

Arab Insurance Group (B.S.C.)

**Condensed consolidated interim
financial statements for the
nine months ended 30 September 2022**



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

To the Board of Directors

Arab Insurance Group (B.S.C)

Manama

Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 September 2022 condensed consolidated interim financial statements of Arab Insurance Group (B.S.C) (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2022;
- the condensed consolidated statement of profit or loss for the three-month and nine month periods ended 30 September 2022;
- the condensed consolidated statement of comprehensive income for the three-month and nine month periods ended 30 September 2022;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2022; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this 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 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 September 2022 condensed consolidated interim financial statements is 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 and 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.

10 November 2022

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

(In thousands of U.S. Dollars)

	Note	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
ASSETS				
Cash and bank balances		197,206	59,055	97,794
Investments	4	195,169	424,970	390,503
Accrued income	5	1,485	2,148	3,104
Insurance receivables		7,594	29,141	33,952
Insurance deposits		18,730	21,728	20,435
Deferred policy acquisition costs		39	365	438
Reinsurers' share of technical provisions	6	8,885	38,516	40,030
Other assets	7	9,044	21,422	28,014
Investment property	8	4,511	4,622	4,514
Property and equipment	9	11,529	11,725	11,679
TOTAL ASSETS		454,192	613,692	630,463
LIABILITIES AND EQUITY				
LIABILITIES				
Technical provisions	10	141,191	255,778	277,837
Insurance payables		25,940	49,863	54,294
Other liabilities	11	21,478	29,093	27,979
TOTAL LIABILITIES		188,609	334,734	360,110
EQUITY				
Attributable to shareholders of parent company				
Share capital		220,000	220,000	220,000
Treasury stock		(14,793)	(14,793)	(14,793)
Reserves		39,154	55,198	54,618
Retained earnings (accumulated losses)		8,725	5,738	(2,003)
		253,086	266,143	257,822
Non-controlling interests		12,497	12,815	12,531
TOTAL EQUITY		265,583	278,958	270,353
TOTAL LIABILITIES AND EQUITY		454,192	613,692	630,463

These condensed consolidated interim financial statements were approved by the Board of Directors on 10 November 2022 and signed on its behalf by:



Saeed Mohammed AlBahhar
Chairman



Mohamed Ahmed Alkarbi
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.)

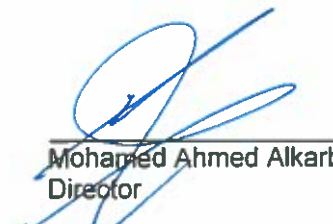
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(In thousands of U.S. Dollars)

	Note	For the three months ended 30 September 2022 (reviewed)	For the three months ended 30 September 2021 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed)	For the financial year-to-date 30 September 2021 (reviewed)	For the year ended 31 December 2021 (audited)
Earned premiums	12	410	2,916	1,897	12,313	13,800
Claims and related provisions	12	5,741	4,463	15,887	3,509	14,961
Policy acquisition costs	12	(96)	(539)	(110)	(1,646)	(2,468)
Investment income attributable to insurance funds	13	142	800	(753)	3,910	4,269
Operating expenses	14	(1,431)	(1,880)	(4,135)	(5,639)	(6,845)
Underwriting result	12	4,766	5,760	12,786	12,447	23,717
Investment income attributable to shareholders' funds	13	185	1,387	(949)	4,054	5,339
Operating expenses - non underwriting activities	14	(910)	(760)	(2,770)	(2,597)	(4,148)
Other income	15	141	298	1,597	3,020	3,467
Other expenses and provisions	16	(1,647)	(587)	(2,872)	(2,630)	(3,964)
Profit for the period		2,535	6,098	7,792	14,294	24,411
Attributable to:						
Non-controlling interests		107	101	18	73	346
Shareholders of parent company		2,428	5,997	7,774	14,221	24,065
		2,535	6,098	7,792	14,294	24,411
Earnings per share attributable to shareholders (basic and diluted):	17 (US cents)	1.2	3.0	3.9	7.2	12.1


Saeed Mohammed AlBahhar
Chairman


Mohamed Ahmed Alkarbi
Director


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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 NINE MONTHS ENDED 30 SEPTEMBER 2022

