

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

**Condensed consolidated interim  
financial statements for the  
six months ended 30 June 2018**



**Independent auditor's review report to the Board of Directors of  
Arab Insurance Group (B.S.C.)**

**Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arab Insurance Group (B.S.C.) (the "Company") and its subsidiaries (together the "Group") as at 30 June 2018 and the related condensed consolidated statements of income, comprehensive income for the three month and six month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). 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 interim financial information 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as issued by IASB.

**Emphasis of matter**

We draw attention to note 21 (iii) to these condensed consolidated interim financial statements which describes the uncertainty related to the future claims or losses resulting from the alleged fraud committed by certain employees of the Group's subsidiary company, Gulf Warranties W.L.L. (the "Subsidiary"). The Subsidiary's management is in the process of performing a full assessment and investigations in relation to the completeness and accuracy of its extended warranty contracts. Our report is not modified in respect of this matter.

  
16 August 2018

Partner registration number: 196  
Manama, Kingdom of Bahrain

**ARAB INSURANCE GROUP (B.S.C.)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

(In thousands of U.S. Dollars)

|   | Note | 30 June<br>2018<br>(reviewed) | 31 December<br>2017<br>(audited) | 30 June<br>2017<br>(reviewed) |
|---|------|-------------------------------|----------------------------------|-------------------------------|
| <b>ASSETS</b>   |      |                               |                                  |                               |
| Cash and bank balances                                |      | 102,378                       | 82,673                           | 152,242                       |
| Investments   | 5    | 544,119                       | 579,686                          | 524,909                       |
| Accrued income  | 6    | 140,323                       | 103,096                          | 173,581                       |
| Insurance receivables                                 |      | 122,987                       | 110,923                          | 108,149                       |
| Insurance deposits                                    |      | 26,719                        | 25,809                           | 26,919                        |
| Deferred policy acquisition costs                     |      | 31,021                        | 22,660                           | 26,731                        |
| Reinsurers' share of technical provisions             | 7    | 103,951                       | 112,391                          | 71,377                        |
| Other assets  | 8    | 39,120                        | 28,806                           | 26,394                        |
| Property and equipment                                | 9    | 19,718                        | 20,085                           | 21,173                        |
| <b>TOTAL ASSETS</b>                                   |      | <b>1,130,336</b>              | <b>1,086,129</b>                 | <b>1,131,475</b>              |
| <b>LIABILITIES AND EQUITY</b>                         |      |                               |                                  |                               |
| <b>LIABILITIES</b>                                    |      |                               |                                  |                               |
| Technical provisions                                  | 10   | 700,426                       | 680,451                          | 707,382                       |
| Insurance payables                                    |      | 62,924                        | 53,337                           | 47,204                        |
| Borrowings  |      | 37,000                        | 34,000                           | 34,000                        |
| Other liabilities                                     | 11   | 73,993                        | 35,959                           | 50,132                        |
| <b>TOTAL LIABILITIES</b>                              |      | <b>874,343</b>                | <b>803,747</b>                   | <b>838,718</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  |      | 35,122                        | 41,178                           | 42,501                        |
| (Accumulated losses) retained earnings                |      | (11,788)                      | 10,549                           | 8,011                         |
|   |      | 228,541                       | 256,934                          | 255,719                       |
| <b>Non-controlling interests</b>                      |      | <b>27,452</b>                 | <b>25,448</b>                    | <b>37,038</b>                 |
| <b>TOTAL EQUITY</b>                                   |      | <b>255,993</b>                | <b>282,382</b>                   | <b>292,757</b>                |
| <b>TOTAL LIABILITIES AND EQUITY</b>                   |      | <b>1,130,336</b>              | <b>1,086,129</b>                 | <b>1,131,475</b>              |

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 August 2018 and signed on its behalf by:

  
 Saeed Mohammed AlBahhar  
 Chairman

  
 Ahmed Saeed Alnahri  
 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 INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

(In thousands of U.S. Dollars)

|  | Note          | For the<br>three months<br>ended<br>30 June<br>2018<br>(reviewed) | For the<br>three months<br>ended<br>30 June<br>2017<br>(reviewed) | For the<br>financial<br>year-to-date<br>30 June<br>2018<br>(reviewed) | For the<br>financial<br>year-to-date<br>30 June<br>2017<br>(reviewed) | For the<br>year<br>ended<br>31 December<br>2017<br>(audited) |
|--|---------------|---|---|---|---|--|
| Gross premiums written   | 12            | 18,376  | 16,816  | 187,514   | 189,594   | 225,632  |
| Net earned premiums  | 12            | 50,590  | 45,121  | 104,562   | 86,433  | 179,938  |
| Claims and related expenses  | 12            | (33,688)  | (22,721)  | (74,544)  | (50,149)  | (124,603)  |
| Policy acquisition costs   | 12            | (14,936)  | (15,534)  | (27,342)  | (27,686)  | (49,803)   |
| Investment income attributable to<br>insurance funds   | 13            | 2,067   | 3,347   | 4,921   | 7,150   | 13,268   |
| Operating expenses   | 14            | (3,337)   | (2,558)   | (6,868)   | (7,393)   | (12,995)   |
| <b>Underwriting result</b>   | 12            | 696   | 7,655   | 729   | 8,355   | 5,805  |
| Investment income attributable to<br>shareholders' funds                                     | 13            | 1,638   | 2,575   | 3,892   | 5,349   | 9,238  |
| Operating expenses - non<br>underwriting activities  | 14            | (2,194)   | (2,830)   | (4,327)   | (5,289)   | (9,298)  |
| Borrowing cost   |               | (288)   | (233)   | (539)   | (492)   | (947)  |
| Other income   | 15            | 26  | 830   | 1,851   | 1,718   | 5,358  |
| Other expenses and provisions  | 16            | (21,305)  | (3,630)   | (21,753)  | (4,751)   | (1,971)  |
| <b>(Loss) profit for the period</b>  |               | <b>(21,427)</b>   | <b>4,367</b>  | <b>(20,147)</b>   | <b>4,890</b>  | <b>8,185</b>   |
| <b>Attributable to:</b>  |               |   |   |   |   |  |
| Non-controlling interests  |               | 1,509   | 774   | 2,287   | 812   | 963  |
| Shareholders of parent company   |               | (22,936)  | 3,593   | (22,434)  | 4,078   | 7,222  |
| <b>(Losses) earnings per share<br/>attributable to shareholders<br/>(basic and diluted):</b> | 17 (US cents) | <b>(11.6)</b>   | <b>1.8</b>  | <b>(11.3)</b>   | <b>2.1</b>  | <b>3.6</b>   |

  
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 COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(In thousands of U.S. Dollars)

|   | For the<br>three months<br>ended<br>30 June<br>2018<br>(reviewed) | For the<br>three months<br>ended<br>30 June<br>2017<br>(reviewed) | For the<br>financial<br>year-to-date<br>30 June<br>2018<br>(reviewed) | For the<br>financial<br>year-to-date<br>30 June<br>2017<br>(reviewed) | For the<br>year<br>ended<br>31 December<br>2017<br>(audited) |
|---|---|---|---|---|--|
| (Loss) profit for the period  | (21,427)  | 4,367   | (20,147)  | 4,890   | 8,185  |
| <b>Other comprehensive income</b>   |   |   |   |   |  |
| <b>Items that will be reclassified to profit or loss:</b>                                 |   |   |   |   |  |
| Changes on remeasurement of available for sale investments                                | (2,853)   | 1,254   | (6,112)   | 5,636   | 3,933  |
| Transfers for recognition of losses (gains) on disposal of available for sale investments | 261   | (569)   | (130)   | (1,282)   | (2,904)  |
| Transfers for impairment loss recognised on available for sale investments                | -   | -   | -   | 601   | 2,609  |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>                |   |   |   |   |  |
| Revaluation of property   | -   | -   | -   | -   | (853)  |
| <b>Other comprehensive income for the period</b>  | <b>(2,592)</b>  | <b>685</b>  | <b>(6,242)</b>  | <b>4,955</b>  | <b>2,785</b>   |
| <b>Total comprehensive (loss) income for the period</b>                                   | <b>(24,019)</b>   | <b>5,052</b>  | <b>(26,389)</b>   | <b>9,845</b>  | <b>10,970</b>  |

