

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

**Review report and condensed consolidated interim
financial information
for the three month period ended 31 March 2020**

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Review report and condensed consolidated interim financial information for the three month period ended 31 March 2020

	Pages
Review report	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim income statement	3
Condensed consolidated interim statement of comprehensive income	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6 - 7
Notes to the condensed consolidated interim financial information	8 - 28



Review report on condensed consolidated interim financial information to the board of directors of Oman Insurance Company P.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Oman Insurance Company P.S.C. (the "Company") and its subsidiaries (together referred to as the "Group") as at 31 March 2020 and the related condensed consolidated interim income statement and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – 'Interim Financial Reporting' ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of condensed consolidated interim financial 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 information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers

12 May 2020

Douglas O'Mahony

Registered Auditor Number 834

Dubai, United Arab Emirates

PricewaterhouseCoopers (Dubai Branch), License no. 102451

Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates

T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practicing auditors with the UAE Ministry of Economy

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Condensed consolidated interim statement of financial position

		31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
	Notes		
Assets			
Property and equipment		15,270	10,316
Intangible assets		69,846	77,194
Investment properties		473,591	473,591
Goodwill		9,271	9,869
Deferred tax assets		842	1,237
Statutory deposits		154,352	155,280
Financial investments at amortised cost	6	1,624,426	1,628,211
Financial investments at fair value through other comprehensive income (FVTOCI)	6	362,073	474,376
Financial investments at fair value through profit or loss	6	269,301	377,639
Reinsurance contract assets	7	2,690,825	2,580,319
Insurance and reinsurance receivables	8	748,636	587,501
Deferred acquisition costs		145,227	132,200
Prepayments and other receivables	9	117,717	96,983
Deposits with banks with original maturities of more than three months		193,708	268,620
Bank balances and cash	14	245,195	144,290
Total assets		7,120,280	7,017,626
Equity and liabilities			
Equity			
Share capital	10	461,872	461,872
Other reserves	11	1,481,684	1,356,684
Cumulative changes in fair value of securities		(330,128)	(250,990)
Foreign currency translation reserve		(50,309)	(47,982)
Retained earnings		282,302	373,585
Net equity attributable to the owners of the Company		1,845,421	1,893,169
Non-controlling interests		21,691	22,518
Total equity		1,867,112	1,915,687
Liabilities			
Employees' end of service benefits		38,482	38,152
Insurance contract liabilities	7	4,404,385	4,248,190
Insurance and reinsurance payables	12	471,729	497,001
Other payables		134,663	123,754
Deferred commission income		72,047	67,564
Reinsurance deposits retained		131,862	127,278
Total liabilities		5,253,168	5,101,939
Total equity and liabilities		7,120,280	7,017,626

This condensed consolidated interim financial information was approved on 12 May 2020 by the Board of Directors and signed on its behalf by:



Abdul Aziz Abdulla Al Ghurair
Chairman



Jean-Louis Laurent-Jost
Chief Executive Officer

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Condensed consolidated interim income statement

	Notes	Three month period ended 31 March	
		2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Gross insurance premium		1,061,059	1,072,856
Less: Insurance premium ceded to reinsurers		(525,588)	(570,211)
Net retained premium		535,471	502,645
Net change in unearned premium and mathematical reserve		(109,565)	(102,956)
Net earned insurance premium		425,906	399,689
Gross claims settled		(681,737)	(592,896)
Insurance claims recovered from reinsurers		399,384	340,979
Net claims settled		(282,353)	(251,917)
Net change in outstanding claims and incurred but not reported claims reserves		(6,001)	(17,893)
Net claims incurred		(288,354)	(269,810)
Reinsurance commission income		43,722	64,136
Commission expenses		(81,998)	(91,502)
Other income relating to underwriting activities		3,487	14,345
Net commission and other income		(34,789)	(13,021)
Net underwriting income		102,763	116,858
Net investment income		31,806	25,580
Total income		134,569	142,438
General and administrative expenses		(69,408)	(70,285)
Board of directors' remuneration	15.3	(562)	(562)
Release/(allowance) for impairment as per IFRS 9	8.2	1,490	(4,997)
Finance costs		-	(188)
Other expenses - net		(9,699)	(10,987)
Profit before tax		56,390	55,419
Income tax expenses		(314)	(278)
Profit for the period		56,076	55,141
Attributable to:			
Owners of the Company		55,242	53,461
Non-controlling interests		834	1,680
		56,076	55,141
Earnings per share (AED)	13	0.12	0.12

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Condensed consolidated interim statement of comprehensive income