(In thousands of U.S. Dollars)

	For the three months ended 30 September 2022 (reviewed)	For the three months ended 30 September 2021 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed)	For the financial year-to-date 30 September 2021 (reviewed)	For the year ended 31 December 2021 (audited)
Profit for the period	2,535	6,098	7,792	14,294	24,411
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes on fair value of available for sale investments	(2,794)	(890)	(17,717)	(225)	(1,627)
Transfers for recognition of (gains) losses on disposal of available for sale investments	(747)	118	(1,114)	(2,101)	(2,515)
Transfers for impairment loss recognised on available for sale investments	197	-	2,617	558	862
Other comprehensive income for the period	(3,344)	(772)	(16,214)	(1,768)	(3,280)
Total comprehensive income for the period	(809)	5,326	(8,422)	12,526	21,131
Attributable to:					
Non-controlling interests	26	86	(318)	65	349
Shareholders of parent company	(835)	5,240	(8,104)	12,461	20,782
	(809)	5,326	(8,422)	12,526	21,131



Saeed Mohammed AlBahhar
Chairman



Mohamed Ahmed Alkarbi
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 CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(In thousands of U.S. Dollars)

	Share capital	Treasury Stock	Reserves			Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)	
			Legal	Investment revaluation	Property revaluation					Total
Balances at 31 December 2021	220,000	(14,793)	40,332	10,527	4,339	55,198	5,738	266,143	12,815	278,958
Net profit for the period	-	-	-	-	-	-	7,774	7,774	18	7,792
Changes on fair value of available for sale investments	-	-	-	(17,427)	-	(17,427)	-	(17,427)	(290)	(17,717)
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(1,062)	-	(1,062)	-	(1,062)	(52)	(1,114)
Transfers for impairment loss recognised on available for sale investments	-	-	-	2,611	-	2,611	-	2,611	6	2,617
Total comprehensive income for the period	-	-	-	(15,878)	-	(15,878)	7,774	(8,104)	(318)	(8,422)
Dividends declared	-	-	-	-	-	-	(4,953)	(4,953)	-	(4,953)
Transfer of net depreciation on revalued property	-	-	-	-	(166)	(166)	166	-	-	-
Balances at 30 September 2022	220,000	(14,793)	40,332	(5,351)	4,173	39,154	8,725	253,086	12,497	265,583

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 2021

(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 (audited)
			Legal	Investment revaluation	Property revaluation	Total				
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
Net profit for the year	-	-	-	-	-	-	24,065	24,065	346	24,411
Changes on fair value of available for sale investments	-	-	-	(1,614)	-	(1,614)	-	(1,614)	(13)	(1,627)
Transfers for recognition of (gains) losses on disposal of available for sale investments	-	-	-	(2,521)	-	(2,521)	-	(2,521)	6	(2,515)
Transfers for impairment loss recognised on available for sale investments	-	-	-	852	-	852	-	852	10	862
Total comprehensive income for the year	-	-	-	(3,283)	-	(3,283)	24,065	20,782	349	21,131
Transfer of net depreciation on revalued property	-	-	-	-	(222)	(222)	222	-	-	-
Transfer to (from) non-distributable reserves	-	-	2,407	-	-	2,407	(2,407)	-	-	-
Subsidiary's capital reduction	-	-	-	-	-	-	-	-	(4,600)	(4,600)
Balances at 31 December 2021	220,000	(14,793)	40,332	10,527	4,339	55,198	5,738	266,143	12,815	278,958

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 NINE MONTHS ENDED 30 SEPTEMBER 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				
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
Net profit for the period	-	-	-	-	-	-	14,221	14,221	73	14,294
Changes on fair value of available for sale investments	-	-	-	(216)	-	(216)	-	(216)	(9)	(225)
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(2,092)	-	(2,092)	-	(2,092)	(9)	(2,101)
Transfers for impairment loss recognised on available for sale investments	-	-	-	548	-	548	-	548	10	558
Total comprehensive income for the period	-	-	-	(1,760)	-	(1,760)	14,221	12,461	65	12,526
Transfer of net depreciation on revalued property	-	-	-	-	(166)	(166)	166	-	-	-
Transfer to (from) non-distributable reserves	-	-	248	-	-	248	(248)	-	-	-
Subsidiary's capital reduction	-	-	-	-	-	-	-	-	(4,600)	(4,600)
Balances at 30 September 2021	220,000	(14,793)	38,173	12,050	4,395	54,618	(2,003)	257,822	12,531	270,353