Attributable to:

|                                |          |       |          |       |        |
|--------------------------------|----------|-------|----------|-------|--------|
| Non-controlling interests      | 1,374    | 730   | 2,004    | 858   | 768    |
| Shareholders of parent company | (25,393) | 4,322 | (28,393) | 8,987 | 10,202 |
|                                | (24,019) | 5,052 | (26,389) | 9,845 | 10,970 |

  
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 CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(In thousands of U.S. Dollars)

|  | Share capital | Treasury stock | Reserves |                        |                      |         | Total    | Retained earnings (accumulated losses) | Attributable to shareholders of parent company | Non-controlling interests | Total equity (reviewed) |
|--|---------------|----------------|----------|------------------------|----------------------|---------|----------|--|--|---------------------------|-------------------------|
|  |               |                | Legal    | Investment revaluation | Property revaluation |         |          |  |  |                           |                         |
| <b>Balances at 31 December 2017</b>  | 220,000       | (14,793)       | 34,816   | 1,862                  | 4,500                | 41,178  | 10,549   | 256,934                                | 25,448   | 282,382                   |                         |
| Net (loss) profit for the period   | -             | -              | -        | -                      | -                    | -       | (22,434) | (22,434)                               | 2,287  | (20,147)                  |                         |
| Changes on remeasurement of available for sale investments                       | -             | -              | -        | (5,956)                | -                    | (5,956) | -        | (5,956)                                | (156)  | (6,112)                   |                         |
| Transfers for recognition of gains on disposal of available for sale investments | -             | -              | -        | (3)                    | -                    | (3)     | -        | (3)                                    | (127)  | (130)                     |                         |
| <b>Total comprehensive (loss) income for the period</b>                          | -             | -              | -        | (5,959)                | -                    | (5,959) | (22,434) | (28,393)                               | 2,004  | (26,389)                  |                         |
| Transfer of net depreciation on revalued property                                | -             | -              | -        | -                      | (97)                 | (97)    | 97       | -                                      | -  | -                         |                         |
| <b>Balances at 30 June 2018</b>  | 220,000       | (14,793)       | 34,816   | (4,097)                | 4,403                | 35,122  | (11,788) | 228,541                                | 27,452   | 255,993                   |                         |

**Balances at 31 December 2017**

Net (loss) profit for the period  
Changes on remeasurement of available for sale investments  
Transfers for recognition of gains on disposal of available for sale investments  
**Total comprehensive (loss) income for the period**  
Transfer of net depreciation on revalued property

**Balances at 30 June 2018**

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 YEAR ENDED 31 DECEMBER 2017**

(In thousands of U.S. Dollars)

|  | Share capital | Treasury stock | Reserves |                        |                      | Retained earnings | Attributable to shareholders of parent company | Non-controlling interests | Total equity |
|--|---------------|----------------|----------|------------------------|----------------------|-------------------|--|---------------------------|--------------|
|  |               |                | Legal    | Investment revaluation | Property revaluation |                   |  |                           |              |
| Balances at 31 December 2016   | 220,000       | (14,793)       | 34,094   | (1,971)                | 5,561                | 13,743            | 256,634  | 36,180                    | 292,814      |
| Net profit for the year  | -             | -              | -        | -                      | -                    | 7,222             | 7,222  | 963                       | 8,185        |
| Changes on remeasurement of available for sale investments                       | -             | -              | -        | 4,257                  | -                    | -                 | 4,257  | (324)                     | 3,933        |
| Transfers for recognition of gains on disposal of available for sale investments | -             | -              | -        | (2,656)                | -                    | -                 | (2,656)  | (248)                     | (2,904)      |
| Transfers for impairment loss recognised on available for sale investments       | -             | -              | -        | 2,232                  | -                    | -                 | 2,232  | 377                       | 2,609        |
| Revaluation of property  | -             | -              | -        | -                      | (853)                | -                 | (853)  | -                         | (853)        |
| Total comprehensive income (loss) for the year                                   | -             | -              | -        | 3,833                  | (853)                | 7,222             | 10,202   | 768                       | 10,970       |
| Dividends paid   | -             | -              | -        | -                      | -                    | (9,902)           | (9,902)  | -                         | (9,902)      |
| Transfer of net depreciation on revalued property                                | -             | -              | -        | -                      | (208)                | 208               | -  | -                         | -            |
| Transfer to non-distributable reserves   | -             | -              | 722      | -                      | -                    | (722)             | -  | -                         | -            |
| Subsidiary's capital reduction   | -             | -              | -        | -                      | -                    | -                 | -  | (11,500)                  | (11,500)     |
| Balances at 31 December 2017   | 220,000       | (14,793)       | 34,816   | 1,862                  | 4,500                | 10,549            | 256,934  | 25,448                    | 282,382      |

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 SIX MONTHS ENDED 30 JUNE 2017

(In thousands of U.S. Dollars)

|  | Share capital | Treasury stock | Legal  | Reserves               |                      |         | Total   | Retained earnings | Attributable to shareholders of parent company | Non-controlling interests | Total equity (reviewed) |
|--|---------------|----------------|--------|------------------------|----------------------|---------|---------|-------------------|--|---------------------------|-------------------------|
|  |               |                |        | Investment revaluation | Property revaluation |         |         |                   |  |                           |                         |
| Balances at 31 December 2016   | 220,000       | (14,793)       | 34,094 | (1,971)                | 5,561                | 37,684  | 13,743  | 256,634           | 36,180   | 292,814                   |                         |
| Net profit for the period  | -             | -              | -      | -                      | -                    | -       | 4,078   | 4,078             | 812  | 4,890                     |                         |
| Changes on remeasurement of available for sale investments                       | -             | -              | -      | 5,567                  | -                    | 5,567   | -       | 5,567             | 69   | 5,636                     |                         |
| Transfers for recognition of gains on disposal of available for sale investments | -             | -              | -      | (1,259)                | -                    | (1,259) | -       | (1,259)           | (23)   | (1,282)                   |                         |
| Transfers for impairment loss recognised on available for sale investments       | -             | -              | -      | 601                    | -                    | 601     | -       | 601               | -  | 601                       |                         |
| Total comprehensive income for the period  | -             | -              | -      | 4,909                  | -                    | 4,909   | 4,078   | 8,987             | 858  | 9,845                     |                         |
| Dividends paid   | -             | -              | -      | -                      | -                    | -       | (9,902) | (9,902)           | -  | (9,902)                   |                         |
| Transfer of net depreciation on revalued property                                | -             | -              | -      | -                      | (92)                 | (92)    | 92      | -                 | -  | -                         |                         |
| Balances at 30 June 2017   | 220,000       | (14,793)       | 34,094 | 2,938                  | 5,469                | 42,501  | 8,011   | 255,719           | 37,038   | 292,757                   |                         |

