

Arab Insurance Group (B.S.C.)

**Condensed consolidated interim
financial statements for the
six months ended 30 June 2019**



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Independent auditors' report on review of condensed consolidated interim financial statements

The Board of Directors
Arab Insurance Group (B.S.C)
Kingdom of Bahrain

7 August 2019

Introduction

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial statements of Arab Insurance Group B.S.C (the "Company") and its subsidiaries (together the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2019;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2019; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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 statements 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 30 June 2019 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Emphasis Matter

We draw attention to note 1 to the condensed consolidated interim financial statements, which discusses the Board of Directors' decision in its meeting held on 13 May 2019 to cease the underwriting activities of the Group subject to regulatory authorities and shareholders' approval. Our conclusion is not modified in respect of this matter.

Other Matter


The consolidated financial statements of the Group as at and for the year ended 31 December 2018, and the condensed consolidated interim financial statements for the period ended 30 June 2018, from which the corresponding figures of consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been derived, were audited and reviewed by another auditor who issued an unmodified audit opinion and review conclusion on those consolidated financial statements and condensed consolidated interim financial statements respectively.

ARAB INSURANCE GROUP (B.S.C.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019


(In thousands of U.S. Dollars)

	Note	30 June 2019 {reviewed}	31 December 2018 (audited)	30 June 2018 (reviewed)
ASSETS				
Cash and bank balances		120,304	115,935	102,378
Investments	5	499,143	495,678	544,119
Accrued income	6	123,769	86,585	140,323
Insurance receivables		137,559	127,373	122,987
Insurance deposits		27,127	27,603	26,719
Deferred policy acquisition costs		26,353	25,433	31,021
Reinsurers' share of technical provisions	7	137,674	110,629	103,951
Other assets	8	31,814	44,078	39,120
Property and equipment	9	18,929	19,245	19,718
TOTAL ASSETS		1,122,672	1,052,559	1,130,336
LIABILITIES AND EQUITY				
LIABILITIES				
Technical provisions	10	725,471	684,569	700,426
Insurance payables		85,641	69,305	62,924
Borrowings		7,000	7,000	37,000
Other liabilities	11	70,266	66,811	73,993
TOTAL LIABILITIES		888,378	827,685	874,343
EQUITY				
Attributable to shareholders of parent company				
Share capital		220,000	220,000	220,000
Treasury stock		(14,793)	(14,793)	(14,793)
Reserves		46,905	35,670	35,122
Accumulated losses		(35,216)	(44,507)	(11,788)
		216,896	196,370	228,541
Non-controlling Interests		17,398	28,504	27,452
TOTAL EQUITY		234,294	224,874	255,993
TOTAL LIABILITIES AND EQUITY		1,122,672	1,052,559	1,130,336

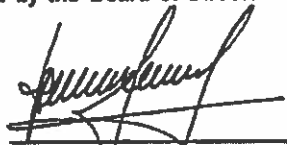
These condensed consolidated interim financial statements were approved by the Board of Directors on 7 August 2019 and signed on its behalf by:



 Saeed Mohammed AlBahhar AlShehhi
 Chairman



 Ahmed Saeed AlMahri
 Director



 Samuel Verghese
 Acting Chief Executive Officer

The accompanying notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In thousands of U.S. Dollars)

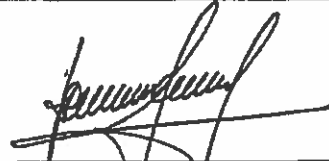
	Note	For the three months ended 30 June 2019 <i>(reviewed)</i>	For the three months ended 30 June 2018 <i>(reviewed)</i>	For the financial year-to-date 30 June 2019 <i>(reviewed)</i>	For the financial year-to-date 30 June 2018 <i>(reviewed)</i>	For the year ended 31 December 2018 <i>(audited)</i>
Gross premiums written	12	(1,382)	18,376	171,749	187,514	262,791
Outward reinsurance premiums	12	(6,651)	(11,774)	(45,634)	(47,496)	(64,398)
Change in unearned premiums	12	55,079	43,988	(23,331)	(35,456)	15,559
Net earned premiums	12	47,046	50,590	102,784	104,562	213,952
Claims and related expenses	12	(24,032)	(33,688)	(68,209)	(74,544)	(175,226)
Policy acquisition costs	12	(12,312)	(14,936)	(27,608)	(27,342)	(58,089)
Investment income attributable to insurance funds	13	4,932	2,067	11,932	4,921	5,963
Operating expenses	14	(3,609)	(3,337)	(6,383)	(6,868)	(13,263)
Underwriting result	12	12,025	696	12,516	729	(26,663)
Investment income attributable to shareholders' funds	13	2,039	1,638	5,398	3,892	4,086
Operating expenses - non underwriting activities	14	(1,840)	(2,194)	(3,323)	(4,327)	(9,281)
Borrowing cost		(72)	(288)	(147)	(539)	(808)
Other income	15	542	26	702	1,851	5,165
Other expenses and provisions	16	(5,077)	(21,305)	(5,611)	(21,753)	(24,701)
Profit (loss) for the period		7,617	(21,427)	9,535	(20,147)	(52,202)
Attributable to:						
Non-controlling interests		176	1,509	341	2,287	3,049
Shareholders of parent company		7,441	(22,936)	9,194	(22,434)	(55,251)
		7,617	(21,427)	9,535	(20,147)	(52,202)
Earnings (losses) per share attributable to shareholders (basic and diluted):	17 (US cents)	3.8	(11.6)	4.6	(11.3)	(27.9)



Saeed Mohammed AlBahhar AlShehhi
Chairman



Ahmed Saeed AlMahri
Director



Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In thousands of U.S. Dollars)