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 NINE MONTHS ENDED 30 SEPTEMBER 2022

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 September 2022 (reviewed)	For the financial year-to-date 30 September 2021 (reviewed)	For the year ended 31 December 2021 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Premiums received		16,827	24,106	28,613
Reinsurance premiums paid		(63,484)	(18,345)	(21,947)
Claims and acquisition costs paid		(46,908)	(128,700)	(147,660)
Reinsurance receipts in respect of claims		27,444	62,996	72,762
Investment income		2,175	42	43
Interest received		1,543	1,574	1,872
Operating expenses paid		(8,718)	(7,985)	(11,716)
Other (expenses) income, net		(2,666)	(5,131)	(3,319)
Insurance deposits received (paid), net		2,980	210	102
Sale of Trading Investment		4,000	-	-
Net cash used in operating activities	18	(66,807)	(71,233)	(81,250)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity/sale of investments		225,557	101,280	115,744
Purchase of investments		(31,093)	(40,562)	(92,173)
Term deposits with bank		(25,505)	8,472	18,473
Interest received		4,923	5,464	7,398
Investment income		3,682	2,448	2,572
Collateralised cash deposits		6,850	4,506	10,790
Purchase of property and equipment		(33)	(2)	(5)
Purchase of intangible assets		(17)	-	-
Sale of associate / subsidiary		-	-	90
Net cash provided by investing activities		184,364	81,606	62,889
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(4,953)	-	-
Dividend received from associate		49	-	-
Subsidiary's capital reduction - minority interests		-	(4,600)	(4,600)
Net cash used in financing activities		(4,904)	(4,600)	(4,600)
Net increase (decrease) in cash and cash equivalents		112,653	5,773	(22,961)
Effect of exchange rate on cash and cash equivalents		(7)	(7)	(11)
Cash and cash equivalents, beginning of period		40,464	63,436	63,436
Cash and cash equivalents, end of period		153,110	69,202	40,464
Term deposits with bank		44,096	28,592	18,591
Cash and bank balances, end of period		197,206	97,794	59,055

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 NINE MONTHS ENDED 30 SEPTEMBER 2022

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 2021.

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 2021 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 2022 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.)

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 Group 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.

RUSSIA – UKRAINE CONFLICT

The current ongoing conflict between Russia - Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

The management has carried out an assessment of its portfolio and has concluded that it does not have any material exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any.

In preparing the condensed consolidated interim financial statements, judgements made by the 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 statements, 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 2021.

3. 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 2021.

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.)

4. **A. INVESTMENTS**

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
<u>At fair value through profit or loss</u>			
Designated at fair value on initial recognition			
Debt securities			
- Investment grade	795	99,312	107,665
- Other	-	6,105	4,034
	795	105,417	111,699
<u>Held to maturity</u>			
Debt securities			
- Investment grade	5,679	6,002	5,998
- Other	7,458	8,060	8,060
	13,137	14,062	14,058
<u>Available for sale</u>			
Debt securities			
- Supra-nationals and OECD country governments	26,845	27,850	-
- Investment grade	106,063	162,946	156,680
- Other	33,252	96,494	89,187
Common stock of unlisted companies	2,741	3,205	3,123
Other equity type investment	11,796	14,111	14,823
	180,697	304,606	263,813
<u>Loans and receivables</u>	-	360	361
<u>Investment in associate</u>	540	525	572
	195,169	424,970	390,503

Debt securities amounting to US\$ nil (31 December 2021: US\$ 18.2 million; 30 September 2021: US\$ 26.1 million) have been pledged as security for reinsurance guarantees.

B. COMMITMENTS OUTSTANDING

The Group has commitments in respect of uncalled capital in available for sale investments amounting to US\$ 8.2 million (31 December 2021: US\$ 7.7 million; 30 September 2021: US\$ 7.2 million).

