142,396**	123,960
Other operating expenses		**(42,721)**	(38,912)
Profit before tax		**99,675**	85,048
Profit for the period		**99,675**	85,048
Earnings per share:			
Earnings per share (AED)	*12*	**0.17**	0.15

The notes set out on pages 8 to 62 form an integral part of this condensed consolidated interim financial information

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

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

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of profit or loss and other comprehensive income

for the three-month period ended 31 March (Unaudited)

	2023 AED'000	2022 AED'000 *Restated**
Profit for the period	**99,675**	85,048
Other comprehensive income		
Items that will not be reclassified subsequently to the consolidated interim statement of profit or loss		
Net (loss) / gain on sale of equity investments at fair value through other comprehensive income	**(3,979)**	39,786
Net change in fair value of equity investments at fair value through other comprehensive income	**8,439**	16,061
Items that are or may be reclassified subsequently to the consolidated interim statement of profit or loss		
Net change in fair value of debt investments at fair value through other comprehensive income	**750**	(23,358)
Impairment charge / (reversal) on debt investments measured at fair value comprehensive income – reclassified to profit or loss	**20**	(52)
Finance income from insurance contracts, *net*	**17,608**	39,943
Finance expenses from reinsurance contracts, *net*	**(7,632)**	(21,326)
Other comprehensive income for the period	**15,206**	51,054
Total comprehensive income for the period	**114,881**	136,102

The notes set out on pages 8 to 62 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

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

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of changes in shareholders' equity

for the three-month period ended 31 March (Unaudited)

	Share capital AED'000	Share premium AED'000	Legal Reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Finance income / expense / OCI reserve from insurance and reinsurance contracts issued AED'000	Reinsurance default risk reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2022, as previously reported	570,000	110,925	285,000	1,000,000	195,219	-	26,563	643,746	2,831,453
Adjustment on initial application of IFRS 17*, net of tax*	-	-	-	-	-	-	-	(16,476)	(16,476)
Adjustment in other comprehensive income on initial application of IFRS 17, *net of tax*	-	-	-	-	-	(1,253)	-	-	(1,253)
Restated balance at 1 January 2022	570,000	110,925	285,000	1,000,000	195,219	(1,253)	26,563	627,270	2,813,724
Total comprehensive income (restated)*									
Profit for the period	-	-	-	-	-	-	-	85,048	85,048
Other comprehensive (loss) / income for the period	-	-	-	-	(7,349)	18,617	-	39,786	51,054
Total comprehensive (loss) / income for the period *(restated*)*	-	-	-	-	(7,349)	18,617	-	124,834	136,102
Transactions with owners of the Company									
Dividend paid *(note 10)*	-	-	-	-	-	-	-	(228,000)	(228,000)
Total transactions with owners of the Company	-	-	-	-	-	-	-	(228,000)	(228,000)
Transfer from retained earnings to reinsurance default risk reserve	-	-	-	-	-	-	8,546	(8,546)	-
Restated balance at 31 March 2022 *(Unaudited)*	570,000	110,925	285,000	1,000,000	187,870	17,364	35,109	515,558	2,721,826
Balance at 1 January 2023 *(Unaudited)*	**570,000**	**110,925**	**285,000**	**1,000,000**	**(186,468)**	**77,177**	**43,892**	**827,727**	**2,728,253**
Total comprehensive income:									
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**99,675**	**99,675**
Other comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**9,209**	**9,976**	**-**	**(3,979)**	**15,206**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**9,209**	**9,976**	**-**	**95,696**	**114,881**
Transaction with owners of the Company:									
Dividend paid *(note 10)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(228,000)**	**(228,000)**
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(228,000)**	**(228,000)**
Transfer from retained earnings to reinsurance default risk reserve	**-**	**-**	**-**	**-**	**-**	**-**	**7,034**	**(7,034)**	**-**
Balance at 31 March 2023 *(Unaudited)*	**570,000**	**110,925**	**285,000**	**1,000,000**	**(177,259)**	**87,153**	**50,926**	**688,389**	**2,615,134**

The notes set out on pages 8 to 62 form an integral part of this condensed consolidated interim financial information.

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

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of cash flows

for the three-month period ended 31 March (Unaudited)

	Note	2023 AED'000	2022 AED'000 *Restated**
Cash flows from operating activities			
Profit for the period		**99,675**	85,048
Adjustments for:			
Depreciation		**5,109**	4,731
Amortisation expense, *net*		**(27)**	(175)
Charge of expected credit losses of other financial assets, *net*		**(327)**	(262)
Change in fair value of financial assets at fair value through profit or loss, *net*	*11*	**(5,125)**	9,117
Change in fair value of investment properties	*11*	**-**	1,909
Provision for employees' end of service benefits		**1,373**	1,084
Other finance cost		**612**	204
Interest income	*11*	**(16,053)**	(7,426)
Dividend income	*11*	**(20,745)**	(25,560)
Gain on sale of financial assets at fair value through profit or loss	*11*	**(2,480)**	(73)
Net cash generated from operations		**62,012**	68,597
Changes in:			
Insurance and reinsurance contracts		**(130,675)**	(147,032)
Prepayments and other receivables		**(11,163)**	(18,477)
Other payables		**8,147**	(11,456)
Cash used in operations		**(71,679)**	(108,368)
Employees' end of service benefits paid		**(2,245)**	(2,501)
Interest paid		**(612)**	(204)
Net cash used in operating activities		**(74,536)**	(111,073)
Cash flows from investing activities			
Proceeds from sale of investments		**546,753**	283,718
Purchase of investments		**(417,555)**	(290,201)
Bank deposits withdrawn, *net*		**34,773**	121,276
Additions to property and equipment		**(1,018)**	(922)
Additions to investment properties		**-**	(151)
Interest received		**15,854**	8,853
Dividend income		**20,745**	25,560
Net cash generated from investing activities		**199,552**	148,133
Cash flows from financing activities			
Dividend paid		**(228,000)**	(228,000)
Net cash used in financing activities		**(228,000)**	(228,000)
Net decrease in cash and cash equivalents		**(102,984)**	(190,940)
Cash and cash equivalents at 1 January		**648,280**	722,481
Cash and cash equivalents at 31 March	*9*	**545,296**	531,541

The notes set out on pages 8 to 62 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

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

1 Legal status and activities

Abu Dhabi National Insurance Company PJSC (the 'Company') is a public joint stock company registered and incorporated in Abu Dhabi, United Arab Emirates, by Law No. (4) of 1972 as amended, and is governed by the provisions of the Federal Law No. (6) of 2007 (as amended) concerning the Establishment of the Central Bank of UAE and Organisation of the Insurance Operations, the Federal Decree Law No. 32 of 2021 concerning the Commercial Companies, Central Bank of UAE Board decision No. (25) of 2014 Pertinent to Financial Regulations for insurance companies and Central Bank of UAE Board of Directors' Decision No. (23) of 2019 concerning Instructions Organising Reinsurance Operations. The Company's principal activity is the transaction of insurance and reinsurance business of all classes and is registered with the Insurance Companies Register of Central Bank of UAE under registration No. 001. The registered office of the Company is located at Khalifa Street, ADNIC Building, P. O. Box 839, Abu Dhabi, UAE.

2 Basis of preparation

(a) Basis of consolidation

The condensed consolidated interim financial information comprises the financial results of the Company and those of its following subsidiary (together "the Group"):

Subsidiary	**Principal activity**	**Country of incorporation**	**Ownership**
ADNIC International LTD	*Other activities auxiliary to insurance	United Kingdom	100%

* The Company incorporated a wholly owned subsidiary on 3 July 2017 named ADNIC International LTD to operate as a representative office of the Company in London, England.

The subsidiary is fully consolidated from the date on which control is transferred to the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiary are prepared for the same reporting year / period as the Group, using consistent accounting policies.

(b) Basis of accounting

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

(c) Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, this condensed consolidated interim financial information does not include all of the information required for a complete set of consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2022 except for changes in significant accounting policy as provided in note 5, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The results for the three-month period ended 31 March 2023 are not necessarily indicative of the results for the year ending 31 December 2023.

2 Basis of preparation *(continued)*

(d) Basis of measurement

The condensed consolidated interim financial information has been prepared under the historical cost convention except for investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values.

(e) Functional and reporting currency

This condensed consolidated interim financial information is presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

(f) Use of judgements and estimates

In preparing this condensed consolidated interim financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

(i) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Discount rates

Under the bottom-up 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'). Management uses judgement to assess liquidity characteristics of the liability cash flows.

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17, are all future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts using relevant proxies.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. Such estimates are made using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

2 Basis of preparation *(continued)*

(f) ***Use of estimates and judgement*** *(continued)*

(i) ***Estimation uncertainty*** *(continued)*

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion.

Judgement is involved in assessing the most appropriate method to estimate the risk adjustment for non-financial risk and also to choose the most appropriate confidence level to which the risk adjustment for non-financial risk should correspond.

Measurement of the expected credit losses allowance

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL") requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

A number of factors are also considered in applying the accounting requirements for measuring ECL, such as:

- determining the criteria for significant increase in credit risk;
- determining the criteria and definition of default;
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on discounted cash flow (DCF) and investment method of valuation. The investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at fair value. The DCF method calculates the present value of net cashflows.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. The change in fair value recognised in the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2023 is AED Nil *(31 December 2022 AED 7,548 thousand)*.

2 Basis of preparation *(continued)*

(f) Use of estimates and judgement (continued)

(ii) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the condensed consolidated interim financial information.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortised cost on the basis of both:

(a) its business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

For equity investments carried at fair value, management decides whether it should be classified as financial assets carried at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Investments in equity instruments are classified and measured at FVTPL except if the equity investment is not held for trading and is designated by the Group at FVOCI.

Further, even if the asset meets the amortised cost criteria the Group may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For debt securities acquired to match its business model of development of the line of business, the Group classifies these investments as financial assets at fair value through other comprehensive income.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the condensed consolidated statement of financial position cannot be derived from active markets, their fair values are based on Net Asset Values (NAV) calculated by the respective fund managers. For investments in unquoted equity securities, the fair values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples.

Definition and classification

Judgement is required in order to determine whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, which measurement model is applicable:

- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk;
- Whether a contract issued that does not transfer significant insurance risk meets the definition of an investment contract with discretionary participation features;
- Whether contracts that were determined to be within the scope of IFRS 17 meet the definition of an insurance contract with direct participation features, particularly:
    - whether the pool of underlying items is clearly identified;
    - whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and
    - whether the Group expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.

