

**Arab Insurance Group (B.S.C.)**

**Condensed consolidated interim  
financial statements for the  
three months ended 31 March 2021**



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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

11 May 2021

### Introduction

We have reviewed the accompanying 31 March 2021 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 31 March 2021;
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2021;
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021; 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 31 March 2021 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 indicates that in an Extraordinary General Meeting held on 13 August 2020 the shareholders approved the Board's recommendation of the cessation of the underwriting activities of the Company, subject to approval of the regulatory authorities. These events or conditions, along with other matters as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### Other Matter

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of condensed consolidated interim financial information for the three-month period ended 31 March 2020. We have not reviewed the comparative information for the three-month period ended 31 March 2020 presented in these condensed consolidated interim financial statements which have been extracted from management accounts of the Group and, we do not express any review conclusion on them.

# ARAB INSURANCE GROUP (B.S.C.)

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

(In thousands of U.S. Dollars)

	Note	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2020 (unreviewed)
<b>ASSETS</b>				
Cash and bank balances		102,468	100,500	116,732
Investments	5	430,467	454,603	468,742
Accrued income	6	3,512	8,786	38,954
Insurance receivables		46,755	72,732	110,770
Insurance deposits		22,663	20,917	21,681
Deferred policy acquisition costs		2,845	4,749	13,688
Reinsurers' share of technical provisions	7	57,332	74,368	100,253
Other assets	8	34,448	37,349	33,511
Investment property	9	4,586	4,622	5,111
Property and equipment	10	11,899	12,006	12,145
<b>TOTAL ASSETS</b>		<b>716,975</b>	<b>790,632</b>	<b>921,587</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Technical provisions	11	361,341	408,869	537,349
Insurance payables		56,716	80,664	87,350
Borrowings		-	-	7,000
Other liabilities	12	36,803	38,672	60,588
<b>TOTAL LIABILITIES</b>		<b>454,860</b>	<b>528,205</b>	<b>692,287</b>
<b>EQUITY</b>				
<b>Attributable to shareholders of parent company</b>				
Share capital		220,000	220,000	220,000
Treasury stock		(14,793)	(14,793)	(14,793)
Reserves		54,463	56,296	41,025
Accumulated losses		(14,580)	(16,142)	(34,478)
		<b>245,090</b>	<b>245,361</b>	<b>211,754</b>
<b>Non-controlling interests</b>		<b>17,025</b>	<b>17,066</b>	<b>17,546</b>
<b>TOTAL EQUITY</b>		<b>262,115</b>	<b>262,427</b>	<b>229,300</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>716,975</b>	<b>790,632</b>	<b>921,587</b>

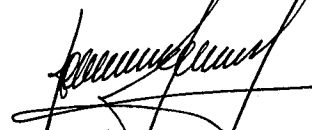
These condensed consolidated interim financial statements were approved by the Board of Directors on 11 May 2021 and signed on its behalf by:



Saeed Mohammed AlBahhar  
Chairman



Ahmed Saeed AlMahri  
Director



Samuel Verghese  
Acting Chief Executive Officer

The accompanying notes 1 to 23 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 THREE MONTHS ENDED 31 MARCH 2021

(In thousands of U.S. Dollars)

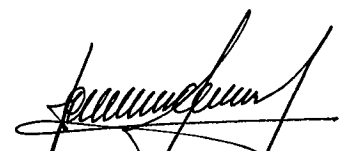
	Note	For the financial year-to-date 31 March 2021 (reviewed)	For the financial year-to-date 31 March 2020 (unreviewed)	For the year ended 31 December 2020 (audited)
Gross premiums written	13	(6,999)	(13,812)	(17,295)
Outward reinsurance premiums	13	2,868	6,537	3,027
Change in unearned premiums	13	9,728	40,669	82,722
<b>Net earned premiums</b>	13	<b>5,597</b>	<b>33,394</b>	<b>68,454</b>
Claims and related expenses	13	(1,613)	(21,528)	(31,609)
Policy acquisition costs	13	(136)	(8,949)	(19,225)
Investment income attributable to insurance funds	14	1,609	(3,641)	2,824
Operating expenses	15	(2,116)	(2,067)	(7,685)
<b>Underwriting result</b>	13	<b>3,341</b>	<b>(2,791)</b>	<b>12,759</b>
Investment income attributable to shareholders' funds	14	1,212	(1,661)	2,124
Operating expenses - non underwriting activities	15	(1,031)	(2,327)	(5,597)
Borrowing cost		-	(47)	(112)
Other income	16	282	580	6,283
Other expenses and provisions	17	(2,297)	(150)	(2,790)
<b>Profit (loss) for the period</b>		<b>1,507</b>	<b>(6,396)</b>	<b>12,667</b>
<b>Attributable to:</b>				
Non-controlling interests		-	(408)	(891)
Shareholders of parent company		1,507	(5,988)	13,558
		<b>1,507</b>	<b>(6,396)</b>	<b>12,667</b>
<b>Earnings (losses) per share attributable to shareholders (basic and diluted):</b>	18 (US cents)	<b>0.8</b>	<b>(3.0)</b>	<b>6.8</b>



Saeed Mohammed AlBahhar  
Chairman



Ahmed Saeed AlMahri  
Director



Samuel Veighese  
Acting Chief Executive Officer

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# ARAB INSURANCE GROUP (B.S.C.)