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

5. ACCRUED INCOME

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
Accrued insurance premiums	95	404	1,319
Accrued interest	1,390	1,744	1,785
	1,485	2,148	3,104

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
<u>General insurance business</u>			
- Claims outstanding	7,882	21,007	21,560
- Unreported claims	988	16,848	17,713
- Deferred retrocession premium reserve	1	645	739
	8,871	38,500	40,012
<u>Life insurance business</u>			
- Claims outstanding	13	15	15
- Unreported claims	1	1	3
	14	16	18
	8,885	38,516	40,030

7. OTHER ASSETS

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
Intangible assets:			
- Computer software	9,994	9,977	9,977
	9,994	9,977	9,977
Less: Accumulated amortisation	(9,658)	(9,648)	(9,643)
	336	329	334
Other assets			
- Collateralised cash deposits	7,761	14,611	20,895
- Other receivables	351	5,996	6,184
- Prepayments	596	486	601
	8,708	21,093	27,680
	9,044	21,422	28,014

Collateralised cash deposits have been pledged as security for reinsurance trust agreements, and guarantees.

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

8. INVESTMENT PROPERTY

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
Carrying value at 1 January	4,622	4,622	4,622
Reversal of Impairment	-	143	-
Depreciation	(111)	(143)	(108)
Carrying value at period-end	4,511	4,622	4,514

Investment property is carried at cost less accumulated depreciation and impairment. The carrying value of investment property approximates its fair value as at 30 September 2022 and fair value measurement has been categorised as Level 3.

9. PROPERTY and EQUIPMENT

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
Land	2,080	2,080	2,080
Building	9,833	9,833	9,459
Furniture & fixtures	6,921	6,921	6,921
Hardware	2,290	2,360	2,392
Office equipment	460	447	981
Others	397	397	397
	21,981	22,038	22,230
Less: Accumulated depreciation and Impairment			
Building	(507)	(222)	(260)
Furniture & fixtures	(6,907)	(6,906)	(6,906)
Hardware	(2,270)	(2,351)	(2,380)
Office equipment	(448)	(446)	(628)
Others	(320)	(388)	(377)
	(10,452)	(10,313)	(10,551)
	11,529	11,725	11,679

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.

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

10. TECHNICAL PROVISIONS

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
<u>General insurance business</u>			
- Claims outstanding	90,042	142,545	148,663
- Unreported losses	21,565	78,372	89,879
- Unearned premiums	537	3,956	6,481
	112,144	224,873	245,023
<u>Life insurance business</u>			
- Claims outstanding	8,119	10,973	11,193
- Unreported losses	20,917	19,767	21,408
- Unearned premiums	11	165	213
	29,047	30,905	32,814
	141,191	255,778	277,837

11. OTHER LIABILITIES

	US\$ '000		
	30 September 2022	31 December 2021	30 September 2021
Provision for probable loss estimates in subsidiary (note 21 (iii))	7,613	7,613	8,762
Non-reinsurance payables	2,307	6,990	4,941
Post-employment benefits	4,807	5,436	6,174
Accrued expense	4,545	6,719	5,448
Dividends payable	234	234	321
Reinsurance premiums accrued	1,219	1,219	1,257
Other	753	882	1,076
	21,478	29,093	27,979

12. 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. Segment assets and liabilities are reviewed by management only on aggregate basis.