	For the three months ended 30 June 2019 (reviewed)	For the three months ended 30 June 2018 (reviewed)	For the financial year-to-date 30 June 2019 (reviewed)	For the financial year-to-date 30 June 2018 (reviewed)	For the year ended 31 December 2018 (audited)
Profit (loss) for the period	7,617	(21,427)	9,535	(20,147)	(52,202)
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes on remeasurement of available for sale Investments	5,407	(2,853)	12,422	(6,112)	(4,994)
Transfers for recognition of (gains) losses on disposal of available for sale investments	(1,043)	261	(1,669)	(130)	(518)
Transfers for impairment loss recognised on available for sale investments	409	-	632	-	206
Other comprehensive income for the period	4,773	(2,592)	11,385	(6,242)	(5,306)
Total comprehensive income for the period	12,390	(24,019)	20,920	(26,389)	(57,508)
Attributable to:					
Non-controlling interests	233	1,374	394	2,004	3,056
Shareholders of parent company	12,157	(25,393)	20,526	(28,393)	(60,564)
	12,390	(24,019)	20,920	(26,389)	(57,508)

The accompanying notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Legal	Reserves		Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
				Investment revaluation	Property revaluation				
Balances at 31 December 2018	220,000	(14,793)	34,816	(3,451)	4,305	(44,507)	196,370	28,504	224,874
Net profit for the period	-	-	-	-	-	9,194	9,194	341	9,535
Changes on remeasurement of available for sale investments	-	-	-	12,322	-	-	12,322	100	12,422
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(1,551)	-	-	(1,551)	(118)	(1,669)
Transfers for impairment loss recognised on available for sale investments	-	-	-	561	-	-	561	71	632
Total comprehensive income for the period	-	-	-	11,332	-	9,194	20,526	394	20,920
Transfer of net depreciation on revalued property	-	-	-	-	(97)	97	-	-	-
Subsidiary's capital reduction	-	-	-	-	-	-	-	(11,500)	(11,500)
Balances at 30 June 2019	220,000	(14,793)	34,816	7,881	4,208	(35,216)	216,896	17,398	234,294

The accompanying notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(In thousands of U.S. Dollars)

	Share capital	Treasury Stock	Reserves			Retained earnings (accumulated loss)	Attributable to shareholders of parent company	Non-controlling interests	Total Equity (audited)
			Legal	Investment revaluation	Property revaluation				
Balances at 31 December 2017	220,000	(14,793)	34,816	1,862	4,500	10,549	256,934	25,448	282,382
Net (loss) profit for the year	-	-	-	-	-	(55,251)	(55,251)	3,049	(52,202)
Changes on remeasurement of available for sale investments	-	-	-	(4,850)	-	-	(4,850)	(144)	(4,994)
Transfers for recognition of (gains) losses on disposal of available for sale investments	-	-	-	(669)	-	-	(669)	151	(518)
Transfers for impairment loss recognised on available for sale investments	-	-	-	206	-	-	206	-	206
Total comprehensive income for the year	-	-	-	(5,313)	-	(55,251)	(60,564)	3,056	(57,508)
Transfer of net depreciation on revalued property	-	-	-	-	(195)	195	-	-	-
Balances at 31 December 2018	220,000	(14,793)	34,816	(3,451)	4,305	(44,507)	196,370	28,504	224,874

Balances at 31 December 2017

Net (loss) profit for the year

Changes on remeasurement of available for sale investments

Transfers for recognition of (gains) losses on disposal of available for sale investments

Transfers for impairment loss recognised on available for sale investments

Total comprehensive income for the year

Transfer of net depreciation on revalued property

Balances at 31 December 2018

The accompanying notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings (accumulated losses)	Attributable to shareholders of parent company	Non - controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2017	220,000	(14,793)	34,816	1,862	4,500	10,549	256,934	25,448	282,382	
Net (loss) profit for the period	-	-	-	-	-	(22,434)	(22,434)	2,287	(20,147)	
Changes on remeasurement of available for sale investments	-	-	-	(5,956)	-	-	(5,956)	(156)	(6,112)	
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(3)	-	-	(3)	(127)	(130)	
Total comprehensive income for the period	-	-	-	(5,959)	-	(22,434)	(28,393)	2,004	(26,389)	
Transfer of net depreciation on revalued property	-	-	-	-	(97)	97	-	-	-	
Balances at 30 June 2018	220,000	(14,793)	34,816	(4,097)	4,403	(11,788)	228,541	27,452	255,993	

The accompanying notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 June 2019 (reviewed)	For the financial year-to-date 30 June 2018 (reviewed)	For the year ended 31 December 2018 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Premiums received		106,319	153,020	233,874
Reinsurance premiums paid		(22,370)	(50,246)	(54,829)
Claims and acquisition costs paid		(104,461)	(114,542)	(193,960)
Reinsurance receipts in respect of claims		21,013	11,754	26,685
Investment income		10,342	646	37
Interest received		1,582	1,260	2,820
Dividends received		814	947	1,300
Operating expenses paid		(9,254)	(11,454)	(21,162)
Other (expenses) income, net		(173)	(11,928)	(3,055)
Insurance deposits received (paid), net		59	(648)	(1,928)
Purchase of trading investments		(4,180)	(5,996)	(14,355)
Sale of trading investments		13,269	10,317	19,127
Net cash provided by (used in) operating activities	18	12,960	(16,870)	(5,446)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity/sale of investments		58,264	74,310	178,798
Purchase of investments		(60,197)	(39,111)	(110,110)
Term deposits with bank		1	(17,086)	13,708
Interest received		4,600	5,264	10,223
Investment income		296	22	135
Collateralised cash deposits		210	(5,674)	(11,201)
Purchase of property and equipment		-	(44)	(103)
Purchase of intangible assets		(82)	(66)	(211)
Investment in associate		-	(100)	(100)
Net cash provided by investing activities		3,092	17,515	81,139
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings	19	-	3,000	(27,000)
Borrowing cost	19	(156)	(757)	(1,338)
Dividends paid	19	(27)	(239)	(374)
Subsidiary's capital reduction – minority interests	19	(11,500)	-	-
Net cash (used in) provided by financing activities		(11,683)	2,004	(28,712)
Net increase in cash and cash equivalents		4,369	2,649	46,981
Effect of exchange rates on cash and cash equivalents		1	(30)	(11)
Cash and cash equivalents, beginning of period		109,908	62,938	62,938
Cash and cash equivalents, end of period		114,278	65,557	109,908
Term deposits with bank		6,026	36,821	6,027
Cash and bank balances, end of period		120,304	102,378	115,935

The accompanying notes 1 to 22 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. INCORPORATION AND PRINCIPAL ACTIVITY

Arab Insurance Group (B.S.C.) (the "Company", "parent company") is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The parent company and its subsidiaries (the "Group") are involved in provision of general (non-life) and life reinsurance and related service activities.