		Three month period ended 31 March	
		2020	2019
		(Unaudited)	(Unaudited)
Note		AED '000	AED '000
	Profit for the period	56,076	55,141
	Other comprehensive (loss)/ income:		
	<i>Items that will not be reclassified subsequently to profit or loss:</i>		
	Net fair value (loss)/gain on revaluation of investments designated at FVTOCI	6 (100,663)	36,965
	<i>Items that may be reclassified subsequently to profit or loss:</i>		
	Exchange loss on translating foreign operations	(3,988)	(3,370)
	Total other comprehensive (loss) / income for the period	(104,651)	33,595
	Total comprehensive (loss) / income for the period	(48,575)	88,736
	Attributable to:		
	Owners of the Company	(47,748)	88,425
	Non-controlling interests	(827)	311
		(48,575)	88,736

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES

Condensed consolidated interim statement of changes in equity

	Share capital AED '000	Other reserves AED '000	Cumulative change in fair value of securities AED '000	Foreign currency translation reserve AED '000	(Accumulated losses)/retained earnings AED '000	Equity attributable to the owner of the Company AED '000	Non- controlling interests AED '000	Total AED '000
At 31 December 2018 (Audited)	461,872	1,479,974	(203,293)	(44,294)	(44,570)	1,649,689	21,421	1,671,110
Changes on initial application of IFRS 16	-	-	-	-	(135)	(135)	-	(135)
Restated balance at 1 January 2019	461,872	1,479,974	(203,293)	(44,294)	(44,705)	1,649,554	21,421	1,670,975
Profit for the period	-	-	-	-	53,461	53,461	1,680	55,141
Other comprehensive income/(loss) for the period	-	-	36,965	(2,001)	-	34,964	(1,369)	33,595
Total comprehensive income/(loss) for the period	-	-	36,965	(2,001)	53,461	88,425	311	88,736
Transfer to retained earnings from other reserves (note 11)	-	(125,000)	-	-	125,000	-	-	-
Transfer to retained earnings on disposal of investment at FVTOCI	-	-	8,752	-	(8,752)	-	-	-
At 31 March 2019 (Unaudited)	461,872	1,354,974	(157,576)	(46,295)	125,004	1,737,979	21,732	1,759,711
At 31 December 2019 (Audited)	461,872	1,356,684	(250,990)	(47,982)	373,585	1,893,169	22,518	1,915,687
Profit for the period	-	-	-	-	55,242	55,242	834	56,076
Other comprehensive loss for the period	-	-	(100,663)	(2,327)	-	(102,990)	(1,661)	(104,651)
Total comprehensive loss/(income) for the period	-	-	(100,663)	(2,327)	55,242	(47,748)	(827)	(48,575)
Transfer to other reserves from retained earnings (note 11)	-	125,000	-	-	(125,000)	-	-	-
Transfer to retained earnings on disposal of investment at FVTOCI	-	-	21,525	-	(21,525)	-	-	-
At 31 March 2020 (Unaudited)	461,872	1,481,684	(330,128)	(50,309)	282,302	1,845,421	21,691	1,867,112

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Condensed consolidated interim statement of cash flows

	Three month period ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	AED ‘000	AED ‘000
Cash flows from operating activities		
Profit for the period before tax	56,390	55,419
Adjustments for:		
Depreciation and amortisation	5,823	5,510
Unrealised losses/(gains) on financial investments at FVTPL	2,897	(2,638)
Provision for employees’ end of service benefits	1,725	1,935
(Release)/allowance for impairment of insurance and reinsurance receivables	(1,490)	4,997
Allowance for impairment of financial investments at amortised cost	376	178
Allowance for impairment of bank balances and deposits	669	83
Dividend income from financial investments at FVTPL and FVTOCI	(14,015)	(7,445)
Interest income from financial assets	(22,313)	(21,045)
Amortisation of financial assets measured at amortised cost	1,210	1,336
Realised losses on sale of financial investments at FVTPL	151	113
Realised losses/(gains) on sale of financial investments at amortised cost	96	(23)
Finance costs	-	188
Interest expense on lease liability	236	49
Other investment expenses	1,118	6,131
Rental income from investment properties	(1,996)	(2,270)
Operating cash flows before changes in operating assets and liabilities and payment of employees’ end of service benefits and income tax	30,877	42,518
Changes in working capital		
Increase in reinsurance contract assets	(110,506)	(71,415)
Increase in insurance, reinsurance and other receivables	(174,192)	(76,499)
Increase in deferred acquisition costs	(13,027)	(12,773)
Increase in insurance contract liabilities	227,543	186,956
Decrease in insurance, reinsurance and other payables	(13,500)	(42,220)
Increase in reinsurance deposits retained	4,584	12,795
Increase in deferred commission income	4,483	10,316
Decrease/(increase) in unit linked investments	71,348	(28,899)
(Decrease)/increase in unit linked liabilities	(71,348)	28,948
Net cash (used in)/generated from operations	(43,738)	49,727
Employees’ end of service benefits paid	(1,395)	(1,486)
Income tax paid	(501)	-
Net cash (used in)/generated from operating activities	(45,634)	48,241