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2021

(In thousands of U.S. Dollars)

	For the financial year-to-date 31 March 2021 (reviewed)	For the financial year-to-date 31 March 2020 (unreviewed)	For the year ended 31 December 2020 (audited)
Profit (loss) for the period	1,507	(6,396)	12,667
<b>Other comprehensive income</b>			
<b>Items that will be reclassified to profit or loss:</b>			
Changes on fair value of available for sale investments	(1,059)	(10,148)	4,632
Transfers for recognition of gains on disposal of available for sale investments	(1,019)	(481)	(3,462)
Transfers for impairment loss recognised on available for sale investments	259	-	1,681
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Revaluation of property	-	-	646
<b>Other comprehensive income for the period</b>	<b>(1,819)</b>	<b>(10,629)</b>	<b>3,497</b>
<b>Total comprehensive income for the period</b>	<b>(312)</b>	<b>(17,025)</b>	<b>16,164</b>
<b>Attributable to:</b>			
Non-controlling interests	(41)	(406)	(824)
Shareholders of parent company	(271)	(16,619)	16,988
	<b>(312)</b>	<b>(17,025)</b>	<b>16,164</b>



Saeed Mohammed AlBahhar  
Chairman



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Director



Samuel Verghese  
Acting Chief Executive Officer

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2021**

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves			Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)	
			Legal	Investment revaluation	Property revaluation					Total
<b>Balances at 31 December 2020</b>	<b>220,000</b>	<b>(14,793)</b>	<b>37,925</b>	<b>13,810</b>	<b>4,561</b>	<b>56,296</b>	<b>(16,142)</b>	<b>245,361</b>	<b>17,066</b>	<b>262,427</b>
Net profit for the period	-	-	-	-	-	-	1,507	1,507	-	1,507
Changes on fair value of available for sale investments	-	-	-	(1,018)	-	(1,018)	-	(1,018)	(41)	(1,059)
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(1,009)	-	(1,009)	-	(1,009)	(10)	(1,019)
Transfers for impairment loss recognised on available for sale investments	-	-	-	249	-	249	-	249	10	259
<b>Total comprehensive income for the period</b>	-	-	-	<b>(1,778)</b>	-	<b>(1,778)</b>	<b>1,507</b>	<b>(271)</b>	<b>(41)</b>	<b>(312)</b>
Transfer of net depreciation on revalued property	-	-	-	-	(55)	(55)	55	-	-	-
<b>Balances at 31 March 2021</b>	<b>220,000</b>	<b>(14,793)</b>	<b>37,925</b>	<b>12,032</b>	<b>4,506</b>	<b>54,463</b>	<b>(14,580)</b>	<b>245,090</b>	<b>17,025</b>	<b>262,115</b>

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## ARAB INSURANCE GROUP (B.S.C.)

### CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(In thousands of U.S. Dollars)

	Share Capital	Treasury Stock	Reserves				Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity (audited)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2019	220,000	(14,793)	36,569	11,026	4,110	51,705	(28,539)	228,373	17,952	246,325
Net profit for the year	-	-	-	-	-	-	13,558	13,558	(891)	12,667
Changes on fair value of available for sale investments	-	-	-	4,518	-	4,518	-	4,518	114	4,632
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(3,374)	-	(3,374)	-	(3,374)	(88)	(3,462)
Transfers for impairment loss recognised on available for sale investments	-	-	-	1,640	-	1,640	-	1,640	41	1,681
Revaluation of property	-	-	-	-	646	646	-	646	-	646
Total comprehensive income for the year	-	-	-	2,784	646	3,430	13,558	16,988	(824)	16,164
Transfer of net depreciation on revalued property	-	-	-	-	(195)	(195)	195	-	-	-
Transfer to (from) non-distributable reserves	-	-	1,356	-	-	1,356	(1,356)	-	-	-
Sale of subsidiary - minority interests	-	-	-	-	-	-	-	-	(62)	(62)
Balances at 31 December 2020	220,000	(14,793)	37,925	13,810	4,561	56,296	(16,142)	245,361	17,066	262,427

The accompanying notes 1 to 23 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 THREE MONTHS ENDED 31 MARCH 2020

(In thousands of U.S. Dollars)

	Share Capital	Treasury Stock	Reserves			Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity (unreviewed)	
			Legal	Investment revaluation	Property revaluation					Total
Balances at 31 December 2019	220,000	(14,793)	36,569	11,026	4,110	51,705	(28,539)	228,373	17,952	246,325
Net loss for the period	-	-	-	-	-	-	(5,988)	(5,988)	(408)	(6,396)
Changes on fair value of available for sale investments	-	-	-	(10,147)	-	(10,147)	-	(10,147)	(1)	(10,148)
Transfers for recognition of (gains) losses on disposal of available for sale investments	-	-	-	(484)	-	(484)	-	(484)	3	(481)
Total comprehensive income for the period	-	-	-	(10,631)	-	(10,631)	(5,988)	(16,619)	(406)	(17,025)
Transfer of net depreciation on revalued property	-	-	-	-	(49)	(49)	49	-	-	-
Balances at 31 March 2020	220,000	(14,793)	36,569	395	4,061	41,025	(34,478)	211,754	17,546	229,300

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.



**ARAB INSURANCE G ROUP (B.S.C.)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2021**

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 31 March 2021 (reviewed)	For the financial year-to-date 31 March 2020 (unreviewed)	For the year ended 31 December 2020 (audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Premiums received		22,212	32,431	97,323
Reinsurance premiums paid		(18,158)	(7,984)	(17,477)
Claims and acquisition costs paid		(50,925)	(60,216)	(226,798)
Reinsurance receipts in respect of claims		26,235	22,780	98,801
Investment income		73	8,244	4,710
Interest received		382	575	2,286
Dividends received		-	41	56
Operating expenses paid		(2,639)	(3,895)	(12,761)
Other (expenses) income, net		(2,000)	(466)	(5,967)
Insurance deposits (paid) received, net		(1,907)	780	1,455
Purchase of trading investments		-	(667)	(667)
Sale of trading investments		-	19,378	20,529
<b>Net cash (used in) provided by operating activities</b>	19	<b>(26,727)</b>	11,001	(38,510)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Maturity/sale of investments		28,488	36,469	154,855
Purchase of investments		(6,240)	(9,933)	(90,950)
Term deposits with bank		-	(12,021)	(22,698)
Interest received		2,004	2,375	9,428
Investment income		1,311	81	2,255
Collateralised cash deposits		3,138	(4,297)	(8,457)
Purchase of property and equipment		(2)	(2)	(30)
Sale of subsidiary		-	-	318
<b>Net cash provided by investing activities</b>		<b>28,699</b>	12,672	44,721
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Borrowings	20	-	-	(7,000)
Borrowing cost	20	-	(100)	(187)
Dividends paid	20	-	(9)	(2,418)
<b>Net cash used in financing activities</b>		<b>-</b>	(109)	(9,605)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,972</b>	23,564	(3,394)
Effect of exchange rate on cash and cash equivalents		(4)	(114)	(65)
Cash and cash equivalents, beginning of period		63,436	66,895	66,895
<b>Cash and cash equivalents, end of period</b>		<b>65,404</b>	90,345	63,436
Term deposits with bank		37,064	26,387	37,064
<b>Cash and bank balances, end of period</b>		<b>102,468</b>	116,732	100,500

