

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

**Review report and condensed consolidated interim
financial information
for the nine month period ended 30 September 2020**

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

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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 30 September 2020 and the related condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-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
10 November 2020

Rami Sarhan
Registered Auditor Number 1152
Place: Dubai, United Arab Emirates

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

Condensed consolidated interim statement of financial position

		At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
	Notes		
Assets			
Property and equipment		39,684	10,316
Intangible assets		67,107	77,194
Investment properties		473,591	473,591
Goodwill		8,007	9,869
Deferred tax assets		1,561	1,237
Statutory deposits		171,445	155,280
Financial investments at amortised cost	6	1,750,794	1,628,211
Financial investments at fair value through other comprehensive income (FVTOCI)	6	398,533	474,376
Financial investments at fair value through profit or loss	6	357,111	377,639
Reinsurance contract assets	7	2,862,636	2,580,319
Deferred acquisition costs		162,133	132,200
Deposits with banks with original maturities of more than three months		364,054	268,620
Insurance and reinsurance receivables	8	632,444	587,501
Prepayments and other receivables	9	83,904	96,983
Bank balances and cash	14	220,229	144,290
Total assets		7,593,233	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		(274,756)	(250,990)
Foreign currency translation reserve		(57,798)	(47,982)
Retained earnings		379,749	373,585
Net equity attributable to the owners of the Company		1,990,751	1,893,169
Non-controlling interests		769	22,518
Total equity		1,991,520	1,915,687
Liabilities			
Employees' end of service benefits		39,002	38,152
Insurance contract liabilities	7	4,768,425	4,248,190
Deferred commission income		88,704	67,564
Reinsurance deposits retained		134,712	127,278
Insurance and reinsurance payables	12	412,991	497,001
Other payables		157,879	123,754
Total liabilities		5,601,713	5,101,939
Total equity and liabilities		7,593,233	7,017,626

This condensed consolidated interim financial information was approved on 10 November 2020 by the board of directors and signed on its behalf by:



Abdul Aziz Abdulla Al Ghurair
Chairman



Jean-Louis Laurent-Josi
Chief Executive Officer

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

Condensed consolidated interim income statement

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2020 (Unaudited) AED '000	2019 (Unaudited) AED '000	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Gross insurance premium		816,808	793,431	2,916,916	2,837,001
Less: Insurance premium ceded to reinsurers		(467,791)	(477,125)	(1,573,113)	(1,523,008)
Net retained premium		349,017	316,306	1,343,803	1,313,993
Net change in unearned premium and mathematical reserve		57,267	84,062	(121,261)	(90,030)
Net earned insurance premium		406,284	400,368	1,222,542	1,223,963
Gross claims settled		(492,617)	(622,448)	(1,704,216)	(1,797,484)
Insurance claims recovered from reinsurers		282,438	329,994	982,310	1,004,237
Net claims settled		(210,179)	(292,454)	(721,906)	(793,247)
Net change in outstanding claims, incurred but not reported claims reserves and unallocated loss adjustment expense reserve		(63,860)	6,033	(106,005)	(63,066)
Net claims incurred		(274,039)	(286,421)	(827,911)	(856,313)
Reinsurance commission income		49,100	68,480	137,991	198,963
Commission expenses		(81,426)	(94,887)	(243,468)	(282,016)
Other income relating to underwriting activities		11,912	8,016	29,132	35,955
Net commission and other income		(20,414)	(18,391)	(76,345)	(47,098)
Net underwriting income		111,831	95,556	318,286	320,552
Interest income from financial assets at amortised cost		25,490	23,551	67,330	65,137
Realised gains on sale of financial investments at amortised cost		1,166	349	1,435	543
Other investment income		750	1,687	16,248	14,946
Net investment income		27,406	25,587	85,013	80,626
Total income		139,237	121,143	403,299	401,178
General and administrative expenses		(70,914)	(72,098)	(210,720)	(218,646)
Board of directors' remuneration	15.3	(562)	(562)	(1,687)	(1,687)
Allowance for impairment as per IFRS 9 on insurance and reinsurance receivables	8.2	(6,963)	(3,700)	(5,473)	(12,748)
Finance costs		-	-	-	(199)
Other expenses – net		(11,338)	(7,039)	(25,045)	(24,330)
Profit before tax		49,460	37,744	160,374	143,568
Income tax credit/(expenses)		549	792	(163)	601
Profit for the period		50,009	38,536	160,211	144,169
Attributable to:					
Owners of the Company		49,779	37,987	158,002	139,952
Non-controlling interests		230	549	2,209	4,217
		50,009	38,536	160,211	144,169
Earnings per share (AED)	13	0.11	0.08	0.34	0.30

