

## Detailed analysis of Accumulated Losses

| Islamic Arab Insurance Company PSC (SALAMA)                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                     |           |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------|
| Date:                                                               | 14 November 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Period of Financial Statements      | Year 2021 |
| Accumulated losses:                                                 | AED 371,739,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Accumulated losses to capital ratio | 30.72%    |
| Main reasons leading to these accumulated losses and their history: | <p>These losses were accumulated over several previous years due to significant losses in 2012-2013 and 2015-2016, totaling AED 843m primarily from the loss-making UAE motor business and Best Re.</p> <p>Thailand Floods and other reinsured losses in 2012 caused significant technical losses in subsidiary Best Re (Best Re sale was concluded by SALAMA in 2019). According to reports, these floods were the worst in last five decades with economic loss of USD 45.7 billion (AED 168 billion) and hence it is considered as one of the top five costliest natural disasters in modern history.</p> <p>The other area that has contributed to losses was Motor business in the UAE which by its very nature is highly competitive and volatile. In 2015 the motor insurance business faced many challenges leading to losses for many operators in the UAE market.</p> <p>From 2017, the company managed to turn around its operating performance and constantly reporting net profits. SALAMA reported net profit of AED 38m in 2017, AED 0.5m in year 2018, AED 59.8m in year 2019, AED 157m year 2020 and AED 43.23m in Q3 2021.</p> |                                     |           |
| Measures to be taken to address accumulated losses:                 | <p>The new Board appointed in beginning of year 2019 is implementing three-pronged strategy: improve the core business profitability, enhance the investment income, and implement superior corporate governance standards. There has been considerable improvement in underwriting profitability of SALAMA in 2019 due to focus on the quality of risk underwritten by the Company simultaneously maintaining growth in total gross written contribution. The investment portfolio is moving towards assets with low volatility and better risk adjusted returns. In future years investment income will be an important factor contributing to the profits. It is expected that the Company will continue to deliver on its profitability objective.</p>                                                                                                                                                                                                                                                                                                                                                                                       |                                     |           |



**Fahim AlShehhi**  
Chief Executive Officer