Emirates Insurance Company P.J.S.C.

Condensed interim financial information

30 June 2020

Principal business address:
Emirates Insurance Company P.J.S.C.
P.O. Box: 3856
Abu Dhabi
UAE

Emirates Insurance Company P.J.S.C.

Condensed interim financial information

Contents | ***Page***

Report of the Board of Directors for the six months ended 30 June 2020

The Board of Directors takes pleasure in presenting the unaudited results for the first six months of 2020.

	AED '000	
Income Statement	**June 2020**	**June 2019** *Restated*
Gross premium Income	608,025	624,725
Net Earned Premium	276,886	268,352
Net Commission	(28,854)	(32,730)
Net Incurred and Paid Claims	(150,694)	(161,297)
Net Underwriting Income	**97,338**	**74,325**
Investment Income	16,767	47,699
Total Income	**114,105**	**122,024**
Operating Expenses	(57,131)	(58,031)
Other Expenses	(3,667)	(8,497)
Net Profit for the period	**53,307**	**55,496**

Ratios		
Earnings per share (Fils)	36	37

	AED '000	
Balance Sheet	**June 2020**	**Dec 2019** *Restated*
Shareholders' Equity	949,354	1,108,888
Total Assets	3,076,429	2,707,038

Management Commentary Q2 2020

The global Covid epidemic made the first half of 2020 and, most especially, Q2, a period of unprecedented medical and economic challenges for practically every individual and business across the world.

In our own underwriting business, we are primarily exposed to Covid related losses in our property insurance (business interruption) segment. During Q2 we saw some modest growth in our gross outstanding loss reserves from Covid, but business interruption claims are usually slow to develop and this unique event will follow its own timetable. We are of course continuing to monitor developments as they unfold.

As insurers, however, our more general concern is the ongoing economic impact of the Covid crisis and in turn its effects on our own customer base. As the balance of the year unfolds, we hope to see a return to some kind of normality for all sections of the economy. The company, its management and staff have responded well to this extraordinary emergency and successfully served our customers and brokers largely from home during these months. The latest technology has been employed to do so and our digitalization efforts have been accelerated to better serve our customers' needs during these days and in the future.

From a Gross Written Premium Income (turnover) standpoint, our business was primarily impacted in our personal lines motor segment which contracted during the peak lockdown months. Overall, EIC's GWPI declined slightly during Q2_20 compared with Q2_19. In Q1_20 we had reported a decline in underwriting profitability, particularly in respect of our motor business. We are pleased to report that our loss ratios in motor have recovered substantially during Q2 and moved closer to our historical performance.

Total expenses for the first 6 months are already lower than at H1_19 and will continue to reduce over the balance of the year following cost control measures the management has already put in place.

During Q2 2020, the management discovered that, as a result of an inadvertent clerical error in the interface between two of the company's underwriting and operating systems, a subset of claims had not been properly recorded in the accounts of the company for some years.

Consequently, in this Report and Accounts we are restating each of the affected financial statements' line items for prior periods. Further details of the corrections and restatement being made may be found in Note 22 below.

Based on restated Q2_19, our underwriting income for Q2_20 has improved by 31%.

<u>Investment Performance:</u>

Although global markets, and in turn EIC, realized a significant drawdown during the first quarter owing to a plethora of negative events, investor sentiments took a predominantly positive undertone during the second quarter of 2020 largely due to real yields turning negative while investors seeking returns reallocated back to riskier asset classes. Consequently, EIC's opportunistic trades capitalizing on the market dislocation early on contributed to an alpha of 0.65% on a YTD basis.

EIC's net investment income of AED 16.8m for the six-month period ended 30th June 2020 is 65% lower compared to the AED 47.7m reported over the same period last year. Our investment income improved by AED 29.7m during Q2_20 relative to Q1_20 while the total portfolio recovered AED 72,6m during Q2_20 compared to Q1.

EIC continues to closely monitor macro developments and shifts from a neutral to a cautious stance selectively re-positioning across asset classes to mitigate portfolio downsides.

<u>Net Profit</u>

Our net profit dropped by 4% to AED53,3m at the end of June 2020 compared to the same period last year. We remain optimistic that our investment portfolio performance will continue to improve during the year as the impact of the pandemic eases and oil prices and world economy start to recover.

<u>Balance Sheet:</u>

The Total Assets of the Company have increased by 13,7% since December 2019 to AED 3.076 billion.

Our total liabilities increased from Aed1.598b to Aed2.127b. This largely results from an outstanding liability claim which is entirely recoverable from reinsurers.

Shareholders Equity is lower by 14,4% mainly due to the declared dividend of Aed90m and the decline in the Investment portfolio which reduced our revaluation reserve by Aed120m.

Cash and Term deposits increased to Aed360m from Aed322m as at 31 December 2019.

Our liquidity, solvency and working capital positions remain strong.

A. Mazrui

Abdullah Mazrui
Chairman
13 August 2020.

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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Shareholders of Emirates Insurance Company P.J.S.C.