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

Condensed consolidated interim statement of comprehensive income

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Profit for the period	50,009	38,536	160,211	144,169
Other comprehensive income/(loss):				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net fair value gains/(losses) on revaluation of investment designated at FVTOCI	19,575	(12,465)	(50,604)	40,677
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange (losses)/gains on translation of foreign operations	(5,651)	841	(12,769)	(3,755)
Total other comprehensive income/(loss) for the period	13,924	(11,624)	(63,373)	36,922
Total comprehensive income for the period	63,933	26,912	96,838	181,091
Attributable to:				
Owners of the Company	63,679	26,020	97,582	178,415
Non-controlling interests	254	892	(744)	2,676
	63,933	26,912	96,838	181,091

OMAN INSURANCE COMPANY P.S.C. AND ITS 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 owners 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	-	-	-	-	139,952	139,952	4,217	144,169
Other comprehensive income/(loss) for the period	-	-	-	(2,214)	-	38,463	(1,541)	36,922
Total comprehensive income/(loss) for the period	-	-	40,677	(2,214)	-	178,415	2,676	181,091
Transfer to retained earnings from other reserves*	-	(125,000)	-	-	125,000	-	-	-
Transfer to retained earnings on disposal of investments designated at FVTOCI	-	-	(113,681)	-	113,681	-	-	-
At 30 September 2019 (Unaudited)	461,872	1,354,974	(276,297)	(46,508)	333,928	1,827,969	24,097	1,852,066
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	-	-	-	-	158,002	158,002	2,209	160,211
Other comprehensive loss for the period	-	-	(50,604)	(9,816)	-	(60,420)	(2,953)	(63,373)
Total comprehensive income/(loss) for the period	-	-	(50,604)	(9,816)	158,002	97,582	(744)	96,838
Transfer to other reserves from retained earnings (note 11)	-	125,000	-	-	(125,000)	-	-	-
Transfer to retained earnings on disposal of investments designated at FVTOCI	-	-	26,838	-	(26,838)	-	-	-
Transaction with non-controlling interests (note 3.3)	-	-	-	-	-	-	-	-
At 30 September 2020 (Unaudited)	461,872	1,481,684	(274,756)	(57,798)	379,749	1,990,751	769	1,991,520

*At the Annual General Meeting held on 21 March 2019, the shareholders approved to transfer AED 125 million from general reserve to retained earnings.

The notes on pages 8 to 29 form an integral part of this condensed consolidated interim financial information.