The accompanying notes 1 to 23 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 THREE MONTHS ENDED 31 MARCH 2021

### 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 13 May 2019 resolved to recommend to the shareholders the cessation of the Company's underwriting activities. In an Extraordinary General Meeting held on 13 August 2020 the shareholders approved the Board's recommendation and placed the insurance portfolio in run-off. The Company has sought the approval of CBB to implement the resolution of the shareholders.

The board of directors expect the proposed run-off of the existing insurance portfolio to take more than 12 months and have assessed that the Company will continue to operate as a going concern for at least 12 months from the date of these condensed consolidated interim financial statements. Therefore, these condensed consolidated interim financial statements have been prepared on going concern basis.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Group has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) which allows the interim financial statements to be prepared in condensed form. The condensed consolidated interim financial statements does not include all of 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 2020.

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.

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their condensed consolidated interim financial information for the three-month period ended 31 March 2020. Accordingly, the comparatives for the condensed consolidated statement of financial position for the year ended 31 December 2020 have been extracted from the audited consolidated financial statements and comparatives for the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the three month period ended 31 March 2020 have been extracted from the management accounts of the Group. Hence, the comparative information for the three month period ended 31 March 2020 included in the current period statements of profit or loss and other comprehensive income, cash flows and changes in equity were not approved by the Board of Directors nor reviewed by external auditors in the prior year.

The accounting policies and methods of computation are consistent with the most recent consolidated financial statements of the Group at 31 December 2020 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.

The Group has adopted all new and revised IFRS and interpretations applicable for accounting periods beginning on or after 1 January 2021 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 2023.

The impact of adopting these standards and interpretations is not significant on the Group's condensed consolidated interim financial statements.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID 19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The Board of Directors and management has been closely monitoring the impact of the COVID 19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans.

In preparing the condensed consolidated interim financial statements, judgements made by Board of Directors and management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

The preparation of the condensed consolidated interim financial statements require management to make judgements, estimates and assumptions 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. In preparing these condensed consolidated interim financial statement, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020

**3. SEASONALITY OF INTERIM OPERATIONS**

As a result of the seasonality associated with the insurance business, the Group normally registers approximately 75% of its gross premiums during the first quarter of every year. However following the cessation of underwriting activities gross premiums written no longer reflect this seasonality. This 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.

**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 2020.

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

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

**5. A. INVESTMENTS**

	US\$ '000		
	31 March 2021	31 December 2020	31 March 2020
<b><u>At fair value through profit or loss</u></b>			
<b>Held for trading</b>			
Common stock of listed companies	14,739	18,567	10,501
	<b>14,739</b>	18,567	10,501
<b>Designated at fair value on initial recognition</b>			
Debt securities			
- Investment grade	102,957	104,297	97,020
- Other	10,456	13,909	10,059
	<b>113,413</b>	118,206	107,079
<b><u>Held to maturity</u></b>			
Debt securities			
- Supra-nationals and OECD country Governments	-	-	500
- Investment grade	3,958	3,952	3,934
- Other	3,972	3,969	3,958
	<b>7,930</b>	7,921	8,392
<b><u>Available for sale</u></b>			
Debt securities			
- Supra-nationals and OECD country Governments	5,009	10,044	23,518
- Investment grade	182,432	185,507	235,297
- Other	85,995	90,914	56,518
Common stock of listed companies	-	3,103	4,460
Common stock of unlisted companies	3,283	3,349	4,663
Other equity type investment	16,907	16,236	17,832
	<b>293,626</b>	309,153	342,288
<b><u>Loans and receivables</u></b>	<b>268</b>	265	-
<b><u>Investment in associate</u></b>	<b>491</b>	491	482
	<b>430,467</b>	454,603	468,742

Debt securities amounting to US\$ 48.3 million (31 December 2020: US\$ 53.5 million; 31 March 2020: US\$ 95.3 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

**B. COMMITMENTS OUTSTANDING**

The Group has commitments in respect of uncalled capital in available for sale investments amounting to US\$ 6.7 million (31 December 2020: US\$ 6.7 million; 31 March 2020: US\$ 7.0 million).