Introduction

We have reviewed the accompanying 30 June 2020 condensed interim financial information of Emirates Insurance Company P.J.S.C. (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2020;
- the condensed interim statement of profit or loss for the three-month and six-month periods ended 30 June 2020;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2020; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with IAS 34, *'Interim Financial Reporting'.* Our responsibility is to express a conclusion on this condensed 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 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 30 June 2020 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

Emphasis of Matter - comparative information

We draw attention to Note 22 to the condensed interim financial information which indicates that the comparative information presented as at 31 December 2019 and for the three-month and six-month periods ended 30 June 2019 has been restated. Our conclusion is not modified in respect of this matter.

Other Matter Relating to Comparative Information

The financial statements of the Company as at and for the year ended 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 22 to the condensed interim financial information were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 February 2019.

As part of our review of the condensed interim financial information as at and for the three-month and six-month periods ended 30 June 2020, we reviewed the adjustments described in Note 22 that were applied to restate the comparative information as at 1 January 2019 (not presented herein). We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2018 or to the statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 22 to the condensed interim financial information. Accordingly, we do not express an opinion, conclusion or any other form of assurance on those financial statements taken as a whole. However, in our conclusion, the adjustments described in Note 22 are appropriate or have been properly applied.

KPMG Lower Gulf Limited

Saif Fayez Shawer
Registration No: 1131
Abu Dhabi, United Arab Emirates
Date: 13 August 2020

Emirates Insurance Company P.J.S.C.

Condensed interim statement of financial position

as at

	Note	*(Unaudited)* 30 June 2020 AED'000	*(Audited)* 31 December 2019 (Restated)* AED'000
Assets			
Property and equipment		**15,822**	16,027
Statutory deposit	*4*	**10,000**	10,000
Investment properties	*5*	**4,904**	5,674
Financial assets at amortised cost	*6*	**180,948**	189,708
Financial assets at fair value through other comprehensive income ("FVTOCI")	*6*	**521,783**	648,261
Financial assets at fair value through profit or loss	*6*	**340,950**	395,836
Insurance receivables	*7*	**336,261**	301,481
Reinsurers' share of technical reserves:			
Unearned premiums reserve	*8*	**257,337**	215,811
Outstanding claims reserve	*8*	**838,438**	436,181
Claims incurred but not reported reserve	*8*	**98,548**	79,934
Unexpired risk reserve		**-**	1,608
Other receivables and prepayments		**111,917**	83,928
Term deposits	*9*	**129,153**	205,792
Cash and cash equivalents	*9*	**230,368**	116,797
Total assets		**3,076,429**	2,707,038
Equity and liabilities			
Equity			
Share capital	*10*	**150,000**	150,000
Statutory reserve	*11*	**75,000**	75,000
General reserve	*12*	**600,000**	600,000
Fair value reserve		**71,679**	191,806
Retained earnings		**52,675**	92,082
Total equity		**949,354**	1,108,888
Liabilities			
Employees' end of service benefit obligation		**18,939**	17,266
Accruals and other liabilities		**19,152**	31,605
Deferred income		**32,838**	25,733
		70,929	74,604
Insurance liabilities			
Insurance liabilities		**188,411**	146,534
Other payables	*13*	**11,021**	11,315
Reinsurance deposits retained		**25,429**	24,989
		224,861	182,838
Gross technical reserves			
Unearned premiums reserve	*8*	**532,007**	468,653
Outstanding claims reserve	*8*	**1,113,015**	699,606
Claims incurred but not reported reserve	*8*	**169,131**	156,044
Unallocated loss adjustment expenses reserve	*8*	**14,810**	13,899
Unexpired risk reserve		**2,322**	2,506
Total technical reserves		**1,831,285**	1,340,708
Total liabilities		**2,127,075**	1,598,150
Total equity and liabilities		**3,076,429**	2,707,038

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

A. Magni

Chairman of the Board of Directors | Chief Executive Officer | Chief Financial Officer

The notes set out on pages 11 to 27 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 4 and 5.

* Refer to note 22 for details.

Emirates Insurance Company P.J.S.C.

Condensed interim statement of profit or loss

for the period ended 30 June (Unaudited)