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Condensed consolidated interim statement of cash flows (continued)

	Three month period ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	AED '000	AED '000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(29,488)	(58,939)
Proceeds from sale of financial investments at FVTOCI	41,128	40,868
Purchases of financial investments at FVTPL (excluding unit linked investments)	(1,220)	(2,763)
Proceeds from sale of financial investments at FVTPL (excluding unit linked investments)	35,162	1,974
Proceeds from sale/maturity of financial investments at amortised cost	44,254	7,771
Purchase of financial investments at amortised cost	(38,393)	(48,956)
Dividend received from financial investments at FVTPL and FVTOCI	7,955	3,338
Interest received from deposits and financial investments	21,498	17,097
Rental income received from investment properties	1,869	2,319
Other investment expenses paid	(1,582)	(6,275)
Purchase of property and equipment and intangible assets	(3,441)	(2,060)
Decrease in term deposits with original maturities of more than three months	71,969	1,243
Decrease / (increase) in statutory deposits	928	(182)
Net cash generated from/(used in) investing activities	150,639	(44,565)
Cash flows from financing activities		
Finance costs paid	-	(188)
Principal element of lease payments	(448)	(51)
Cash proceeds from bank borrowings	-	980
Repayment of amounts borrowed	-	(43,528)
Net cash used in financing activities	(448)	(42,787)
Net increase/(decrease) in cash and cash equivalents	104,557	(39,111)
Cash and cash equivalents at the beginning of the period	144,968	245,143
Effects of exchange rate changes on the balances of cash held in foreign currency	(2,983)	(3,106)
Cash and cash equivalents at the end of the period (note 14)	246,542	202,926

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2019

1. General information

Oman Insurance Company P.S.C., (the "Company") is a public shareholding company, which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai. The Company is registered under the UAE Federal Law No. (2) of 2015, as amended, relating to commercial companies. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of the U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) which is incorporated in the Emirate of Dubai. The Company's registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises Oman Insurance Company P.S.C. and its subsidiaries (refer note 3.3). The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The licensed activities of the Company are issuing short term and long-term insurance contracts and trading in securities. The insurance contracts are issued in connection with property, engineering, energy, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked products. The Company also operates in Sultanate of Oman, State of Qatar, Kingdom of Bahrain and Republic of Turkey.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRSs and interpretations applied on the condensed consolidated interim financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs, except where stated, has not had any material impact on the amounts reported for the current and prior periods.

Amendments to IAS 1 and IAS 8 on the definition of material - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3, 'Business combinations' - Definition of a business - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to the conceptual framework - The IASB has revised its Conceptual Framework. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS.

Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.
- Reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality.
- Defining a reporting entity, which might be a legal entity or a portion of a legal entity.
- Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.
- Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
- Removing the probability threshold for recognition and adding guidance on derecognition.
- Adding guidance on the information provided by different measurement bases and explaining factors to consider when selecting a measurement basis.
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

2 Application of new and revised International Financial reporting Standards (“IFRS”) (continued)

2.1 New and revised IFRSs and interpretations applied on the condensed consolidated interim financial information (continued)

However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

New and revised IFRS

Effective for annual periods beginning on or after

Amendments to IAS 1, ‘Presentation of financial statements’ – Classification of liabilities as current or non-current

1 January 2022

These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

IFRS 17, ‘Insurance contracts’

1 January 2021

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, ‘Insurance Contracts’. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if IFRS 15, ‘Revenue from contracts with customers’ and IFRS 9, ‘Financial instruments’ are also applied.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

On 17 March 2020, the IASB took the decision to extend the effective date for the implementation of IFRS 17 to 1 January 2023 which will be reflected in the amended standard when issued.

Management expects that the adoption of IFRS 17 will have an impact on the amounts reported and disclosures made in this condensed consolidated interim financial information in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review. Management has completed the gap analysis in relation to this standard and is currently in the process of performing a detailed assessment of the impact of the above new standard on the Group’s condensed consolidated interim financial information.

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group’s financial year beginning on 1 January 2020 that would be expected to have a material impact on this condensed consolidated interim financial information.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

3 Summary of significant accounting policies

3.1 Basis of preparation

This condensed consolidated interim financial information for the three month period ended 31 March 2020 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board ("IASB") and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated interim financial information is presented in Arab Emirates Dirham ("AED") and all values are rounded to nearest thousand ("AED'000") except when otherwise indicated.

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial investments and investment properties.