2 Basis of preparation *(continued)*

(f) ***Use of estimates and judgement*** *(continued)*

(ii) ***Judgements*** *(continued)*

Definition and classification (continued)

- For insurance contracts with a coverage period of more than one year and for which the entity applies the Premium Allocation Approach (PAA), the eligibility assessment as required by paragraphs 53(a), 54, 69(a) and 70 of IFRS 17 might involve significant judgement.

Judgement is involved in combination of insurance contracts and separation of distinct components:

- Combination of insurance contracts – whether the contract with the same or related counterparty achieve or are designed to achieve, an overall commercial effect and require combination;
- Separation – whether components in paragraphs 11–12 of IFRS 17 are distinct (that is, they meet the separation criteria); and
- Separation of contracts with multiple insurance coverage – whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.

Unit of account

Judgement is involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together).

Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts. Similar grouping assessment is required for reinsurance contracts held. Areas of potential judgements include:

- paragraph 17 of IFRS 17 – the determination of contract sets within portfolios and whether the Group has reasonable and supportable information to conclude that all contracts within a set would fall into the same group, as required by paragraph 16 of IFRS 17; and
- paragraphs 18 and 19 of IFRS 17 – judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

For contracts not measured under the PAA, the assessment of the likelihood of adverse changes in assumptions that might result in contracts becoming onerous is an area of potential judgement.

For insurance contracts issued which are measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

The determination of whether laws or regulations constrain the Group's practical ability to set a different price or level of benefits for policyholders with different risk profiles, so that the Group might include such contracts in the same group, disregarding the aggregation requirements set in paragraphs 14–19 of IFRS 17, is an area of judgement.

2 Basis of preparation *(continued)*

(f) ***Use of estimates and judgement*** *(continued)*

(ii) ***Judgements*** *(continued)*

Recognition and derecognition

When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition. In particular, after the modification, judgement is applied to determine whether:

- significant insurance risk still exists;
- there are elements that are to be distinct from the contract;
- contract boundaries have changed;
- the contract would have to be included in a different group, subject to aggregation requirements; and
- the contract no longer meets the requirements of the measurement model.

Fulfilment cash flows

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17.

Judgements might be involved to determine when the Group is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.

Where features such as options and guarantees are included in the insurance contracts, judgement might be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.

The determination of what constitutes an investment component might be an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses, because investment components should be excluded from those.

Revenue recognition

Insurance revenue and reinsurance expenses – methods and assumptions used in the determination of the contractual service margin (CSM) to be recognised in condensed interim statement of profit or loss for the insurance contract services provided or received in the period.

Areas of potential judgement are:

- the determination of the expected coverage period over which the CSM is allocated into condensed interim statement of profit or loss for the services provided or received, that is, the determination of expected insurance coverage period;
- the determination of the coverage units provided or received in the current period and expected to be provided in future periods, including the determination of the relative weighting of the benefits provided by insurance coverage; and
- factoring in the time value of money when determining the equal allocation of the CSM to the coverage units provided or received.

2 Basis of preparation *(continued)*

(f) ***Use of estimates and judgement*** *(continued)*

(ii) ***Judgements*** *(continued)*

Revenue recognition

An entity might apply judgement to determine whether the treatment of certain consequential insurance risks within Liability For Remaining Coverage (LRC) or Liability For Incurred Claims (LIC) reflects the most useful information about the insurance services provided by the entity to the policyholder.

For contracts measured under the General Measurement Model (GMM) in which the Group has discretion over the cash flows to be paid to the policyholders, judgement might be involved in the determination of what the Group considers its commitment on initial recognition of such contracts. Further, judgement might be required to distinguish subsequent changes in the fulfilment cash flows (FCF) resulting from changes in the Group's commitment and those resulting from changes in assumptions that relate to the financial risk on that commitment.

3 New and amended standards and interpretations

New currently effective requirements

IFRS 17 Insurance Contracts

The Group has initially applied IFRS 17 Insurance Contracts (IFRS 17), which replaces IFRS 4 Insurance Contracts (IFRS 4), including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts for the prior year.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The application of the principles set out under IFRS 17 is covered in note 5.

Other new standards or amendments

The Group has initially adopted Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1 January 2023, however, these amendments do not have any material impact on the Group's condensed consolidated interim financial information. The following are other new standards or amendments which do not have a significant impact on the Group's condensed consolidated interim financial information, when effective:

Other new standards or amendments	***Effective date***
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimate	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

Forthcoming requirements

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing this condensed consolidated interim financial information.

New standards or amendments	***Effective date***
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 – Sale or Construction of Assets between an Investor and its Associate or Joint Venture	N/A*

*Available for optional adoption / effective date deferred indefinitely.

4 Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022, except for insurance contracts where IFRS 17 is applied.

5 Changes in significant accounting policies

Insurance contracts

Definition and classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks. The Group does not issue contracts that transfer only financial risks.

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in the condensed consolidated interim financial information apply to insurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

The Group does not write any investment contracts with discretionary participation features or insurance contracts with direct participation features.

Changes to classification and measurement

For the Group, IFRS 17 has not resulted in a material change in the classification of insurance contracts relative to IFRS 4.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Changes to classification and measurement (continued)

Previously, the Group measured contracts at the line of business level under IFRS 4. IFRS 17 has introduced a new unit of account at which insurance and reinsurance contracts are measured. Contracts are grouped into a unit of account based on the portfolio, cohort and profitability group to which the contract belongs.

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 Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

The Group applies the premium allocation approach (PAA) to simplify the measurement of contracts for all groups except for the single premium credit life business which is not eligible for this approach. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for incurred claims, the Group 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.

Changes to preparation and disclosures

For presentation in the statement of financial position, the line items for insurance and reinsurance contracts issued and reinsurance contracts held have been changed significantly compared with last year. Previously balance sheet items related to insurance and reinsurance contracts were split into the following line items:

- Assets:
  - Insurance balances receivable;
  - Reinsurers' share of unearned premiums reserve;
  - Reinsurers' share of outstanding claims reserve; and
  - Reinsurers' share of claims incurred but not reported reserve.
- Liabilities:
  - Unearned premiums reserve;
  - Outstanding claims reserve;
  - Claims incurred but not reported reserve; and
  - Allocated and unallocated loss adjustment expenses reserve.

Under IFRS 17, the Group aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately on the balance sheet:

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

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

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Changes to preparation and disclosures (continued)

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

- Gross written premiums;
- Reinsurance share of gross written premiums;
- Net transfer to unearned premiums reserve;
- Commissions earned;
- Commissions incurred;
- Gross claims paid;
- Reinsurance share of claims paid;
- Change in outstanding claims reserve;
- Change in reinsurance share of outstanding claims reserve;
- Net change in incurred but not reported claims reserve;
- Change in allocated and unallocated loss adjustment expenses reserve;
- Other income and expenses related to underwriting activities;
- General and administrative expenses; and
- Charge for expected credit losses of insurance balances receivable.

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue;
- Insurance service expenses;
- Reinsurance expenses;
- Reinsurance income;
- Insurance finance income and expenses; and
- Reinsurance finance income and expenses.

The Company provides disaggregated qualitative and quantitative information about:

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

Application of judgement on transition

The Group has determined that reasonable and supportable information was available for all contracts in force at the transition date. For all contracts that are eligible for the PAA, the Group has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable. All contracts not measured under the PAA were issued in during the financial year prior to transition and thus there is reasonable and supportable information to use the fully retrospective approach for these contracts.

Accordingly, the Group has: identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

The Group has not recognised any insurance acquisition cash flows assets relating to insurance contracts issued or expected to be issued.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Unit of account

The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts except for some smaller lines which are managed together and have been combined into a single portfolio.

Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year.

Each cohort is further disaggregated into groups of contracts:

- Contracts that are onerous at initial recognition;
- Contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- A group of remaining contracts.

This level of granularity determines sets of contracts. Significant judgement is used to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Group will assess profitability at the cohort level as these are all deemed to have homogenous profitability. If facts and circumstances indicate that any specific segment / group of contracts within the portfolio is expected to have different profitability characteristics from the rest of the portfolio, then these will be split into a separate profitability group.

For short duration contracts, the Group uses normalised risk adjusted expected total combined ratio to split contracts into the three different groups above. For longer term contracts, the Group calculates a risk adjusted profit margin (the ratio of the CSM to the present value of future premiums) at inception to determine the profitability grouping.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Group has split reinsurance contracts into portfolio based on the product lines which are covered by the reinsurance contract.

Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a cohort into groups of:

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

This level of granularity determines sets of contracts. Significant judgement is used to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all reinsurance contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For all reinsurance contracts net gain or net loss is assessed at a cohort level as this is the most granular level where profitability is available.

The Group uses the reinsurance combined ratio to allocate contracts to each of the three groups above.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Unit of account *(continued)*

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Group applies IFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation or combination of insurance contracts.

Recognition and derecognition

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

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination within the scope of IFRS 3 or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held are recognised as follows:

- A group of reinsurance contracts held that provide proportionate coverage is recognised at the later of the beginning of the coverage period of the group and the initial recognition of any underlying insurance contract; and
- All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held; unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the cohort restriction. Composition of the groups is not reassessed in subsequent periods.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- If the modified terms had been included at contract inception and the Group would have concluded that the modified contract is not within the scope of IFRS 17, results in different separable components, results in a different contract boundary or belongs to a different group of contracts;

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Recognition and derecognition *(continued)*

- The original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; and
- The original contract was measured under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a contract is derecognised (and not measured under the PAA), the liability is adjusted as follows:

1. The present value of future cash flows and risk adjustment (RA) for the group of contracts is adjusted such that they are equal to zero; and
2. The CSM or LC is adjusted as follows:

   a. if the derecognition is not as a result of a transfer to a third party or a modification: the full change in the FCFs is made to the present value of future cash flows and risk adjustment (RA) for the group of contracts;

   b. If the contract is transferred to a third party: the full change in the FCFs is made to the present value of future cash flows and risk adjustment (RA) for the group of contracts less the premium charged by the third party; and

   c. If the contract is derecognised due to a modification: the full change in the FCFs is made to the present value of future cash flows and risk adjustment (RA) for the group of contracts less the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognising the new contract in this case, the Group assumes such a hypothetical premium was actually received.