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



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(In thousands of U.S. Dollars)

|   | Note | For the<br>financial<br>year-to-date<br>30 June<br>2018<br>(reviewed) | For the<br>financial<br>year-to-date<br>30 June<br>2017<br>(reviewed) | For the<br>year<br>ended<br>31 December<br>2017<br>(audited) |
|---|------|---|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |   |   |  |
| Premiums received   |      | 153,020   | 119,282   | 183,675  |
| Reinsurance premiums paid                                   |      | (50,246)  | (22,109)  | (25,581)   |
| Claims and acquisition costs paid                           |      | (114,542)   | (140,675)   | (194,866)  |
| Reinsurance receipts in respect of claims                   |      | 11,754  | 5,026   | 5,249  |
| Investment income   |      | 646   | 148   | 21   |
| Interest received   |      | 1,260   | 1,354   | 2,790  |
| Dividends received  |      | 947   | 607   | 842  |
| Operating expenses paid                                     |      | (11,454)  | (14,190)  | (30,330)   |
| Other (expenses) income, net                                |      | (11,928)  | (933)   | (2,405)  |
| Insurance deposits (paid) received, net                     |      | (648)   | 1,095   | 2,782  |
| Purchase of trading investments                             |      | (5,996)   | (6,799)   | (19,670)   |
| Sale of trading investments                                 |      | 10,317  | 7,627   | 13,026   |
| <b>Net cash used in operating activities</b>                | 18   | <b>(16,870)</b>   | <b>(49,567)</b>   | <b>(64,467)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |   |   |  |
| Maturity/sale of investments                                |      | 74,310  | 175,300   | 258,971  |
| Purchase of investments                                     |      | (39,111)  | (136,178)   | (266,924)  |
| Term deposits with bank                                     |      | (17,086)  | (26,601)  | 21,317   |
| Interest received   |      | 5,264   | 4,579   | 8,652  |
| Investment income   |      | 22  | 1,038   | 3,298  |
| Collateralised cash deposits                                |      | (5,674)   | (6,510)   | (8,095)  |
| Purchase of property and equipment                          |      | (44)  | (71)  | (233)  |
| Purchase of intangible assets                               |      | (66)  | (304)   | (463)  |
| Investment in associate                                     |      | (100)   | -   | -  |
| <b>Net cash provided by investing activities</b>            |      | <b>17,515</b>   | <b>11,253</b>   | <b>16,523</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |   |   |  |
| Borrowings  | 19   | 3,000   | (7,000)   | (7,000)  |
| Borrowing cost  |      | (757)   | (619)   | (767)  |
| Dividends paid  | 19   | (239)   | (8,879)   | (9,255)  |
| Subsidiary's capital reduction-minority interests           |      | -   | -   | (11,500)   |
| <b>Net cash provided by (used in) financing activities</b>  |      | <b>2,004</b>  | <b>(16,498)</b>   | <b>(28,522)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b> |      | <b>2,649</b>  | <b>(54,812)</b>   | <b>(76,466)</b>  |
| Effect of exchange rates on cash and cash equivalents       |      | (30)  | (7)   | (4)  |
| Cash and cash equivalents, beginning of period              |      | 62,938  | 139,408   | 139,408  |
| <b>Cash and cash equivalents, end of period</b>             |      | <b>65,557</b>   | <b>84,589</b>   | <b>62,938</b>  |
| Term deposits with bank                                     |      | 36,821  | 67,653  | 19,735   |
| <b>Cash and bank balances, end of period</b>                |      | <b>102,378</b>  | <b>152,242</b>  | <b>82,673</b>  |

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 SIX MONTHS ENDED 30 JUNE 2018

### 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) which allows the interim financial information to be prepared in condensed form. The condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

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 2017 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 2018 except IFRS 9 Financial Instruments, for which the Group has applied the temporary exemption available under IFRS 4 Insurance Contracts. Accordingly, the Group will apply this standard for annual period beginning 1 January 2021.

### 3. SEASONALITY OF INTERIM OPERATIONS

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

### 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 2017.

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. INVESTMENTS**

|  | US\$ '000       |                     |                 |
|--|-----------------|---------------------|-----------------|
|  | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| <b><u>At fair value through profit or loss</u></b>     |                 |                     |                 |
| <b>Held for trading</b>                                |                 |                     |                 |
| Common stock of listed companies                       | 53,393          | 56,712              | 47,410          |
|  | <b>53,393</b>   | <b>56,712</b>       | <b>47,410</b>   |
| <b>Designated at fair value on initial recognition</b> |                 |                     |                 |
| <b>Debt securities</b>                                 |                 |                     |                 |
| - Other investment grade                               | 74,971          | 66,364              | 65,130          |
| - Other  | 21,863          | 19,420              | 18,767          |
|  | <b>96,834</b>   | <b>85,784</b>       | <b>83,897</b>   |
| <b><u>Held to maturity</u></b>                         |                 |                     |                 |
| <b>Debt securities</b>                                 |                 |                     |                 |
| - Supra-nationals and OECD country governments         | 1,000           | 1,000               | 1,000           |
| - Other investment grade                               | 4,892           | 4,881               | 4,869           |
| - Other  | 3,934           | 3,927               | 3,920           |
|  | <b>9,826</b>    | <b>9,808</b>        | <b>9,789</b>    |
| <b><u>Available for sale</u></b>                       |                 |                     |                 |
| <b>Debt securities</b>                                 |                 |                     |                 |
| - Supra-nationals and OECD country governments         | 30,686          | 30,776              | 33,801          |
| - Other investment grade                               | 244,988         | 269,177             | 217,380         |
| - Other  | 75,016          | 91,484              | 94,739          |
| Common stock of listed companies                       | 10,722          | 13,071              | 13,858          |
| Common stock of unlisted companies                     | 4,066           | 4,165               | 4,817           |
| Other equity type investment                           | 18,170          | 18,389              | 18,936          |
|  | <b>383,648</b>  | <b>427,062</b>      | <b>383,531</b>  |
| <b><u>Investment in associate</u></b>                  |                 |                     |                 |
|  | 418             | 320                 | 282             |
|  | <b>544,119</b>  | <b>579,686</b>      | <b>524,909</b>  |

Debt securities amounting to US\$ 139.8 million (31 December 2017: US\$ 183.6 million; 30 June 2017: US\$ 177.2 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

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

**6. ACCRUED INCOME**

|                            | US\$ '000       |                     |                 |
|----------------------------|-----------------|---------------------|-----------------|
|                            | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| Accrued insurance premiums | 137,581         | 100,362             | 171,394         |
| Accrued interest           | 2,742           | 2,734               | 2,187           |
|                            | <b>140,323</b>  | <b>103,096</b>      | <b>173,581</b>  |

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

|  | US\$ '000       |                     |                 |
|--|-----------------|---------------------|-----------------|
|  | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| <b><u>General insurance business</u></b> |                 |                     |                 |
| - Claims outstanding                     | 34,311          | 19,341              | 33,283          |
| - Unreported claims                      | 25,151          | 55,705              | 16,457          |
| - Deferred retrocession premium reserve  | 44,421          | 37,263              | 21,558          |
|  | <b>103,883</b>  | <b>112,309</b>      | <b>71,298</b>   |
| <b><u>Life insurance business</u></b>    |                 |                     |                 |
| - Claims outstanding                     | 11              | 11                  | 22              |
| - Unreported claims                      | 57              | 71                  | 57              |
|  | <b>68</b>       | <b>82</b>           | <b>79</b>       |
|  | <b>103,951</b>  | <b>112,391</b>      | <b>71,377</b>   |