The Group's condensed consolidated interim financial information is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, prepayments and other receivables, insurance and reinsurance receivables, insurance and reinsurance payables and other payables. The following balances would generally be classified as non-current: property and equipment, intangible assets, investment properties, goodwill, deferred tax assets and statutory deposits. The following balances are of mixed nature (including both current and non-current portions): financial investments, deferred acquisition costs, deferred commission income, reinsurance contract assets, insurance contract liabilities, deposits with banks with original maturities of more than three months, employees' end of service benefits and reinsurance deposits retained.

This condensed consolidated interim financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2019. In addition, results for the three month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

3.2 Significant accounting policies

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2019.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment properties, property and equipment and financial assets have been disclosed in this condensed consolidated interim financial information (notes 3.4 to 3.6).

3.3 Basis of consolidation

The condensed consolidated interim financial information of Oman Insurance Company P.S.C. and its subsidiaries (the "Group") incorporate the financial information of the Company and the entities controlled by the Company (its subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Name of subsidiary	Place of incorporation and operation	Proportion of legal ownership interest	Proportion of voting power held	Principal activity
Equator Insurance Agency L.L.C.*	Dubai - U.A.E.	99.97%	100%	Insurance agency.
Dubai Starr Sigorta A.Ş.**	Istanbul – Turkey	51%	51%	Issuing short-term and long-term insurance contracts.
ITACO Bahrain Co W.L.L***	Manama – Kingdom of Bahrain	60%	60%	Brokerage and call center services.
Synergize Services FZ L.L.C****	Dubai - UAE.	100%	100%	Management information technology and transaction processing.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

* The Company holds the remaining equity in Equator Insurance Agency L.L.C, beneficially through nominee arrangements.

**Dubai Starr Sigorta A.S was founded in 2012 and major lines of business include the underwriting of accident and health insurance.

***ITACO Bahrain Co W.L.L was acquired by the Company on 16 September 2015.

**** Synergize Services FZ L.L.C was incorporated on 24 January 2014 in Dubai Outsource Zone, UAE and is engaged in the business of providing management information technology and transaction processing services.

3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the condensed consolidated interim income statement in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

The valuation techniques and inputs used in determining the fair value of investment property is consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2019.

3.5 Property and equipment

Capital work in progress is carried at cost, less any recognised impairment loss. These assets are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the condensed consolidated interim income statement during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

3 Summary of significant accounting policies (continued)

3.5 Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the condensed consolidated interim income statement.

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipment	3 - 5
Motor vehicles	5

3.6 Financial assets

(a) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Net investment income' together with foreign exchange gains and losses. Impairment losses are included within 'Net investment income' in the condensed consolidated interim income statement.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

(a) Investments and other financial assets (continued)

(iii) Measurement (continued)

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in 'Net investment income'.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the condensed consolidated interim income statement and is presented net within 'Net investment income' in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss within 'Net investment income' when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in 'change in fair value of financial investments at FVTPL' included within 'Net investment income'. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets are subject to the expected credit loss model.

For insurance and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the historical credit losses experienced.

Insurance and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The impairment charge for debt investments at FVTOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

(b) Insurance and other receivables

Insurance and other receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Group holds the insurance and other receivables with the objective to collect the contractual cash flows.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

(c) Cash and cash equivalents

For the purposes of the condensed consolidated interim statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

The below table summarises the staging for financial assets using general approach:

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Stage 1 AED'000	Stage 3 AED'000	Total AED'000	Stage 1 AED'000	Stage 3 AED'000	Total AED'000
Financial investments at amortised cost	1,626,627	2,205	1,628,832	1,630,036	2,205	1,632,241
Allowance for impairment	(2,201)	(2,205)	(4,406)	(1,825)	(2,205)	(4,030)
Cash and bank balances and deposits	594,602	-	594,602	568,868	-	568,868
Allowance for impairment	(1,347)	-	(1,347)	(678)	-	(678)

3.7 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4 Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5 Risk management

The Group's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited annual consolidated financial statements as at and for the year ended 31 December 2019. There have been no changes in any risk management policies since the year end. The Group is in compliance with the applicable solvency and capital requirements issued by the UAE Insurance Authority.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

5 Risk management (continued)

Impact of COVID-19

The Group had already embarked on Business Continuity Planning in 2019 and as a result over 90% of the staff base of the Group is capable of working from home to ensure that there is no interruption on client servicing and operations. In terms of General Insurance Business, the Group has mainly noticed an increase in Business Interruption (BI) claims which are currently under processing by its claims department and the Group expects no material impact of those BI claims on overall claims position. Additionally, since the virus is classified by the World Health Organization (WHO) as a 'pandemic', we believe the exposure on healthcare policies is limited due to policy exclusions that are designed to prevent healthcare providers facing unsustainable losses in a pandemic situation. The impact on life insurance is expected to be minimal at this point. The Group's investment portfolio measured at amortised cost has been assessed using the IFRS 9 expected credit loss model with updated inputs as of the reporting date and based on the results the Group had taken adequate provisions for impairment loss. The Group continues to provide support to its customers for access to quality healthcare. On the reinsurance side, the Group is maintaining a security list duly approved by the Risk Committee in which more than 95% of the reinsurance securities are "A rated". The Group continues to have a robust collection and credit control process and very strong liquidity position. The Group has carried out stress testing to assess the resilience of their solvency compliance, which remains very strong after considering the current impact of the shocks. The Group does anticipate some slowdown in the economy and lower revenue in the months to come. As the situation develops the Group will continue to monitor the situation closely.