The number of coverage units for the expected remaining coverage will be reduced by the number of coverage units that the contract derecognised represented.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to condensed consolidated interim statement of profit or loss:

- If the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment; and
- If the contract is transferred to a third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party

If the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms, is recognised as the new contract at the date of the contract modification less any additional premium charged for the modification.

Measurement approach

The Group elects to measure all insurance contracts under the PAA where eligible to do so. Currently all insurance contracts are eligible and thus measured under the PAA except for the single premium credit life business which is measured under the GMM.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

***Measurement approach** (continued)*

Contracts written by the Group that have a coverage period of one year or less are automatically eligible for the PAA. The Group does write some contracts that have a coverage period exceeding one year and which were not automatically eligible. These are the Property, Motor (non-Fleet), Casualty and Engineering portfolios. For all the groups of contracts within the portfolio, the LRC measured under the PAA and the GMM were projected over the lifetime of the contracts, considering different reasonable scenarios, to determine if the differences were significant. The Group has found that for all these contracts the PAA provided a reasonable approximation of the GMM and were thus eligible for measurement under the PAA.

The Group elects to measure all reinsurance contracts under the PAA where eligible to do so. Currently all reinsurance contracts are eligible (and thus measured under the PAA) except for the single premium credit life reinsurance portfolio.

Accounting approach

ADNIC has elected to determine cumulative results for each interim reporting period, and estimates made by the Group in previous interim financial statements will not be considered when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

Measurement of the FCF

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- are based on a probability-weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

The Group has used consistent assumptions to measure the estimates of the present value of the future cash flows for the group of reinsurance contracts held and the estimates of the present value of the future cash flows for the group(s) of underlying insurance contracts.

The Group measures the estimates of the present value of the future cash flows for the group of reinsurance contracts held and includes the effect of any risk of non-performance by the issuer of the reinsurance contract. In addition, the Group includes the effects of collateral and losses from the disputes while estimating the present value of the future cash flows for the group of reinsurance contracts held. Accordingly, the respective line ‘changes in the risk of non-performance of the issuer of reinsurance contracts held’ is included in the reinsurance contracts assets and liabilities reconciliation.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Contract boundaries

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

b. both of the following criteria are satisfied:

   i) the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio;

   ii) the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods; and

   iii) beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

The contract boundary of the treaty business of the Group which is written on a risk attaching basis includes the reinsurer's share of all the cash flows of all contracts that attach during the term of the treaty. Treaty business written on a loss occurring basis includes the reinsurer's share of all the cash flows that are incurred within the treaty term. Reinsurance contracts written on a facultative business include the reinsurer's share of all the cash flows within the contract boundary of the underlying contract.

Measurement of expenses

The Group had defined acquisition expenses as the costs of selling, underwriting and starting issuing a group of insurance contracts as per IFRS 17 requirements. The Group had defined acquisition costs as attributable to a contract (or group of contracts) if the cost is incurred to acquire a specific contract or group of contracts (as opposed to new business in general).

The Group has defined all other expenses as maintenance expenses. The Group has defined maintenance costs as attributable if they could not have been avoided if the contract had not been entered into. Where this is unclear, the Group has determined that maintenance costs are attributable if that expense would continue in run-off.

The Group has separated the outwards reinsurance costs from other expenses using a systematic allocation. The Group defines such expenses as attributable to the reinsurance contracts in line with the principles for direct contracts.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Measurement of expenses *(continued)*

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

The Group performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance and reinsurance contracts.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. The Group allocates these using relevant proxies. Similar methods are consistently applied to allocate expenses of a similar nature.

The Group does not pay (or recognise a liability, applying a standard other than IFRS 17) directly attributable acquisition costs before a group of insurance contracts is recognised. As such, no pre-recognition acquisition costs assets have been established.

Initial and subsequent measurement – group of contracts measured under the PAA

For insurance contracts issued measured under the PAA, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid. Insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased for premiums received in the period;
- Decreased for insurance acquisition cash flows paid in the period;
- Decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- Increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

The Group does not adjust the LRC for insurance contracts issued for the effect of the time value of money, because insurance premiums are due within a year of the coverage provided associated with each premium.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts with the exception of Engineering (all risk) and Construction (all risk) contracts where revenue is recognised using an increasing risk pattern and Marine Cargo where it is assumed that 25% of premium is unearned at the valuation date.

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

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Initial and subsequent measurement – group of contracts measured under the PAA *(continued)*

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- Increased for ceding premiums paid in the period;
- Decreased for ceding commissions or investment components received in the period; and
- Decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Group does not adjust the remaining coverage for reinsurance contracts held for the effect of the time value of money, because reinsurance premiums are due within a year of the coverage provided associated with each premium.

For groups of reinsurance contracts measured under the PAA, the Group recognises reinsurance expenses related to the premium ceded based on the pattern of the groups of underlying contracts.

The Group adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. The resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses as the option to adjust for the effect of the time value of money and financial risk in the calculation of the FCFs has been selected.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Changes in the loss recovery component are not disaggregated between income and expenses from reinsurance contracts held and reinsurance finance income or expenses for the effect of the time value of money and financial risk as the underlying loss components, which are all measured under the PAA, are not adjusted for the effect of the time value of money and financial risk.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Initial and subsequent measurement – group of contracts measured under the GMM

CSM at initial recognition

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

- The initial recognition of the FCF;
- Cash flows arising from the contracts in the group at that date; and
- The derecognition of any pre-recognition cash flows.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in condensed consolidated interim statement of profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised (as per below note).

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

- The initial recognition of the FCF;
- Cash flows arising from the contracts in the group at that date;
- The amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
- Any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

CSM at subsequent measurement

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- The addition of CSM for new contracts recognised for the first time in the current reporting period;
- The interest accreted at the locked in yield curve on the carrying amount of the CSM;
- Changes in the FCFs relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that this does not result in a negative CSM. When an increase in the FCFs result in a negative CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with corresponding changes to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM;

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Initial and subsequent measurement – group of contracts measured under the GMM *(continued)*

CSM at subsequent measurement (continued)

- The effect of any currency exchange differences; and
- The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a) Experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows (experience adjustments represents the differences between the estimate, at the beginning of the period, of amounts expected in the period and the actual payments during the period);

b) Changes in estimates of the present value of future cash flows in the LRC, except those relating to the effect of the time value of money and the effect of financial risk and changes thereof;

c) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing the actual investment component that becomes payable in a period with the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

d) Changes in the estimate of the LRC RA at the end of the period (the Group does not disaggregate these changes between insurance finance income and expenses and amounts that adjust the CSM - all changes are allocated to the latter).

Adjustments in point a and b above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- The addition of CSM for new contracts recognised for the first time in the current reporting period;
- Interest accreted on the carrying amount of the CSM;
- Income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised;
- Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held;
- Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts. Changes in the FCF cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not relate to future service and shall not adjust the contractual service margin;
- The effect of any currency exchange differences; and
- The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Initial and subsequent measurement – group of contracts measured under the GMM *(continued)*

CSM at subsequent measurement (continued)

The Group prepares condensed consolidated interim financial information on a quarterly basis. The Group has elected to determine cumulative results for each interim reporting period, and estimates made by the Group in previous condensed consolidated interim financial information will not be considered when applying IFRS 17 in subsequent interim periods or in the annual consolidated financial statements.

Interest accretion of the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition of the group of contracts, i.e. the first day of the cohort, namely 1 January of the respective year that the cohort is recognised.

Release of CSM to profit and loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage). The coverage period used corresponds with the term of the contracts. The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- The quantity of benefits provided by contracts in the groups;
- The expected coverage period of contracts in the group; and
- The likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits with respect to insurance coverage. The Group determines coverage units as follows:

- Earned premiums for general insurance and Group Life business; and
- Outstanding loan amount for Single Premium Credit Life.

The Group reflects the time value of money in the allocation of the CSM to coverage units, using discount rates determined at initial recognition that are applied to nominal cash flows.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period. The coverage units are defined in line with premium earning pattern for general insurance and Group Life contracts. For Single Premium Credit Life, outstanding loan amount are used.

5.1 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Initial and subsequent measurement – group of contracts measured under the GMM *(continued)*

Onerous contracts – loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the CSM allocation approach described above:

a) Expected incurred claims and other directly attributable expenses for the period;

b) Changes in the RA for the risk expired; and

c) Finance income or expenses from insurance contracts issued.

The amounts of loss component allocation in point a and b above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Reinsurance contracts held – loss-recovery component

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised when a loss component is set up for the group of onerous underlying insurance contracts.

This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts. When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, The Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Subsequently, the loss recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

The loss-recovery component of the Group was not affected by changes in the risk of reinsurers' non-performance.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Amounts recognised in comprehensive income

Insurance revenue

For contracts not measured under the PAA, insurance revenue comprises the following:

- Insurance claims and expenses incurred in the period as expected at the start of the period, excluding amounts related to the loss component, repayments of investment components and insurance acquisition expenses;
- Changes in the RA, excluding changes that relate to future coverage which adjusts the CSM and amounts allocated to the loss component;
- Amounts of the CSM recognised in profit and loss for the services provided in the period;
- Actual vs expected premiums (or other premium-related cash flows such as commission) that relate to past or current services; and
- The recovery of the insurance acquisition cash flows which is determined by allocating a portion of the premiums related to the recovery of these cashflows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts with the exception of Engineering (all risk) and Construction (all risk) contracts where revenue is recognised using an increasing risk pattern and Marine Cargo where it is assumed that 25% of premium is unearned at the valuation date.

Insurance service expenses

Insurance service expenses include the following:

- Claims incurred in the period (excluding investment components) and other directly attributable insurance service expenses incurred in the period;
- The amortisation of insurance acquisition cash flows;
- Changes that relate to past service (specifically changes in the estimate of the LIC at the start of the period including the change in the RA on the LIC); and
- Losses on onerous groups of contracts (i.e. the loss on setting up a loss component) and reversals of such losses which represent changes that relate to future service.

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the pattern of revenue recognition under the PAA.

Other expenses not meeting the above categories are included in other operating expenses in the condensed consolidated interim statement of profit or loss.

Net income (expenses) from reinsurance contracts held

The Group presents the income from reinsurance contracts held and the expenses for reinsurance contracts held separately.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Amounts recognised in comprehensive income *(continued)*

Reinsurance income will consist of:

- Actual claims and other expenses recovered during the period;
- The effect of changes in the risk of reinsurers non-performance;
- Losses recovered on underlying contracts and reversal of such recoveries;
- Changes that relate to past service adjustments to incurred claims component; and
- Other incurred directly attributable expenses.