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

**6. ACCRUED INCOME**

	<b>US\$ '000</b>		
	<b>31 March 2021</b>	31 December 2020	31 March 2020
Accrued insurance premiums	1,417	6,766	36,315
Accrued interest	2,095	2,020	2,639
	<b>3,512</b>	8,786	38,954

**7. REINSURERS' SHARE OF TECHNICAL PROVISIONS**

	<b>US\$ '000</b>		
	<b>31 March 2021</b>	31 December 2020	31 March 2020
<b><u>General insurance business</u></b>			
- Claims outstanding	29,475	35,858	49,854
- Unreported claims	27,323	33,020	33,712
- Deferred retrocession premium reserve	495	5,467	16,658
	<b>57,293</b>	74,345	100,224
<b><u>Life insurance business</u></b>			
- Claims outstanding	16	16	17
- Unreported claims	23	7	12
	<b>39</b>	23	29
	<b>57,332</b>	74,368	100,253

**8. OTHER ASSETS**

	<b>US\$ '000</b>		
	<b>31 March 2021</b>	31 December 2020	31 March 2020
Intangible assets:			
- Computer software	9,977	10,165	10,165
	<b>9,977</b>	10,165	10,165
Less: Accumulated amortisation	(9,633)	(9,627)	(9,607)
	<b>344</b>	538	558
Other assets			
- Collateralised cash deposits	22,369	25,401	20,685
- Other receivables	11,159	10,947	11,610
- Prepayments	576	463	658
	<b>34,104</b>	36,811	32,953
	<b>34,448</b>	37,349	33,511

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

**ARAB INSURANCE GROUP (B.S.C.)**  
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**9. INVESTMENT PROPERTY**

	<b>US\$ '000</b>		
	<b>31 March 2021</b>	31 December 2020	31 March 2020
Fair value at 1 January	<b>4,622</b>	-	-
Transferred from property and equipment	-	5,150	5,150
Impairment	-	(378)	-
Depreciation	<b>(36)</b>	(150)	(39)
Fair value at period-end	<b>4,586</b>	4,622	5,111

Investment property is carried at cost less accumulated depreciation and impairment. The carrying value of investment property approximates its fair value as at 31 March 2021 and fair value measurement has been categorised as Level 3.

**10. PROPERTY AND EQUIPMENT**

	<b>US\$ '000</b>		
	<b>31 March 2021</b>	31 December 2020	31 March 2020
Land	<b>2,080</b>	2,080	2,080
Building	<b>9,459</b>	11,565	11,321
Furniture & fixtures	<b>6,921</b>	6,921	6,932
Hardware	<b>2,414</b>	2,412	2,402
Office equipments	<b>818</b>	981	982
Others	<b>397</b>	397	549
	<b>22,089</b>	24,356	24,266
Less: Accumulated depreciation and Impairment			
Building	<b>(87)</b>	(2,106)	(1,862)
Furniture & fixtures	<b>(6,905)</b>	(6,904)	(6,911)
Hardware	<b>(2,398)</b>	(2,397)	(2,387)
Office equipments	<b>(452)</b>	(608)	(589)
Others	<b>(348)</b>	(335)	(372)
	<b>(10,190)</b>	(12,350)	(12,121)
	<b>11,899</b>	12,006	12,145

Land and Building comprise the head office property owned and occupied by the Company since 1984. Building also includes portion of office premises of Takaful Re Limited which is used for administration purpose.

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**11. TECHNICAL PROVISIONS**

	<b>US\$ '000</b>		
	<b>31 March 2021</b>	31 December 2020	31 March 2020
<b><u>General insurance business</u></b>			
- Claims outstanding	<b>187,929</b>	200,511	239,665
- Unreported losses	<b>127,265</b>	146,760	179,140
- Unearned premiums	<b>12,435</b>	27,112	77,281
	<b>327,629</b>	374,383	496,086
<b><u>Life insurance business</u></b>			
- Claims outstanding	<b>11,977</b>	12,404	15,052
- Unreported losses	<b>21,412</b>	21,766	25,275
- Unearned premiums	<b>323</b>	316	936
	<b>33,712</b>	34,486	41,263
	<b>361,341</b>	408,869	537,349

**12. OTHER LIABILITIES**

	<b>US\$ '000</b>		
	<b>31 March 2021</b>	31 December 2020	31 March 2020
Provision for probable loss estimates in subsidiary (note 22 (iii))	<b>13,462</b>	13,462	21,462
Non-reinsurance payables	<b>7,974</b>	10,029	18,868
Post-employment benefits	<b>6,771</b>	6,652	7,395
Accrued expense	<b>5,886</b>	5,872	5,770
Dividends payable	<b>321</b>	321	2,730
Reinsurance premiums accrued	<b>1,189</b>	1,189	2,011
Employee long-term incentives	<b>-</b>	-	451
Other	<b>1,200</b>	1,147	1,901
	<b>36,803</b>	38,672	60,588

**13. SEGMENT INFORMATION**

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 and Other classes. Life business mainly involves short term group life policies and long term life policies. Life portfolio does not contain investment linked policies. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

**ARAB INSURANCE GROUP (B.S.C.)**  
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**13. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:**