**8. OTHER ASSETS**

|                                     | US\$ '000       |                     |                 |
|-------------------------------------|-----------------|---------------------|-----------------|
|                                     | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| Intangible assets:                  |                 |                     |                 |
| - Computer software                 | 9,938           | 10,011              | 9,852           |
|                                     | <b>9,938</b>    | <b>10,011</b>       | <b>9,852</b>    |
| Less: Accumulated amortisation      | (9,470)         | (9,402)             | (9,309)         |
| Net intangible assets               | <b>468</b>      | <b>609</b>          | <b>543</b>      |
| Other assets:                       |                 |                     |                 |
| - Collateralised cash deposits      | 26,015          | 20,341              | 18,759          |
| - Prepayments and other receivables | 12,637          | 7,856               | 7,092           |
|                                     | <b>38,652</b>   | <b>28,197</b>       | <b>25,851</b>   |
|                                     | <b>39,120</b>   | <b>28,806</b>       | <b>26,394</b>   |

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

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

**9. PROPERTY AND EQUIPMENT**

|   | US\$ '000       |                     |                 |
|---|-----------------|---------------------|-----------------|
|   | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| Land  | 2,080           | 2,080               | 2,469           |
| Building  | 18,718          | 18,718              | 19,182          |
| Work in progress  | -               | -                   | 6               |
| Information systems hardware, furniture,<br>equipment and other | 10,585          | 10,660              | 10,587          |
|   | <b>31,383</b>   | <b>31,458</b>       | <b>32,244</b>   |
| Less: Accumulated depreciation                                  | <b>(11,665)</b> | <b>(11,373)</b>     | <b>(11,071)</b> |
|   | <b>19,718</b>   | <b>20,085</b>       | <b>21,173</b>   |

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

**10. TECHNICAL PROVISIONS**

|  | US\$ '000       |                     |                 |
|--|-----------------|---------------------|-----------------|
|  | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| <b><u>General insurance business</u></b> |                 |                     |                 |
| - Claims outstanding                     | 245,117         | 223,388             | 251,774         |
| - Unreported losses                      | 179,630         | 216,950             | 165,143         |
| - Unearned premiums                      | 225,537         | 184,270             | 233,260         |
|  | <b>650,284</b>  | <b>624,608</b>      | <b>650,177</b>  |
| <b><u>Life insurance business</u></b>    |                 |                     |                 |
| - Claims outstanding                     | 13,780          | 13,529              | 14,865          |
| - Unreported losses                      | 29,129          | 33,495              | 34,712          |
| - Unearned premiums                      | 7,233           | 8,819               | 7,628           |
|  | <b>50,142</b>   | <b>55,843</b>       | <b>57,205</b>   |
|  | <b>700,426</b>  | <b>680,451</b>      | <b>707,382</b>  |

**11. OTHER LIABILITIES**

|   | US\$ '000       |                     |                 |
|---|-----------------|---------------------|-----------------|
|   | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| Provision for probable loss<br>estimates in a subsidiary (note 21(iii)) | 21,000          | -                   | -               |
| Post-employment benefits  | 12,346          | 12,203              | 12,547          |
| Accrued expenses  | 5,525           | 3,508               | 4,689           |
| Dividends payable   | 2,925           | 3,164               | 3,540           |
| Reinsurance premiums accrued  | 1,554           | 1,235               | 5,802           |
| Employee long-term incentives   | 1,460           | 1,460               | 1,876           |
| Other   | 29,183          | 14,389              | 21,678          |
|   | <b>73,993</b>   | <b>35,959</b>       | <b>50,132</b>   |

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

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

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

|   | US\$ '000                 |                |                |                |                 |                 |                |              |                 |  |
|---|---------------------------|----------------|----------------|----------------|-----------------|-----------------|----------------|--------------|-----------------|--|
|   | Period ended 30 June 2018 |                |                |                |                 |                 |                |              |                 |  |
|   | Non-life                  |                |                |                |                 | Life            |                |              |                 |  |
|   | Property                  | Engineering    | Marine         | Accident       | Whole account   | Other           | Short term     | Long term    | Total           |  |
| <b>REVENUES:</b>  |                           |                |                |                |                 |                 |                |              |                 |  |
| Gross premiums written                                    | 39,596                    | 13,573         | 9,061          | 7,273          | 95,634          | 15,074          | 6,898          | 405          | 187,514         |  |
| Outward reinsurance premiums                              | (4,396)                   | (2,056)        | (479)          | (746)          | (39,807)        | (12)            | -              | -            | (47,496)        |  |
| Change in unearned premiums – gross                       | (14,109)                  | (6,167)        | (3,446)        | (1,961)        | (37,655)        | (441)           | 1,690          | (111)        | (62,200)        |  |
| Change in unearned premiums - reinsurance                 | 207                       | 673            | 39             | 317            | 25,539          | (31)            | -              | -            | 26,744          |  |
| <b>Net earned premiums</b>                                | <b>21,298</b>             | <b>6,023</b>   | <b>5,175</b>   | <b>4,883</b>   | <b>43,711</b>   | <b>14,590</b>   | <b>8,588</b>   | <b>294</b>   | <b>104,562</b>  |  |
| Investment income attributable to insurance funds         | 1,697                     | 589            | 391            | 429            | 36              | 714             | 631            | 434          | 4,921           |  |
|   | 22,995                    | 6,612          | 5,566          | 5,312          | 43,747          | 15,304          | 9,219          | 728          | 109,483         |  |
| <b>COSTS AND EXPENSES:</b>                                |                           |                |                |                |                 |                 |                |              |                 |  |
| Gross claims paid   | (13,529)                  | (9,524)        | (4,835)        | (2,238)        | (39,468)        | (12,933)        | (7,793)        | (169)        | (90,489)        |  |
| Claims recovered from reinsurers                          | (49)                      | 453            | 609            | 10             | 10,705          | 27              | -              | -            | 11,755          |  |
| Change in provision for outstanding claims - gross        | (7,744)                   | 5,854          | (1,251)        | 1,281          | (19,101)        | 883             | (313)          | 63           | (20,328)        |  |
| Change in provision for outstanding claims – reinsurance  | 1,719                     | 157            | 231            | (33)           | 11,629          | 6               | -              | -            | 13,709          |  |
| Change in provision for unreported losses - gross         | 1,349                     | 2,420          | 1,941          | 480            | 30,247          | (157)           | (793)          | 5,157        | 40,644          |  |
| Change in provision for unreported losses – reinsurance   | 180                       | (5)            | (150)          | 590            | (30,592)        | 156             | (14)           | -            | (29,835)        |  |
| <b>Claims and related expenses</b>                        | <b>(18,074)</b>           | <b>(645)</b>   | <b>(3,455)</b> | <b>90</b>      | <b>(36,580)</b> | <b>(12,018)</b> | <b>(8,913)</b> | <b>5,051</b> | <b>(74,544)</b> |  |
| Policy acquisition costs                                  | (10,733)                  | (4,075)        | (2,310)        | (2,171)        | (15,701)        | (547)           | (487)          | (488)        | (36,512)        |  |
| Policy acquisition costs recovered from reinsurers        | 794                       | 536            | 154            | 285            | -               | (2)             | -              | -            | 1,767           |  |
| Change in deferred policy acquisition costs - gross       | 4,205                     | 1,908          | 922            | 677            | 245             | (1)             | (169)          | 14           | 7,801           |  |
| Change in deferred policy acquisition costs - reinsurance | (89)                      | (194)          | (17)           | (109)          | -               | 11              | -              | -            | (398)           |  |
| <b>Policy acquisition costs</b>                           | <b>(5,823)</b>            | <b>(1,825)</b> | <b>(1,251)</b> | <b>(1,318)</b> | <b>(15,456)</b> | <b>(539)</b>    | <b>(656)</b>   | <b>(474)</b> | <b>(27,342)</b> |  |
| Operating expenses  | (1,932)                   | (1,154)        | (688)          | (452)          | (63)            | (1,311)         | (1,079)        | (189)        | (6,868)         |  |
| <b>Underwriting result</b>                                | <b>(2,834)</b>            | <b>2,988</b>   | <b>172</b>     | <b>3,632</b>   | <b>(8,352)</b>  | <b>1,436</b>    | <b>(1,429)</b> | <b>5,116</b> | <b>729</b>      |  |

