سلامة
SALAMA
الشركة الإسلامية العربية للتأمين (ش.م.ع.)
ISLAMIC ARAB INSURANCE CO.(P.S.C.)
معاً. لمستقبلٍ آمن.
SECURING OUR FUTURE. together.

Discussion and Analysis of the Board of Directors Report

Date	24th March 2023
Name of the Listed Company	Islamic Arab Insurance Company (SALAMA)
The period of the financial statements covered by the report	Annual Financials YE 2022
Overview of the main results during the financial period	SALAMA subsidiaries and associates have performed well within their respective markets in 2022, a year marked by challenging macroeconomic conditions. The company reported a net profit of AED 42.462Mn, with total Gross Written Contributions (GWC) of AED 1.12Bn. In 2022, SALAMA accelerated its underwriting transformation with the aim of enhancing core business performance. Our overall GWC grew by 2.8%, and 9.1% in the UAE despite an increasingly competitive landscape. Additionally, we have implemented a cost optimization framework across our group of companies while maintaining high levels of efficiency. A revitalized investment strategy has resulted in an increase in the Group's investment income from AED 18.427Mn in 2021 to AED 40.660Mn in 2022. The growth reported factors in realized and unrealized losses arising from SALAMA KSA shares, which amounted to AED 18.979Mn. The Group's subsidiaries have also demonstrated tangible performance gains in 2022, generating profit amid regional challenges including the devaluation of the Egyptian pound and CFA franc, which dropped by an average rate of 22.44% and 12.43%, respectively.
Securities issued during the financial period	None
Summary of the most important non-financial events and developments during the financial period	Salama is in the process of reducing its share capital by 270,411,002 from AED 1,210,000,000 to AED 939,588,998 and as a result eliminate it accumulate losses as on Year end 2021. The capital reduction is expected to be completed in the first half of 2023. The Company has also restored its solvency position in Q3-2022. Salama was awarded "Takaful Specialist of the Year" at the prestigious 2023 MENA IR Awards 2023, which recognize and reward leading insurers, reinsurers, and brokers within the Middle Eastern and North African markets. In addition, the company was also awarded "Takaful Company of the Year" at the eighth edition of the InsureTek International Conference & Golden Shield Excellence Awards 2023. Overall SALAMA has won a total of 13 Awards.
Summary of operational	Net profit has reached AED 42.462 million with total Gross written premiums of AED 1.18Bn. Investment Income has increased by 120% year-on-year.

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<table>
<tr><td>performance during the financial period</td><td></td></tr>
<tr><td>Summary of profit and loss during the financial period</td><td>
Amount in AED'000
<table>
<tr><th>Particulars</th><th>2022</th><th>2021</th><th>Var.</th></tr>
<tr><td>Gross written contributions</td><td>1,118,322</td><td>1,088,077</td><td>3%</td></tr>
<tr><td>Contribution Earned</td><td>701,687</td><td>651,966</td><td>8%</td></tr>
<tr><td>Total Takaful Revenue</td><td>737,181</td><td>690,420</td><td>7%</td></tr>
<tr><td>Claims Incurred</td><td>300,528</td><td>223,730</td><td>34%</td></tr>
<tr><td>Commission paid & other cost</td><td>290,080</td><td>305,311</td><td>-5%</td></tr>
<tr><td>Net Profit</td><td>42,462</td><td>48,173</td><td>-12%</td></tr>
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<tr><td>Summary of financial position as at the end of the financial period</td><td>Total Asset: AED 4.094Bn
Total Liability: AED 3.284Bn
Total Equity: AED 0.81Bn</td></tr>
<tr><td>Summary of cash flows during the financial period</td><td>Net cash used in operating activities (2022): AED 180.3Mn
Cash used in investing activities (2022): AED 4.942Mn
Cash used in financing activities (2022): AED 53.212Mn</td></tr>
<tr><td>Main performance indicators</td><td>
<table>
<tr><th></th><th>FY 2022</th><th>FY 2021</th></tr>
<tr><td>Growth rate of Gross written contribution</td><td>3%</td><td>-7%</td></tr>
<tr><td>Growth rate of Takaful Revenue</td><td>7%</td><td>-7%</td></tr>
<tr><td>Loss Ratio</td><td>43%</td><td>34%</td></tr>
<tr><td>Combined Ratio</td><td>94%</td><td>93%</td></tr>
<tr><td>Expenses to GWC</td><td>14%</td><td>13%</td></tr>
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<tr><td>Expectations for the sector and the company's role in these expectations</td><td>The insurance sector in the UAE is expected to continue to grow in the coming years due to factors such as the increasing growth in the non-oil sector, growing population, increasing demand for insurance products, and the economic diversification of the UAE. With growth comes challenges where multiple companies are competing for market share and to improve profitability. Salama is well positioned as the leading Takaful insurance provider in the Region and the largest Takaful company in the UAE to materialize on the insurance growth through its digital platform and its Takaful insurance products and services.</td></tr>
<tr><td>Expectations regarding the economy and its impact on the company and the sector</td><td>The Economy of UAE grew by 7.6% in 2022 (Ministry of Economy). Salama is in a good position to grow in the UAE and in its international market with its digital platform and Takaful insurance products and services.
While focusing on growth in the economy and within Salama, the Board’s priority remains unchanged, where we aim to achieve a prudent balance between increasing revenues while maintaining consistent and disciplined underwriting performance.</td></tr>
<tr><td>Future plans for growth and changes in operations in future periods</td><td>In addition to Salama’s organic growth in its existing operation, Salama is looking toward opportunities to scale business further through mergers and acquisitions to expand its offering, realize further synergies, and gain economies of scale.</td></tr>
<tr><td>The size and impact of current and projected capital</td><td>Salama has invested heavily in its digital platform and is expected to continuously invest in order to realize the full potential of its digital platform and make it easier for our partners and clients to do business with Salama.</td></tr>
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مقيدة تحت الرقم (١٧) بموجب القانون الاتحادي رقم (٦) لسنة ٢٠٠٧.
Registration No. (17) under Federal Law No. (6) of 2007.

expenditures on the company	
The developments of the implementation of projects, plans and transactions and deals that were discussed by the company's board of directors in the report for the previous fiscal year	On February 16, 2023, SALAMA announced that it is exploring the potential acquisition of TE's takaful operations. On December 28, 2022, the Board approved the acquisition of non-life portfolios from Dubai Islamic Insurance and Reinsurance Company (Aman), including the purchase of Aman's General, Motor, Medical, and Group Family Takaful solutions. The transaction's targeted execution date is subject to receiving approvals and completing portfolio transfers as planned and agreed by the two entities.

The name of the chairman of the company	**Jassim Al Seddiqi**
Signature and date	
Company's Seal	SALAMA الشركة الإسلامية العربية للتأمين (ش.م.ع) ISLAMIC ARAB INSURANCE CO.(P.S.C.) DUBAI - U.A.E (CEO - 0841)

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