	Note	**Three-month period ended 2020 AED'000**	Three-month period ended 2019 (Restated)* AED'000	**Six-month period ended 2020 AED'000**	Six-month period ended 2019 (Restated)* AED'000
Gross written premiums		**268,291**	292,169	**608,025**	624,725
Reinsurance share of direct business premiums		**(137,992)**	(125,354)	**(266,080)**	(256,896)
Reinsurance share of assumed business premiums		**(21,487)**	(22,278)	**(43,231)**	(37,636)
Net written premiums		**108,812**	144,537	**298,714**	330,193
Net change in unearned premiums reserves		**28,460**	(9,782)	**(21,828)**	(61,841)
Net premiums earned		**137,272**	134,755	**276,886**	268,352
Commission income		**16,001**	13,649	**30,323**	27,926
Commission expenses		**(32,647)**	(32,457)	**(59,177)**	(60,656)
Gross underwriting income		**120,626**	115,947	**248,032**	235,622
Gross claims paid		**(105,184)**	(107,294)	**(277,460)**	(227,453)
Reinsurance share of claims paid		**48,912**	32,894	**126,524**	65,004
Reinsurance share of ceded business claims paid		**4,718**	10,161	**8,202**	22,308
Net claims paid		**(51,554)**	(64,239)	**(142,734)**	(140,141)
Change in outstanding claims reserve		**(6,852)**	(6,149)	**(413,409)**	7,641
Change in reinsurance share of outstanding claims reserve		**2,482**	(10,772)	**402,257**	(26,404)
Change in incurred but not reported claims reserve - net		**5,576**	1,221	**5,527**	(1,777)
Change in unallocated loss adjustment expense reserve - net		**(776)**	(65)	**(911)**	(316)
Change in unexpired risk reserve - net		**(563)**	(341)	**(1,424)**	(300)
Net claims incurred		**(51,687)**	(80,345)	**(150,694)**	(161,297)
Net underwriting income		**68,939**	35,602	**97,338**	74,325
Net investment income	*15*	**29,120**	5,466	**15,886**	45,763
Net income from investment properties		**545**	945	**881**	1,936
Total income		**98,604**	42,013	**114,105**	122,024
General and administrative expenses		**(26,757)**	(26,715)	**(55,937)**	(53,345)
Charge for expected credit losses of financial assets		**(1,567)**	(2,296)	**(1,194)**	(4,686)
Other expenses - net		**(1,188)**	(3,874)	**(36)**	(7,665)
Foreign currency exchange fluctuation		**(3,604)**	(694)	**(3,631)**	(832)
Profit for the period	*16*	**65,488**	8,434	**53,307**	55,496
Basic and diluted earnings per share	*17*	**0.44**	0.06	**0.36**	0.37

The notes set out on pages 11 to 27 form an integral part of this condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 4 and 5.

* Refer to note 22 for details.

Emirates Insurance Company P.J.S.C.

Condensed interim statement of profit or loss and other comprehensive income

for the period ended 30 June (Unaudited)

	Note	**Three-month period ended 2020 AED'000**	Three-month period ended 2019 (Restated)* AED'000	**Six-month period ended 2020 AED'000**	Six-month period ended 2019 (Restated)* AED'000
Profit for the period		**65,488**	8,434	**53,307**	55,496
Items that will not be reclassified subsequently to statement of profit or loss:					
Changes in fair value of equity instruments at fair value through other comprehensive income - net	*6*	**40,106**	1,127	**(119,746)**	(10,040)
Items that are or may be reclassified subsequently to statement of profit or loss:					
Changes in fair value of debt instruments at fair value through other comprehensive income	*6*	**2,794**	-	**(3,102)**	-
Impairment loss on debt instruments measured at fair value through other comprehensive income		**1**	-	**7**	-
Other comprehensive income / (loss) for the period		**42,901**	1,127	**(122,841)**	(10,040)
Total comprehensive income / (loss) for the period		**108,389**	9,561	**(69,534)**	45,456

The notes set out on pages 11 to 27 form an integral part of this condensed interim financial information.

The independent auditor's report is set out on pages 4 and 5.

* Refer to note 22 for details.

Emirates Insurance Company P.J.S.C.

Condensed interim statement of changes in equity

for the six-month period ended 30 June (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	General Reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2019 *(Audited)*	150,000	75,000	545,000	174,978	177,552	1,122,530
Impact of correction of error *(note 22)*	-	-	-	-	(52,700)	(52,700)
Balance at 1 January 2019 *(Audited)* – Restated*	150,000	75,000	545,000	174,978	124,852	1,069,830
Total comprehensive income:						
Profit for the period	-	-	-	-	55,496	55,496
Other comprehensive loss for the period	-	-	-	(10,040)	-	(10,040)
Total comprehensive (loss) / income for the period	-	-	-	(10,040)	55,496	45,456
Transactions with owners of the Company:						
Dividends *(note 10)*	-	-	-	-	(82,500)	(82,500)
Total transactions with owners of the Company	-	-	-	-	(82,500)	(82,500)
Transfer to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	(6,826)	6,826	-
Balance at 30 June 2019 *(Unaudited)* – Restated*	150,000	75,000	545,000	158,112	104,674	1,032,786
Balance at 1 January 2020 *(Audited)*	150,000	75,000	600,000	191,806	171,741	1,188,547
Impact of correction of error *(note 22)*	-	-	-	-	(79,659)	(79,659)
Balance at 1 January 2020 *(Audited)* – Restated*	150,000	75,000	600,000	191,806	92,082	1,108,888
Total comprehensive income:						
Profit for the period	-	-	-	-	53,307	53,307
Other comprehensive loss for the period	-	-	-	(122,841)	-	(122,841)
Total comprehensive (loss) / income for the period	-	-	-	(122,841)	53,307	(69,534)
Transactions with owners of the Company:						
Dividends *(note 10)*	-	-	-	-	(90,000)	(90,000)
Total transactions with owners of the Company	-	-	-	-	(90,000)	(90,000)
Transfer to retained earnings on disposal of equity investments designated at FVTOCI	-	-	-	2,714	(2,714)	-
Balance at 30 June 2020 *(Unaudited)*	**150,000**	**75,000**	**600,000**	**71,679**	**52,675**	**949,354**

The notes set out on pages 11 to 27 form an integral part of this condensed interim financial information.