The Board in its meeting held on 13th May 2019 resolved to recommend the cessation of the Company's underwriting activities. However, the CBB is yet to consider this recommendation, as it has communicated to the Company certain issues to be addressed by the Board, and has mandated the Company to suspend all actions related to the cessation until all the issues communicated by the CBB are resolved.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) which allows the interim financial information to be prepared in condensed form. The condensed consolidated interim financial statements do not include all the information required for full annual 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 2018.

The Group's condensed consolidated interim financial statements are presented in U.S. Dollars, which is its functional currency as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

The accounting policies and methods of computation are consistent with the most recent consolidated financial statements of the Group at 31 December 2018 that were prepared in accordance with International Financial Reporting Standards (IFRS). Comparative figures have been reclassified, where necessary, to conform to the current period's presentation except for change from IFRS 16.

The Group adopted IFRS 16 on the effective date 1 January 2019 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The Group presents right of use assets in "other assets" and lease liabilities in "other liabilities" in the statement of financial position.

IFRS 16, introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The impact of transition was not significant.

The Group has adopted all new and revised IFRS and interpretations applicable for accounting periods beginning on or after 1 January 2019 except IFRS 9 Financial Instruments, for which the Group has applied the temporary exemption available under IFRS 4 Insurance Contracts. Accordingly, the Group will apply this standard for annual period beginning 1 January 2021. The impact of adopting these standards and interpretations is not significant on the Group's condensed consolidated interim financial statements.

3. SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Group registers approximately 75% of its gross premiums during the first quarter of every year. Gross premiums written over the remainder of the financial year are almost evenly spread out. This seasonality does not however, have any material impact on the Group's underwriting result as the premiums are taken to income over the terms of the related contracts or policies.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

4. MANAGEMENT OF RISKS

The Group's activities expose it to a variety of financial and other risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk, underwriting risk and liquidity risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2018.

There have been no changes in the risk management function since the year end or in any risk management policies.

5. i) INVESTMENTS

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
<u>At fair value through profit or loss</u>			
Held for trading			
Common stock of listed companies	44,597	56,709	53,393
	44,597	56,709	53,393
Designated at fair value on initial recognition			
Debt securities			
- Other investment grade	95,306	83,763	74,971
- Other	11,196	11,112	21,749
	106,502	94,875	96,720
<u>Held to maturity</u>			
Debt securities			
- Supra-nationals and OECD country Governments	500	500	1,000
- Other investment grade	3,916	3,904	4,892
- Other	3,948	3,941	3,934
	8,364	8,345	9,826
<u>Available for sale</u>			
Debt securities			
- Supra-nationals and OECD country Governments	33,140	25,819	30,686
- Other investment grade	247,225	241,411	244,988
- Other	31,448	39,205	75,016
Common stock of listed companies	5,528	7,226	10,722
Common stock of unlisted companies	3,745	3,872	4,180
Other equity type investment	18,264	17,774	18,170
	339,350	335,307	383,762
<u>Investment in associate</u>			
	330	442	418
	499,143	495,678	544,119

Debt securities amounting to US\$ 111.7 million (31 December 2018: US\$ 101.8 million; 30 June 2018: US\$ 139.8 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

ii) COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in available for sale investments amounting to US\$ 8.0 million (31 December 2018: US\$ 8.1 million; 30 June 2018: US\$ 8.8 million).

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

6. ACCRUED INCOME

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Accrued insurance premiums	121,295	84,327	137,581
Accrued interest	2,474	2,258	2,742
	123,769	86,585	140,323

7. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
<u>General insurance business</u>			
- Claims outstanding	50,856	44,903	34,311
- Unreported claims	38,435	32,389	25,151
- Deferred retrocession premium reserve	48,339	33,293	44,421
	137,630	110,585	103,883
<u>Life insurance business</u>			
- Claims outstanding	13	13	11
- Unreported claims	31	31	57
	44	44	68
	137,674	110,629	103,951

8. OTHER ASSETS

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Intangible assets:			
- Computer software	10,165	10,083	9,938
	10,165	10,083	9,938
Less: Accumulated amortisation	(9,586)	(9,570)	(9,470)
Net intangible assets	579	513	468
Other assets:			
- Collateralised cash deposits	18,490	31,542	26,015
- Other receivables	12,062	11,266	11,528
- Prepayments	683	757	1,109
	31,235	43,565	38,652
	31,814	44,078	39,120

Collateralised cash deposits have been pledged as security for reinsurance letters of credit and guarantees.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

9. PROPERTY AND EQUIPMENT

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Land	2,080	2,080	2,080
Building	18,718	18,718	18,718
Information systems hardware, furniture, equipment and other	10,646	10,646	10,585
	31,444	31,444	31,383
Less: Accumulated depreciation			
Building	(2,347)	(2,083)	(1,817)
Information systems, hardware, furniture, equipment and other	(10,168)	(10,116)	(9,848)
	(12,515)	(12,199)	(11,665)
	18,929	19,245	19,718

Land and building comprises the head office property owned and occupied by the Company since 1984, and office premises of the subsidiary Takaful Re Limited in Dubai, U.A.E.