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

12. SEGMENT INFORMATION (CONTD.)

- ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

US\$ '000									
Period ended 30 September 2022									
Non-life						Life		Total	
Property	Engineering	Marine	Accident	Whole account	Others	Short term	Long term		
REVENUES :									
Gross premiums written	157	(93)	(85)	(27)	691	82	(5)	50	770
Outward reinsurance premiums	(42)	(580)	11	-	(1,066)	-	(15)	(10)	(1,702)
Change in unearned premiums - gross	-	272	-	67	1,822	1,315	-	154	3,630
Change in unearned premiums - reinsurance	-	(7)	-	-	(796)	2	-	-	(801)
Net earned premiums	115	(408)	(74)	40	651	1,399	(20)	194	1,897
Investment income attributable to insurance funds	(1,275)	1,674	(8)	(207)	(189)	(281)	(315)	(152)	(753)
	(1,160)	1,266	(82)	(167)	462	1,118	(335)	42	1,144
COSTS AND EXPENSES :									
Gross claims paid	(2,499)	(4,199)	(1,694)	(313)	(24,444)	(1,811)	(404)	(9)	(35,373)
Claims recovered from reinsurers	64	438	322	13	7,512	7	-	-	8,356
Change in provision for outstanding claims - gross	6,455	4,974	2,646	723	10,477	1,783	2,599	256	29,913
Change in provision for outstanding claims - reinsurance	(259)	(622)	(368)	(89)	(2,563)	(1)	(1)	(2)	(3,905)
Change in provision for unreported losses - gross	1,558	3,606	186	1,022	15,742	674	(545)	(605)	21,638
Change in provision for unreported losses - reinsurance	-	(183)	-	6	(4,425)	(140)	-	-	(4,742)
Claims and related provisions	5,319	4,014	1,092	1,362	2,299	512	1,649	(360)	15,887
Policy acquisition costs	52	88	(157)	29	(258)	43	106	3	(94)
Policy acquisition costs recovered from reinsurers	2	40	15	1	-	-	-	-	58
Change in deferred policy acquisition costs - gross	-	(58)	-	(16)	-	-	-	(1)	(75)
Change in deferred policy acquisition costs - reinsurance	-	1	-	-	-	-	-	-	1
Policy acquisition costs	54	71	(142)	14	(258)	43	106	2	(110)
Operating expenses	(1,846)	(116)	(453)	(362)	(94)	(713)	(446)	(105)	(4,135)
Underwriting result	2,367	5,235	415	847	2,409	960	974	(421)	12,786

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

12. SEGMENT INFORMATION (CONTD.)

- ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

	US\$ '000								
	Year ended 31 December 2021								
	Non-life					Life		Total	
	Property	Engineering	Marine	Accident	Whole account	Others	Short term		Long term
REVENUES :									
Gross premiums written*	(1,134)	(253)	(1,285)	(775)	69	(459)	222	146	(3,469)
Outward reinsurance premiums	(1,121)	(501)	66	26	643	9	(17)	(104)	(999)
Change in unearned premiums - gross	49	2,584	255	243	14,343	5,182	-	150	22,806
Change in unearned premiums - reinsurance	-	(207)	(10)	-	(4,321)	-	-	-	(4,538)
Net earned premiums	(2,206)	1,623	(974)	(506)	10,734	4,732	205	192	13,800
Investment income attributable to insurance funds	1,519	124	171	256	19	1,054	803	323	4,269
	(687)	1,747	(803)	(250)	10,753	5,786	1,008	515	18,069
COSTS AND EXPENSES :									
Gross claims paid	(10,704)	(6,983)	(2,493)	(833)	(66,476)	(4,565)	(2,203)	(167)	(94,424)
Claims recovered from reinsurers	416	590	319	47	23,523	18	-	1	24,914
Change in provision for outstanding claims - gross	9,958	5,286	5,880	1,283	16,995	2,553	1,605	(175)	43,385
Change in provision for outstanding claims - reinsurance	(538)	(230)	(297)	(12)	(6,222)	(202)	(2)	1	(7,502)
Change in provision for unreported losses - gross	9,768	4,565	3,891	1,916	39,487	3,409	6,164	(4,164)	65,036
Change in provision for unreported losses - reinsurance	(426)	(667)	(223)	(72)	(14,235)	(818)	(7)	-	(16,448)
Claims and related provisions	8,474	2,561	7,077	2,329	(6,928)	395	5,557	(4,504)	14,961
Policy acquisition costs	1,259	165	363	437	(3,842)	238	(196)	67	(1,509)
Policy acquisition costs recovered from reinsurers	23	(78)	(36)	(26)	12	(1)	-	-	(106)
Change in deferred policy acquisition costs - gross	(14)	(828)	(70)	(59)	-	35	-	(2)	(938)
Change in deferred policy acquisition costs - reinsurance	-	82	3	-	-	-	-	-	85
Policy acquisition costs	1,268	(659)	260	352	(3,830)	272	(196)	65	(2,468)
Operating expenses	(2,388)	(1,214)	(759)	(497)	(102)	(1,048)	(709)	(128)	(6,845)
Underwriting result	6,667	2,435	5,775	1,934	(107)	5,405	5,660	(4,052)	23,717

*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.