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

Condensed consolidated interim statement of cash flows

	For the nine month period ended 30 September	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Cash flows from operating activities		
Profit for the period before tax	160,374	143,568
Adjustments for:		
Depreciation and amortisation	17,249	17,903
Unrealised losses/(gains) on financial investments at FVTPL	200	(4,972)
Provision for employees' end of service benefits	4,378	5,350
Allowance for impairment of insurance and reinsurance receivables	5,473	12,748
Allowance for impairment of financial investments at amortised cost	525	616
Allowance for impairment of bank balances and deposits	30	152
Dividend income from financial investments at FVTPL and FVTOCI	(22,468)	(17,995)
Interest income from financial assets	(71,694)	(69,029)
Amortisation of financial assets measured at amortised cost	4,364	3,892
Realised losses on sale of financial investments at FVTPL	2,276	24
Realised gains on sale of financial investments at amortised cost	(1,435)	(543)
Finance costs	-	199
Interest expense on lease liabilities	645	140
Other investment expenses	9,115	14,082
Rental income from investment properties	(5,926)	(6,853)
Loss on write off of fixed assets	-	17
Operating cash flows before changes in operating assets and liabilities and payment of employees' end of service benefits and income tax	103,106	99,299
Changes in working capital		
(Increase)/decrease in reinsurance contract assets	(282,317)	2,718
(Increase)/decrease in insurance, reinsurance and other receivables	(36,743)	10,295
Increase in deferred acquisition costs	(29,933)	(13,219)
Increase in insurance contract liabilities	495,914	141,989
Decrease in insurance, reinsurance and other payables	(68,840)	(22,058)
Increase in reinsurance deposits retained	7,434	32,572
Increase in deferred commission income	21,140	10,288
Increase in unit linked investments	(24,322)	(27,230)
Increase in unit linked liabilities	24,321	27,529
Net cash generated from operations	209,760	262,183
Employees' end of service benefits paid	(3,528)	(4,021)
Income tax paid	(686)	(1,037)
Net cash generated from operating activities	205,546	257,125

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Condensed consolidated interim statement of cash flows (continued)

	For the nine month period ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	AED '000	AED '000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(90,160)	(139,714)
Proceeds from sale of financial investments at FVTOCI	115,399	264,091
Purchases of financial investments at FVTPL (excluding unit linked investments)	(1,246)	(5,811)
Proceeds from sale of financial investments at FVTPL (excluding unit linked investments)	43,620	6,458
Proceeds from sale/maturity of financial investments at amortised cost	205,503	140,532
Purchases of financial investments at amortised cost	(326,297)	(386,888)
Dividends received from financial investments at FVTPL and FVTOCI	22,261	17,516
Interest received from deposits and financial investments	65,637	56,313
Rental income received from investment properties	5,539	6,525
Other investment expenses paid	(12,388)	(14,229)
Purchase of property and equipment and intangible assets	(9,295)	(10,905)
Increase in term deposits with original maturities of more than three months	(94,620)	(45,326)
(Increase)/decrease in statutory deposits	(16,165)	787
Net cash used in investing activities	(92,212)	(110,651)
Cash flows from financing activities		
Finance costs paid	-	(199)
Principal elements of lease payments	(5,168)	(1,239)
Cash proceeds from bank borrowings	-	980
Repayment of amounts borrowed	-	(74,224)
Transactions with non-controlling interests (note 3.3)	(21,005)	-
Net cash used in financing activities	(26,173)	(74,682)
Net increase in cash and cash equivalents	87,161	71,792
Cash and cash equivalents at the beginning of the period	144,968	245,143
Net foreign exchange difference	(11,192)	(3,060)
Cash and cash equivalents at the end of the period (note 14)	220,937	313,875

During the nine month period ended 30 September 2020, the principal non-cash transactions relate to the addition to the lease liability and right-of-use of asset amounting to AED 27,274 thousand and AED 27,274 thousand respectively (30 September 2019: AED 6,705 thousand and AED 5,672 thousand respectively).

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020

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 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 (Effective date 1 January 2020) - 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 (Effective date 1 January 2020) These amendments revise 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 (Effective date 1 January 2020) - 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 IFRSs. The 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 nine month period ended 30 September 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.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions (Effective date 1 June 2020) - As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

2.2 New and revised IFRS issued but not yet effective and not early adopted

Amendments to IAS 1, 'Presentation of financial statements' – Classification of liabilities as current or non-current (Effective date 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.

Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (Effective date 1 January 2022) - Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

IFRS 17, 'Insurance contracts' (Effective date 1 January 2023) - 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 2023, 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.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

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

2.2 New and revised IFRS issued but not yet effective and not early adopted (continued)

Amendments to IFRS 17, 'Insurance Contracts' (Effective date 1 January 2023) - The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

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.

3 Summary of significant accounting policies

3.1 Basis of preparation

This condensed consolidated interim financial information for the nine month period ended 30 September 2020 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards 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 financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income 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.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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 nine month period ended 30 September 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 (refer to 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.

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.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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 the 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.

Changes in ownership interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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	100%	100%	Issuing short-term and long-term insurance contracts.
ITACO Bahrain Co W.L.L***	Manama – Kingdom of Bahrain	60%	60%	Brokerage and call centre services.
Synergize Services FZ L.L.C****	Dubai – U.A.E.	100%	100%	Management information technology and transaction processing.

* 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.

Transactions with non-controlling interests:

On 28 July 2020, Oman Insurance Company (P.S.C.) has completed 100% acquisition of its subsidiary, Dubai Starr Sigorta A.Ş. by acquiring an additional 49% of the issued and outstanding share capital for a cash consideration of AED 21,005 thousand. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest in Dubai Starr Sigorta A.Ş. was AED 21,005 thousand. The Group recognised a decrease in non-controlling interest of AED 21,005 thousand and there was no impact on equity attributable to owners of the Company.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

***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.

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 nine month period ended 30 September 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 nine month period ended 30 September 2020 (continued)

3 Summary of significant accounting policies (continued)

3.6 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 'Other investment income'. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other 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 'Other 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 'Other 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 'Other 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.

(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.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

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

	At 30 September 2020 (Unaudited)			At 31 December 2019 (Audited)		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Financial investments at amortised cost	1,753,144	2,205	1,755,349	1,630,036	2,205	1,632,241
Allowance for impairment	(2,350)	(2,205)	(4,555)	(1,825)	(2,205)	(4,030)
Cash and bank balances and deposits	756,436	-	756,436	568,868	-	568,868
Allowance for impairment	(708)	-	(708)	(678)	-	(678)

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.

Impact of COVID-19

The Group has enabled remote connectivity for 95% of its employees as part of its business continuity management initiative to ensure that there is no interruption to client servicing and operations. This has resulted in the Group delivering service level commitments to its customers across multiple lines of business.

The Group has mainly noticed an increase in Business Interruption (BI) and Health Care claims due to COVID-19. The Group is monitoring the loss experience and has appropriately enhanced its technical reserves as at 30 September 2020. The impact on life insurance is minimal at this point.

Since 2019, the Group has developed a robust risk appetite framework and capital thresholds based on the pandemic risk and other risks stress scenarios. Having considered the impact of COVID-19, the Group reassessed its control environment around fraud and information security to ensure adequate controls are in place and conducts more regular reviews on its reinsurers in relation to the counterparty credit ratings, financial metrics, credit outlook and changes to their structures, if any. Also, the Group has updated its reinsurer security list in order to address the impacts of COVID-19. The current security list has more than 92% of "A" rated reinsurance securities.

In parallel, the Group continues to have a robust collection and credit control process. Further enhancement and development to strengthen the processes and credit controls have resulted in an efficient receivable management and reduced the credit cycle. Hence, despite the uncertain economic conditions, the Group continued to have robust collections throughout the period. Also, the measures taken above have contributed to minimize the impact on the impairment provision recognised during the period.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

5 Risk management (continued)

Similarly, the Group's investment portfolio measured at amortised cost has been assessed using a robust ECL model with updated inputs as of the reporting date and based on the results, the Group had taken adequate provisions for impairment losses. These are not material as at 30 September 2020. The Group also assessed the unquoted equity portfolio against latest available inputs, as well as performed market research specific to the underlying investee companies. Investment properties' valuation is performed on an annual basis by internationally qualified valuation firms who apply RICS Valuation Global Standards in compliance with the UAE Financial Regulations for Insurance Companies issued by the UAE Insurance Authority. In addition, management performs market research on properties throughout the year to assess any significant market developments. The Group believes the fair values reported for both unquoted investments and investment properties reflect the current market conditions, and the Group shall also carry out an independent external valuation at yearend.

