

## Detailed Analysis of Accumulated Losses

Islamic Arab Insurance Company PSC (SALAMA)			
Date:	20 March 2023	Period of Financial Statements	Year 2022
Accumulated losses:	AED 376,447,606	Accumulated losses to capital ratio	31.11%
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 incurred losses.</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).</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 shareholders profit of AED 27.5m in 2017, AED 2.0m in year 2018, AED 55m in year 2019, AED 149m year 2020, AED 40.05m year 2021 and 28.15m in YTD December 2022.</p>		
Measures to be taken to address accumulated losses:	<p>The Board appointed in the beginning of year 2019 has implemented a three-pronged strategy with the aim to improve the core business underwriting profitability, enhance the investment income, and implement superior corporate governance standards. There has been considerable improvement in the profitability of SALAMA since then due to the focus on the quality of risk underwritten by the Company while simultaneously maintaining growth in total gross written contribution. The investment portfolio is moving towards assets with low volatility and better risk adjusted returns.</p> <p>It is important to note that in the General Assembly Meeting held on 16 January 2023, the company's shareholders approved a capital reduction plan aimed at eliminating accumulated losses as on 31/12/2021. The plan involves cancelling 270,411,002 company shares, each with a value of AED 1. The board of directors had previously decided on 5 August 2022 to initiate the capital reduction process, with the cancellation of shares scheduled to take place during the 1st half of 2023. This will reduce the company's capital from AED 1,210,000,000 to AED 939,588,998 and the accumulated losses would be reduced by AED 371,672,807 after utilization of statutory reserves for AED 101,261,805.</p>		



**Jassim Al Seddiqi**  
 Chairman of the Board