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

12. SEGMENT INFORMATION (CONTD.)

- ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

	US\$ '000								
	Period ended 30 September 2021								
	Non-life					Life		Total	
	Property	Engineering	Marine	Accident	Whole account	Others	Short term		Long term
REVENUES :									
Gross premiums written*	(857)	(206)	(1,060)	(549)	(422)	(468)	111	149	(3,302)
Outward reinsurance premiums	(849)	(359)	66	20	1,851	(3)	(19)	(89)	618
Change in unearned premiums - gross	47	2,173	254	213	12,070	3,957	-	102	18,816
Change in unearned premiums - reinsurance	-	(191)	(10)	-	(3,618)	-	-	-	(3,819)
Net earned premiums	(1,659)	1,417	(750)	(316)	9,881	3,486	92	162	12,313
Investment income attributable to insurance funds	1,396	103	156	235	15	969	739	297	3,910
	(263)	1,520	(594)	(81)	9,896	4,455	831	459	16,223
COSTS AND EXPENSES :									
Gross claims paid	(10,158)	(5,533)	(1,973)	(569)	(56,893)	(4,146)	(2,034)	(64)	(81,370)
Claims recovered from reinsurers	267	301	278	40	20,151	-	-	1	21,038
Change in provision for outstanding claims - gross	7,155	3,098	4,518	800	13,311	1,902	1,390	(180)	31,994
Change in provision for outstanding claims - reinsurance	(277)	(151)	(254)	17	(4,809)	(12)	(2)	1	(5,487)
Change in provision for unreported losses - gross	6,325	4,701	2,095	852	33,584	3,950	4,751	(4,392)	51,866
Change in provision for unreported losses - reinsurance	(339)	(536)	(104)	(9)	(12,700)	(840)	(4)	-	(14,532)
Claims and related provisions	2,973	1,880	4,560	1,131	(7,356)	854	4,101	(4,634)	3,509
Policy acquisition costs	1,199	53	417	366	(3,158)	221	6	41	(855)
Policy acquisition costs recovered from reinsurers	29	(56)	(32)	(22)	12	(1)	-	-	(70)
Change in deferred policy acquisition costs - gross	(14)	(696)	(70)	(52)	-	36	-	(2)	(798)
Change in deferred policy acquisition costs - reinsurance	-	76	3	-	-	(2)	-	-	77
Policy acquisition costs	1,214	(623)	318	292	(3,146)	254	6	39	(1,646)
Operating expenses	(1,846)	(1,000)	(588)	(386)	(40)	(944)	(713)	(122)	(5,639)
Underwriting result	2,078	1,777	3,696	956	(646)	4,619	4,225	(4,258)	12,447

*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.

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

13. INVESTMENT INCOME

	US\$ '000				
	Financial year-to-date 30 September 2022			Financial year-to-date 30 September 2021	Year ended 31 December 2021
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	253	432	685	695	900
- Others	1,912	3,515	5,427	6,108	8,094
Realised gains on available for sale	370	744	1,114	2,101	2,515
(Loss) gain on remeasurement of investments at fair value through profit or loss					
- Held for trading investments	-	-	-	470	469
- Investments designated at fair value through profit or loss	(1,844)	(3,217)	(5,061)	(469)	(973)
Impairment loss					
- Available for sale - debt securities	(868)	(1,479)	(2,347)	(150)	(416)
- Available for sale - other	(95)	(175)	(270)	(408)	(446)
- Held to maturity	(348)	(593)	(941)	-	-
Income from associate	-	64	64	82	125
Other	(133)	(240)	(373)	(465)	(660)
	(753)	(949)	(1,702)	7,964	9,608

14. OPERATING EXPENSES

	US\$ '000				
	Financial year-to-date 30 September 2022			Financial year-to-date 30 September 2021	Year ended 31 December 2021
	Underwriting	Non- Underwriting	Total		
Salaries and benefits	2,398	1,690	4,088	4,993	6,321
General and administration	1,737	1,080	2,817	3,243	4,672
	4,135	2,770	6,905	8,236	10,993

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

15. OTHER INCOME

	US\$ '000		
	Financial year-to-date 30 September 2022	Financial year-to-date 30 September 2021	Year ended 31 December 2021
Third party administration services	324	321	356
Reversal of provisions	500	2,162	2,200
Other	773	537	911
	1,597	3,020	3,467