6 Financial investments

The Group's financial investments at the end of reporting period are detailed below.

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
At fair value through profit or loss	269,301	377,639
At fair value through other comprehensive income	362,073	474,376
Measured at amortised cost	1,628,832	1,632,241
Less: Allowance for impairment as per IFRS 9	(4,406)	(4,030)
	<u>2,255,800</u>	<u>2,480,226</u>

At 31 March 2020, financial assets measured at fair value through other comprehensive income include investment amounting to AED 5.4 million with the Abraaj Group (31 December 2019: AED 6.7 million).

The movements in investments were as follows:

	Fair value through profit or loss AED '000	Fair value through OCI AED '000	Amortised cost AED '000	Total AED '000
At 31 December 2018 (Audited)	357,407	468,169	1,280,731	2,106,307
Purchases	103,947	221,285	499,679	824,911
Disposals	(140,374)	(275,490)	(32,797)	(448,661)
Maturities	-	-	(117,328)	(117,328)
Amortisation	-	-	(5,327)	(5,327)
Movement in accrued interest	-	-	4,927	4,927
Changes in fair value	56,659	60,412	-	117,071
Allowance for impairment	-	-	(1,674)	(1,674)
At 31 December 2019 (Audited)	<u>377,639</u>	<u>474,376</u>	<u>1,628,211</u>	<u>2,480,226</u>
Purchases	28,997	29,488	38,393	96,878
Disposals	(72,403)	(41,128)	(34,703)	(148,234)
Maturities	-	-	(9,647)	(9,647)
Amortisation	-	-	(1,210)	(1,210)
Movement in accrued interest	-	-	3,758	3,758
Changes in fair value	(64,932)	(100,663)	-	(165,595)
Allowance for impairment	-	-	(376)	(376)
At 31 March 2020 (Unaudited)	<u>269,301</u>	<u>362,073</u>	<u>1,624,426</u>	<u>2,255,800</u>

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

7 Insurance contract liabilities and reinsurance contract assets

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Insurance contract liabilities		
Outstanding claims	1,993,221	1,940,467
Incurred but not reported claims reserve (IBNR)	517,472	483,662
Life assurance fund	158,925	172,799
Unearned premiums	1,465,449	1,310,585
Unit linked liabilities	260,976	332,324
Unallocated loss adjustment expenses reserve (ULAE)	8,342	8,353
	4,404,385	4,248,190
Recoverable from re-insurers		
Outstanding claims	(1,583,327)	(1,522,097)
Incurred but not reported claims reserve (IBNR)	(333,166)	(313,844)
Life assurance fund	(28,319)	(30,497)
Unearned premiums	(746,013)	(713,881)
	(2,690,825)	(2,580,319)
Insurance contract liabilities - net		
Outstanding claims	409,894	418,370
Incurred but not reported claims reserve (IBNR)	184,306	169,818
Life assurance fund	130,606	142,302
Unearned premiums	719,436	596,704
Unit linked liabilities	260,976	332,324
Unallocated loss adjustment expenses reserve (ULAE)	8,342	8,353
	1,713,560	1,667,871

The gross and net insurance contract liabilities of AED 4,404,385 thousand and AED 1,713,560 thousand respectively as at 31 March 2020 (31 December 2019: AED 4,248,190 thousand and AED 1,667,871 thousand respectively) were certified by the Group's external actuary. The actuarial valuation methodologies used in this condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statement for the year ended 31 December 2019.

8 Insurance and reinsurance receivables

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Due from policyholders and brokers	686,520	539,610
Less: allowance for impairment	(200,029)	(207,375)
Net due from policyholders and brokers	486,491	332,235
Due from insurance/reinsurance companies	486,892	488,962
Less: allowance for impairment	(224,747)	(233,696)
Net due from insurance/reinsurance companies	262,145	255,266
Total insurance and reinsurance receivables	748,636	587,501

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

8 Insurance and reinsurance receivables (continued)

8.1 Insurance and reinsurance receivables by location

Inside UAE

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Due from policyholders and brokers	567,757	426,624
Less: allowance for impairment	(164,689)	(170,655)
Net due from policyholders and brokers	403,068	255,969
Due from insurance/reinsurance companies	430,713	425,892
Less: allowance for impairment	(204,551)	(208,316)
Net due from insurance/reinsurance companies	226,162	217,576
Total insurance and reinsurance receivables inside UAE	629,230	473,545