For contracts measured under the PAA, reinsurance expenses will consist of:

- PAA premiums recognised as revenue in the period ceded to the reinsurer; and
- Ceding commission earned in the period.

For contracts measured under the GMM, reinsurance expenses will consist of:

- Expected claims and other expenses recovery;
- Changes in the RA recognised for the risk expired;
- CSM recognised for the services received; and
- Premium (and other related cash flows) experience adjustments relating to current service.

Insurance finance income or expenses

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

- Interest accreted on the CSM;
- Interest accreted on the PAA LRC excluding the LC (if adjusted for the financing effect);
- The financing effect on the LC measured under the PAA (if adjusted for the financing effect);
- The effect of changes in FCFs at current rates, when the corresponding CSM unlocking is measured at the locked-in rates;
- Any interest charged to or added to insurance / reinsurance asset or liability balances; and
- The effect of changes in interest rates and other financial assumptions.

For all groups of contracts, the Group disaggregates insurance finance income or expenses for the period between profit or loss and other comprehensive income (that is, the OCI option is applied). The finance income and expenses from insurance contracts issued recognised in the condensed consolidate interim statement of profit or loss reflects the unwind of the liabilities at the locked-in rates. The remaining amount of finance income and expenses from insurance contracts issued for the period is recognised in OCI.

Transition

The Group has applied IFRS 17 from financial reporting periods commencing on 1 January 2023 with the date of transition from IFRS 4 being 1 January 2022.

The Group has adopted IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Estimates and assumptions

Best estimate cash flows

The best estimate liability (BEL) represents the explicit, unbiased and probability weighted best estimate (expected value) of the future cash outflows minus the future cash inflows that arise when the Group fulfils its obligations with respect to the insurance contracts. The BEL, thus include the effects of discounting, allowing for financial risks (to the extent not included in the estimate of the cash flows).

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the period in which the Group:

- Can compel the policyholder to pay the premium; or
- Has a substantive obligation to provide the policyholder with coverage or other services.

A substantive obligation to provide services ends when the Group has the ‘practical ability’ to reassess the risks and can set a price or level of benefits that fully reflects those reassessed risks.

Before a group of insurance contracts is recognised, the Group could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as ‘other pre-recognition cash flows’) are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group applies the following principles:

- Where there is sufficient data, experience investigations are performed, with adjustments made for any trends as well as to account for external considerations and business strategy; or
- Where data is insufficient or lacks credibility, benchmarks and industry experience would be considered, with appropriate and justifiable adjustments.

The Group makes use of estimates that are current by ensuring that:

- Updates are made to assumptions such that they faithfully represent the conditions at the valuation date;
- The changes in estimates faithfully represent the changes in conditions during the period; and
- Future changes in legislation are not taken into account, unless they have been substantively enacted.

The Group makes use of the following assumptions to project the cash flows for the non-life and group life business where required:

- Expected premium receipts pattern;
- Expected claims ratio;
- Expected attributable expense ratio;
- Expected bad debt;
- Expected incidence of risk; and
- Expected claims payment pattern.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Estimates and assumptions *(continued)*

Best estimate cash flows (continued)

The Group makes use of the following assumptions to project the cash flows for the life business:

- Expected premium receipts pattern;
- Mortality / morbidity rates;
- Persistency; and
- Expenses.

For the measurement of the LIC, the Group uses a blended approach (i.e. the chain-ladder, Bornhuetter Ferguson and expected loss ratio techniques are used) for calculating the Incurred But Not Reported Reserves (IBNR) and Incurred But Not Enough Reserves (IBNER) for all direct lines of business. The Group performs the calculations using quarterly claims development for all portfolios expect Motor and Medical where monthly claims development is used.

The calculations are performed using incurred claims except for the Medical business where the calculations are performed using paid claims. Incurred claims are set as paid claims plus the outstanding claims reserve. The outstanding claims reserves are set in line with the case estimates that are determined when a claim is reported.

For the measurement of the inwards reinsurance LIC, the Group uses the expected loss ratio method given the small size of this portfolio.

Expenses related directly to the settlement of the claim are implicitly included in the claims estimates described above. Other overhead expenses deemed attributable to the settlement of the claim are determined using the Kittel method.

Future cash flows are adjusted for the time value of money as most claims take more than a year to be settled by the Group.

The approach used to accurately allow for non-performance would be to model the loss to be suffered on a default event and the probability of such an event occurring. Mathematically this could be expressed as:

Probability of default (“PD”) x Loss given default (“LGD”) x Exposure at default (“EAD”).

Assumptions for PDs and LGDs should be set using market data at the valuation date.

The Group uses a range of macro-economic factors, forward-looking estimates and credit behavior of the reinsurer in the assessment of risk of reinsurers’ non-performance. The Group periodically reviews and updates selected economic series and applies judgement in determining what constitutes reasonable and forward-looking estimates.

Discount rates

The bottom-up approach was used to derive the discount rate for all contracts within the scope of IFRS 17. 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 the Abu Dhabi Soverign Bonds Yield Curves.

5 Changes in significant accounting policies *(continued)*

Insurance contracts *(continued)*

Estimates and assumptions *(continued)*

Discount rates (continued)

Management uses judgement to assess liquidity characteristics of the liability cash flows. It was detemined that all contracts are considered less liquid than the financial assets used to derive the risk-free yield. For all contracts, the illiquidity premium was estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows.

Where the Group is exposed to FCFs that vary with inflation (e.g. claims and expense cash flows), the Group has explicitly allowed for inflation in the FCFs measurement and has discounted these using nominal discount rates set using the bottom-up approach.

The yield curves that were used to discount the estimates of future cash flows are as follows:

Financial period	1 Year	5 Year	10 Year	20 year	30 Year
31 March 2023	5.21%	4.04 %	4.20 %	4.67 %	4.80 %
31 December 2022	5.21%	4.47 %	4.36 %	4.62 %	4.45 %

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

The Group has used the Value at Risk (VAR) approach to determine the RA for all contracts except the single premium credit life contracts where provisions for adverse deviation has been used. The Group allows for all non-financial risks related to the insurance contract when calculating the RA.

For the VAR approach, the Group has used the Mack method to determine the RA for the LIC at the chosen confidence level. The distributions used in the method were selected based on a goodness of fit test. The RA for the LRC was estimated by scaling the calculation for the CBUAE premium risk module to the selected confidence level.

For single premium credit life, the margins used in the methodology were calibrated to be in line with the Group's selected confidence level.

Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Group’s degree of risk aversion. These estimates are made based on the expected diversification across all of the Group's insurance contracts.

The risk adjustment for the Motor, Medical and Property portfolio corresponds to a 60% confidence level whereas the risk adjustment for all other lines of business correspond to a 70% confidence level.

The Group does not disaggregate changes in the RA between insurance service result and insurance finance income or expenses.

The Group has used consistent approach to calculate the RA as for the insurance contracts.

5 Changes in significant accounting policies *(continued)*

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 Group:

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

6 Insurance and reinsurance contract assets and liabilities *(Unaudited)*

The following reconciliations that are required by IFRS 17 are included below, separately for consumer and commercial lines for contracts issued and reinsurance contracts held.

Reconciliation of the liability for remaining coverage and the liability for incurred claims – applicable to contracts measured under the PAA.

	31 March 2023				
	LRC		LIC for contracts under the PAA		
	Excluding loss component	Loss component	Present value of future cash flow	Risk adjustment for non-financial risk	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Insurance contracts issued					
Opening insurance contracts assets	-	-	-	-	-
Opening insurance contract liabilities	(706,177)	-	3,695,661	98,495	3,087,979
Opening balance as at 01 January	(706,177)	-	3,695,661	98,495	3,087,979
Insurance revenue	(989,357)	-	-	-	(989,357)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	602,093	11,515	613,608
Changes that relate to past service - adjustments to the LIC	-	-	63,226	(8,145)	55,081
Insurance acquisition cash flows amortisation	73,819	-	-	-	73,819
Total insurance service expenses	73,819	-	665,319	3,370	742,508
Insurance service result	(915,538)	-	665,319	3,370	(246,848)
Insurance finance income	-	-	(37,480)	-	(37,480)
Total amounts recognised in comprehensive income	(915,538)	-	627,839	3,370	(284,329)
Cash flows					
Premiums received	1,163,662	-	-	-	1,163,662
Incurred claims and other directly attributable expenses paid	-	-	(534,347)	-	(534,347)
Insurance acquisition cost paid	(54,756)	-	-	-	(54,756)
Total cash flows	1,108,906	-	(534,347)		574,559
Closing balance as at 31 March	(512,809)	-	3,789,153	101,865	3,378,209
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	(512,809)	-	3,789,153	101,865	3,378,209

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

	31 December 2022 *(Restated)*				
	LRC		LIC for contracts under the PAA		
	Excluding loss component AED'000	Loss Component AED'000	Present value of future cash flow AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Insurance contracts issued					
Opening insurance contracts assets	-	-	-	-	-
Opening insurance contract liabilities	(414,279)	-	3,335,087	75,302	2,996,110
Opening balance as at 01 January	(414,279)	-	3,335,087	75,302	2,996,110
Insurance revenue	(4,602,709)	-	-	-	(4,602,709)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	2,556,367	33,306	2,589,673
Changes that relate to past service - adjustments to the LIC	-	-	57,075	(10,113)	46,962
Insurance acquisition cash flows amortisation	274,843	-	-	-	274,843
Total insurance service expenses	274,843	-	2,613,442	23,193	2,911,478
Insurance service result	(4,327,866)	-	2,613,442	23,193	(1,691,231)
Insurance finance income	-	-	(130,524)	-	(130,524)
Total amounts recognised in comprehensive income	(4,327,866)	-	2,482,918	23,193	(1,821,755)
Cash flows					
Premiums received	4,303,458	-	-	-	4,303,458
Incurred claims and other directly attributable expenses paid	-	-	(2,122,344)	-	(2,122,344)
Insurance acquisition cost paid	(267,490)	-	-	-	(267,490)
Total cash flows	4,035,968	-	(2,122,344)		1,913,624
Closing balance as at 31 December	(706,177)	-	3,695,661	98,495	3,087,979
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	(706,177)	-	3,695,661	98,495	3,087,979

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

Reconciliation of the remaining coverage and incurred claims - applicable to PAA as at:

	31 March 2023				
	Remaining coverage component		Incurred claims for contracts under the PAA		
	Excluding loss recovery component AED'000	Loss recovery component AED'000	Present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Reinsurance contracts held					
Opening reinsurance contracts assets	1,562,789	-	(3,161,550)	(64,209)	(1,662,970)
Opening reinsurance contracts liabilities	175,066	-	150,566	(4,259)	20,241
Opening balance as at 01 January	1,737,855	-	(3,312,116)	(68,468)	(1,642,729)
Reinsurance expenses	609,286	-	-	-	609,286
Reinsurance service income					
Claims recovered net of reinsurance expenses	-	-	(335,178)	(13,744)	(348,922)
Changes that relate to past service – adjustment to the LIC	-	-	(64,529)	10,850	(53,679)
Effect of changes in the risk of reinsurers non-performance	-	-	(48,299)	-	(48,299)
Total reinsurance service income	-	-	(448,006)	(2,894)	(450,900)
Net expense / (income) from reinsurance contracts held	609,286	-	(448,006)	(2,894)	158,386
Reinsurance finance expense	-	-	15,370	-	15,370
Total amounts recognised in comprehensive income	609,286	-	(432,636)	(2,894)	(173,756)
Cash flows					
Premiums paid net of ceding commissions	(958,629)	-	-	-	(958,629)
Recoveries from reinsurance	-	-	359,844	-	359,844
Total cash flows	(958,629)	-	(2,122,343)		(598,785)
Closing balance as at 31 March	1,388,512	-	(3,384,908)	(71,362)	(2,067,758)
Closing reinsurance contract assets	1,388,512	-	(3,384,908)	(71,362)	(2,067,758)
Closing reinsurance contract liabilities	-	-	-	-	-

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

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

	31 December 2022 *(Restated)*				
	Remaining coverage component		Incurred claims for contracts under the PAA		
	Excluding loss recovery component AED'000	Loss recovery component AED'000	Present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Reinsurance contracts held					
Opening reinsurance contracts assets	1,150,521	-	(2,539,750)	(48,852)	(1,438,081)
Opening reinsurance contract liabilities	29,541	-	(25,733)	(1,409)	2,759
Opening balance as at 01 January	1,180,062	-	(2,565,483)	(49,901)	(1,435,322)
Reinsurance expenses	2,866,171	-	-	-	2,866,171
Reinsurance service income					
Other directly attributable expenses	-	-	4,623	-	4,623
Claims recovered net of reinsurance expenses	-	-	(1,438,174)	(22,436)	(1,460,610)
Changes that relate to past service – Adjustment to the LIC	-	-	(145,106)	3,869	(141,237)
Effect of changes in the risk of reinsurers non-performance	-	-	54,484	-	54,484
Total reinsurance service income	-	-	(1,524,173)	(18,567)	(1,542,740)
Net expense / (income) from reinsurance contracts held	2,866,171	-	(1,524,173)	(18,567)	1,323,431
Reinsurance finance expense	-	-	102,909	-	102,909
Total amounts recognised in comprehensive income	2,866,171	-	(1,421,264)	(18,567)	1,426,340
Cash flows					
Premiums paid net of ceding commissions	(2,308,378)	-	-	-	(2,308,378)
Other directly attributable expenses paid	-	-	(4,623)	-	(4,623)
Recoveries from reinsurance	-	-	679,254	-	679,254
Total cash flows	(2,308,378)	-	674,631		(1,663,747)
Closing balance as at 31 December	1,737,855	-	(3,312,116)	(68,468)	(1,642,729)
Closing reinsurance contract assets	1,562,789	-	(3,161,550)	(64,209)	(1,662,970)
Closing reinsurance contract liabilities	175,066	-	(150,566)	(4,259)	20,241

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

Reconciliation of the liability for remaining coverage and the liability for incurred claims – applicable to contracts measured under the GMM as at:

	31 March 2023			
	LRC			
	Excluding loss component AED'000	Loss component AED'000	LIC for contracts under the GMM AED'000	Total AED'000
Insurance contracts issued				
Opening insurance contract assets	(7,894)	-	5,188	(2,706)
Opening insurance contract liabilities	314,016	15,059	11,572	340,647
Net balance as at 01 January	306,122	15,059	16,670	337,941
Insurance revenue				
Expected incurred claims and other directly attributable expenses	9,697	-	-	9,697
Change in the risk adjustment for non-financial risk for the risk expired	128	-	-	128
CSM recognised in profit or loss for the services provided	8,032	-	-	8,032
Experience adjustments – arising from premiums received in the period other than those that relate to future service	(6,407)	-	-	(6,407)
Insurance acquisition cash flow recovery	2,275	-	-	2,275
Total insurance revenue	(13,725)	-	-	(13,725)
Insurance service expense				
Incurred claims and other directly attributable expenses	-	-	22,461	22,461
Changes that relate to past service - adjustments to the LIC	-	-	(14,971)	(14,971)
Losses on onerous contracts and reversal of those losses	-	(250)	-	(250)
Insurance acquisition cash flows amortisation	2,275	-	-	2,275
Total insurance service expenses	2,275	(250)	7,490	9,515
Insurance service result	(11,450)	(250)	7,490	(4,210)
Finance expenses from insurance contracts issued	9,926	-	100	10,026
Total amounts recognised in comprehensive income	(1,524)	(250)	7,590	5,816
Cash flows				
Premiums received	344	-	-	344
Claims and other directly attributable expenses paid	-	-	(693)	(693)
Insurance acquisition cash flows paid	(39)	-	-	(39)
Total Cash flows	305	-	(693)	(388)
Net balance as at 31 March	304,903	14,809	23,657	343,369
Closing insurance contract assets	(4,850)	-	4,086	(764)
Closing insurance contract liabilities	309,753	14,809	19,571	344,133

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

	31 December 2022 *(Restated)*			
	LRC			
	Excluding loss component AED'000	Loss component AED'000	LIC for contracts under the GMM AED'000	Total AED'000
Insurance contracts issued				
Opening insurance contract assets	-	-	-	-
Opening insurance contracts liabilities	222,688	1,206	7,096	230,990
Net balance as at 01 January	222,688	1,206	7,096	230,990
Insurance revenue				
Expected incurred claims and other directly attributable expenses	34,004	-	-	34,004
Change in the risk adjustment for non-financial risk for the risk expired	3,672	-	-	3,672
CSM recognised in profit or loss for the services provided	32,521	-	-	32,521
Experience adjustments – arising from premiums received in the period other than those that relate to future service	(15,109)	-	-	(15,109)
Insurance acquisition cash flow recovery	5,055	-	-	5,055
Total insurance revenue	(60,143)	-	-	(60,143)
Insurance service expense				
Incurred claims and other directly attributable expenses	-	-	28,231	28,231
Changes that relate to past service - adjustments to the LIC	-	-	(72,981)	(72,981)
Losses on onerous contracts and reversal of those losses	-	(13,853)	-	(13,853)
Insurance acquisition cash flows amortisation	5,055	-	-	5,055
Total insurance service expenses	5,055	(13,853)	20,933	39,841
Insurance service result	(55,087)	(13,853)	20,933	(20,301)
Finance income from insurance contracts issued	(46,816)	-	(350)	(47,166)
Total amounts recognised in comprehensive income	(101,903)	(13,853)	(20,583)	(67,467)
Cash flows				
Premiums received	187,074	-	-	187,074
Claims and other directly attributable expenses paid	-	-	(10,919)	(10,919)
Insurance acquisition cash flows paid	(1,736)	-	-	(1,736)
Total cash flows	185,338	-	(10,919)	174,419
Net balance as at 31 December	306,122	15,059	16,760	337,941
Closing insurance contract assets	(7,894)	-	5,188	(2,706)
Closing insurance contract liabilities	314,016	15,059	11,572	340,647

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

Reconciliation of the measurement components of insurance contract balances - applicable to contracts measured under the GMM only as at:

	31 March 2023			
	Present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM AED'000	Total AED'000
Insurance contracts issued				
Opening insurance contract assets	(20,353)	695	16,952	(2,706)
Opening insurance contract liabilities	298,515	14,197	27,935	340,647
Net balance as at 01 January	278,162	14,892	44,887	337,941
CSM recognised in profit or loss for the services provided	-	-	(8,032)	(8,032)
Change in the risk adjustment for nonfinancial risk for the risk expired	-	941	-	941
Experience adjustments – relating to insurance service expenses	12,435	-	-	12,435
Changes that relate to current service	12,435	941	(8,032)	5,344
Changes in estimates that adjust the CSM	(7,340)	(11)	7,350	(1)
Changes in estimates that result in onerous contract losses or reversal of losses	(260)	8	-	(252)
Contracts initially recognised in the period	(294)	7	289	2
Changes that relate to future services	(7,894)	4	7,639	(251)
Changes that relate to past service – changes in the FCF relating to the LIC	(14,970)	(740)	-	(15,710)
Experience adjustments – arising from premiums received in the period that relate to past service	6,407	-	-	6,407
Changes that relate to past service	(8,563)	(740)	-	(9,303)
Insurance service result	(4,022)	205	(393)	(4,210)
Finance expenses from insurance contracts issued	9,928	-	98	10,026
Total amounts recognised in comprehensive income	5,906	205	(295)	5,816
Cash flows				
Premiums received	344	-	-	344
Claims and other directly attributable expenses paid	(693)	-	-	(693)
Insurance acquisition cash flows paid	(39)	-	-	(39)
Total cash flows	(388)	-	-	(388)
Net balance as at 31 March	283,680	15,097	44,592	343,369
Closing insurance contract assets	(12,644)	372	11,508	(764)
Closing insurance contract liabilities	296,324	14,725	33,084	344,133