The liquidity position of the Group remains strong. Furthermore, the Group has carried out stress testing to assess the resilience of its solvency compliance, which also remains strong after considering the impact of the shocks. As the situation continues to develop, the Group will continue to monitor the situation closely and take the necessary actions.

6 Financial investments

The Group's financial investments are detailed below.

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
At fair value through profit or loss	357,111	377,639
At fair value through other comprehensive income	398,533	474,376
Amortised cost	1,755,349	1,632,241
Less: Allowance for impairment as per IFRS 9	(4,555)	(4,030)
	<u>2,506,438</u>	<u>2,480,226</u>

At 30 September 2020, financial assets measured at fair value through other comprehensive income include investment amounting to AED 4 million with the Abraaj Group (31 December 2019: AED 6.7 million).

The movements in financial 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	89,702	90,160	326,297	506,159
Disposals	(147,403)	(115,399)	(140,662)	(403,464)
Maturities	-	-	(63,406)	(63,406)
Amortisation	-	-	(4,364)	(4,364)
Movement in accrued interest	-	-	5,243	5,243
Changes in fair value	37,173	(50,604)	-	(13,431)
Allowance for impairment	-	-	(525)	(525)
At 30 September 2020 (Unaudited)	<u>357,111</u>	<u>398,533</u>	<u>1,750,794</u>	<u>2,506,438</u>

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

6 Financial investments (continued)

During the period, the Group has reviewed its portfolio of financial assets measured at amortised cost and made certain disposals within the guidelines of the standard, which did not have an impact on the business model.

There were no reclassifications between financial investments' categories during the period.

7 Insurance contract liabilities and reinsurance contract assets

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Insurance contract liabilities		
Outstanding claims	2,048,765	1,940,467
Incurred but not reported claims reserve ("IBNR")	666,905	483,662
Life assurance fund	142,639	172,799
Unearned premiums	1,543,713	1,310,585
Unit linked liabilities	356,645	332,324
Unallocated loss adjustment expenses reserve ("ULAE")	9,758	8,353
	<u>4,768,425</u>	<u>4,248,190</u>
Recoverable from re-insurers		
Outstanding claims	(1,639,523)	(1,522,097)
Incurred but not reported claims reserve ("IBNR")	(383,359)	(313,844)
Life assurance fund	(26,509)	(30,497)
Unearned premiums	(813,245)	(713,881)
	<u>(2,862,636)</u>	<u>(2,580,319)</u>
Insurance contract liabilities – net		
Outstanding claims	409,242	418,370
Incurred but not reported claims reserve ("IBNR")	283,546	169,818
Life assurance fund	116,130	142,302
Unearned premiums	730,468	596,704
Unit linked liabilities	356,645	332,324
Unallocated loss adjustment expenses reserve ("ULAE")	9,758	8,353
	<u>1,905,789</u>	<u>1,667,871</u>

The gross and net insurance contract liabilities of AED 4,768,425 thousand and AED 1,905,789 thousand respectively as at 30 September 2020 (31 December 2019: AED 4,248,190 thousand and AED 1,667,871 thousand respectively) were certified by the Group's external appointed 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

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Due from policyholders and brokers	522,903	539,610
Less: allowance for impairment	(192,483)	(207,375)
Net due from policyholders and brokers	<u>330,420</u>	<u>332,235</u>
Due from insurance/reinsurance companies	520,961	488,962
Less: allowance for impairment	(218,937)	(233,696)
Net due from insurance/reinsurance companies	<u>302,024</u>	<u>255,266</u>
Total insurance and reinsurance receivables	<u>632,444</u>	<u>587,501</u>