* Refer note 22 for details.

Emirates Insurance Company P.J.S.C.

Condensed interim statement of cash flows

for the six-month period ended 30 June (unaudited)

	Note	2020 AED'000	2019 (Restated)* AED'000
Cash flows from operating activities			
Profit for the period		**53,307**	55,496
Adjustments for:			
Depreciation of property and equipment	*16*	**2,705**	2,407
Depreciation of investment properties	*16*	**315**	234
Net loss / (gain) on disposal of investments in securities	*15*	**5,572**	(6,203)
Unrealised loss / (gain) on investments measured at FVTPL	*15*	**13,002**	(7,573)
Premium amortisation		**515**	259
Dividends from investments in securities	*15*	**(23,891)**	(21,715)
Charge for expected credit losses on financial assets		**1,141**	4,686
Charge for employees' end of service benefit obligation		**2,156**	641
Interest income		**(12,099)**	(12,095)
Cash flow from operating activities		**42,723**	16,137
Net movement in reinsurers' share of technical reserves		**(460,789)**	(24,693)
Net movement in gross technical reserves		**490,577**	107,690
Increase in insurance receivables		**(35,964)**	(46,512)
Increase in other receivables and prepayments		**(23,111)**	(35,952)
Increase in insurance liabilities		**41,877**	68,017
Decrease in other payables		**(906)**	(4,637)
Increase / (decrease) in reinsurance deposit retained		**440**	(1,416)
Increase in deferred income		**7,105**	5,549
Decrease in accruals and other liabilities		**(12,453)**	(6,217)
Cash generated from operating activities		**49,499**	77,966
Payment for employees' end of service benefit obligation		**(483)**	(633)
Net cash generated from operating activities		**49,016**	77,333
Cash flows from investing activities			
Payments for acquisition of property and equipment		**(1,401)**	(4,653)
Payments for purchase of financial assets		**(71,550)**	(141,845)
Proceeds from disposal of financial assets		**119,753**	132,086
Net movement in term deposits		**76,673**	9,252
Dividends received		**23,891**	21,715
Interest income received		**7,221**	4,755
Net cash generated from investing activities		**154,587**	21,310
Cash flows from financing activities			
Dividends paid		**(90,000)**	(82,500)
Repayment of lease liability		**(32)**	-
Net cash used in financing activities		**(90,032)**	(82,500)
Net increase in cash and cash equivalents		**113,571**	16,143
Cash and cash equivalents at the beginning of the period		**116,797**	127,599
Cash and cash equivalents at the end of the period	*9*	**230,368**	143,742

The notes set out on pages 11 to 27 form an integral part of this condensed interim financial information.

The independent auditor's report is set out on pages 4 and 5.

* Refer note 22 for details.

1 Legal status and activities

Emirates Insurance Company P.J.S.C. (the "Company") is a public joint stock company which was incorporated in Abu Dhabi, United Arab Emirates on 27 July 1982. The Company is registered in accordance with UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents and is governed by the provisions of the Federal Law No. (2) of 2015 concerning the commercial companies which has come into effect from 1 July 2015, Insurance Authority Board decision No. (25) of 2014 pertinent to Financial Regulations for insurance companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations, and is registered in the Insurance Companies Register under registration No. (2). The Company's principal activity is writing of general insurance and reinsurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain and Jebel Ali Freezone. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 3856, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and also comply with the applicable requirements of the laws in the UAE. It does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The condensed interim financial information has been prepared under the historical cost convention except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values.

(c) Functional and reporting currency

The condensed interim financial information is presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency. Except as indicated, the financial information presented in AED has been rounded to the nearest thousand.

(d) Use of judgments and estimates

In preparing the condensed interim financial information, management has made judgments and estimates 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.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2019 except the following estimates and judgements which are applicable from 1 January 2020.

2 Basis of preparation *(continued)*

(d) ***Use of judgments and estimates*** *(continued)*

(i) ***Impact of COVID-19***

The economic repercussions from the global outbreak of COVID-19 have significantly and adversely affected businesses worldwide. As at 30 June 2020, the Company has primarily been impacted in its investments segment where the net unrealised losses on financial assets measured at fair value through other comprehensive income and fair value through profit and loss amounted to AED 122.8 million and AED 13 million respectively. The losses in investments are consistent with the worldwide trend. There is insufficient information available to assess the direction of this trend for the future.

Insurance risk

In its underwriting segment, the Company is primarily exposed to medical and business interruption policies. Although the Company's medical business has policy exclusions for pandemics, the Health Authorities in Dubai have instructed all insurers to accept medical claims related to COVID-19. The Company expects that the impact of medical claims would be immaterial due to low rate of hospitalisation and deferral of elective medical procedures required.

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions as well. The Company has evaluated all business interruption policies in force for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company. Furthermore, the Company has been able to retain major customers during the six-month period ended 30 June 2020.

Liquidity risk

The Company continues to monitor and respond to all liquidity requirements that are presented. The Company continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Company in the current extreme stress. As at the reporting date the liquidity position of the Company remains strong and is well placed to absorb and manage the impacts of this disruption.