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

	31 December 2022 *(Restated)*			
	Present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM AED'000	Total AED'000
Insurance contracts issued				
Opening insurance contract assets	-	-	-	-
Opening insurance contracts liabilities	179,920	9,280	41,790	230,990
Net balance as at 01 January	179,920	9,280	41,790	230,990
CSM recognised in profit or loss for the services provided	-	-	(32,520)	(32,520)
Change in the risk adjustment for nonfinancial risk for the risk expired	-	(2,405)	-	(2,405)
Experience adjustments – relating to insurance service expenses	(6,233)	-	-	(6,233)
Changes that relate to current service	(6,233)	(2,405)	(32,520)	(41,158)
Changes in estimates that adjust the CSM	(29,161)	(524)	29,685	-
Changes in estimates that result in onerous contract losses or reversal of losses	(3,307)	(191)	-	(3,498)
Contracts initially recognised in the period	2,183	9,539	5,628	17,350
Changes that relate to future services	(30,285)	8,824	35,313	13,852
Changes that relate to past service – changes in the FCF relating to the LIC	(7,298)	(807)	-	(8,105)
Experience adjustments – arising from premiums received in the period that relate to past service	15,109	-	-	15,109
Changes that relate to past service	7,811	(807)	-	7,004
Insurance service result	(28,706)	5,612	2,793	(20,301)
Finance (income) / expenses from insurance contracts issued	(47,469)	-	304	(47,165)
Total amounts recognised in comprehensive income	(76,175)	5,612	3,097	(67,467)
Cash flows				
Premiums received	187,073	-	-	187,073
Claims and other directly attributable expenses paid	(10,919)	-	-	(10,919)
Insurance acquisition cash flows paid	(1,736)	-	-	(1,736)
Total cash flows	174,418	-	-	174,418
Net balance as at 31 December	278,162	14,892	44,887	337,941
Closing insurance contract assets	(20,353)	695	16,952	(2,706)
Closing insurance contract liabilities	298,515	14,197	27,935	340,647

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

Impact of contracts recognised in the period / year ending

	31 March 2023		
	Non-onerous contracts originated	**Onerous contracts originated**	**Total**
	AED'000	**AED'000**	**AED'000**
Insurance contracts issued			
Estimates of the present value of future cash outflows			
Insurance acquisition cash flows	**48**	**1**	**49**
Claims and other directly attributable expenses	**154**	**10**	**164**
Total estimates of the present value of future cash outflows	**202**	**11**	**213**
Estimates of the present value of future cash inflows	**(497)**	**(9)**	**(506)**
Risk adjustment for non-financial risk	**6**	**-**	**6**
CSM	**289**	**-**	**289**
Increase in insurance contract liabilities from contracts recognised in the period	**-**	**2**	**2**

	31 December 2022 *(Restated)*		
	Non-onerous contracts originated	Onerous contracts originated	Total
	AED'000	AED'000	AED'000
Insurance contracts issued			
Estimates of the present value of future cash outflows			
Insurance acquisition cash flows	2,734	470	3,204
Claims and other directly attributable expenses	6,055	193,231	199,286
Total estimates of the present value of future cash outflows	8,789	193,701	202,490
Estimates of the present value of future cash inflows	(14,670)	(185,637)	(200,307)
Risk adjustment for non-financial risk	253	9,286	9,539
CSM	5,628	-	5,628
Increase in insurance contract liabilities from contracts recognised in the period	-	17,350	17,350

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

Reconciliation of the remaining coverage and incurred claims - applicable to GMM as at:

	31 March 2023			
	Remaining coverage component			
	Excluding loss recovery component AED'000	Loss recovery component AED'000	Incurred claims for contracts under the GMM AED'000	Total AED'000
Reinsurance contracts held				
Opening reinsurance contract assets	-	-	-	-
Opening reinsurance contracts liabilities	5,650	-	(2,073)	3,577
Net balance as at 01 January	5,650	-	(2,073)	3,577
Reinsurance expenses				
Actual vs. expected on Premiums to Current or Past Service	(2,214)	-	-	(2,214)
CSM release	2,250	-	-	2,250
Risk adjustment release	59	-	-	59
Expected claims and other expenses	1,230	-	-	1,230
Acquisition expenses recovered from premium	-	-	-	-
Total reinsurance expenses	1,325	-	-	1,325
Reinsurance service income				
Other directly attributable expenses	-	-	-	-
Incurred claims recovery	-	-	3,244	3,244
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	(529)	(529)
Total reinsurance service income	-	-	(2,715)	(2,715)
Net expenses / (income) from reinsurance contracts held	1,325	-	(2,715)	(1,390)
Finance expenses from reinsurance contracts held	65	-	30	95
Total amounts recognised in comprehensive income	1,390	-	(2,685)	(1,295)
Cash flows				
Premiums paid net of ceding commissions	(11,557)		-	(11,557)
Recoveries from reinsurance	-	-	1,572	1,572
Other directly attributable expenses paid	-	-	-	-
Total cash flows	(11,557)	-	1,572	(9,985)
Net balance as at 31 March	(4,517)	-	(3,186)	(7,703)
Closing reinsurance contract assets	(4,517)	-	(3,186)	(7,703)
Closing reinsurance contract liabilities	-	-	-	-

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

	31 December 2022 *(Restated)*			
	Remaining coverage component		Incurred claims for contracts under the GMM	Total
	Excluding loss recovery component AED'000	Loss recovery component AED'000	AED'000	AED'000
Reinsurance contracts held				
Opening reinsurance contract assets	895	(686)	(2,282)	(2,073)
Opening reinsurance contracts liabilities	-	-	-	-
Net balance as at 01 January	895	(686)	(2,282)	(2,073)
Reinsurance expenses				
Actual vs. Expected on Premiums to Current or Past Service	(10,926)	-	-	(10,926)
CSM release	8,496	-	-	8,496
Risk adjustment release	344	-	-	344
Expected claims and other expenses	6,705	-	-	6,705
Acquisition expenses recovered from premium	-	-	-	-
Total reinsurance expenses	4,619	-	-	4,619
Other directly attributable expenses	-	-	-	-
Incurred claims recovery	-	-	-	-
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	(208)	(208)
Income on initial recognition of onerous underlying contracts	-	(1,540)	-	(1,540)
Reinsurance contracts held under the GMM, reversals of a loss recovery component other than changes in the FCF of reinsurance contracts held	-	2,226	-	2,226
Total reinsurance service income	-	686	208	894
Net (income) / expenses from reinsurance contracts held	4,619	686	208	5,513
Finance (income) / expenses from reinsurance contracts held	136	-	-	136
Total amounts recognised in comprehensive income	4,755	686	208	5,649
Cash flows				
Premiums paid net of ceding commissions	-	-	-	-
Recoveries from reinsurance	-	-	-	-
Other directly attributable expenses paid	-	-	-	-
Total cash flows	-	-	-	-
Net balance as at 31 December	5,650	-	(2,074)	3,576
Closing reinsurance contract assets	-	-	-	-
Closing reinsurance contract liabilities	5,650	-	(2,074)	3,576

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

Reconciliation of the measurement components of reinsurance contract balances - applicable to contracts measured under the GMM only as at:

	31 March 2023			
	Present value of future cash flows AED'000	**Risk adjustment for non-financial risk AED'000**	**CSM AED'000**	**Total AED'000**
Reinsurance contracts issued				
Opening reinsurance contract assets	-	-	-	-
Opening reinsurance contracts liabilities	13,637	(457)	(9,603)	3,577
Net balance as at 01 January	13,637	(457)	(9,603)	3,577
CSM recognised in profit or loss for the services provided	-	-	2,249	2,249
Change in the risk adjustment for nonfinancial risk for the risk expired	-	59	-	59
Experience adjustments – relating to incurred claims and other directly attributable expenses recovery	(1,808)	(53)	-	(1,861)
Changes that relate to current service	(1,808)	6	2,249	447
Changes in estimates that adjust the CSM	12,699	10	(12,709)	-
Experience adjustments – arising from ceded premiums paid in the period that relate to future service	(9,952)	-	9,952	-
Changes that relate to future services	2,747	10	(2,757)	-
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	376	-	-	376
Experience adjustments – arising from ceded premiums paid in the period that relate to past service	(2,214)	-	-	(2,214)
Changes that relate to past service	(1,838)	-	-	(1,838)
Net (income) / expenses from reinsurance contracts held	(899)	17	(508)	(1,390)
Finance expenses / (income) from insurance contracts issued	117	-	(22)	95
Total amounts recognised in comprehensive income	(782)	17	(530)	(1,295)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	(11,557)	-	-	(11,557)
Recoveries from reinsurance	1,572	-	-	1,572
Directly attributable expenses paid	-	-	-	-
Total cash flows	(9,985)	-	-	(9,985)
Net balance as at 31 March	2,871	(441)	(10,133)	(7,703)
Closing reinsurance contract assets	2,871	(441)	(10,133)	(7,703)
Closing reinsurance contract liabilities	-	-	-	-

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

	31 December 2022 *(Restated)*			
	Present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM AED'000	Total AED'000
Reinsurance contracts issued				
Opening reinsurance contract assets	4,392	(478)	(5,987)	(2,073)
Opening reinsurance contracts liabilities	-	-	-	-
Net balance as at 01 January	4,392	(478)	(5,987)	(2,073)
CSM recognised in profit or loss for the services provided	-	-	8,495	8,495
Change in the risk adjustment for nonfinancial risk for the risk expired	-	310	-	310
Experience adjustments – relating to incurred claims and other directly attributable expenses recovery	6,034	10	-	6,044
Changes that relate to current service	6,034	320	8,495	14,849
Changes in estimates that adjust the CSM	23,865	(1)	(23,864)	-
Contracts initially recognised in the period	2,469	(306)	(2,163)	-
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	(1,540)	(1,540)
Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	2,924	2,924
Experience adjustments – arising from ceded premiums paid in the period that relate to future service	(12,601)	-	12,601	-
Changes that relate to future services	13,733	(307)	(12,042)	1,384
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	199	8	-	207
Experience adjustments – arising from ceded premiums paid in the period that relate to past service	(10,926)	-	-	(10,926)
Changes that relate to past service	(10,727)	8	-	(10,719)
Net expenses / (income) from reinsurance contracts held	9,040	21	(3,547)	5,514
Finance expenses / (income) from insurance contracts issued	205	-	(69)	136
Total amounts recognised in comprehensive income	9,245	21	(3,616)	5,650
Net balance as at 31 December	13,637	(457)	(9,603)	3,577
Closing reinsurance contract assets	-	-	-	-
Closing reinsurance contract liabilities	13,637	(457)	(9,603)	3,577

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

Impact of reinsurance contracts recognised in the period / year ending

	31 March 2023		
	Contracts originated not in a net gain	**Contracts originated in a net gain**	**Total**
	AED'000	**AED'000**	**AED'000**
Reinsurance contracts held			
Estimates of the present value of future cash inflows	-	-	-
Estimates of the present value of future cash outflows	-	-	-
Risk adjustment for non-financial risk	-	-	-
CSM	-	-	-
Increase in reinsurance contract assets from contracts recognised in the period	-	-	-