	US\$ '000								
	Period ended 31 March 2021								
	Non-life					Life		Total	
	Property	Engineering	Marine	Accident	Whole account	Others	Short term		Long term
<b>REVENUES :</b>									
Gross premiums written*	79	(623)	(680)	(214)	(4,843)	(731)	(95)	108	(6,999)
Outward reinsurance premiums	(315)	(62)	52	4	3,260	-	(19)	(52)	2,868
Change in unearned premiums - gross	44	922	149	108	12,247	1,150	-	(11)	14,609
Change in unearned premiums - reinsurance	-	(97)	(5)	-	(4,779)	-	-	-	(4,881)
<b>Net earned premiums</b>	<b>(192)</b>	<b>140</b>	<b>(484)</b>	<b>(102)</b>	<b>5,885</b>	<b>419</b>	<b>(114)</b>	<b>45</b>	<b>5,597</b>
Investment income attributable to insurance funds	572	31	63	97	23	395	305	123	1,609
	<b>380</b>	<b>171</b>	<b>(421)</b>	<b>(5)</b>	<b>5,908</b>	<b>814</b>	<b>191</b>	<b>168</b>	<b>7,206</b>
<b>COSTS AND EXPENSES :</b>									
Gross claims paid	(4,507)	(2,594)	(1,237)	(83)	(21,187)	(2,150)	(1,061)	(10)	(32,829)
Claims recovered from reinsurers	174	180	171	14	10,806	5	-	-	11,350
Change in provision for outstanding claims - gross	4,289	1,844	2,139	309	2,922	796	425	1	12,725
Change in provision for outstanding claims - reinsurance	(85)	(315)	(5)	31	(5,699)	(12)	-	-	(6,085)
Change in provision for unreported losses - gross	2,934	561	433	213	11,953	1,974	2,905	(2,550)	18,423
Change in provision for unreported losses - reinsurance	(225)	(6)	57	-	(4,259)	(779)	15	-	(5,197)
<b>Claims and related expenses</b>	<b>2,580</b>	<b>(330)</b>	<b>1,558</b>	<b>484</b>	<b>(5,464)</b>	<b>(166)</b>	<b>2,284</b>	<b>(2,559)</b>	<b>(1,613)</b>
Policy acquisition costs	679	436	358	206	(1,613)	214	3	(7)	276
Policy acquisition costs recovered from reinsurers	36	(105)	(34)	(7)	5	-	-	-	(105)
Change in deferred policy acquisition costs - gross	(13)	(311)	(33)	(28)	-	36	-	(1)	(350)
Change in deferred policy acquisition costs - reinsurance	-	40	2	-	-	1	-	-	43
<b>Policy acquisition costs</b>	<b>702</b>	<b>60</b>	<b>293</b>	<b>171</b>	<b>(1,608)</b>	<b>251</b>	<b>3</b>	<b>(8)</b>	<b>(136)</b>
Operating expenses	(711)	(356)	(220)	(146)	(26)	(328)	(280)	(49)	(2,116)
<b>Underwriting result</b>	<b>2,951</b>	<b>(455)</b>	<b>1,210</b>	<b>504</b>	<b>(1,190)</b>	<b>571</b>	<b>2,198</b>	<b>(2,448)</b>	<b>3,341</b>

\* Gross premiums written are negative due to reversal of excess pipeline estimates of prior years and cessation of new business underwriting by the Company effective 13 August 2020.



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

	US\$ '000								
	Year ended 31 December 2020								
	Non-life					Life		Total	
	Property	Engineering	Marine	Accident	Whole account	Others	Short term		Long term
<b>REVENUES :</b>									
Gross premiums written*	(2,948)	758	(278)	(457)	(10,437)	(3,126)	(1,098)	291	(17,295)
Outward reinsurance premiums	(1,537)	(187)	62	100	4,779	(82)	(83)	(25)	3,027
Change in unearned premiums - gross	3,164	7,069	2,226	1,056	85,337	12,479	1,869	(47)	113,153
Change in unearned premiums - reinsurance	(123)	(992)	(122)	(11)	(29,183)	-	-	-	(30,431)
Net earned premiums	(1,444)	6,648	1,888	688	50,496	9,271	688	219	68,454
Investment income attributable to insurance funds	918	32	99	155	297	635	491	197	2,824
	(526)	6,680	1,987	843	50,793	9,906	1,179	416	71,278
<b>COSTS AND EXPENSES :</b>									
Gross claims paid	(19,633)	(10,486)	(6,994)	(1,383)	(93,360)	(19,815)	(7,656)	(375)	(159,702)
Claims recovered from reinsurers	1,487	798	834	112	37,640	73	-	2	40,946
Change in provision for outstanding claims - gross	26,713	5,520	5,118	897	16,321	6,866	2,898	87	64,420
Change in provision for outstanding claims - reinsurance	(10,919)	(280)	(1,959)	15	(9,523)	(162)	-	3	(22,825)
Change in provision for unreported losses - gross	14,932	3,839	2,150	2,978	18,182	12,178	5,872	(3,361)	56,770
Change in provision for unreported losses - reinsurance	(721)	(488)	(227)	(193)	(9,035)	(543)	(11)	-	(11,218)
Claims and related expenses	11,859	(1,097)	(1,078)	2,426	(39,775)	(1,403)	1,103	(3,644)	(31,609)
Policy acquisition costs	1,223	290	216	200	(15,658)	1,161	209	30	(12,329)
Policy acquisition costs recovered from reinsurers	(209)	(159)	(9)	(38)	12	11	-	-	(392)
Change in deferred policy acquisition costs - gross	(1,054)	(2,350)	(702)	(319)	(192)	(2,264)	(75)	(1)	(6,957)
Change in deferred policy acquisition costs - reinsurance	40	359	48	4	-	2	-	-	453
Policy acquisition costs	-	(1,860)	(447)	(153)	(15,838)	(1,090)	134	29	(19,225)
Operating expenses	(2,535)	(1,288)	(788)	(526)	(78)	(1,219)	(1,063)	(188)	(7,685)
Underwriting result	8,798	2,435	(326)	2,590	(4,898)	6,194	1,353	(3,387)	12,759

\* Gross premiums written are negative due to reversal of excess pipeline estimates of prior years and cessation of new business underwriting by the Company effective 13 August 2020.