Outside UAE

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Due from policyholders and brokers	118,763	112,986
Less: allowance for impairment	(35,340)	(36,720)
Net due from policyholders and brokers	83,423	76,266
Due from insurance/reinsurance companies	56,179	63,070
Less: allowance for impairment	(20,196)	(25,380)
Net due from insurance/reinsurance companies	35,983	37,690
Total insurance and reinsurance receivables outside UAE	119,406	113,956

8.2 Movement in the allowance for impairment

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Opening impairment provision as at 1 January under IFRS 9	441,071	496,326
(Release)/allowance for impairment as per IFRS 9 for the period/year	(1,490)	13,809
Amounts written off as uncollectible during the period/year	(14,331)	(68,258)
Foreign currency exchange differences	(474)	(806)
Balance at end of the period/year	424,776	441,071

9 Prepayments and other receivables

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Accrued income	5,704	6,585
Prepayments	39,889	30,193
Staff debtors and allowances	7,757	7,688
Other receivables	81,164	69,314
Less: Allowance for impairment as per IFRS 9 (note 9.1)	(16,797)	(16,797)
	117,717	96,983

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

9 Prepayments and other receivables (continued)

9.1 Movement in the allowance for impairment

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Opening impairment provision as at 1 January under IFRS 9	16,797	25,177
Amounts written off as uncollectible during the period/year	-	(8,380)
Balance at end of the period/year	16,797	16,797

10 Share capital

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Authorised, issued and fully paid 461,872,125 shares of AED 1 each (31 December 2019: 461,872,125 shares of AED 1 each)	461,872	461,872

11 Other reserves

	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Total AED '000
Balance at 31 December 2019 (Audited)	230,936	303,750	808,051	13,947	1,356,684
Transfer from retained earnings*	-	-	125,000	-	125,000
Balance at 31 March 2020 (Unaudited)	230,936	303,750	933,051	13,947	1,481,684

* At the Annual General Meeting held on 9 March 2020, the shareholders approved to transfer AED 125 million from retained earnings to general reserve.

12 Insurance and reinsurance payables

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Payables – Inside UAE	359,032	392,980
Payables – Outside UAE	112,697	104,021
	471,729	497,001

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

12 Insurance and reinsurance payables (continued)

Inside UAE	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Due to policyholders and brokers	116,580	77,337
Due to insurance companies	5,697	3,037
Due to reinsurance companies	190,109	257,451
Premiums collected in advance	256	256
Other insurance payables	46,390	54,899
	359,032	392,980
Outside UAE	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Due to policyholders and brokers	71,770	65,576
Due to insurance companies	1,325	477
Due to reinsurance companies	31,282	29,326
Premiums collected in advance	3,369	4,158
Other insurance payables	4,951	4,484
	112,697	104,021

13 Earnings per share

	Three month period ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
Profit for the period attributable to the owners of the Company (AED '000)	55,242	53,461
Weighted average number of shares	461,872,125	461,872,125
Basic and diluted earnings per share (AED)	0.12	0.12

Basic earnings per share are calculated by dividing the profit for the period attributable to the owners of the Company by the number of weighted average shares outstanding at the end of the reporting period. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

14 Cash and cash equivalents

	Three month period ended 31 March	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Deposits with banks maturing within three months	62,835	139,580
Current accounts and cash	183,707	63,346
Cash and cash equivalents	246,542	202,926
Less: Allowance for impairment as per IFRS 9	(1,347)	(504)
Bank balance and cash	245,195	202,422

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

15 Related party balances and transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

15.1 Balances with related parties included in the condensed consolidated interim statement of financial position are as follows:

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
<i>Balances with a Major shareholder:</i>		
Cash and bank balances	114,389	21,483
Financial investments	58,830	65,683
Statutory deposits	10,000	10,000
<i>Due from/(to) a Major shareholder:</i>		
Net insurance receivable	1,530	1,798
Net insurance and other payable	(140)	(564)
<i>Due from/(to) Directors and businesses over which they exercise significant management influence:</i>		
Net insurance receivable	10,365	15,948
Net insurance and other payable	(467)	(920)

15.2 Transactions with related parties:

	Three month period ended 31 March 2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
<i>Transactions arising from insurance contracts with a Major shareholder:</i>		
Gross insurance premium	5,414	5,294
Gross claims settled	14,382	16,269
<i>Other transactions with a Major shareholder:</i>		
Interest income	85	260
Dividend income	2,144	2,144
Interest expense	-	376
Other expenses	859	63
Rental expense	793	800
<i>Transactions arising from insurance contracts with Directors and businesses over which they exercise significant management influence:</i>		
Gross insurance premium	1,035	7,598
Gross claims settled	5,432	6,835
<i>Other transactions with Directors and businesses over which they exercise significant management influence:</i>		
Other investment expenses	1,398	1,222

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

15 Related party balances and transactions (continued)

The Group has entered the above transactions with the related parties which were made on substantially the same terms as those prevailing at the same time for the comparable transactions with third parties.