10. TECHNICAL PROVISIONS

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
<u>General insurance business</u>			
- Claims outstanding	267,281	264,588	245,117
- Unreported losses	208,398	206,884	179,630
- Unearned premiums	202,557	162,427	225,537
	678,236	633,899	650,284
<u>Life insurance business</u>			
- Claims outstanding	14,298	13,671	13,780
- Unreported losses	26,499	27,973	29,129
- Unearned premiums	6,438	9,026	7,233
	47,235	50,670	50,142
	725,471	684,569	700,426

11. OTHER LIABILITIES

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Provision for probable loss estimates in a subsidiary (note 21(iii))	21,462	21,462	21,000
Post-employment benefits	11,748	12,606	12,346
Accrued expenses	5,083	9,495	5,525
Dividends payable	2,763	2,790	2,925
Reinsurance premiums accrued	1,986	1,465	1,554
Employee long-term incentives	881	1,460	1,460
Other	26,343	17,533	29,183
	70,266	66,811	73,993

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12. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

The Group's reinsurance business consists of two main business segments, Non-life and Life. Non-life business primarily consists of Property, Engineering, Marine, Accident, Whole Account & other classes. Life business mainly involves short term group life policies and long term life policies. Life portfolio does not contain investment linked policies.

US\$ '000									
Period ended 30 June 2019									
	Non-life					Life			Total
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	
Gross premiums written	20,034	10,180	7,186	3,938	108,236	15,699	6,235	241	171,749
Outward reinsurance premiums	(762)	(2,224)	(334)	(86)	(42,163)	(13)	(49)	(3)	(45,634)
Change in unearned premiums - gross	(1,054)	25	(868)	(180)	(38,215)	(1,335)	2,646	(51)	(39,032)
Change in unearned premiums - reinsurance	(905)	(597)	(227)	(63)	17,520	(27)	-	-	15,701
Net earned premiums	17,313	7,384	5,757	3,609	45,378	14,324	8,832	187	102,784
Investment income attributable to insurance funds	4,850	734	903	846	20	1,960	2,084	535	11,932
	22,163	8,118	6,660	4,455	45,398	16,284	10,916	722	114,716
COSTS AND EXPENSES :									
Gross claims paid	(13,752)	(5,876)	(2,365)	(1,488)	(49,817)	(12,506)	(8,639)	(119)	(94,562)
Claims recovered from reinsurers	833	461	132	361	17,993	29	-	4	19,813
Change in provision for outstanding claims - gross	4,475	382	189	1,017	(11,553)	451	(629)	2	(5,666)
Change in provision for outstanding claims - reinsurance	682	308	(476)	(282)	5,512	(2)	(1)	-	5,741
Change in provision for unreported losses - gross	(3,993)	(2,260)	(1,315)	301	6,041	(1,455)	1,108	364	(1,209)
Change in provision for unreported losses - reinsurance	521	336	53	(182)	7,035	(91)	2	-	7,674
Claims and related expenses	(11,234)	(6,649)	(3,782)	(273)	(24,789)	(13,574)	(8,159)	251	(68,209)
Policy acquisition costs	(5,616)	(2,667)	(2,103)	(1,255)	(17,491)	(1,279)	355	247	(29,809)
Policy acquisition costs recovered from reinsurers	33	181	126	74	1	-	-	-	415
Change in deferred policy acquisition costs - gross	705	58	314	80	155	141	(259)	-	1,194
Change in deferred policy acquisition costs - reinsurance	248	220	68	26	20	10	-	-	592
Policy acquisition costs	(4,630)	(2,208)	(1,595)	(1,075)	(17,315)	(1,128)	96	247	(27,608)
Operating expenses	(1,855)	(1,034)	(629)	(404)	(46)	(1,230)	(1,030)	(155)	(6,383)
Underwriting result	4,444	(1,773)	654	2,703	3,248	352	1,823	1,065	12,516

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12. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.):

	US\$ '000									
	Non-life					Life				
	Year ended 31 December 2018									
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	Total	
REVENUES:										
Gross premiums written	50,267	22,159	12,562	9,193	128,752	21,213	18,528	117	262,791	
Outward reinsurance premiums	(7,507)	(3,491)	(473)	(702)	(50,893)	(1,070)	(206)	(56)	(64,398)	
Change in unearned premiums – gross	122	(4,679)	(1,177)	110	(2,554)	9,981	(286)	69	1,586	
Change in unearned premiums - reinsurance	(394)	452	1	(11)	13,925	-	-	-	13,973	
Net earned premiums	42,488	14,441	10,913	8,590	89,230	30,124	18,036	130	213,952	
Investment income attributable to insurance funds	2,567	392	461	467	(20)	756	1,069	271	5,963	
	45,055	14,833	11,374	9,057	89,210	30,880	19,105	401	219,915	
COSTS AND EXPENSES:										
Gross claims paid	(30,125)	(15,644)	(8,833)	(3,764)	(75,106)	(27,982)	(15,239)	(894)	(177,587)	
Claims recovered from reinsurers	962	734	913	87	21,460	94	-	7	24,257	
Change in provision for outstanding claims - gross	(17,289)	(804)	(2,368)	1,747	(19,949)	466	(390)	249	(38,338)	
Change in provision for outstanding claims - reinsurance	9,256	1,680	1,925	45	11,118	(210)	1	2	23,817	
Change in provision for unreported losses - gross	(4,475)	5,964	1,178	2,551	2,706	2,499	(728)	6,249	15,944	
Change in provision for unreported losses - reinsurance	179	533	65	186	(24,788)	546	(40)	-	(23,319)	
Claims and related expenses	(41,492)	(7,537)	(7,120)	852	(84,559)	(24,587)	(16,396)	5,613	(175,226)	
Policy acquisition costs	(13,427)	(6,640)	(3,374)	(2,704)	(33,046)	(1,174)	(1,419)	(325)	(62,109)	
Policy acquisition costs recovered from reinsurers	1,339	893	384	295	65	24	-	-	3,000	
Change in deferred policy acquisition costs - gross	(55)	1,402	246	(35)	(38)	(495)	68	(11)	1,082	
Change in deferred policy acquisition costs - reinsurance	76	(126)	4	4	(20)	-	-	-	(62)	
Policy acquisition costs	(12,067)	(4,471)	(2,740)	(2,440)	(33,039)	(1,645)	(1,351)	(336)	(58,089)	
Operating expenses	(3,717)	(2,218)	(1,326)	(873)	(122)	(2,512)	(2,119)	(376)	(13,263)	
Underwriting result	(12,221)	607	188	6,596	(28,510)	2,136	(761)	5,302	(26,663)	