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

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

|   | US\$ '000                   |             |         |          |               |          |            |           |           |  |
|---|-----------------------------|-------------|---------|----------|---------------|----------|------------|-----------|-----------|--|
|   | Year ended 31 December 2017 |             |         |          |               |          |            |           |           |  |
|   | Non-life                    |             |         |          |               | Life     |            |           |           |  |
|   | Property                    | Engineering | Marine  | Accident | Whole account | Other    | Short term | Long term | Total     |  |
| <b>REVENUES :</b>   |                             |             |         |          |               |          |            |           |           |  |
| Gross premiums written                                    | 43,219                      | 18,370      | 9,347   | 8,704    | 91,221        | 33,573   | 20,711     | 487       | 225,632   |  |
| Outward reinsurance premiums                              | (6,703)                     | (3,354)     | (1,724) | (653)    | (21,114)      | 5,074    | (137)      | 55        | (28,556)  |  |
| Change in unearned premiums - gross                       | (4,175)                     | (3,944)     | (297)   | (845)    | 7,456         | (7,956)  | (1,136)    | (15)      | (10,912)  |  |
| Change in unearned premiums - reinsurance                 | 268                         | 697         | (67)    | 24       | (7,185)       | 37       | -          | -         | (6,226)   |  |
| Net earned premiums                                       | 32,609                      | 11,769      | 7,259   | 7,230    | 70,378        | 30,728   | 19,438     | 527       | 179,938   |  |
| Investment income attributable to insurance funds         | 4,562                       | 1,583       | 1,051   | 1,153    | 139           | 1,919    | 1,695      | 1,166     | 13,268    |  |
|   | 37,171                      | 13,352      | 8,310   | 8,383    | 70,517        | 32,647   | 21,133     | 1,693     | 193,206   |  |
| <b>COSTS AND EXPENSES :</b>                               |                             |             |         |          |               |          |            |           |           |  |
| Gross claims paid   | (32,005)                    | (15,963)    | (6,575) | (3,966)  | (48,266)      | (25,114) | (21,042)   | (1,128)   | (154,059) |  |
| Claims recovered from reinsurers                          | 2,992                       | 605         | 327     | (135)    | 6,571         | (5,177)  | 66         | -         | 5,249     |  |
| Change in provision for outstanding claims - gross        | 8,541                       | 3,990       | (249)   | (505)    | (2,428)       | 30,704   | 581        | 528       | 41,162    |  |
| Change in provision for outstanding claims - reinsurance  | (535)                       | (123)       | 490     | 332      | (537)         | (13,616) | (9)        | -         | (13,998)  |  |
| Change in provision for unreported losses - gross         | (50)                        | 9,370       | 903     | 4,485    | (55,361)      | (3,847)  | 1,231      | 5,688     | (37,581)  |  |
| Change in provision for unreported losses - reinsurance   | 1,013                       | 61          | 433     | (4,374)  | 37,508        | 46       | (63)       | -         | 34,624    |  |
| Claims and related expenses                               | (20,044)                    | (2,060)     | (4,671) | (4,163)  | (62,513)      | (17,004) | (19,236)   | 5,088     | (124,603) |  |
| Policy acquisition costs                                  | (12,964)                    | (5,350)     | (1,628) | (2,023)  | (26,660)      | (1,656)  | (1,593)    | (3,218)   | (55,092)  |  |
| Policy acquisition costs recovered from reinsurers        | 1,709                       | 826         | 392     | 265      | -             | 49       | -          | -         | 3,241     |  |
| Change in deferred policy acquisition costs - gross       | 618                         | 1,328       | (282)   | 90       | 71            | 365      | 133        | (23)      | 2,300     |  |
| Change in deferred policy acquisition costs - reinsurance | (28)                        | (259)       | 39      | 6        | -             | (10)     | -          | -         | (252)     |  |
| Policy acquisition costs                                  | (10,665)                    | (3,455)     | (1,479) | (1,662)  | (26,589)      | (1,252)  | (1,460)    | (3,241)   | (49,803)  |  |
| Operating expenses  | (4,184)                     | (1,780)     | (1,184) | (837)    | (248)         | (2,196)  | (2,192)    | (374)     | (12,995)  |  |
| Underwriting result                                       | 2,278                       | 6,057       | 976     | 1,721    | (18,833)      | 12,195   | (1,755)    | 3,166     | 5,805     |  |

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

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

|   | US\$ '000                 |          |          |         |            |           |               |         |          |       |
|---|---------------------------|----------|----------|---------|------------|-----------|---------------|---------|----------|-------|
|   | Period ended 30 June 2017 |          |          |         |            |           |               |         |          |       |
|   | Property                  | Non-life |          |         |            |           | Whole account | Life    |          | Total |
| Engineering   |                           | Marine   | Accident | Other   | Short term | Long term |               |         |          |       |
| REVENUES :  |                           |          |          |         |            |           |               |         |          |       |
| Gross premiums written                                    | 26,776                    | 12,451   | 6,861    | 6,811   | 97,886     | 28,895    | 9,400         | 514     | 189,594  |       |
| Outward reinsurance premiums                              | (3,313)                   | (1,729)  | (987)    | (580)   | (17,338)   | 830       | (155)         | 55      | (23,217) |       |
| Change in unearned premiums - gross                       | (8,794)                   | (4,513)  | (2,153)  | (2,764) | (51,313)   | (15,305)  | 336           | (295)   | (84,801) |       |
| Change in unearned premiums - reinsurance                 | (327)                     | 397      | (69)     | 251     | 4,576      | 29        | -             | -       | 4,857    |       |
| Net earned premiums                                       | 14,342                    | 6,606    | 3,652    | 3,718   | 33,811     | 14,449    | 9,581         | 274     | 86,433   |       |
| Investment income attributable to insurance funds         | 2,042                     | 1,267    | 664      | 680     | 123        | 951       | 723           | 700     | 7,150    |       |
|   | 16,384                    | 7,873    | 4,316    | 4,398   | 33,934     | 15,400    | 10,304        | 974     | 93,583   |       |
| COSTS AND EXPENSES :                                      |                           |          |          |         |            |           |               |         |          |       |
| Gross claims paid   | (16,267)                  | (7,058)  | (3,497)  | (1,978) | (28,080)   | (11,730)  | (10,913)      | (689)   | (80,212) |       |
| Claims recovered from reinsurers                          | 973                       | 329      | 147      | (195)   | 3,749      | (1)       | 23            | -       | 5,025    |       |
| Change in provision for outstanding claims - gross        | 7,140                     | 3,589    | 1,130    | 1,682   | 2,216      | 700       | (662)         | 544     | 16,339   |       |
| Change in provision for outstanding claims - reinsurance  | (355)                     | (189)    | (101)    | 237     | -          | (145)     | 1             | -       | (552)    |       |
| Change in provision for unreported losses - gross         | 2,864                     | 2,569    | 764      | 3,463   | (2,375)    | 278       | 2,735         | 2,951   | 13,249   |       |
| Change in provision for unreported losses - reinsurance   | 86                        | 326      | 200      | (4,545) | -          | (2)       | (63)          | -       | (3,998)  |       |
| Claims and related expenses                               | (5,559)                   | (434)    | (1,357)  | (1,336) | (24,490)   | (10,900)  | (8,879)       | 2,806   | (50,149) |       |
| Policy acquisition costs                                  | (8,013)                   | (3,706)  | (1,999)  | (2,022) | (14,226)   | (1,879)   | (683)         | (3,098) | (35,626) |       |
| Policy acquisition costs recovered from reinsurers        | 601                       | 348      | 165      | 215     | -          | 25        | -             | -       | 1,354    |       |
| Change in deferred policy acquisition costs - gross       | 2,408                     | 1,218    | 526      | 775     | 468        | 1,217     | (10)          | 18      | 6,620    |       |
| Change in deferred policy acquisition costs - reinsurance | 105                       | (84)     | 25       | (78)    | -          | (2)       | -             | -       | (34)     |       |
| Policy acquisition costs                                  | (4,899)                   | (2,224)  | (1,283)  | (1,110) | (13,758)   | (639)     | (693)         | (3,080) | (27,686) |       |
| Operating expenses  | (2,392)                   | (1,062)  | (685)    | (487)   | (139)      | (1,224)   | (1,193)       | (211)   | (7,393)  |       |
| Underwriting result                                       | 3,534                     | 4,153    | 991      | 1,465   | (4,453)    | 2,637     | (461)         | 489     | 8,355    |       |