Business continuity plan

The Company has remained fully operational throughout the period and has put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted services to customers and the operations. The outbreak has not caused any significant delays in policies issuance and claims settlements. The Company will continue to monitor the reverberations of COVID-19, if any, on its customers and operations and will take further action as needed.

The steps taken by the Company to estimate the impact of COVID-19 and the judgments applied by management in assessing the values of assets and liabilities as at 30 June 2020 includes both quantitative and qualitative criteria such as risk profiling and actuarial analysis. Such analysis has enabled the Company to timely and accurately identify its exposure although these are subject to significant judgment due to the rapidly changing dynamics of COVID-19.

3 Significant accounting policies

The accounting policies applied in the condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2019.

3.1 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 however these do not have a material impact on the condensed interim financial information.

4 Statutory deposit

In accordance with the requirements of UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents, the Company maintains a bank deposit of AED 10,000,000 *(31 December 2019: AED 10,000,000)* which cannot be utilised without the consent of the UAE Insurance Authority.

5 Investment properties

Investment properties represent the cost, net of accumulated depreciation and impairment, of properties owned by the Company in Abu Dhabi, Al Ain and Mussafah. Land for the construction of the Abu Dhabi and Al Ain buildings have been allotted free of cost by the Executive Council of Abu Dhabi and land for the construction of Mussafah building is on a long-term lease from the Abu Dhabi Municipality and Urban Planning Department which is classified as right-of-use asset.

6 Investments in securities

The Company's investments at the end of the reporting period are detailed below:

	(Unaudited) **30 June 2020 AED'000**	*(Audited)* 31 December 2019 AED'000
Financial assets at amortised cost		
Fixed income portfolio	**181,189**	189,965
Less: allowance for expected credit losses	**(241)**	(257)
	180,948	189,708
Financial assets at fair value through other comprehensive income		
Quoted UAE equity securities	**393,019**	508,794
Unquoted UAE equity securities	**2,761**	3,141
Investment funds	**67,404**	74,191
Unquoted overseas equity securities	**3,305**	3,739
Bond portfolio	**55,294**	58,396
	521,783	648,261

6 Investments in securities *(continued)*

	***(Unaudited)* 30 June 2020 AED'000**	*(Audited)* 31 December 2019 AED'000
Financial assets at fair value through profit or loss		
Quoted UAE equity securities	**39,645**	60,242
Unquoted UAE equity securities	**1,048**	1,050
Investment funds	**80,136**	87,604
Unquoted overseas equity securities	**3,721**	5,036
Bond portfolio	**216,400**	241,904
	340,950	395,836

The movement in investments during the period / year is as follows:

	***(Unaudited)* 30 June 2020 AED'000**	*(Audited)* 31 December 2019 AED'000
Financial assets at amortised cost		
Amortised cost at the beginning of the period / year	**189,708**	179,380
Purchases	**736**	20,190
Disposals	**(1,101)**	(2,998)
Capital repayment	**(7,896)**	(6,337)
Premium amortisation	**(515)**	(500)
Reversal / (allowance) for expected credit losses	**16**	(27)
Amortised cost at the end of the period / year	**180,948**	189,708
Financial assets at fair value through other comprehensive income		
Fair value at the beginning of the period / year	**648,261**	534,495
Purchases	**14,612**	134,092
Disposals	**(18,242)**	(28,716)
Change in fair values of equity instruments	**(119,746)**	8,390
Change in fair values of debt instruments	**(3,102)**	-
Fair value at the end of the period / year	**521,783**	648,261
Financial assets at fair value through profit or loss		
Fair value at the beginning of the period / year	**395,836**	384,197
Purchases	**56,202**	273,552
Disposals	**(98,086)**	(281,723)
Change in fair values taken to profit or loss	**(13,002)**	19,810
Fair value at the end of the period / year	**340,950**	395,836

7 Insurance receivables

	(Unaudited) **30 June 2020** **AED'000**	*(Audited)* 31 December 2019 (Restated)* AED'000
Due from policy holders	**63,698**	29,175
Due from policy holders – related parties *(note 14)*	**4,875**	9,728
	68,573	38,903
Due from insurance / reinsurance companies	**39,503**	34,367
Due from brokers / agents	**250,321**	249,163
Less: allowance for expected credit losses	**(22,136)**	(20,952)
	336,261	301,481

Movement in the allowance for expected credit losses:

	(Unaudited) **30 June 2020** **AED'000**	*(Audited)* 31 December 2019 AED'000
Balance at beginning of the period / year	**20,952**	17,902
Charge recognised during the period / year	**1,184**	3,050
Balance at the end of the period / year	**22,136**	20,952

* Refer note 22 for details.