	31 December 2022 *(Restated)*		
	Contracts originated not in a net gain	Contracts originated in a net gain	Total
	AED'000	AED'000	AED'000
Reinsurance contracts held			
Estimates of the present value of future cash inflows	-	8,591	8,591
Estimates of the present value of future cash outflows	-	(6,122)	(6,122)
Risk adjustment for non-financial risk	-	(306)	(306)
CSM	-	(2,163)	(2,163)
Increase in reinsurance contract assets from contracts recognised in the period	-	-	-

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

Expected recognition of the contractual service margin - An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table (number of years until expected to be recognised)

	1 year AED'000	2 year AED'000	3 year AED'000	4 year AED'000	5 year AED'000	>6 year AED'000	Total AED'000
31 March 2023							
Total CSM for insurance contracts issued	**12,157**	**6,990**	**3,598**	**2,733**	**2,487**	**16,627**	**44,592**
Total CSM for reinsurance contracts held	**(6,483)**	**(3,041)**	**(580)**	**(29)**	**-**	**-**	**(10,133)**
Total	**5,674**	**3,949**	**3,018**	**2,704**	**2,487**	**16,627**	**34,459**
31 December 2022 *(Restated)*							
Total CSM for insurance contracts issued	12,463	7,602	3,821	2,623	2,360	16,017	44,886
Total CSM for reinsurance contracts held	(5,749)	(3,022)	(783)	(49)	-	-	(9,603)
Total	6,714	4,580	3,038	2,574	2,360	16,017	35,283

Paragraph 114 of IFRS 17 requires disclosures that show the effect on insurance revenue and the CSM of groups of insurance contracts issued that were measured at the transition date Given that the Group applies the fully retrospective approach to all groups of contracts, this disclosure is not applicable to the Group.

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

Reconciliation of the measurement components of insurance and reinsurance contract balances measured under both PAA and GMM as at:

	31 March 2023		
	PAA	**GMM**	**Total**
	AED'000	**AED'000**	**AED'000**
Insurance contract assets	**-**	**(764)**	**(764)**
Insurance contract liabilities	**3,378,209**	**344,133**	**3,722,342**
Reinsurance contract assets	**(2,067,758)**	**(7,703)**	**(2,075,461)**
Reinsurance contract liabilities	**-**	**-**	**-**
	1,310,451	**335,666**	**1,646,117**

	31 December 2022 *(Restated)*		
	PAA	GMM	Total
	AED'000	AED'000	AED'000
Insurance contract assets	-	(2,706)	(2,706)
Insurance contract liabilities	3,087,979	340,647	3,428,626
Reinsurance contract assets	(1,662,970)	-	(1,662,970)
Reinsurance contract liabilities	20,241	3,577	23,818
	1,445,251	341,517	1,786,768

7 Prepayments and other receivables *(Unaudited)*

	31 March 2023 AED'000	31 December 2022 AED'000
Prepayments and other receivables:		
Rental income receivables, *net*	**2,216**	3,615
Prepayments	**11,209**	7,650
Other receivables, *net of expected credit losses* (i)	**34,728**	25,103
Total prepayments and other receivables	**48,153**	36,368

(i) Other receivables are stated net of expected credit losses amounting to AED 2,453 thousand *(31 December 2022: AED 2,496 thousand).*

8 Investments *(Unaudited)*

	31 March 2023 AED'000	31 December 2022 AED'000
Financial assets at amortised cost (i)	**966,854**	961,658
Financial assets at fair value through other comprehensive income (ii)	**1,506,084**	1,594,847
Financial assets at fair value through profit or loss	**374,829**	407,673
	2,847,767	2,964,178

Geographical concentration of investments is as follows:

	31 March 2023 AED'000	31 December 2022 AED'000
Within UAE	**1,550,719**	1,594,987
Outside UAE	**1,297,048**	1,369,191
	2,847,767	2,964,178

(i) Financial assets at amortised cost are stated net of expected credit losses amounting to AED 245 thousand *(31 December 2022: AED 191 thousand)*.

(ii) Financial assets at fair value through other comprehensive income includes expected credit losses amounting to AED 86 thousand *(31 December 2022 AED 66 thousand)*.

9 Cash and cash equivalents *(Unaudited)*

	31 March 2023 AED'000	31 December 2022 AED'000
Cash on hand	**71**	55
Statutory deposits (i), (ii)	**10,000**	10,000
Cash / call / current accounts with banks, including deposits (i)	**812,086**	971,006
Less: allowance for expected credit losses	**(167)**	(147)
Total bank balances and cash	**821,990**	980,914
Less: statutory deposits	**(10,000)**	(10,000)
Less: deposits with original maturities of three months or more	**(243,545)**	(278,331)
Cash and cash equivalents in the condensed consolidated statement of financial position	**568,445**	692,583
Add: allowance for expected credit losses	**105**	97
Cash and cash equivalents	**568,550**	692,680
Less: bank overdraft repayable on demand and used for cash cash management purposes (iii)	**(23,254)**	(44,400)
Cash and cash equivalents for the purpose of the condensed consolidated interim statement of cash flows	**545,296**	648,280

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

Geographical concentration of cash and cash equivalents, statutory deposits and deposits with original maturities of three months or more, net of allowance for expected credit losses is as follows:

	31 March 2023 AED'000	31 December 2022 AED'000
Within UAE	**533,123**	935,820
Outside UAE	**288,867**	45,094
	821,990	980,914

(i) Interest rates on bank deposits ranges between 3.65% to 5.30% *(31 December 2022: 2.20% to 5.25%).*

(ii) In accordance with the requirements of Federal Law No. (6) of 2007 (as amended) concerning Establishment of Central Bank of UAE of its Operations, the Group maintains bank deposits of AED 10,000 thousand *(31 December 2022: AED 10,000 thousand)* which cannot be utilised without the consent of the Assistant Governor of the Banking and Insurance Supervision Department of Central Bank of UAE.

(iii) The Group has availed an overdraft facility of AED 200,000 thousand which is unsecured. Interest is payable at 3 months' EIBOR plus 1.6% per annum and the tenure of the facility is 12 months. As at reporting date the Group has utilised the facility up to AED 23,254 thousand *(31 December 2022: AED 44,400 thousand)*.

10 Retained earnings

At the Annual General Assembly held on 21 March 2023 *(31 December 2022: held on 15 March 2022 relating to the results of the year ended 31 December 2021)*, the shareholders approved the distribution of cash dividend relating to the results for the year ended 31 December 2022 of AED 0.40 per share amounting to AED 228,000 thousand *(31 December 2022: AED 0.40 per share amounting to AED 228,000 thousand)*.

11 Investment income and insurance finance income and expenses *(Unaudited)*

	Three-month period ended 31 March	
	2023 AED'000	2022 AED'000
Income from investment properties (rental income), *net*	**3,566**	3,660
Dividend income	**20,745**	25,560
Net interest income on bank deposits and bonds	**16,053**	7,426
Decrease in fair value of investment properties	**-**	(1,909)
Net change in fair value of financial assets at fair value through profit or loss	**5,125**	(9,117)
Gain on disposal of investments at amortised cost	**-**	86
Gain on disposal of investments at FVTPL	**2,480**	73
Other expenses, *net*	**(1,647)**	(1,904)
Income from investments, *net*	**42,756**	20,215
Net investments and other income	**46,322**	23,875

11 Investment income and insurance finance expenses *(Unaudited) (continued)*

Insurance and reinsurance finance income and expenses

	Assets backing the insurance / reinsurance contracts	
	Three-month period ended 31 March	
	2023	2022
	AED'000	AED'000
Finance income from insurance contracts issued	**9,846**	166
Finance (expenses) / income from reinsurance contracts held	**(7,834)**	1,622
Net insurance finance income	**2,012**	1,788

12 Earnings per share *(Unaudited)*

Earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period.

	Three-month period ended 31 March	
	2023	2022 *(Restated)*
Profit for the period used for calculating earnings per share (AED'000)	**99,675**	85,048
Ordinary shares outstanding during the period (shares in '000)	**570,000**	570,000
Earnings per share (AED)	**0.17**	0.15

13 Related parties *(Unaudited)*

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Government of Abu Dhabi holds 24 percent shareholding in the Group through Mamoura Diversified Global Holding PJSC.

Pricing policies and terms of these transactions are approved by management. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

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

	31 March 2023			
	Directors and key management AED'000	**Major shareholder AED'000**	**Others AED'000**	**Total AED'000**
Insurance contract balances	**768**	**132**	**1,384,153**	**1,385,053**
Employees' end of service benefits payable	**2,981**	**-**	**-**	**2,981**
Cash and bank balances	**-**	**-**	**254,727**	**254,727**
Bank overdraft	**-**	**-**	**23,254**	**23,254**
Investments	**-**	**118,925**	**172,930**	**291,855**
Statutory deposits	**-**	**-**	**10,000**	**10,000**

	31 December 2022 (Restated)			
	Directors and key management AED'000	Major shareholder AED'000	Others AED'000	Total AED'000
Insurance contract balances	804	169	1,359,739	1,360,712
Employees' end of service benefits payable	3,383	-	-	3,383
Cash and bank balances	-	-	587,258	587,258
Bank overdraft	-	-	44,400	44,400
Investments	-	118,937	272,253	391,190
Statutory deposits	-	-	10,000	10,000

13 Related parties *(Unaudited) (continued)*

Contingent liabilities issued in favor of related parties as at 31 March 2023 amounted to AED 102,428 thousand *(31 December 2022: AED 103,092 thousand)*.

Transactions with related parties during the period are as follows:

	Three-month period ended 31 March 2023			
	Directors and key management AED'000	**Major shareholder AED'000**	**Others AED'000**	**Total AED'000**
Insurance revenue	**9**	**-**	**269,870**	**269,879**
Insurance service expenses	**2**	**-**	**223,975**	**223,977**
Dividend income	**-**	**-**	**936**	**936**
Interest income	**-**	**922**	**3,673**	**4,595**
Directors' remuneration	**5,800**	**-**	**-**	**5,800**
Other investment income	**-**	**-**	**41**	**41**

	Three-month period ended 31 March 2022 *(Restated)*			
	Directors and key management AED'000	Major shareholder AED'000	Others AED'000	Total AED'000
Insurance revenue	6	30	737,601	737,637
Insurance service expenses	-	-	178,440	178,440
Dividend income	-	-	2,389	2,389
Interest income	-	922	648	1,570
Directors' remuneration	5,800	-	-	5,800
Other investment income	-	-	41	41

At the Annual General Assembly held on 21 March 2023, the shareholders approved Board of Directors' remuneration relating to the results for the year ended 31 December 2022 amounting to AED 5,800 thousand *(31 December 2022: AED 5,800 thousand relating to the results for the year ended 31 December 2021)*.