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

US\$ '000									
Period ended 31 March 2020									
Non-life						Life		Total	
Property	Engineering	Marine	Accident	Whole account*	Others	Short term	Long term		
REVENUES :									
Gross premiums written	(638)	(143)	(47)	(52)	(13,909)	963	(36)	50	(13,812)
Outward reinsurance premiums	(388)	(42)	17	34	6,989	(44)	(24)	(5)	6,537
Change in unearned premiums - gross	1,660	2,053	1,034	494	45,189	7,338	1,229	(31)	58,966
Change in unearned premiums - reinsurance	(62)	(312)	(54)	(6)	(17,865)	2	-	-	(18,297)
Net earned premiums	572	1,556	950	470	20,404	8,259	1,169	14	33,394
Investment income attributable to insurance funds	(1,640)	-	(195)	(130)	36	(735)	(827)	(150)	(3,641)
	(1,068)	1,556	755	340	20,440	7,524	342	(136)	29,753
COSTS AND EXPENSES :									
Gross claims paid	(4,536)	(2,786)	(1,850)	(780)	(24,285)	(5,084)	(2,022)	(4)	(41,347)
Claims recovered from reinsurers	107	218	242	80	9,507	36	-	-	10,190
Change in provision for outstanding claims - gross	4,885	1,292	956	966	(3,268)	2,362	306	30	7,529
Change in provision for outstanding claims - reinsurance	(233)	(88)	(199)	(17)	1,545	(35)	-	-	973
Change in provision for unreported losses - gross	1,143	2,061	576	403	3,097	(1,305)	131	(1,129)	4,977
Change in provision for unreported losses - reinsurance	(9)	(247)	(35)	(37)	(2,308)	(1,213)	(1)	-	(3,850)
Claims and related expenses	1,357	450	(310)	615	(15,712)	(5,239)	(1,586)	(1,103)	(21,528)
Policy acquisition costs	571	361	232	116	(7,334)	(54)	281	-	(5,827)
Policy acquisition costs recovered from reinsurers	(18)	(67)	(13)	(15)	65	2	-	-	(46)
Change in deferred policy acquisition costs - gross	(533)	(714)	(344)	(155)	(95)	(1,348)	(49)	(1)	(3,239)
Change in deferred policy acquisition costs - reinsurance	21	120	21	2	-	(1)	-	-	163
Policy acquisition costs	41	(300)	(104)	(52)	(7,364)	(1,401)	232	(1)	(8,949)
Operating expenses	(676)	(335)	(209)	(132)	(18)	(331)	(319)	(47)	(2,067)
Underwriting result	(346)	1,371	132	771	(2,654)	553	(1,331)	(1,287)	(2,791)

\* Whole account includes gross premiums reversals amounting to USD 14.7 million resulting from underwriting business in Lloyds, where the Company resolved to cease new business underwriting effective from 1 January 2020.

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**14. INVESTMENT INCOME**

	US\$ '000				
	Financial year-to-date 31 March 2021			Financial year-to-date 31 March 2020	Year ended 31 December 2020
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	149	103	252	319	1,169
- Others	1,233	974	2,207	2,729	10,023
Dividends	-	-	-	41	56
Realised gains on available for sale	591	428	1,019	481	3,462
Gain (loss) on remeasurement of investments at fair value through profit or loss					
- Held for trading investments	278	193	471	(7,757)	(7,627)
- Investments designated at fair value through profit or loss	(293)	(203)	(496)	(752)	1,878
Impairment loss - available for sale					
- Other	(139)	(120)	(259)	-	(1,681)
Income from associates	-	-	-	-	8
Other	(210)	(163)	(373)	(363)	(2,340)
	<b>1,609</b>	<b>1,212</b>	<b>2,821</b>	<b>(5,302)</b>	<b>4,948</b>

**15. OPERATING EXPENSES**

	US\$ '000				
	Financial year-to-date 31 March 2021			Financial year-to-date 31 March 2020	Year ended 31 December 2020
	Underwriting	Non- Underwriting	Total		
Salaries and benefits	1,208	692	1,900	2,031	8,219
General and administration	908	339	1,247	2,363	5,063
	<b>2,116</b>	<b>1,031</b>	<b>3,147</b>	<b>4,394</b>	<b>13,282</b>

**ARAB INSURANCE GROUP (B.S.C.)**  
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**16. OTHER INCOME**

	<b>US\$ '000</b>		
	<b>Financial year-to-date 31 March 2021</b>	<b>Financial year-to-date 31 March 2020</b>	<b>Year ended 31 December 2020</b>
Foreign exchange gain	-	279	1,474
Government support scheme (COVID19)	-	-	441
Third party administration services	<b>89</b>	133	844
Reversal of provisions	-	-	2,998
Other	<b>193</b>	168	526
	<b>282</b>	580	6,283

**17. OTHER EXPENSES AND PROVISIONS**

	<b>US\$ '000</b>		
	<b>Financial year-to-date 31 March 2021</b>	<b>Financial year-to-date 31 March 2020</b>	<b>Year ended 31 December 2020</b>
Foreign exchange loss	<b>2,195</b>	-	-
Investment property impairment and depreciation	<b>36</b>	-	528
Provision for doubtful receivable & deposits	-	-	90
Run-off expenses	-	-	851
Other, net	<b>66</b>	150	1,321
	<b>2,297</b>	150	2,790

**18. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS**

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

		<b>Financial year-to-date 31 March 2021</b>	<b>Financial year-to-date 31 March 2020</b>	<b>Year ended 31 December 2020</b>
Weighted average number of shares outstanding	'000	<b>198,032</b>	198,032	198,032
Net profit (loss)	US\$'000	<b>1,507</b>	(5,988)	13,558
Earnings (losses) per share	US cents	<b>0.8</b>	(3.0)	6.8

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**19. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES**

	US\$ '000		
	Financial year-to-date 31 March 2021	Financial year-to-date 31 March 2020	Year ended 31 December 2020
Profit (loss) for the period	1,507	(6,396)	12,667
Change in insurance funds	(30,334)	(60,947)	(153,839)
Change in insurance receivable/payable, net	2,029	3,726	35,078
Change in accrued income	5,274	32,404	62,572
Change in other assets/liabilities, net	(5,203)	42,214	5,012
Net cash (used in) provided by operating activities	(26,727)	11,001	(38,510)

**20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	US\$ '000			
	Borrowings	Borrowing cost	Dividends	Non- controlling interest
Balances at 31 December 2020	-	-	321	17,066
Share of comprehensive income	-	-	-	(41)
Repayment of borrowing	-	-	-	-
Interest paid during the period	-	-	-	-
Interest expense for the period	-	-	-	-
Dividends paid during the period	-	-	-	-
<b>Balances at 31 March 2021</b>	-	-	321	17,025
Balances at 31 December 2019	7,000	75	2,739	17,952
Share of comprehensive income	-	-	-	(406)
Interest paid during the period	-	(100)	-	-
Interest expense for the period	-	47	-	-
Dividends paid during the period	-	-	(9)	-
Balances at 31 March 2020	7,000	22	2,730	17,546
Balances at 31 December 2019	7,000	75	2,739	17,952
Share of comprehensive income	-	-	-	(824)
Sale of subsidiary - minority interests	-	-	-	(62)
Repayment of borrowings	(7,000)	-	-	-
Interest paid during the year	-	(187)	-	-
Interest expense for the year	-	112	-	-
Dividends paid during the year	-	-	(2,418)	-
Balances at 31 December 2020	-	-	321	17,066