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

8 Insurance and reinsurance receivables (continued)

8.1 Insurance and reinsurance receivables by location

Inside UAE

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Due from policyholders and brokers	427,710	426,624
Less: allowance for impairment	(157,873)	(170,655)
Net due from policyholders and brokers	<u>269,837</u>	<u>255,969</u>
Due from insurance/reinsurance companies	471,890	425,892
Less: allowance for impairment	(201,984)	(208,316)
Net due from insurance/reinsurance companies	<u>269,906</u>	<u>217,576</u>
Total insurance and reinsurance receivables inside UAE	<u>539,743</u>	<u>473,545</u>

Outside UAE

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Due from policyholders and brokers	95,193	112,986
Less: allowance for impairment	(34,610)	(36,720)
Net due from policyholders and brokers	<u>60,583</u>	<u>76,266</u>
Due from insurance/reinsurance companies	49,071	63,070
Less: allowance for impairment	(16,953)	(25,380)
Net due from insurance/reinsurance companies	<u>32,118</u>	<u>37,690</u>
Total insurance and reinsurance receivables outside UAE	<u>92,701</u>	<u>113,956</u>

8.2 Movement in the allowance for impairment

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Opening impairment provision as at 1 January under IFRS 9	441,071	496,326
Allowance for impairment as per IFRS 9 for the period/year	5,473	13,809
Amounts written off as uncollectible during the period/year	(34,110)	(68,258)
Foreign currency exchange differences	(1,014)	(806)
Balance at end of the period/year	<u>411,420</u>	<u>441,071</u>

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

9 Prepayments and other receivables

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Accrued income	4,097	6,585
Prepayments	26,641	30,193
Staff debtors and allowances	6,386	7,688
Other receivables	63,577	69,314
Less: Allowance for impairment as per IFRS 9 (note 9.1)	(16,797)	(16,797)
	<u>83,904</u>	<u>96,983</u>

9.1 Movement in the allowance for impairment

	At 30 September 2020 (Unaudited) AED '000	At 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	<u>16,797</u>	<u>16,797</u>

10 Share capital

	At 30 September 2020 (Unaudited) AED '000	At 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)	<u>461,872</u>	<u>461,872</u>

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 30 September 2020 (Unaudited)	<u>230,936</u>	<u>303,750</u>	<u>933,051</u>	<u>13,947</u>	<u>1,481,684</u>

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

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

12 Insurance and reinsurance payables

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Payables – Inside UAE	312,161	392,980
Payables – Outside UAE	100,830	104,021
	412,991	497,001
Inside UAE	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Due to policyholders and brokers	71,609	77,337
Due to insurance companies	1,567	3,037
Due to reinsurance companies	220,153	257,451
Premiums collected in advance	256	256
Other insurance payables	18,576	54,899
	312,161	392,980
Outside UAE	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Due to policyholders and brokers	68,062	65,576
Due to insurance companies	2,449	477
Due to reinsurance companies	22,864	29,326
Premiums collected in advance	3,355	4,158
Other insurance payables	4,100	4,484
	100,830	104,021

13 Earnings per share

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit for the period attributable to the Owners of the Company (AED '000)	49,779	37,987	158,002	139,952
Weighted average number of shares	461,872,125	461,872,125	461,872,125	461,872,125
Basic and diluted earnings per share (AED)	0.11	0.08	0.34	0.30

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 instruments that would impact earnings per share when executed.