13 Related parties *(Unaudited)* *(continued)*

Compensation of key management personnel is as follows:

	Three-month period ended 31 March	
	2023	2022
	AED'000	AED'000
Salaries and short-term benefits	**8,563**	8,135
Staff end of service benefits	**325**	226
	8,888	8,361

14 Fair value of financial instruments *(Unaudited)*

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

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as 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.

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 Group 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 the 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 Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

14 Fair value of financial instruments *(Unaudited)* *(continued)*

Assets measured at fair value – fair value hierarchy

The table below analyses assets 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:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 March 2023				
Financial assets at fair value	**94,625**	**-**	**280,204**	**374,829**
through profit or loss		**-**		
Financial assets at fair value through other comprehensive income	**1,346,874**	**14,547**	**144,663**	**1,506,084**
	1,441,499	**14,547**	**424,867**	**1,880,913**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2022				
Financial assets at fair value through profit or loss	139,440	-	268,233	407,673
Financial assets at fair value through other comprehensive income	1,426,115	17,017	151,715	1,594,847
	1,565,555	17,017	419,948	2,002,520

The valuation techniques and inputs used in this condensed consolidated interim financial information are consistent with those described in the Group's last annual consolidated financial statements for the year ended 31 December 2022.

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim statement of financial position approximate their fair values.

	Carrying amount AED'000	**Fair value AED'000**
31 March 2023		
Financial assets at amortised cost	**966,854**	**905,466**
31 December 2022		
Financial assets at amortised cost	961,658	894,539

14 Fair value of financial instruments *(Unaudited) (continued)*

Movement in level 3 for financial assets carried at fair value through profit or loss and financial assets at fair value through OCI is as follows:

	31 March 2023 AED'000	31 December 2022 AED'000
Balance as at 1 January	**419,948**	481,414
Change in fair value	**(4,688)**	(75,224)
Additions	**13,952**	32,220
Disposals	**(4,345)**	(18,462)
Balance as at period / year end	**424,867**	419,948

15 Segment information *(Unaudited)*

The Group is organised into two main business segments:

Underwriting of commercial lines of business – incorporating all classes of general insurance including marine cargo, marine hull, aviation, energy, property and engineering; and

Underwriting of consumer line of business – incorporating all classes of insurance including accident, life, motor and medical.

15 Segment information *(Unaudited) (continued)*

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

	Three-month period ended 31 March 2023		
	Commercial AED'000	**Consumer AED'000**	**Total AED'000**
Insurance revenue			
Contracts not measured under the PAA			
Expected incurred claims and other directly attributable expenses	-	9,697	9,697
Change in the risk adjustment for non-financial risk for the risk expired	-	128	128
CSM recognised in profit or loss for the services provided	-	8,032	8,032
Experience adjustments – arising from premiums received in the period other than those that relate to future service	-	(6,407)	(6,407)
Insurance acquisition cash flow recovery	-	2,275	2,275
Insurance revenue from contracts not measured under the PAA	-	13,725	13,725
Insurance revenue from contracts measured under the PAA	591,517	397,840	989,357
Total insurance revenue	591,517	411,565	1,003,082
Insurance service expenses			
Incurred claims and other directly attributable expenses	(247,017)	(389,052)	(636,069)
Changes that relate to past service – changes in the FCF relating to the LIC	(39,663)	(449)	(40,112)
Losses on onerous contracts and reversal of those losses	-	250	250
Insurance acquisition cash flows amortisation	(46,746)	(29,347)	(76,093)
Total insurance service expenses	(333,426)	(418,598)	(752,024)
Net income / (expenses) from reinsurance contracts held	-	-	-
Reinsurance expenses – contracts not measured under the PAA	-	-	-
Expected incurred claims and other directly attributable expenses recovery	-	(1,230)	(1,230)
Change in the risk adjustment for non-financial risk for the risk expired	-	(59)	(59)
CSM recognised for the services received	-	(2,250)	(2,250)
Experience adjustments – arising from ceded premiums paid in the period other than those that relate to future service	-	2,214	2,214
Reinsurance expenses - contracts not measured under the PAA	-	(1,325)	(1,325)
Reinsurance expenses - contracts measured under the PAA	(455,740)	(153,546)	(609,286)
Total reinsurance expenses	(455,740)	(154,871)	(610,611)
Income from reinsurance contracts held			
Effect of changes in the risk of reinsurers non-performance	35,034	13,265	48,299
Claims recovered	161,888	190,279	352,167
Income on initial recognition of onerous underlying contracts	-	-	-
Other directly attributable expenses	-	-	-
Reinsurance contracts held under the GMM: Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	72,027	(18,878)	53,149
Total income from reinsurance contracts held	268,949	184,666	453,615
Total insurance service result	71,300	22,762	94,062

15 Segment information *(Unaudited) (continued)*

	Three-month period ended 31 March 2022 *(Restated)*		
	Commercial AED'000	Consumer AED'000	Total AED'000
Insurance revenue			
Contracts not measured under the PAA			
Expected incurred claims and other directly attributable expenses	-	6,653	6,653
Change in the risk adjustment for non-financial risk for the risk expired	-	814	814
CSM recognised in profit or loss for the services provided	-	6,461	6,461
Experience adjustments – arising from premiums received in the period other than those that relate to future service	-	(832)	(832)
Insurance acquisition cash flow recovery	-	1,436	1,436
Insurance revenue from contracts not measured under the PAA	-	14,532	14,532
Insurance revenue from contracts measured under the PAA	693,356	408,256	1,101,612
Total insurance revenue	693,356	422,788	1,116,144
Insurance service expenses			
Incurred claims and other directly attributable expenses	(287,380)	(378,040)	(665,420)
Changes that relate to past service – changes in the FCF relating to the LIC	60,933	44,253	105,187
Losses on onerous contracts and reversal of those losses	-	(6,556)	(6,556)
Insurance acquisition cash flows amortisation	(38,368)	(26,935)	(65,303)
Total insurance service expenses	(264,815)	(367,277)	(632,092)
Net income / (expenses) from reinsurance contracts held			
Reinsurance expenses – contracts not measured under the PAA	-	-	-
Expected incurred claims and other directly attributable expenses recovery	-	(1,204)	(1,204)
Change in the risk adjustment for non-financial risk for the risk expired	-	(67)	(67)
CSM recognised for the services received	-	(1,244)	(1,244)
Experience adjustments – arising from ceded premiums paid in the period other than those that relate to future service	-	553	553
Reinsurance expenses - contracts not measured under the PAA	-	(1,962)	(1,962)
Reinsurance expenses - contracts measured under the PAA	(496,185)	(172,013)	(668,198)
Total reinsurance expenses	(496,185)	(173,975)	(670,160)
Income from reinsurance contracts held			
Effect of changes in the risk of reinsurers non-performance	(52,395)	22,697	(29,698)
Claims recovered	200,528	152,681	353,209
Other directly attributable expenses	(632)	(984)	(1,616)
Income on initial recognition of onerous underlying contracts	-	1,286	1,286
Other directly attributable expenses	-	(188)	(188)
Reinsurance contracts held under the GMM: Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	1,292	1,292
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(15,504)	(24,376)	(39,880)
Total income from reinsurance contracts held	131,996	152,409	284,405
Total insurance service result	64,352	33,945	98,297

15 Segment information *(Unaudited) (continued)*

Balances for insurance and reinsurance assets and liabilities, applicable to all measurement models are as follows:

	31 March 2023		
	Commercial	**Consumer**	**Total**
	AED'000	**AED'000**	**AED'000**
Insurance contract assets	**-**	**(764)**	**(764)**
Insurance contract liabilities	**2,657,227**	**1,065,115**	**3,722,342**
Reinsurance contract assets	**(1,435,416)**	**(640,045)**	**(2,075,461)**
Reinsurance contract liabilities	**-**	**-**	**-**
	1,221,811	**424,306**	**1,646,117**

	31 December 2022 *(Restated)*		
	Commercial	Consumer	Total
	AED'000	AED'000	AED'000
Insurance contract assets	-	(2,706)	(2,706)
Insurance contract liabilities	2,366,372	1,062,254	3,428,626
Reinsurance contract assets	(1,274,591)	(388,379)	(1,662,970)
Reinsurance contract liabilities	20,242	3,576	23,818
	1,112,023	674,745	1,786,768

16 Financial risk management

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

17 Contingent liabilities and commitments *(Unaudited)*

	31 March 2023 AED'000	31 December 2022 AED'000
Commitments in respect of uncalled subscription of equities held as investments	**72,327**	82,898
Bank guarantees	**260,596**	253,694
Letters of credit	**384**	384

The above bank guarantees and letters of credit were issued in the normal course of business.

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. Management, based on advice from independent loss adjusters, internal and external legal counsels, makes provision, where applicable, representing amounts expected to result in a probable outflow of economic resources.

18 Capital risk management *(Unaudited)*

The solvency regulations identify the required solvency margins to be held in addition to insurance liabilities. The solvency margins (presented in the table below) must be maintained at all times throughout the year. The Group is subject to solvency regulations which it has complied with during the period. The Group 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 Group and the total capital held to meet these required Solvency Margins as defined in the regulations. In accordance with Circular No. CBUAE/BSD/N/2022/923 of CBUAE dated 28 February 2022, the Group has disclosed the solvency position for the immediately preceding period as the current period solvency position is not finalised.

	31 December 2022 AED'000	31 December 2021 AED'000
Total capital held by the Group	**570,000**	570,000
Minimum regulatory capital for an insurance company	**100,000**	100,000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**1,061,695**	1,052,921
Minimum Guarantee Fund (MGF)	**492,471**	485,239
Own funds		
Basic own funds	**2,301,504**	2,342,071
Own funds eligible to meet MCR, SCR, MGF	**2,301,504**	2,342,071
MCR solvency margin - (surplus)	**2,201,504**	2,242,071
SCR solvency margin - (surplus)	**1,239,809**	1,289,150
MGF solvency margin - (surplus)	**1,809,033**	1,856,832

19 Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000. The Company has assessed the possible impact on the consolidated financial statements, and concluded that the results are not impacted by the transition requirements.

20 General

The condensed consolidated interim financial information of the Group was approved for issuance by the Board of Directors on 09 May 2023.