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**21. FAIR VALUE DISCLOSURE**

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

US\$ '000							
31 March 2021							
Book Value						Fair value	
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total		
<b>ASSETS</b>							
Cash and bank balances	-	102,468	-	-	-	102,468	102,468
Investments	128,152	268	7,930	293,626	-	429,976	430,455
Accrued income	-	3,512	-	-	-	3,512	3,512
Insurance receivables	-	46,755	-	-	-	46,755	46,755
Insurance deposits	-	22,663	-	-	-	22,663	22,663
Other assets	-	33,528	-	-	-	33,528	33,528
<b>LIABILITIES</b>							
Insurance payables	-	-	-	-	56,716	56,716	56,716
Other liabilities	-	-	-	-	17,455	17,455	17,455

US\$ '000							
31 December 2020							
Book Value						Fair value	
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total		
<b>ASSETS</b>							
Cash and bank balances	-	100,500	-	-	-	100,500	100,500
Investments	136,773	265	7,921	309,153	-	454,112	454,652
Accrued income	-	8,786	-	-	-	8,786	8,786
Insurance receivables	-	72,732	-	-	-	72,732	72,732
Insurance deposits	-	20,917	-	-	-	20,917	20,917
Other assets	-	36,348	-	-	-	36,348	36,348
<b>LIABILITIES</b>							
Insurance payables	-	-	-	-	80,664	80,664	80,664
Other liabilities	-	-	-	-	19,338	19,338	19,338

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**21. FAIR VALUE DISCLOSURE (CONTD.)**

US\$ '000						
31 March 2020						
Book Value						Fair value
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
<b>ASSETS</b>						
Cash and bank balances	-	116,732	-	-	-	116,732
Investments	117,580	-	8,392	342,288	-	468,260
Accrued income	-	38,954	-	-	-	38,954
Insurance receivables	-	110,770	-	-	-	110,770
Insurance deposits	-	21,681	-	-	-	21,681
Other assets	-	32,295	-	-	-	32,295
<b>LIABILITIES</b>						
Insurance payables	-	-	-	87,350	87,350	87,350
Borrowings	-	-	-	7,000	7,000	7,000
Other liabilities	-	-	-	33,356	33,356	33,356

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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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)**

**21. 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 categorized:

US\$'000				
31 March 2021	Level 1	Level 2	Level 3	Total
<b><u>At fair value through profit or loss</u></b>				
<b><u>Held for trading</u></b>				
Common stock of listed companies	14,739	-	-	14,739
<b><u>Designated at fair value on initial recognition</u></b>				
Debt securities	63,860	49,553	-	113,413
<b><u>Available for sale</u></b>				
Debt securities	98,588	174,848	-	273,436
Common stock of listed companies	-	-	-	-
Common stock of unlisted companies	-	-	3,283	3,283
Other	-	-	16,907	16,907
<b><u>Forward foreign exchange contracts</u></b>	-	359	-	359
	<b>177,187</b>	<b>224,760</b>	<b>20,190</b>	<b>422,137</b>

US\$'000				
31 December 2020	Level 1	Level 2	Level 3	Total
<b><u>At fair value through profit or loss</u></b>				
<b><u>Held for trading</u></b>				
Common stock of listed companies	18,567	-	-	18,567
<b><u>Designated at fair value on initial recognition</u></b>				
Debt securities	69,298	48,908	-	118,206
<b><u>Available for sale</u></b>				
Debt securities	108,997	177,468	-	286,465
Common stock of listed companies	3,103	-	-	3,103
Common stock of unlisted companies	-	-	3,349	3,349
Other	-	-	16,236	16,236
<b><u>Forward foreign exchange contracts</u></b>	-	(604)	-	(604)
	<b>199,965</b>	<b>225,772</b>	<b>19,585</b>	<b>445,322</b>



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**21. FAIR VALUE DISCLOSURE (CONTD.)**

US\$'000				
31 March 2020	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	10,501	-	-	10,501
Designated at fair value on initial Recognition				
Debt securities	107,079	-	-	107,079
<u>Available for sale</u>				
Debt securities	315,333	-	-	315,333
Common stock of listed companies	4,460	-	-	4,460
Common stock of unlisted companies	-	-	4,663	4,663
Other	-	-	17,832	17,832
<u>Forward foreign exchange contracts</u>	-	71	-	71
	437,373	71	22,495	459,939

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

US\$ '000			
31 March 2021	Unlisted equity	Other	Total
<b>Balances at 1 January 2021</b>	<b>3,349</b>	<b>16,236</b>	<b>19,585</b>
Loss recognised in:			
- Other comprehensive income	<b>(78)</b>	<b>635</b>	<b>557</b>
Investments made during the period	<b>12</b>	<b>276</b>	<b>288</b>
Investments redeemed during the period	<b>-</b>	<b>(240)</b>	<b>(240)</b>
<b>Balances at 31 March 2021</b>	<b>3,283</b>	<b>16,907</b>	<b>20,190</b>

US\$'000			
31 December 2020	Unlisted equity	Other	Total
Balances at 1 January 2020	4,653	17,868	22,521
Gain recognised in:			
- Other comprehensive income	(1,241)	(340)	(1,581)
Investments made during the year	27	1,010	1,037
Investments redeemed during the year	(90)	(2,302)	(2,392)
Balances at 31 December 2020	3,349	16,236	19,585

**ARAB INSURANCE GROUP (B.S.C.)**  
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**21. FAIR VALUE DISCLOSURE (CONTD.)**

	US\$ '000		
	Unlisted equity	Other	Total
31 March 2020			
Balances at 1 January 2020	4,653	17,868	22,521
Gain recognised in:			
- Other comprehensive income	39	56	95
Investments made during the period	5	386	391
Investments redeemed during the period	(34)	(478)	(512)
Balances at 31 March 2020	4,663	17,832	22,495

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 observable / 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. The Group recognises transfers between levels of the fair value hierarchy at the end of reporting period during which the change occurred. For the period ended 31 March 2021, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2020: US\$ 225.8 million were transferred from level 1 to level 2; 31 March 2020: 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 realized by the Company 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.