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

8 Insurance contract liabilities and reinsurance contract assets

	(Unaudited) **30 June 2020** **AED'000**	*(Audited)* 31 December 2019 (Restated)* AED'000
Gross technical reserves		
- Unearned premiums reserve	**532,007**	468,653
- Outstanding claims reserve	**1,113,015**	699,606
- Claims incurred but not reported reserve	**169,131**	156,044
- Unallocated loss adjustment expenses reserve	**14,810**	13,899
- Unexpired risk reserve	**2,322**	2,506
	1,831,285	1,340,708
Reinsurers' share of technical reserves		
- Unearned premiums reserve	**257,337**	215,811
- Outstanding claims reserve	**838,438**	436,181
- Claims incurred but not reported reserve	**98,548**	79,934
- Unexpired risk reserve	**-**	1,608
	1,194,323	733,534
Technical reserves - net		
- Unearned premiums reserve	**274,670**	252,842
- Outstanding claims reserve	**274,577**	263,425
- Claims incurred but not reported reserve	**70,583**	76,110
- Unallocated loss adjustment expenses reserve	**14,810**	13,899
- Unexpired risk reserve	**2,322**	898
	636,962	607,174

* Refer note 22 for details.

9 Cash and cash equivalents

	(Unaudited) **30 June 2020** **AED'000**	*(Audited)* 31 December 2019 AED'000
Cash at banks inside UAE	**207,994**	112,342
Cash at banks outside UAE	**175**	426
Cash in hand	**2,134**	4,068
Cash and bank balances	**210,303**	116,836
Term deposits *(i)*	**149,375**	205,891
	359,678	322,727
Less: deposits with original maturities of three months or more *(i),(ii)*	**(129,218)**	(205,891)
Cash and cash equivalents	**230,460**	116,836
Less: allowance for expected credit losses	**(92)**	(39)
	230,368	116,797

9 Cash and cash equivalents *(continued)*

(i) Term deposits carry interest rates ranging from 1.4% to 4.0% *(31 December 2019: 2.2% to 4.0%)* per annum. All term deposits with original maturity of three months or more are placed with banks and financial institutions within UAE.

(ii) Term deposits with original maturities of three months or more, net of allowance for expected credit losses of AED 65 thousand *(31 December 2019: AED 99 thousand)*, amount to AED 129,153 thousand *(31 December 2019: AED 205,792 thousand)*.

10 Issued and paid up share capital

	(Unaudited) **30 June 2020 AED'000**	*(Audited)* 31 December 2019 AED'000
Authorised:		
150,000,000 *(2019: 150,000,000)* shares of AED 1 each	**150,000**	150,000
Allotted, issued and fully paid:		
150,000,000 *(2019: 150,000,000)* shares of AED 1 each	**150,000**	150,000

At the Annual General Meeting held on 26 March 2020, the Shareholders approved a cash dividend in respect of 2019 results amounting to AED 90 million *(2019: AED 82.5 million)*.

11 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable reserve until the balance of the reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

12 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors. This reserve may be used for such purposes as the Directors deem fit.

13 Other payables

	(Unaudited) **30 June 2020 AED'000**	*(Audited)* 31 December 2019 AED'000
Other insurance payables	**7,808**	9,330
Due to related parties *(note 14)*	**3,213**	1,985
	11,021	11,315

14 Related parties

Related parties comprise the Directors of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The Company maintains significant balances with these related parties which arise from commercial transactions in the ordinary course of business at commercial rates as follows:

	(Unaudited) **30 June 2020** **AED'000**	(Audited) 31 December 2019 AED'000
Included in insurance receivables (note 7)		
Due from policy holders (Directors' affiliates)	**4,875**	9,728
Included in other payables (note 13)		
Due to policy holders (Directors' affiliates)	**3,213**	1,985
Key management personnel		
Long-term benefits	**7,676**	7,231

During the period, the Company entered into the following transactions with related parties:

	(Unaudited) **Three-month period ended 2020 AED'000**	*(Unaudited)* Three-month period ended 2019 AED'000	***(Unaudited)*** **Six-month period ended 2020 AED'000**	*(Unaudited)* Six- month period ended 2019 AED'000
Gross premiums written	**3,356**	3,560	**13,354**	13,492
Gross claims paid	**303**	274	**879**	1,086
Board of Directors' remuneration paid	-	688	**2,720**	1,375
Remuneration of key management personnel	**3,929**	5,909	**8,013**	8,287

The remuneration of the Board of Directors is subject to approval by the shareholders and as per limits set by the UAE Federal Law No. (2) of 2015 concerning Commercial Companies.

The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

Emirates Insurance Company P.J.S.C.

Notes to the condensed interim financial information

15 Net investment income

	(Unaudited) **Three-month period ended 2020 AED'000**	*(Unaudited)* Three-month period ended 2019 AED'000	*(Unaudited)* **Six-month period ended 2020 AED'000**	*(Unaudited)* Six- month period ended 2019 AED'000
Dividends from investments in securities	**1,540**	1,241	**23,891**	21,715
Unrealised gain / (loss) on investments measured at fair value through profit or loss	**29,700**	(6,939)	**(13,002)**	7,573
Net (loss) / gain on disposal of investments	**(6,746)**	6,261	**(5,572)**	6,203
Interest on bonds and deposits	**5,513**	5,977	**12,099**	12,018
Investment expenses	**(887)**	(1,074)	**(1,530)**	(1,746)
	29,120	5,466	**15,886**	45,763

16 Profit for the period

Profit for the period is arrived at after charging the following:

	(Unaudited) **Three-month period ended 2020 AED'000**	*(Unaudited)* Three- month period ended 2019 AED'000	*(Unaudited)* **Six-month period ended 2020 AED'000**	*(Unaudited)* Six- month period ended 2019 AED'000
Staff costs	**18,866**	15,030	**38,730**	36,660
Depreciation of property and equipment	**1,376**	1,216	**2,705**	2,407
Depreciation of investment properties	**137**	116	**315**	234
Rental expenses	**762**	1,483	**1,545**	1,936

17 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

17 Basic and diluted earnings per share *(continued)*

The following reflects the profit and shares data used in the earnings per share computations:

	(Unaudited) **Three-month period ended 2020**	*(Unaudited)* Three- month period ended 2019 (Restated)*	***(Unaudited)*** **Six-month period ended 2020**	*(Unaudited)* Six- month period ended 2019 (Restated)*
Profit for the period (AED '000)	**65,488**	8,434	**53,307**	55,496
Weighted average number of ordinary shares (shares in '000)	**150,000**	150,000	**150,000**	150,000
Earnings per share for the period – basic and diluted (AED)	**0.44**	0.06	**0.36**	0.37

* Refer note 22 for details.

18 Commitments and contingent liabilities

	(Unaudited) **30 June 2020 AED'000**	*(Audited)* 31 December 2019 AED'000
Commitments in respect of investments	**9,705**	12,530
Bank guarantees	**8,928**	8,666

The above bank guarantees were issued in the normal course of business.

Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

19 Segment information

For operating purposes, the Company is organised into two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as fire, marine, motor, general accident and miscellaneous.
- Investments – incorporating investments in marketable equity securities and investment funds, bonds, term deposits with banks and investment properties and other securities.

19 Segment information *(continued)*

19.1 Primary segment information - Business segments

The following is an analysis of the Company's revenue and results by business segments:

	Six-month period ended 30 June *(Unaudited)*					
	Underwriting		**Investments**		**Total**	
	2020	2019 (Restated)*	**2020**	2019	**2020**	2019 (Restated)*
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment revenue	**638,348**	652,651	**19,055**	50,564	**657,403**	703,215
Segment result	**97,338**	74,325	**16,767**	47,699	**114,105**	122,024
Unallocated expenses					**(60,798)**	(66,528)
Profit for the period					**53,307**	55,496

	Three-month period ended 30 June *(Unaudited)*					
	Underwriting		**Investments**		**Total**	
	2020	2019 (Restated)*	**2020**	2019	**2020**	2019 (Restated)*
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment revenue	**284,292**	305,818	**30,837**	8,079	**315,129**	313,897
Segment result	**68,939**	35,602	**29,665**	6,411	**98,604**	42,013
Unallocated expenses					**(33,116)**	(33,579)
Profit for the period					**65,488**	8,434

The following is an analysis of the Company's assets and liabilities by business segments:

	Underwriting		**Investments**		**Total**	
	(unaudited) 30 June 2020	(audited) 31 December 2019 (Restated)*	**(unaudited) 30 June 2020**	(audited) 31 December 2019	**(unaudited) 30 June 2020**	(audited) 31 December 2019 (Restated)*
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment assets	**1,634,945**	1,137,519	**1,201,116**	1,452,721	**2,836,061**	2,590,240
Unallocated assets					**240,368**	116,798
Total assets					**3,076,429**	2,707,038
Segment liabilities	**2,107,133**	1,570,341	**1,003**	1.213	**2,108,136**	1,571,554
Unallocated liabilities					**18,939**	26,596
Total liabilities					**2,127,075**	1,598,150

19 Segment information *(continued)*

19.2 Secondary segment information - Revenue from underwriting departments

The following is an analysis of the Company's revenues classified by underwriting departments:

	(Unaudited) **Three-month period ended 2020**	*(Unaudited)* Three-month period ended 2019 (Restated)*	***(Unaudited)*** **Six-month period ended 2020**	*(Unaudited)* Six-month period ended 2019 (Restated)*
	AED'000	AED'000	**AED'000**	AED'000
Motor	**52,807**	82,662	**159,420**	185,224
Fire and general insurance	**89,061**	89,015	**211,644**	204,744
Energy, oil and gas	**49,679**	55,648	**78,304**	84,612
Medical	**24,918**	23,357	**66,471**	63,473
Engineering	**17,816**	11,678	**40,107**	34,582
Marine and aviation	**24,344**	20,174	**35,587**	33,446
Employee benefits	**9,666**	9,635	**16,492**	18,644
	268,291	292,169	**608,025**	624,725

The above analysis does not include commission for the three-month and six-month periods amounting to AED 16 million and 30.3 million respectively *(2019: AED 13.7 million and 27.9 million)*.