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12. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.):

	US\$ '000									
	Non-life					Life				
	Period ended 30 June 2018									
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	Total	
REVENUES :										
Gross premiums written	39,586	13,573	9,061	7,273	95,634	15,074	6,898	405		187,514
Outward reinsurance premiums	(4,396)	(2,056)	(479)	(746)	(39,807)	(12)	-	-		(47,496)
Change in unearned premiums - gross	(14,109)	(6,167)	(3,446)	(1,961)	(37,655)	(441)	1,690	(111)		(62,200)
Change in unearned premiums - reinsurance	207	673	39	317	25,539	(31)	-	-		26,744
Net earned premiums	21,298	6,023	5,175	4,883	43,711	14,590	8,588	294		104,562
Investment income attributable to insurance funds	1,697	589	391	429	36	714	631	434		4,921
	22,995	6,612	5,566	5,312	43,747	15,304	9,219	728		109,483
COSTS AND EXPENSES :										
Gross claims paid	(13,529)	(9,524)	(4,835)	(2,238)	(39,468)	(12,933)	(7,793)	(169)		(90,489)
Claims recovered from reinsurers	(49)	453	609	10	10,705	27	-	-		11,755
Change in provision for outstanding claims - gross	(7,744)	5,854	(1,251)	1,281	(19,101)	883	(313)	63		(20,328)
Change in provision for outstanding claims - reinsurance	1,719	157	231	(33)	11,629	6	-	-		13,709
Change in provision for unreported losses - gross	1,349	2,420	1,941	480	30,247	(157)	(793)	5,157		40,644
Change in provision for unreported losses - reinsurance	180	(5)	(150)	590	(30,592)	156	(14)	-		(29,835)
Claims and related expenses	(18,074)	(645)	(3,455)	90	(36,580)	(12,018)	(8,913)	5,051		(74,544)
Policy acquisition costs	(10,733)	(4,075)	(2,310)	(2,171)	(15,701)	(547)	(487)	(488)		(36,512)
Policy acquisition costs recovered from reinsurers	794	536	154	285	-	(2)	-	-		1,767
Change in deferred policy acquisition costs - gross	4,205	1,908	922	677	245	(1)	(169)	14		7,801
Change in deferred policy acquisition costs - reinsurance	(89)	(194)	(17)	(109)	-	11	-	-		(398)
Policy acquisition costs	(5,823)	(1,825)	(1,251)	(1,318)	(15,456)	(539)	(656)	(474)		(27,342)
Operating expenses	(1,932)	(1,154)	(688)	(452)	(63)	(1,311)	(1,079)	(189)		(6,868)
Underwriting result	(2,834)	2,988	172	3,632	(8,352)	1,436	(1,429)	5,116		729

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13. INVESTMENT INCOME

	US\$ '000					
	Financial year-to-date 30 June 2019			Financial year-to-date 30 June 2018		Year ended 31 December 2018
	Insurance funds	Shareholders' funds	Total			
Interest income						
- Investments designated at fair value through profit or loss	508	207	715	585	1,291	
- Other	3,626	2,057	5,683	5,947	11,276	
Dividends	578	236	814	947	1,300	
Realised gain						
- Held for trading investments	7,392	3,022	10,414	1,689	2,111	
- Investment designated at fair value through profit or loss	345	141	486	22	125	
- Available for sale	1,003	666	1,669	130	518	
(Loss) gain on remeasurement of investments at fair value through profit or loss						
- Held for trading investments	(1,177)	(480)	(1,657)	651	(4,735)	
- Investments designated at fair value through profit or loss	661	379	1,040	(676)	(661)	
Impairment loss - available for sale	(340)	(292)	(632)	-	(206)	
(Loss) income from associates	-	(112)	(112)	(2)	22	
Other	(664)	(426)	(1,090)	(480)	(992)	
	11,932	5,398	17,330	8,813	10,049	

14. OPERATING EXPENSES

	US\$ '000					
	Financial year-to-date 30 June 2019			Financial year-to-date 30 June 2018		Year ended 31 December 2018
	Underwriting	Non- Underwriting	Total			
Salaries and benefits	3,456	1,955	5,411	7,315	14,620	
General and administration	2,927	1,368	4,295	3,880	7,924	
	6,383	3,323	9,706	11,195	22,544	

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15. OTHER INCOME

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Third party administration services	73	658	2,502
Foreign exchange gain	-	644	-
Other	629	549	2,663
	702	1,851	5,165

16. OTHER EXPENSES AND PROVISIONS

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Provision for probable loss estimates in a subsidiary (note 21(iii))	-	21,000	21,462
Foreign exchange loss	796	-	1,385
Provision for (reversal of) doubtful receivables & deposits	655	89	(251)
Other, net	4,160	664	2,105
	5,611	21,753	24,701

17. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic and diluted earnings (losses) per share has been computed as follows:

		Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Weighted average number of shares outstanding	'000	198,032	198,032	198,032
Net profit (loss)	US\$'000	9,194	(22,434)	(55,251)
Earnings (losses) per share	US cents	4.6	(11.3)	(27.9)

18. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Profit (loss) for the period	9,535	(20,147)	(52,202)
Change in insurance funds	13,413	19,144	1,313
Change in insurance receivables/ payables, net	6,150	(2,477)	(482)
Change in accrued income	(37,184)	(37,227)	16,511
Change in other assets/liabilities, net	21,046	23,837	29,414
Net cash provided by (used in) operating activities	12,960	(16,870)	(5,446)

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19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	US\$ '000			
	Borrowings	Borrowing cost	Dividends	Non-controlling interests
Balances at 31 December 2018	7,000	101	2,790	28,504
Share of comprehensive income	-	-	-	394
Subsidiary's capital reduction	-	-	-	(11,500)
Interest paid during the period	-	(156)	-	-
Interest expense for the period	-	147	-	-
Dividends paid during the period	-	-	(27)	-
Balances at 30 June 2019	7,000	92	2,763	17,398
Balances at 31 December 2017	34,000	631	3,164	25,448
Share of comprehensive income	-	-	-	2,004
Repayment of borrowings	(2,000)	-	-	-
Additional borrowings	5,000	-	-	-
Interest paid during the period	-	(757)	-	-
Interest expense for the period	-	539	-	-
Dividends paid during the period	-	-	(239)	-
Balances at 30 June 2018	37,000	413	2,925	27,452
Balances at 31 December 2017	34,000	631	3,164	25,448
Share of comprehensive income	-	-	-	3,056
Repayment of borrowings	(32,000)	-	-	-
Additional borrowings	5,000	-	-	-
Interest paid during the year	-	(1,338)	-	-
Interest expense for the year	-	808	-	-
Dividends paid during the year	-	-	(374)	-
Balances at 31 December 2018	7,000	101	2,790	28,504

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20. FAIR VALUE DISCLOSURE

The following table presents the fair values of the Group's financial instruments:

US\$ '000						
30 June 2019						
Book Value						Fair value
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
ASSETS						
Cash and bank balances	-	120,304	-	-	-	120,304
Investments	151,099	-	8,364	339,350	-	498,813
Accrued income	-	123,769	-	-	-	123,769
Insurance receivables	-	137,559	-	-	-	137,559
Insurance deposits	-	27,127	-	-	-	27,127
Other assets	-	30,552	-	-	-	30,552
LIABILITIES						
Insurance payables	-	-	-	-	85,641	85,641
Borrowings	-	-	-	-	7,000	7,000
Other liabilities	-	-	-	-	43,721	43,721

US\$ '000						
31 December 2018						
Book Value						Fair value
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
ASSETS						
Cash and bank balances	-	115,935	-	-	-	115,935
Investments	151,584	-	8,345	335,307	-	495,236
Accrued income	-	86,585	-	-	-	86,585
Insurance receivables	-	127,373	-	-	-	127,373
Insurance deposits	-	27,603	-	-	-	27,603
Other assets	-	42,808	-	-	-	42,808
LIABILITIES						
Insurance payables	-	-	-	-	69,305	69,305
Borrowings	-	-	-	-	7,000	7,000
Other liabilities	-	-	-	-	35,854	35,854

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20. FAIR VALUE DISCLOSURE (CONTD.)

US\$ '000						
30 June 2018						
Book Value						Fair value
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
ASSETS						
Cash and bank balances	-	102,378	-	-	-	102,378
Investments	150,113	-	9,826	383,762	-	543,701
Accrued income	-	140,323	-	-	-	140,323
Insurance receivables	-	122,987	-	-	-	122,987
Insurance deposits	-	26,719	-	-	-	26,719
Other assets	-	37,543	-	-	-	37,543
LIABILITIES						
Insurance payables	-	-	-	62,924	62,924	62,924
Borrowings	-	-	-	37,000	37,000	37,000
Other liabilities	-	-	-	47,468	47,468	47,468

The information disclosed in the table above is not indicative of the net worth of the Group.

Fair value is 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 in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

i) General:

The book values of the Group's financial instruments except investments and forward foreign exchange contracts were deemed to approximate fair value due to the immediate or short term maturity of these financial instruments.

Hence, the fair value measurement details are not disclosed.

ii) Investments:

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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20. FAIR VALUE DISCLOSURE (CONTD.)

- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation includes risk free and benchmark interest rates, bond and equity prices, and foreign exchange rates. The objective of valuations technique is to arrive at fair value measurement that reflects the price that would be received on sale of the asset at the measurement date.

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

US\$'000				
30 June 2019	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
<u>Held for trading</u>				
Common stock of listed companies	44,597	-	-	44,597
<u>Designated at fair value on initial Recognition</u>				
Debt securities	106,502	-	-	106,502
<u>Available for sale</u>				
Debt securities	311,813	-	-	311,813
Common stock of listed companies	5,528	-	-	5,528
Common stock of unlisted companies	-	-	3,745	3,745
Other	-	-	18,264	18,264
<u>Forward foreign exchange contracts</u>				
	-	(115)	-	(115)
	468,440	(115)	22,009	490,334

US\$'000				
31 December 2018	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
<u>Held for trading</u>				
Common stock of listed companies	56,709	-	-	56,709
<u>Designated at fair value on initial Recognition</u>				
Debt securities	94,875	-	-	94,875
<u>Available for sale</u>				
Debt securities	306,435	-	-	306,435
Common stock of listed companies	7,226	-	-	7,226
Common stock of unlisted companies	-	-	3,872	3,872
Other	-	-	17,774	17,774
<u>Forward foreign exchange contracts</u>				
	-	13	-	13
	465,245	13	21,646	486,904

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20. FAIR VALUE DISCLOSURE (CONTD.)