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

**13. INVESTMENT INCOME**

|  | US\$ '000                              |                        |              |  |                                      |
|--|--|------------------------|--------------|--|--------------------------------------|
|  | Financial year-to-date<br>30 June 2018 |                        |              | Financial<br>year-to-date<br>30 June<br>2017 | Year<br>ended<br>31 December<br>2017 |
|  | Insurance<br>funds                     | Shareholders'<br>funds | Total        |  |                                      |
| Interest income  |  |                        |              |  |                                      |
| - Investments designated<br>at fair value through<br>profit or loss                    | 371                                    | 214                    | 585          | 600  | 1,193                                |
| - Other  | 3,267                                  | 2,680                  | 5,947        | 5,262  | 10,725                               |
| Dividends  | 600                                    | 347                    | 947          | 607  | 842                                  |
| Realised gain (loss)   |  |                        |              |  |                                      |
| - Held for trading investments   | 1,070                                  | 619                    | 1,689        | 1,410  | 2,963                                |
| - Investment designated<br>at fair value through<br>profit or loss                     | 14                                     | 8                      | 22           | (457)  | (288)                                |
| - Available for sale   | (92)                                   | 222                    | 130          | 1,282  | 2,904                                |
| Gain (loss) on remeasurement<br>of investments at fair value<br>through profit or loss |  |                        |              |  |                                      |
| - Held for trading investments   | 412                                    | 239                    | 651          | 3,618  | 6,577                                |
| - Investments designated<br>at fair value through<br>profit or loss                    | (428)                                  | (248)                  | (676)        | 886  | 641                                  |
| Impairment loss -<br>available for sale  | -                                      | -                      | -            | (601)  | (2,609)                              |
| (Loss) income from associates  | -                                      | (2)                    | (2)          | 198  | 237                                  |
| Other  | (293)                                  | (187)                  | (480)        | (306)  | (679)                                |
|  | <b>4,921</b>                           | <b>3,892</b>           | <b>8,813</b> | <b>12,499</b>                                | <b>22,506</b>                        |

**14. OPERATING EXPENSES**

|                            | US\$ '000                              |                      |               |  |                                      |
|----------------------------|--|----------------------|---------------|--|--------------------------------------|
|                            | Financial year-to-date<br>30 June 2018 |                      |               | Financial<br>year-to-date<br>30 June<br>2017 | Year<br>ended<br>31 December<br>2017 |
|                            | Underwriting                           | Non-<br>Underwriting | Total         |  |                                      |
| Salaries and benefits      | 4,321                                  | 2,994                | 7,315         | 7,989  | 13,398                               |
| General and administration | 2,547                                  | 1,333                | 3,880         | 4,693  | 8,895                                |
|                            | <b>6,868</b>                           | <b>4,327</b>         | <b>11,195</b> | <b>12,682</b>                                | <b>22,293</b>                        |

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

**15. OTHER INCOME**

|                                     | US\$ '000                                    |  |                                      |
|-------------------------------------|--|--|--------------------------------------|
|                                     | Financial<br>year-to-date<br>30 June<br>2018 | Financial<br>year-to-date<br>30 June<br>2017 | Year<br>ended<br>31 December<br>2017 |
| Third party administration services | 658  | 1,161  | 2,686                                |
| Foreign exchange gain               | 644  | -  | -                                    |
| Other                               | 549  | 557  | 2,672                                |
|                                     | <b>1,851</b>                                 | <b>1,718</b>                                 | <b>5,358</b>                         |

**16. OTHER EXPENSES AND PROVISIONS**

|  | US\$ '000                                    |  |                                      |
|--|--|--|--------------------------------------|
|  | Financial<br>year-to-date<br>30 June<br>2018 | Financial<br>year-to-date<br>30 June<br>2017 | Year<br>ended<br>31 December<br>2017 |
| Provision for probable loss estimates in a subsidiary (note 21(iii)) | 21,000                                       | -  | -                                    |
| Foreign exchange loss  | -  | 4,788  | 686                                  |
| Provision for doubtful receivables & deposits                        | 89   | -  | 820                                  |
| Other, net   | 664  | (37)   | 465                                  |
|  | <b>21,753</b>                                | <b>4,751</b>                                 | <b>1,971</b>                         |

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

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

|   |          | Financial<br>year-to-date<br>30 June<br>2018 | Financial<br>year-to-date<br>30 June<br>2017 | Year<br>ended<br>31 December<br>2017 |
|---|----------|--|--|--------------------------------------|
| Weighted average number of shares outstanding | '000     | 198,032                                      | 198,032                                      | 198,032                              |
| Net (loss) profit                             | US\$'000 | (22,434)                                     | 4,078  | 7,222                                |
| (Losses) earnings per share                   | US cents | (11.3)                                       | 2.1  | 3.6                                  |

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

|  | US\$ '000                                    |   |                                      |
|--|--|---|--------------------------------------|
|  | Financial<br>year-to-date<br>30 June<br>2018 | Financial<br>year-to-date<br>30 June 2017 | Year<br>ended<br>31 December<br>2017 |
| (Loss) profit for the period                   | (20,147)                                     | 4,890                                     | 8,185                                |
| Change in insurance funds                      | 19,144                                       | 38,378                                    | (24,386)                             |
| Change in insurance receivables/ payables, net | (2,477)                                      | (14,114)                                  | (10,755)                             |
| Change in accrued income                       | (37,227)                                     | (71,971)                                  | (1,486)                              |
| Change in other assets/liabilities, net        | 23,837                                       | (6,750)                                   | (36,025)                             |
| Net cash used in operating activities          | <b>(16,870)</b>                              | <b>(49,567)</b>                           | <b>(64,467)</b>                      |