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

14 Cash and cash equivalents

	For the nine month period ended 30 September	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Deposits with banks with original maturities of less than three months	145,481	88,522
Current accounts and cash	75,456	225,353
Cash and cash equivalents	220,937	313,875
Less: Allowance for impairment as per IFRS 9	(708)	(573)
Bank balance and cash	220,229	313,302

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:

	At 30 September 2020 (Unaudited) AED'000	At 31 December 2019 (Audited) AED'000
<i>Balances with a Major shareholder:</i>		
Cash and bank balances	80,878	21,483
Financial investments	53,280	65,683
Statutory deposits	10,000	10,000
<i>Due from/(to) a Major shareholder:</i>		
Net insurance receivables	9,071	1,798
Net insurance and other payables	(889)	(564)
<i>Due from/(to) Directors and businesses over which they exercise significant management influence:</i>		
Net insurance receivables	21,975	15,948
Net insurance and other payables	(1,884)	(920)

15.2 Transactions with related parties:

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
<i>Transactions arising from insurance contracts with a Major shareholder:</i>				
Gross insurance premiums	6,145	10,251	61,372	65,457
Gross claims settled	(9,381)	(14,919)	(33,063)	(41,074)
<i>Other transactions with a Major shareholder:</i>				
Interest income	237	369	749	770
Dividend income	-	-	2,144	2,144
Interest expense	-	-	-	(398)
Other expenses	(2,470)	(1,182)	(4,404)	(1,277)
Rental expense	(1,653)	(818)	(3,240)	(2,427)

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

15 Related party balances and transactions (continued)

15.2 Transactions with related parties (continued):

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
<i>Transactions arising from insurance contracts with Directors and businesses over which they exercise significant management influence:</i>				
Gross insurance premiums	3,394	10,769	36,871	36,479
Gross claims settled	(5,395)	(5,178)	(14,491)	(18,450)
<i>Other transactions with Directors and businesses over which they exercise significant management influence:</i>				
Other investment expenses	(1,440)	(1,611)	(4,170)	(3,868)

The Group has entered into 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

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000	2020 (Unaudited) AED '000	2019 (Unaudited) AED '000
Directors' fees	562	562	1,687	1,687
Salaries and benefits	1,145	1,696	3,677	3,630
End of service benefits	32	32	318	191
	1,739	2,290	5,682	5,508

16 Contingent liabilities

At 30 September 2020, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 81 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

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Commitments in respect of uncalled subscription of equities held as investments	7,960	7,960
Capital commitments towards acquisitions of property and equipment and intangible assets	3,161	8,441

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

18 Location of assets

Geographical locations of specific assets are disclosed below:

	At 30 September 2020 (Unaudited)		At 31 December 2019 (Audited)	
	Inside UAE AED '000	Outside UAE AED '000	Inside UAE AED '000	Outside UAE AED '000
Property and equipment	38,127	1,557	9,899	417
Investment properties	473,591	-	473,591	-
Statutory deposits	45,295	126,150	45,295	109,985
Financial investments at FVTOCI	234,715	163,818	290,339	184,037
Financial investments at FVTPL	6,682	350,429	6,794	370,845
Financial investments at amortised cost	1,016,355	734,439	1,038,483	589,728
Bank balances, deposits and cash	435,522	148,761	221,807	191,103
	<u>2,250,287</u>	<u>1,525,154</u>	<u>2,086,208</u>	<u>1,446,115</u>
		<u>3,775,441</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 nine month period ended 30 September 2020 (continued)

19 Segment information (continued)

19.1 Segment premium and results by operating segments

	For the nine month period ended 30 September (Unaudited)					
	General insurance		Life assurance and medical		Total	
	2020 AED '000	2019 AED '000	2020 AED '000	2019 AED '000	2020 AED '000	2019 AED '000
Gross insurance premium	1,428,784	1,198,753	1,488,132	1,638,248	2,916,916	2,837,001
Net underwriting income	167,030	145,021	151,256	175,531	318,286	320,552
Net investment income					85,013	80,626
General and administrative expenses					(210,720)	(218,646)
Board of directors' remuneration					(1,687)	(1,687)
Allowance for impairment as per IFRS 9 on insurance and reinsurance receivables					(5,473)	(12,748)
Finance cost					-	(199)
Other expenses – net					(25,045)	(24,330)
Profit before tax					160,374	143,568
Income tax (expenses)/credit					(163)	601
Profit for the period					160,211	144,169
Attributable to:						
Owners of the Company					158,002	139,952
Non-controlling interests					2,209	4,217
Profit for the period					160,211	144,169