US\$'000				
30 June 2018	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
<u>Held for trading</u>				
Common stock of listed companies	53,393	-	-	53,393
Designated at fair value on initial Recognition				
<u>Debt securities</u>	96,720	-	-	96,720
<u>Available for sale</u>				
Debt securities	350,690	-	-	350,690
Common stock of listed companies	10,722	-	-	10,722
Common stock of unlisted companies	-	-	4,180	4,180
Other	-	-	18,170	18,170
<u>Forward foreign exchange contracts</u>	-	344	-	344
	511,525	344	22,350	534,219

The tables below show movements in the Level 3 financial assets measured at fair value:

US\$ '000			
30 June 2019	Unlisted equity	Other	Total
Balances at 1 January 2019	3,872	17,774	21,646
(Loss) gain recognised in:			
- Income statement	-	-	-
- Other comprehensive income	(44)	164	120
Investments made during the period	27	1,876	1,903
Investments redeemed during the period	(110)	(1,550)	(1,660)
Balances at 30 June 2019	3,745	18,264	22,009

US\$'000			
31 December 2018	Unlisted equity	Other	Total
Balances at 1 January 2018	4,279	18,389	22,668
Gain (loss) recognised in:			
- Income statement	73	-	73
- Other comprehensive income	(381)	162	(219)
Investments made during the year	105	2,481	2,586
Investments redeemed during the year	(204)	(3,258)	(3,462)
Balances at 31 December 2018	3,872	17,774	21,646

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20. FAIR VALUE DISCLOSURE (CONTD.)

30 June 2018	US\$ '000		
	Unlisted equity	Other	Total
Balances at 1 January 2018	4,279	18,389	22,668
(Loss) gain recognised in:			
- Income statement	-	-	-
- Other comprehensive income	(152)	381	229
Investments made during the period	53	1,005	1,058
Investments redeemed during the period	-	(1,605)	(1,605)
Balances at 30 June 2018	4,180	18,170	22,350

The carrying values of the investment held in level 3 are based on unobservable inputs and reflects proportional share of the fair values of the respective companies and their underlying net assets. The Group does not expect the fair value of assets under level 2 & level 3 to change significantly on changing one or more of the unobservable inputs. The valuations of these investments are reviewed quarterly and updated as necessary on the basis of information received from investee and investment managers. For the period ended 30 June 2019, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2018: nil; 30 June 2018: nil). The fair values are estimates and do not necessarily represent the price at which the investment would sell. As the determination of fair values involve subjective judgments, and given the inherent uncertainty of assumptions regarding capitalisation rates, discount rates, leasing and other factors, the amount which will be realised by the Group on the disposal of its investments may differ significantly from the values at which they are carried in the condensed consolidated interim financial statements, and the difference could be material.

The Group does not expect the fair value of assets under level 3 to change significantly on changing one or more of the measurable / observable inputs.

iii) Forward foreign exchange contracts:

The fair value of forward foreign exchange contracts, used for hedging purposes, is derived from quoted prices of the same currencies.

iv) Fair value less than carrying amounts:

The fair value of fixed interest debt securities fluctuates with changes in market interest rates. The book value of financial assets held to maturity has not been reduced to fair value where lower, because such market rate variations are considered temporary in nature and management intends, and has the financial resources and capacity, to generally hold such investments to maturity.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

21. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 30 June 2019, the principal subsidiaries of the Company were:

	<u>Country of incorporation</u>	<u>Ownership</u>	<u>Non- controlling Interests</u>	<u>Principal Activities</u>
Arig Capital Limited	United Kingdom	100%	Nil	Reinsurance
Gulf Warranties W.L.L. (under voluntary liquidation)	Kingdom of Bahrain	100%	Nil	Warranty
Takaful Re Limited (under run-off)	United Arab Emirates	54%	46%	Retakaful

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2018 except for Takaful Re Limited where capital was reduced from US\$ 100 million to US\$ 75 million and the liquidation of Arig Insurance Management (DIFC) Ltd., on 10 April 2019. The Company holds 49% and 25% of the equity shares in its associate companies Arima Insurance software W.L.L. and Globemed Bahrain W.L.L., Bahrain respectively.

ii) Interest in subsidiaries: Takaful Re Limited

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Non-controlling interests	46%	46%	46%
Total assets	57,051	85,137	83,697
Total liabilities	19,503	25,888	22,125
Net assets	37,548	59,249	61,572
Revenue	(173)	(454)	(216)
Profit for the period	859	5,052	6,742
Total comprehensive income	974	4,436	6,759
Comprehensive income attributable to non-controlling interests	448	2,041	3,109
Net cash used in operating activities	(1,405)	(7,053)	(8,759)
Net cash provided by (used in) Investing activities	193	(13,459)	44,128
Net cash used in financing activities	(25,000)	-	-
Net (decrease) increase in cash and cash equivalents	(26,212)	(20,512)	35,369

The subsidiary's policyholders funds are consolidated as these funds are controlled and managed by the subsidiary which is in a position to direct activities and operations

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

21. PRINCIPAL SUBSIDIARIES & ASSOCIATES (CONTD.)

iii) Interest in subsidiaries: Gulf Warranties W.L.L.

In 2018 there has been fraud committed by employees of the Group's subsidiary, Gulf Warranties W.L.L.. Based on management's assessments, the entire probable loss estimates of US\$ 21.5 million have been provided for in the books of the subsidiary and consequently in the consolidated financial statements of the Group. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.. The subsidiary was placed under voluntary liquidation by shareholders' resolution of 27 February 2019.

22. RELATED PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, associate companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

Government of UAE controls 31.3% of shares in the Group through major shareholders Emirates Investment Authority, General Pension and Social Security Authority and Emirates Development Bank while Government of Libya controls 14.4% of shares in the Group through Central Bank of Libya. The Group does not have any significant transactions with these governments and entities controlled, jointly controlled or significantly influenced by these governments.