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

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

|                                     | US\$ '000     |                |              |                           |
|-------------------------------------|---------------|----------------|--------------|---------------------------|
|                                     | Borrowings    | Borrowing cost | Dividends    | Non-controlling interests |
| Balances at 31 December 2017        | 34,000        | 631            | 3,164        | 25,448                    |
| Share of comprehensive income       | -             | -              | -            | 2,004                     |
| Repayment of borrowings             | (2,000)       | -              | -            | -                         |
| Additional borrowings               | 5,000         | -              | -            | -                         |
| Interest paid during the period     | -             | (757)          | -            | -                         |
| Interest expense for the period     | -             | 539            | -            | -                         |
| Dividends paid during the period    | -             | -              | (239)        | -                         |
| <b>Balances at 30 June 2018</b>     | <b>37,000</b> | <b>413</b>     | <b>2,925</b> | <b>27,452</b>             |
| Balances at 31 December 2016        | 41,000        | 451            | 2,517        | 36,180                    |
| Share of comprehensive income       | -             | -              | -            | 768                       |
| Subsidiary's capital reduction      | -             | -              | -            | (11,500)                  |
| Repayment of borrowings             | (10,000)      | -              | -            | -                         |
| Additional borrowings               | 3,000         | -              | -            | -                         |
| Interest paid during the year       | -             | (767)          | -            | -                         |
| Interest expense for the year       | -             | 947            | -            | -                         |
| Dividends declared                  | -             | -              | 9,902        | -                         |
| Dividends paid during the year      | -             | -              | (9,255)      | -                         |
| <b>Balances at 31 December 2017</b> | <b>34,000</b> | <b>631</b>     | <b>3,164</b> | <b>25,448</b>             |
| Balances at 31 December 2016        | 41,000        | 451            | 2,517        | 36,180                    |
| Share of comprehensive income       | -             | -              | -            | 858                       |
| Repayment of borrowings             | (10,000)      | -              | -            | -                         |
| Additional borrowings               | 3,000         | -              | -            | -                         |
| Interest paid during the period     | -             | (619)          | -            | -                         |
| Interest expense for the period     | -             | 492            | -            | -                         |
| Dividends declared                  | -             | -              | 9,902        | -                         |
| Dividends paid during the period    | -             | -              | (8,879)      | -                         |
| <b>Balances at 30 June 2017</b>     | <b>34,000</b> | <b>324</b>     | <b>3,540</b> | <b>37,038</b>             |

**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 June 2018                         |                       |                  |                    |                |        |            |
| Book Value                           |                       |                  |                    |                |        | Fair value |
| At fair value through profit or loss | Loans and receivables | Held to maturity | Available for sale | Amortised Cost | Total  |            |
| <b>ASSETS</b>                        |                       |                  |                    |                |        |            |
| Cash and bank balances               | -                     | 102,378          | -                  | -              | -      | 102,378    |
| Investments                          | 150,227               | -                | 9,826              | 383,648        | -      | 543,701    |
| Accrued income                       | -                     | 140,323          | -                  | -              | -      | 140,323    |
| Insurance receivables                | -                     | 122,987          | -                  | -              | -      | 122,987    |
| Insurance deposits                   | -                     | 26,719           | -                  | -              | -      | 26,719     |
| Other assets                         | -                     | 37,543           | -                  | -              | -      | 37,543     |
| <b>LIABILITIES</b>                   |                       |                  |                    |                |        |            |
| Insurance payables                   | -                     | -                | -                  | -              | 62,924 | 62,924     |
| Borrowings                           | -                     | -                | -                  | -              | 37,000 | 37,000     |
| Other liabilities                    | -                     | -                | -                  | -              | 47,468 | 47,468     |

| US\$ '000                            |                       |                  |                    |                |        |            |
|--------------------------------------|-----------------------|------------------|--------------------|----------------|--------|------------|
| 31 December 2017                     |                       |                  |                    |                |        |            |
| 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               | -                     | 82,673           | -                  | -              | -      | 82,673     |
| Investments                          | 142,496               | -                | 9,808              | 427,062        | -      | 579,366    |
| Accrued income                       | -                     | 103,096          | -                  | -              | -      | 103,096    |
| Insurance receivables                | -                     | 110,923          | -                  | -              | -      | 110,923    |
| Insurance deposits                   | -                     | 25,809           | -                  | -              | -      | 25,809     |
| Other assets                         | -                     | 27,380           | -                  | -              | -      | 27,380     |
| <b>LIABILITIES</b>                   |                       |                  |                    |                |        |            |
| Insurance payables                   | -                     | -                | -                  | -              | 53,337 | 53,337     |
| Borrowings                           | -                     | -                | -                  | -              | 34,000 | 34,000     |
| Other liabilities                    | -                     | -                | -                  | -              | 32,451 | 32,451     |

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

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

| US\$ '000                            |                       |                  |                    |                |        |            |         |
|--------------------------------------|-----------------------|------------------|--------------------|----------------|--------|------------|---------|
| 30 June 2017                         |                       |                  |                    |                |        |            |         |
| 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               | -                     | 152,242          | -                  | -              | -      | 152,242    | 152,242 |
| Investments                          | 131,307               | -                | 9,789              | 383,531        | -      | 524,627    | 525,019 |
| Accrued income                       | -                     | 173,581          | -                  | -              | -      | 173,581    | 173,581 |
| Insurance receivables                | -                     | 108,149          | -                  | -              | -      | 108,149    | 108,149 |
| Insurance deposits                   | -                     | 26,919           | -                  | -              | -      | 26,919     | 26,919  |
| Other assets                         | -                     | 24,895           | -                  | -              | -      | 24,895     | 24,895  |
| <b>LIABILITIES</b>                   |                       |                  |                    |                |        |            |         |
| Insurance payables                   | -                     | -                | -                  | -              | 47,204 | 47,204     | 47,204  |
| Borrowings                           | -                     | -                | -                  | -              | 34,000 | 34,000     | 34,000  |
| Other liabilities                    | -                     | -                | -                  | -              | 45,443 | 45,443     | 45,443  |

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 on sale of 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 categorised:

| US\$'000  |                |          |               |                |
|---|----------------|----------|---------------|----------------|
| 30 June 2018  | 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                              | 53,393         | -        | -             | 53,393         |
| <b><u>Designated at fair value on initial recognition</u></b> |                |          |               |                |
| Debt securities   | 96,834         | -        | -             | 96,834         |
| <b><u>Available for sale</u></b>                              |                |          |               |                |
| Debt securities   | 350,690        | -        | -             | 350,690        |
| Common stock of listed companies                              | 10,722         | -        | -             | 10,722         |
| Common stock of unlisted companies                            | -              | -        | 4,066         | 4,066          |
| Other   | -              | -        | 18,170        | 18,170         |
| <b><u>Forward foreign exchange contracts</u></b>              |                |          |               |                |
|   | 344            | -        | -             | 344            |
|   | <b>511,983</b> | <b>-</b> | <b>22,236</b> | <b>534,219</b> |

| US\$'000  |                |          |               |                |
|---|----------------|----------|---------------|----------------|
| 31 December 2017  | 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                              | 56,712         | -        | -             | 56,712         |
| <b><u>Designated at fair value on initial recognition</u></b> |                |          |               |                |
| Debt securities   | 85,784         | -        | -             | 85,784         |
| <b><u>Available for sale</u></b>                              |                |          |               |                |
| Debt securities   | 391,437        | -        | -             | 391,437        |
| Common stock of listed companies                              | 13,071         | -        | -             | 13,071         |
| Common stock of unlisted companies                            | -              | -        | 4,165         | 4,165          |
| Other   | -              | -        | 18,389        | 18,389         |
| <b><u>Forward foreign exchange contracts</u></b>              |                |          |               |                |
|   | (277)          | -        | -             | (277)          |
|   | <b>546,727</b> | <b>-</b> | <b>22,554</b> | <b>569,281</b> |