16. OTHER EXPENSES AND PROVISIONS

	US\$ '000		
	Financial year-to-date 30 September 2022	Financial year-to-date 30 September 2021	Year ended 31 December 2021
Foreign exchange loss	2,230	2,391	2,772
Investment property impairment and depreciation	111	107	-
(Write back) provision for doubtful receivable & deposits	-	-	(24)
Other, net	531	132	1,216
	2,872	2,630	3,964

17. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		Financial year-to-date 30 September 2022	Financial year-to-date 30 September 2021	Year ended 31 December 2021
Weighted average number of shares outstanding	'000	198,115	198,032	198,115
Net profit	US\$'000	7,774	14,221	24,065
Earnings per share	US cents	3.9	7.2	12.1

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

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

	US\$ '000		
	Financial year-to-date 30 September 2022	Financial year-to-date 30 September 2021	Year ended 31 December 2021
Profit for the period	7,792	14,294	24,411
Change in insurance funds	(81,632)	(91,901)	(113,666)
Change in insurance receivable/payable, net	(2,376)	12,410	12,790
Change in accrued income	663	5,682	6,638
Change in other assets/liabilities, net	8,746	(11,718)	(11,423)
Net cash used in operating activities	(66,807)	(71,233)	(81,250)

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	US\$'000	
	Dividends	Non-controlling Interest
Balances at 31 December 2021	234	12,815
Share of comprehensive income	-	(318)
Balances at 30 September 2022	234	12,497
Balances at 31 December 2020	321	17,066
Share of comprehensive income	-	65
Subsidiary's capital reduction	-	(4,600)
Balances at 30 September 2021	321	12,531
Balances at 31 December 2020	321	17,066
Share of comprehensive income	-	349
Exchange adjustments on dividends	(87)	-
Subsidiary's capital reduction	-	(4,600)
Balances at 31 December 2021	234	12,815

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

20. FAIR VALUE DISCLOSURE

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

US\$ '000							
30 September 2022							
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	-	197,206	-	-	-	197,206	197,206
Investments	795	-	13,137	180,697	-	194,629	194,637
Accrued income	-	1,485	-	-	-	1,485	1,485
Insurance receivables	-	7,594	-	-	-	7,594	7,594
Insurance deposits	-	18,730	-	-	-	18,730	18,730
Other assets	-	8,112	-	-	-	8,112	8,112
LIABILITIES							
Insurance payables	-	-	-	-	25,940	25,940	25,940
Other liabilities	-	-	-	-	9,320	9,320	9,320

US\$ '000							
31 December 2021							
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	-	59,055	-	-	-	59,055	59,055
Investments	105,417	360	14,062	304,606	-	424,445	424,664
Accrued income	-	2,148	-	-	-	2,148	2,148
Insurance receivables	-	29,141	-	-	-	29,141	29,141
Insurance deposits	-	21,728	-	-	-	21,728	21,728
Other assets	-	20,607	-	-	-	20,607	20,607
LIABILITIES							
Insurance payables	-	-	-	-	49,863	49,863	49,863
Other liabilities	-	-	-	-	14,761	14,761	14,761

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

20. FAIR VALUE DISCLOSURE (CONTD.)

US\$ '000							
30 September 2021							
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	-	97,794	-	-	-	97,794	97,794
Investments	111,699	361	14,058	263,813	-	389,931	390,279
Accrued income	-	3,104	-	-	-	3,104	3,104
Insurance receivables	-	33,952	-	-	-	33,952	33,952
Insurance deposits	-	20,435	-	-	-	20,435	20,435
Other assets	-	27,079	-	-	-	27,079	27,079
LIABILITIES							
Insurance payables	-	-	-	-	54,294	54,294	54,294
Other liabilities	-	-	-	-	13,769	13,769	13,769

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.