The following is the summary of transactions with related parties:

i) Associate companies:

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
a) Service fees for administration services provided by Arig	19	19	38
b) Service fees for administration services provided by associates	411	369	812
c) Balances outstanding - Payables	175	77	89

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

22. RELATED PARTY TRANSACTIONS (CONTD.)

ii) Compensation to directors and key management personnel:

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
a) Directors			
- Attendance fees	105	35	79
- Travel expenses	110	65	144
b) Key management compensation			
- Salaries and other short-term employee benefits	337	791	1,710
- Post-employment benefits	37	150	318
- Employee long-term incentives	76	-	-
c) Balances payable to key			
- Management	478	4,743	631

ARAB INSURANCE GROUP (B.S.C.)

A. SIGNIFICANT ACCOUNTING POLICIES ON INVESTMENTS AS AT 30 JUNE 2019

INVESTMENTS

Investment securities are classified as 'at fair value through profit or loss', which includes financial assets held for trading and those designated at fair value on initial recognition, 'available for sale', 'held to maturity' or 'loans and receivables'. Management determines the appropriate classification of investments at the time of purchase.

Securities are classified as at fair value through profit or loss if they are acquired for the purpose of generating a profit from short-term fluctuations in price or if so designated by management. Derivative financial instruments that are not designated as accounting hedge are classified as at fair value through profit or loss. Investments with fixed or determinable payments and fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity. Financial instruments with fixed or determinable payments and that are not quoted in an active market are categorised as loans and receivables. Securities intended to be held for an indefinite period of time and those that are not classified as at fair value through profit or loss, held to maturity or loans and receivables, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale.

All purchases and sales of investments are recognised at the settlement date. All investment assets are recognised initially at cost. After initial recognition, investments are valued using principles described below.

Investments at fair value through profit or loss and investments available for sale are carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost, less any adjustment necessary for impairment.

Fair values are measured using 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 valuation.

PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

A provision is made in respect of a financial asset for which there is an objective evidence of impairment if its carrying amount is greater than its estimated recoverable amount.

Provisions for assets carried at amortised cost are calculated as the difference between the carrying amount of the assets and the present value of expected future cash flows discounted at their original effective interest rate. By comparison, the recoverable amount of an instrument carried at cost is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

In the case of available for sale financial assets, the Group assesses at each statement of financial position date whether there is an objective evidence of impairment of such assets. If any such evidence exists, the impairment measured as the difference between acquisition cost and recoverable amount less any impairment previously recognized in the income statement is recognized in consolidated statement of income. Evidence of impairment considers among other factors significant or prolonged decline in market values and financial difficulties of the issuer. Impairment recognised is not reversed subsequently except in case of debt instruments.

INVESTMENT IN ASSOCIATED COMPANIES

Investments in associated companies are accounted for using the equity method, less any adjustment necessary for impairment. Associated companies are defined as those companies over which the Group is able to exercise significant influence but not control or joint control over the financial and operating policy decisions.

INVESTMENT INCOME

Investment income comprises interest and dividend receivable for the financial year. Gains and losses arising from changes in the fair value of investments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale investments are recognised in other comprehensive income and carried in investment revaluation income as part of equity. When available for sale investments are disposed or are impaired, the related fair value adjustments are included in the income statement.

Investment income arising from insurance business investment assets are allocated to the underwriting results of insurance businesses based on the proportion of their respective insurance funds to shareholders' funds during the financial year.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in currencies other than U.S. Dollars are recorded at the rates ruling at the date of the transaction. All monetary and non-monetary assets carried at fair value denominated in currencies other than U.S. Dollars are translated at year-end exchange rates.

Unrealised gains or losses on translation are taken to income except in respect of non-monetary available for sale investments, which are taken to other comprehensive income until they are disposed.

Unrealised gains and losses on translation of financial statements of subsidiaries are included in equity. Other foreign currency gains and losses are taken to income.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

In the ordinary course of its business, the Group uses forward foreign exchange contracts as fair value hedges to protect its exposures in respect of foreign currency denominated investments and insurance liabilities and these contracts are carried at fair value.

Where a fair value hedge meets the conditions prescribed by International Financial Reporting Standards for qualifying as an effective hedge, gains or losses from remeasuring forward foreign exchange contracts and gains or losses on hedged assets attributable to the hedged risk are recognised in income.

Where the hedge is not effective, gains or losses from remeasuring forward foreign exchange contracts are recognised in income. Gains or losses on hedged assets are recognised in income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

The gain or losses from remeasuring insurance liabilities and related foreign exchange contracts are recognised in income.

ARAB INSURANCE GROUP (B.S.C.)

APPENDIX

B. ADDITIONAL DISCLOSURE ON INVESTMENTS

US\$ '000		
30-June-2019		
Investments in U.A.E.	Investments outside U.A.E.	Total
a. Cash & bank balances		
7,573	112,731	120,304
Total cash & bank balances		
7,573	112,731	120,304
b. Investments		
<u>At fair value through profit or loss</u>		
Held for trading		
Common stock of listed companies	39,508	44,597
5,089		
5,089	39,508	44,597
Designated at fair value on initial recognition		
Debt Securities		
- Other Investment grade	95,306	95,306
- Other	11,196	11,196
-		
-	106,502	106,502
<u>Held to maturity</u>		
Debt securities		
- Supra-nationals and OECD country governments	500	500
- Other Investment grade	-	3,916
- Other	3,948	3,948
-		
3,916	4,448	8,364
<u>Available for sale</u>		
Debt securities		
- Supra-nationals and OECD country governments	33,140	33,140
- Other Investment grade	220,526	247,225
- Other	28,454	31,448
26,699		
2,994	5,528	5,528
Common stock of listed companies	5,528	5,528
Common stock of unlisted companies	3,745	3,745
Other (see note)	18,264	18,264
-		
29,693	309,657	339,350
<u>Investment in associates</u>		
-	330	330
-	330	330
Total Investments		
38,698	460,445	499,143

Note: The Group does not have any direct investments in land or real estate. However, 'Other' includes investments in Real Estate funds amounting to US\$ 2,095,954 (in U.A.E.: US\$ NIL).