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

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

| US\$'000  |         |         |         |         |
|---|---------|---------|---------|---------|
| 30 June 2017                                    | 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                | 47,410  | -       | -       | 47,410  |
| Designated at fair value on initial recognition |         |         |         |         |
| Debt securities                                 | 83,897  | -       | -       | 83,897  |
| <u>Available for sale</u>                       |         |         |         |         |
| Debt securities                                 | 345,920 | -       | -       | 345,920 |
| Common stock of listed companies                | 13,858  | -       | -       | 13,858  |
| Common stock of unlisted companies              | -       | -       | 4,817   | 4,817   |
| Other   | -       | 862     | 18,074  | 18,936  |
| <u>Forward foreign exchange contracts</u>       | (243)   | -       | -       | (243)   |
|   | 490,842 | 862     | 22,891  | 514,595 |

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

| US\$ '000                              |                 |         |         |
|--|-----------------|---------|---------|
| 30 June 2018                           | Unlisted equity | Other   | Total   |
| <b>Balances at 1 January 2018</b>      | 4,165           | 18,389  | 22,554  |
| Gain (loss) recognised in:             |                 |         |         |
| - Statement of income                  | -               | -       | -       |
| - Other comprehensive income           | (152)           | 381     | 229     |
| Investments made during the period     | 53              | 1,005   | 1,058   |
| Investments redeemed during the period | -               | (1,605) | (1,605) |
| <b>Balances at 30 June 2018</b>        | 4,066           | 18,170  | 22,236  |

| US\$'000                             |                 |         |         |
|--------------------------------------|-----------------|---------|---------|
| 31 December 2017                     | Unlisted equity | Other   | Total   |
| Balances at 1 January 2017           | 6,381           | 17,100  | 23,481  |
| Gain (loss) recognised in:           |                 |         |         |
| - Statement of income                | (707)           | (801)   | (1,508) |
| - Other comprehensive income         | (146)           | 1,924   | 1,778   |
| Investments made during the year     | 112             | 4,229   | 4,341   |
| Investments redeemed during the year | (1,475)         | (4,063) | (5,538) |
| Balances at 31 December 2017         | 4,165           | 18,389  | 22,554  |

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

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

| 30 June 2017                           | US\$ '000       |         |         |
|--|-----------------|---------|---------|
|  | Unlisted equity | Other   | Total   |
| Balances at 1 January 2017             | 6,381           | 17,100  | 23,481  |
| Gain (loss) recognised in:             |                 |         |         |
| - Statement of income                  | (549)           | 75      | (474)   |
| - Other comprehensive income           | (112)           | 754     | 642     |
| Investments made during the period     | 65              | 2,075   | 2,140   |
| Investments redeemed during the period | (968)           | (1,930) | (2,898) |
| Balances at 30 June 2017               | 4,817           | 18,074  | 22,891  |

The carrying values of the investment held in level 3 are based on unobservable inputs and reflects proportional share of the fair values of the respective companies and their underlying net assets. The Group does not expect the fair value of assets under level 2 & level 3 to change significantly on changing one or more of the unobservable inputs. The valuations of these investments are reviewed quarterly and updated as necessary on the basis of information received from investee and investment managers. For the period ended 30 June 2018, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2017: nil; 30 June 2017: nil). The fair values are estimates and do not necessarily represent the price at which the investment would sell. As the determination of fair values involve subjective judgments, and given the inherent uncertainty of assumptions regarding capitalisation rates, discount rates, leasing and other factors, the amount which will be realised by the Group on the disposal of its investments may differ significantly from the values at which they are carried in the condensed consolidated interim financial statements, and the difference could be material.

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

**iii. Forward foreign exchange contracts:**

The fair value of forward foreign exchange contracts, used for hedging purposes, is 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.

**21. PRINCIPAL SUBSIDIARIES & ASSOCIATES**

**i) Subsidiaries and associates**

At 30 June 2018, the principal subsidiaries of the Company were:

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

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2017. The Company holds 49% and 25% of the equity shares in its associate companies Arima Insurance software W.L.L. and Globemed Bahrain W.L.L., Bahrain respectively.



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

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

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

|  | US\$ '000                                 |   |                                   |
|--|---|---|-----------------------------------|
|  | Financial<br>year-to-date<br>30 June 2018 | Financial<br>year-to-date<br>30 June 2017 | Year ended<br>31 December<br>2017 |
| Non-controlling interests                                      | 46%                                       | 46%                                       | 46%                               |
| Total assets   | 85,137                                    | 124,376                                   | 92,499                            |
| Total liabilities  | 25,888                                    | 44,555                                    | 37,684                            |
| <b>Net assets</b>  | <b>59,249</b>                             | <b>79,821</b>                             | <b>54,815</b>                     |
| Revenue  | (454)                                     | (336)                                     | (1,462)                           |
| Profit for the period  | 5,052                                     | 1,763                                     | 2,279                             |
| Total comprehensive income                                     | 4,436                                     | 1,861                                     | 1,853                             |
| Comprehensive income attributable to non-controlling interests | 2,041                                     | 856                                       | 852                               |
| Net cash used in operating activities                          | (7,053)                                   | (3,605)                                   | (10,158)                          |
| Net cash (used in) provided by investing activities            | (13,459)                                  | (26,144)                                  | 9,448                             |
| Net cash used in financing activities                          | -   | -   | (25,000)                          |
| <b>Net decrease in cash and cash equivalents</b>               | <b>(20,512)</b>                           | <b>(29,749)</b>                           | <b>(25,710)</b>                   |

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.

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

There has been an alleged fraud by employees of the subsidiary Gulf Warranties W.L.L. Detailed investigations are in progress. However based on initial assessments, the entire probable loss estimates of US\$ 21 million has been provided for in the books of the subsidiary and consequently consolidated in the condensed consolidated interim financial statements of the Group. 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 shares in the Group through major shareholders Emirates Investment Authority, General Pension and Social Security Authority and Emirates Development Bank while Government of Libya controls 14.4% of shares in the Group through Central Bank of Libya. The Group does not have any significant transactions with these governments and entities controlled, jointly controlled or significantly influenced by these governments.

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

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

The following is the summary of transactions with related parties:

**i) Associate companies:**

|  | US\$ '000                                 |   |                                   |
|--|---|---|-----------------------------------|
|  | Financial<br>year-to-date<br>30 June 2018 | Financial<br>year-to-date<br>30 June 2017 | Year ended<br>31 December<br>2017 |
| a) Service fees for administration services provided by Arig       | 19  | 47  | 89                                |
| b) Service fees for administration services provided by associates | 369                                       | 325                                       | 705                               |
| c) Balances outstanding  |   |   |                                   |
| - Receivables  | -   | 11  | -                                 |
| - Payables   | 77  | -   | 100                               |

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

|   | US\$ '000                                 |   |                                   |
|---|---|---|-----------------------------------|
|   | Financial<br>year-to-date<br>30 June 2018 | Financial<br>year-to-date<br>30 June 2017 | Year ended<br>31 December<br>2017 |
| a) Directors                                      |   |   |                                   |
| - Attendance fees                                 | 35  | 42  | 65                                |
| - Travel expenses                                 | 65  | 111                                       | 160                               |
| b) Key management compensation                    |   |   |                                   |
| - Salaries and other short-term employee benefits | 791                                       | 816                                       | 1,607                             |
| - Post-employment benefits                        | 150                                       | 279                                       | 426                               |
| - Employee long-term incentives                   | -   | 432                                       | 432                               |
| c) Balances payable to key management             | 4,743                                     | 3,375                                     | 4,586                             |

**23. COMMITMENTS OUTSTANDING**

The Group has commitments for uncalled capital in available for sale investments amounting to US\$ 8.8 million (31 December 2017: US\$ 8.8 million; 30 June 2017: US\$ 9.7 million).