15.3 Compensation of key management personnel

	Three month period ended 31 March	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Directors' fees	562	562
Salaries and benefits	1,386	725
End of service benefits	286	127
	<u>2,234</u>	<u>1,414</u>

16 Contingent liabilities

At 31 March 2020, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 75 million (31 December 2019: AED 89 million).

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Group's condensed consolidated interim financial performance or condensed consolidated interim financial position.

17 Commitments

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Commitments in respect of uncalled subscription of equities held as investments	<u>7,960</u>	<u>7,960</u>
Capital commitments towards acquisitions of property and equipment and intangible assets	<u>7,196</u>	<u>8,441</u>

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

18 Location of assets

Geographical locations of assets are disclosed below:

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Inside UAE AED '000	Outside UAE AED '000	Total AED '000	Inside UAE AED '000	Outside UAE AED '000	Total AED '000
Property and equipment	13,355	1,915	15,270	9,899	417	10,316
Investment properties	473,591	-	473,591	473,591	-	473,591
Statutory deposits	45,303	109,049	154,352	45,295	109,985	155,280
Financial investments at FVTOCI	226,249	135,824	362,073	290,339	184,037	474,376
Financial investments at FVTPL	7,319	261,982	269,301	6,794	370,845	377,639
Financial investments at amortised cost	1,014,596	609,830	1,624,426	1,038,483	589,728	1,628,211
Bank balances, deposits and cash	262,984	175,919	438,903	221,807	191,103	412,910
	<u>2,043,397</u>	<u>1,294,519</u>	<u>3,337,916</u>	<u>2,086,208</u>	<u>1,446,115</u>	<u>3,532,323</u>

19 Segment information

For management purposes, the Group is organised into three business segments: general insurance, life assurance including medical and investments. The general insurance segment comprises property, engineering, energy, motor, general accident, aviation and marine risks. The life assurance segment includes individual life (participating and non-participating), medical, group life and personal accident as well as investment linked products. Investment comprises investments (financial and non-financial), deposits with banks and cash management for the Group's own accounts.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision Maker.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

19 Segment information (continued)

19.1 Segment premium and results by operating segments

	Three month period ended 31 March (Unaudited)					
	General insurance		Life assurance and medical		Total	
	2020	2019	2020	2019	2020	2019
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Gross insurance premium	484,823	428,556	576,236	644,300	1,061,059	1,072,856
Net underwriting income	43,523	55,361	59,240	61,497	102,763	116,858
Net investment income					31,806	25,580
General and administrative expenses					(69,408)	(70,285)
Board of directors' remuneration					(562)	(562)
Release/(allowance) for impairment as per IFRS 9					1,490	(4,997)
Finance cost					-	(188)
Other expenses - net					(9,699)	(10,987)
Profit before tax					56,390	55,419
Income tax expenses					(314)	(278)
Profit for the period					56,076	55,141
Attributable to:						
Owners of the Company					55,242	53,461
Non-controlling interests					834	1,680
Profit for the period					56,076	55,141

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

19 Segment information (continued)

19.2 Segment results by geographical distribution

	Three month period ended 31 March (Unaudited)					
	GCC		Turkey		Total	
	2020 AED '000	2019 AED '000	2020 AED '000	2019 AED '000	2020 AED '000	2019 AED '000
Gross insurance premium	1,000,372	1,026,035	60,687	46,821	1,061,059	1,072,856
Net underwriting income	98,179	112,269	4,584	4,589	102,763	116,858
Net investment income	30,950	22,834	856	2,746	31,806	25,580
General and administrative expenses	(64,782)	(65,650)	(4,626)	(4,635)	(69,408)	(70,285)
Board of directors' remuneration	(562)	(562)	-	-	(562)	(562)
Release/(allowance) for impairment as per IFRS 9	1,490	(4,997)	-	-	1,490	(4,997)
Finance cost	-	(188)	-	-	-	(188)
Other expenses - net	(11,972)	(11,439)	2,273	452	(9,699)	(10,987)
Profit before tax	53,303	52,267	3,087	3,152	56,390	55,419
Income tax expenses	-	(278)	(314)	-	(314)	(278)
Profit for the period	53,303	51,989	2,773	3,152	56,076	55,141
Attributable to:						
Owners of the Company	53,828	51,853	1,414	1,608	55,242	53,461
Non-controlling interests	(525)	136	1,359	1,544	834	1,680
Profit for the period	53,303	51,989	2,773	3,152	56,076	55,141