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

19 Segment information (continued)

19.2 Segment results by geographical distribution

	For the nine month period ended 30 September (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	2,793,438	2,724,154	123,478	112,847	2,916,916	2,837,001
Net underwriting income	313,745	308,513	4,541	12,039	318,286	320,552
Net investment income	78,224	72,694	6,789	7,932	85,013	80,626
General and administrative expenses	(198,105)	(205,359)	(12,615)	(13,287)	(210,720)	(218,646)
Board of directors' remuneration	(1,687)	(1,687)	-	-	(1,687)	(1,687)
Allowance for impairment as per IFRS 9 on insurance and reinsurance receivables	(5,473)	(12,748)	-	-	(5,473)	(12,748)
Finance cost	-	(199)	-	-	-	(199)
Other expenses - net	(30,819)	(25,012)	5,774	682	(25,045)	(24,330)
Profit before tax	155,885	136,202	4,489	7,366	160,374	143,568
Income tax (expenses)/credit	(869)	(456)	706	1,057	(163)	601
Profit for the period	155,016	135,746	5,195	8,423	160,211	144,169
Attributable to:						
Owners of the Company	155,335	135,656	2,667	4,296	158,002	139,952
Non-controlling interests	(319)	90	2,528	4,127	2,209	4,217
Profit for the period	155,016	135,746	5,195	8,423	160,211	144,169

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2020 (continued)

19 Segment information (continued)

19.3 Segment assets and liabilities by operating segments

At 30 September 2020 (Unaudited)

	General insurance AED' 000	Life assurance and medical AED' 000	Investments AED' 000	Total AED' 000
Segment assets	<u>3,132,588</u>	<u>1,837,038</u>	<u>2,623,607</u>	<u>7,593,233</u>
Segment liabilities	<u>3,267,562</u>	<u>2,334,151</u>	<u>-</u>	<u>5,601,713</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 30 September 2020 (Unaudited)

	GCC AED '000	Turkey AED '000	Total AED '000
Segment assets	<u>7,322,528</u>	<u>270,705</u>	<u>7,593,233</u>
Segment liabilities	<u>5,369,031</u>	<u>232,682</u>	<u>5,601,713</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 nine month period ended 30 September 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
	30 September 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	356,422	332,100	Level 2	Quoted prices in secondary market	None	Not applicable
Quoted equity investments	689	14,990	Level 1	Quoted bid prices in an active market	None	Not applicable
Financial assets measured at FVTOCI						
Quoted equity investments	353,436	421,078	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity and private equity fund	45,097	53,298	Level 3	Discounted cash flows (DCF), Multiple based approach and net assets as per financial statements	1. Price to book value multiple 2. Interest rate	1. Price to book value multiple for similar companies will directly impact fair value 2. Interest rate changes in DCF will directly impact the fair value calculation

The fair value of the quoted debt instruments held at amortised cost as at 30 September 2020 amounted to AED 1,836,503 thousand (31 December 2019: AED 1,677,700 thousand) and unquoted debt instruments held at amortised cost matured in July 2020 (31 December 2019 amounted to 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 nine month period ended 30 September 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

	At 30 September 2020 (Unaudited) AED '000	At 31 December 2019 (Audited) AED '000
Balance at the beginning of the period/year	53,298	182,912
Disposals during the period/year	(5,039)	(153,179)
Changes in fair value recognised in other comprehensive income	(3,162)	23,565
Balance at the end of the period/year	<u>45,097</u>	<u>53,298</u>

21 Seasonality of results

Net investment income includes dividend income of AED 22,468 thousand for the nine-month period ended 30 September 2020 (30 September 2019: AED 17,995 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 Group's application to open a foreign branch. Accordingly, the Group's management has taken the decision to no longer issue 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.

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 10 November 2020.