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

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 categorized:

US\$'000				
30 September 2022	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
<u>Designated at fair value on initial recognition</u>				
Debt securities	-	795	-	795
<u>Available for sale</u>				
Debt securities	50,542	115,618	-	166,160
Common stock of unlisted companies	-	-	2,741	2,741
Other	-	-	11,796	11,796
<u>Forward foreign exchange contracts</u>				
	-	1,192	-	1,192
	50,542	117,605	14,537	182,684

US\$'000				
31 December 2021	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
<u>Designated at fair value on initial recognition</u>				
Debt securities	18,383	87,034	-	105,417
<u>Available for sale</u>				
Debt securities	146,308	140,982	-	287,290
Common stock of unlisted companies	-	-	3,205	3,205
Other	-	-	14,111	14,111
<u>Forward foreign exchange contracts</u>				
	-	304	-	304
	164,691	228,320	17,316	410,327

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

20. FAIR VALUE DISCLOSURE (CONTD.)

US\$'000				
30 September 2021	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
Designated at fair value on initial recognition				
Debt securities	57,436	54,263	-	111,699
<u>Available for sale</u>				
Debt securities	87,905	157,962	-	245,867
Common stock of unlisted companies	-	-	3,123	3,123
Other	-	-	14,823	14,823
<u>Forward foreign exchange contracts</u>	-	278	-	278
	145,341	212,503	17,946	375,790

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

US\$ '000			
30 September 2022	Unlisted equity	Other	Total
Balances at 1 January 2022	3,205	14,111	17,316
Loss recognised in:			
- Other comprehensive income	(168)	(614)	(782)
Investments made during the period	33	106	139
Investments redeemed during the period	(329)	(1,807)	(2,136)
Balances at 30 September 2022	2,741	11,796	14,537

US\$'000			
31 December 2021	Unlisted equity	Other	Total
Balances at 1 January 2021	3,349	16,236	19,585
Gain recognised in:			
- Other comprehensive income	179	1,180	1,359
Investments made during the year	12	518	530
Investments redeemed during the year	(335)	(3,823)	(4,158)
Balances at 31 December 2021	3,205	14,111	17,316

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

20. FAIR VALUE DISCLOSURE (CONTD.)

	US\$ '000		
	Unlisted equity	Other	Total
30 September 2021			
Balances at 1 January 2021	3,349	16,236	19,585
Gain recognised in:			
- Other comprehensive income	28	1,074	1,102
Investments made during the period	12	422	434
Investments redeemed during the period	(266)	(2,909)	(3,175)
Balances at 30 September 2021	3,123	14,823	17,946

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 30 September 2022, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2021: nil; 30 September 2021: 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.)

21. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 30 September 2022, 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 Warranty
Gulf Warranties W.L.L. (under voluntary liquidation)	Kingdom of Bahrain	100%	Nil	
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 2021. The Company holds 49% of the equity shares in its associate company Arima Insurance software W.L.L.

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

	US\$ '000		
	Financial year-to-date 30 September 2022	Financial year-to-date 30 September 2021	Year ended 31 December 2021
Non-controlling interests	46%	46%	46%
Total assets	37,029	39,440	39,417
Total liabilities	9,860	12,199	11,558
Net assets	27,169	27,241	27,859
Revenue	(23)	1	109
Profit for the period	39	159	753
Total comprehensive income	(690)	140	758
Comprehensive income attributable to non-controlling interests	(318)	65	349
Net cash used in operating activities	(1,337)	(1,737)	(1,972)
Net cash (used in) provided by investing activities	(310)	2,638	3,664
Net cash used in financing activities	-	(10,000)	(10,000)
Net decrease in cash and cash equivalents	(1,647)	(9,099)	(8,308)

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.

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 has been reduced to US\$ 7.6 million in the books of the subsidiary and consequently in the condensed consolidated interim financial statements of the Group for the period ended 30 September 2022. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.

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 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:

	US\$ '000		
	Financial year-to-date 30 September 2022	Financial year-to-date 30 September 2021	Year ended 31 December 2021
a) Service fees for administration services provided by associate	269	359	447
b) Balances outstanding - Payables	30	196	198

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 September 2022	Financial year-to-date 30 September 2021	Year ended 31 December 2021
a) Directors			
- Remuneration proposed	-	-	500
- Attendance fees	197	180	267
- Travel expenses	76	-	4
b) Key management compensation			
- Salaries and other short-term employee benefits	260	260	347
- Post-employment benefits	107	37	49
- Others	14	-	15
c) Balances payable to key management	341	554	566