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

19 Segment information (continued)

19.3 Segment assets and liabilities by operating segments

At 31 March 2020 (Unaudited)

	General insurance AED' 000	Life assurance and medical AED' 000	Investments AED' 000	Total AED' 000
Segment assets	<u>2,964,191</u>	<u>1,687,450</u>	<u>2,468,639</u>	<u>7,120,280</u>
Segment liabilities	<u>3,056,027</u>	<u>2,197,141</u>	<u>-</u>	<u>5,253,168</u>

At 31 December 2019 (Audited)

	General insurance AED' 000	Life assurance and medical AED' 000	Investments AED' 000	Total AED' 000
Segment assets	<u>2,763,133</u>	<u>1,632,776</u>	<u>2,621,717</u>	<u>7,017,626</u>
Segment liabilities	<u>2,943,823</u>	<u>2,158,116</u>	<u>-</u>	<u>5,101,939</u>

19.4 Geographical information of segment assets and liabilities

At 31 March 2020 (Unaudited)

	GCC AED '000	Turkey AED '000	Total AED '000
Segment assets	<u>6,762,190</u>	<u>358,090</u>	<u>7,120,280</u>
Segment liabilities	<u>4,938,194</u>	<u>314,974</u>	<u>5,253,168</u>

At 31 December 2019 (Audited)

	GCC AED '000	Turkey AED '000	Total AED '000
Segment assets	<u>6,659,561</u>	<u>358,065</u>	<u>7,017,626</u>
Segment liabilities	<u>4,787,605</u>	<u>314,334</u>	<u>5,101,939</u>

20 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

20.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated interim financial information approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 20.2.2 of this condensed consolidated interim financial information.

20.2 Fair value of financial items carried at fair value

20.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2019.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

20 Fair value measurements (continued)

20.2 Fair value of financial items carried at fair value (continued)

20.2.2 Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000				
Financial assets measured at FVTPL						
Quoted fund	-	30,549	Level 2	Quoted prices in secondary market.	None	Not applicable
Unit linked investments	260,752	332,100	Level 2	Quoted prices in secondary market.	None	Not applicable
Quoted equity investments	8,549	14,990	Level 1	Quoted bid prices in an active market	None	Not applicable
Financial assets measured at FVTOCI						
Quoted equity investments	311,262	421,078	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity and private equity fund	50,811	53,298	Level 3	Comparable sales transactions with appropriate haircut, Discounted cash flows (DCF) and for very insignificant assets, net assets as per financial statements	1. Hair cut for comparable transactions 2. Interest rate	1. Changes in hair cut for comparable sales transactions will directly impact fair value 2. Interest rate changes in DCF will directly impact the fair valuation calculation

The fair value of the quoted debt instruments held at amortised cost as at 31 March 2020 amounted to AED 1,556,243 thousand (31 December 2019: AED 1,677,700 thousand) and unquoted debt instruments held at amortised cost as at 31 March 2020 amounted to AED 16,117 thousand (31 December 2019: AED 16,686 thousand).

There were no transfers between levels during the period.

OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2020 (continued)

20 Fair value measurements (continued)

20.2 Fair value of financial items carried at fair value (continued)

20.2.3 Reconciliation of level 3 fair value measurement of financial assets measured at FVTOCI

	31 March 2020 (Unaudited) AED '000	31 December 2019 (Audited) AED '000
Balance at the beginning of the period/year	53,298	182,912
Disposals during the period/year	(2,588)	(153,179)
Changes in fair value recognised in other comprehensive income	101	23,565
Balance at the end of the period/year	<u>50,811</u>	<u>53,298</u>

21 Seasonality of results

Net investment income includes dividend income of AED 14,015 thousand for the three-month period ended 31 March 2020 (31 March 2019: AED 7,445 thousand), which is of a seasonal nature.

22 Other information

- The Group established operations in Qatar on 6 January 2008 through an agency agreement entered into with a local sponsor valid for an indefinite period. On 25 February 2019, the Qatar Central Bank ("QCB") did not accept the Company's application to open a foreign branch. Accordingly, the Group management has taken decision to no longer issues new policies in the State of Qatar. The Group will continue to service the existing policies as per the applicable conditions of the underlying contracts.
- On 26 January 2020, a stock purchase agreement was signed between Starr Insurance & Reinsurance Limited and the Group to acquire 49% of the issued and outstanding share capital of the Group's subsidiary, Dubai Starr Sigorta A.S., which is subject to the regulatory approvals. This transaction and its financial effect will be reflected in the condensed consolidated interim financial information once the transaction is completed.

23 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 12 May 2020.