**iii. Forward foreign exchange contracts:**

The fair value of forward foreign exchange contracts, used for hedging purposes, is based on quoted market prices.

**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.)**

**22. PRINCIPAL SUBSIDIARIES & ASSOCIATES**

**i) Subsidiaries and associates**

At 31 March 2021, 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 (under run-off)	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 Insurance

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2020. The Company holds 49% and 24% of the equity shares in its associate companies Arima Insurance software W.L.L. and Globemed Bahrain W.L.L., Bahrain respectively.

Financial statements of Takaful Re Limited (TRL), Gulf Warranties W.L.L. (GWL) and Arig Capital Limited (ACL) are not prepared on going concern basis as TRL and ACL are under run-off and GWL is under voluntary liquidation.

**ii) Interest in subsidiaries: Takaful Re Limited**

	<b>US\$ '000</b>		
	<b>Financial year-to-date 31 March 2021</b>	Financial year-to-date 31 March 2020	Year ended 31 December 2020
Non-controlling interests	<b>46%</b>	46%	46%
Total assets	<b>51,108</b>	53,708	51,619
Total liabilities	<b>14,097</b>	15,695	14,517
<b>Net assets</b>	<b>37,011</b>	38,013	37,102
Revenue	<b>(64)</b>	(3)	188
Profit (loss) for the period	<b>-</b>	(887)	(1,938)
Total comprehensive income	<b>(90)</b>	(884)	(1,796)
Comprehensive income attributable to non-controlling interests	<b>(41)</b>	(407)	(826)
Net cash used in operating activities	<b>(240)</b>	(122)	(1,513)
Net cash provided by (used in) investing activities	<b>42</b>	(4,033)	(4,272)
Net decrease in cash and cash equivalents	<b>(198)</b>	(4,155)	(5,785)

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.)**

**22. PRINCIPAL SUBSIDIARIES & ASSOCIATES (CONTD.)**

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

The Group's subsidiary's GWL in 2018, based on management's assessments had provided for probable loss of US\$ 21.5 million. Following settlement of certain liabilities the provision have been reduced to US\$ 13.5 million in the books of the subsidiary and consequently in the consolidated financial statements of the Group for the year ended 31 December 2020. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.

**23. 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 issued 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 issued 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:**

	<b>US\$ '000</b>		
	<b>Financial year-to-date 31 March 2021</b>	<b>Financial year-to-date 31 March 2020</b>	<b>Year ended 31 December 2020</b>
a) Service fees for administration services provided by associate	<b>78</b>	176	473
b) Balances outstanding			
- Receivable	-	41	-
- Payables	<b>106</b>	-	57

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

**23. RELATED PARTY TRANSACTIONS (CONTD.)**

**ii) Compensation to directors and key management personnel:**

	<b>US\$ '000</b>		
	<b>Financial year-to-date 31 March 2021</b>	<b>Financial year-to-date 31 March 2020</b>	<b>Year ended 31 December 2020</b>
a) Directors			
- Attendance fees	<b>67</b>	22	145
- Travel expenses	-	23	23
b) Key management compensation			
- Salaries and other short-term employee benefits	<b>87</b>	222	592
- Post-employment benefits	<b>12</b>	19	131
c) Balances payable to key management	<b>529</b>	540	517

**ARAB INSURANCE GROUP (B.S.C.)**

**(The attached supplementary disclosure does not form part of the condensed consolidated interim financial statements)**

## ARAB INSURANCE GROUP (B.S.C.)

### SUPPLEMENTARY DISCLOSURE TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS RELATED TO THE FINANCIAL IMPACT OF COVID 19

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID 19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The management has been closely monitoring the impact of the COVID 19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans.

In preparing the condensed consolidated interim financial statement, judgements made by management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

The pandemic as well as the resulting measures have had an impact on the Group, particularly:

- Reduction in asset valuations for which the Group has made adequate provision for impairment.
- Investment losses due to market volatility and economic downturn
- COVID 19 related claims mainly from the Lloyd's portfolio
- Increase in General expense due to costs related to the necessary precautionary measures and business continuity plan requirements.
- Capital costs related to implementing contingency remote working plans

The overall direct impact of COVID 19 pandemic on the financial statements as at 31 March 2021 as assessed by the Group is as below:

#### FINANCIAL COSTS

Sterilization & disinfection of premises, sanitizers, masks & gloves, depreciation, software license, etc

US\$ '000
31 March 2021
25
<b>25</b>

#### CAPITAL EXPENDITURE

Cost of laptops and printers

US\$ '000
31 March 2021
2
<b>2</b>

## **ARAB INSURANCE GROUP (B.S.C.)**

### **SUPPLEMENTARY DISCLOSURE TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS RELATED TO THE FINANCIAL IMPACT OF COVID 19 (CONTD.)**

The above supplementary information is provided to comply with the CBB circular reference OG/259/2020 (Financial impact of COVID 19) dated 14 July 2020.

The disclosure should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of COVID 19 is uncertain and is still evolving, the above is as of date of the preparation of this information. Circumstances may change which may result in this information to be out of date. In addition, this information does not represent the full comprehensive assessment of COVID 19 impact on the Group. This information is not subject to a formal review by the external auditors.