20 Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20 Fair value of financial instruments *(continued)*

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 June 2020 (*Unaudited)*				
Financial assets measured at fair value through other comprehensive income				
Quoted UAE equity securities	**393,019**	-	-	**393,019**
Unquoted UAE equity securities	-	-	**2,761**	**2,761**
Investment funds	**59,325**	-	**8,079**	**67,404**
Unquoted overseas equity securities	-	-	**3,305**	**3,305**
Bond portfolio	**55,294**	-	-	**55,294**
Financial assets measured at fair value through profit or loss				
Quoted UAE equity securities	**39,645**	-	-	**39,645**
Unquoted UAE equity securities	-	-	**1,048**	**1,048**
Investment funds	**50,241**	-	**29,895**	**80,136**
Unquoted overseas equity securities	-	-	**3,721**	**3,721**
Bond portfolio	**216,400**	-	-	**216,400**
Total	**813,924**	-	**48,809**	**862,733**
At 31 December 2019 *(Audited)*				
Financial assets measured at fair value through other comprehensive income				
Quoted UAE equity securities	508,794	-	-	508,794
Unquoted UAE equity securities	-	-	3,141	3,141
Investment funds	65,989	-	8,202	74,191
Unquoted overseas equity securities	-	-	3,739	3,739
Investment in bond portfolio	58,396	-	-	58,396
Financial assets measured at fair value through profit or loss				
Quoted UAE equity securities	60,242	-	-	60,242
Unquoted UAE equity securities	-	-	1,050	1,050
Investment funds	57,904	-	29,700	87,604
Unquoted overseas equity securities	-	-	5,036	5,036
Investment in bond portfolio	241,904	-	-	241,904
Total	993,229	-	50,868	1,044,097

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the period.

The investments in quoted equities and bond portfolio are valued based on quoted prices in an active market and thus these have been classified as Level 1.

20 Fair value of financial instruments *(continued)*

For investment in funds, the fair values are based on Net Asset Values (NAV) calculated by the respective fund managers. For investments in unquoted equity securities, the fair values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples. The valuation of funds and unquoted equity securities qualifies as Level 3 fair value measurement.

Reconciliation of Level 3 fair value measurements:

	Financial assets measured at fair value through profit or loss AED'000	**Financial assets measured at fair value through other comprehensive income AED'000**	**Total AED'000**
At 30 June 2020 *(Unaudited)*			
Opening balance	**35,787**	**15,082**	**50,869**
Purchases	**2,825**	**-**	**2,825**
Disposals	**(9,122)**	**(818)**	**(9,940)**
Total gains or (losses):			
- in profit or loss	**5,174**	**-**	**5,174**
- in other comprehensive income	**-**	**(119)**	**(119)**
Closing balance	**34,664**	**14,145**	**48,809**
At 31 December 2019 *(Audited)*			
Opening balance	49,368	14,027	63,395
Purchases	5,694	3,700	9,394
Disposals	(17,488)	(2,970)	(20,458)
Total gains or (losses):			
- in profit or loss	(1,787)	-	(1,787)
- in other comprehensive income	-	325	325
Closing balance	35,787	15,082	50,869

Following are the fair value of financial assets that are not measured at fair value (but fair value disclosures are required):

	***(Unaudited)* At 30 June 2020**		*(Audited)* At 31 December 2019	
	Carrying amount AED'000	**Fair value AED'000**	Carrying amount AED'000	Fair value AED'000
Financial assets				
Investments at amortised cost	**180,948**	**187,571**	189,708	195,742

Investments at amortised cost comprise mainly of fixed income bonds and sukuks. The fair value of these bonds and sukuks are determined based on quoted prices in an active market and classified as Level 1 fair value measurement. Except for the above, management consider that the carrying amounts of financial assets recognised in the financial statements approximate their fair value.

21 Financial risk management

Except as disclosed in note 2, the Company's risk management policies with regards to financial instruments are the same as those disclosed in note 33 to the annual financial statements of the Company for the year ended 31 December 2019.

22 Correction of error

During the period, the Company has identified that due to an error in the manual interface between the Company's International Department's operating system (RMS) and the Company's main operating and financial management system (Premia 11) a sub set of the International Treaty Department's underwriting data mainly relating to claims had, from the original implementation of RMS in 2016, never been properly recorded in Premia. Consequently, the Company's net profits were misstated for 2016 onwards.

This error has been rectified by restatement of corresponding prior period comparative condensed interim financial information. The impact on beginning of first impacted period i.e. 1 January 2019 amounted to AED 52.7 million which has been corrected by restating the opening balance of the statement of changes in equity. The following tables summarise the impacts on the Company's financial statements and condensed interim financial information:

30 June 2019

	Impact of correction of error		
	As previously reported AED '000	**Adjustments AED '000**	**As restated AED '000**
Condensed interim statement of profit or loss for the three-month period ended 30 June 2019			
Gross written premiums	301,028	(8,859)	292,169
Net premiums earned	**143,614**	**(8,859)**	**134,755**
Commission expenses	(32,835)	378	(32,457)
Gross underwriting income	**124,428**	**(8,481)**	**115,947**
Gross claims paid	(98,828)	(8,466)	(107,294)
Net claims paid	**(55,773)**	**(8,466)**	**(64,239)**
Change in incurred but not reported claims reserve - net	2,187	(966)	1,221
Net claims incurred	**(70,913)**	**(9,432)**	**(80,345)**
Net underwriting income	**53,515**	**(17,913)**	**35,602**
Profit for the period	**26,347**	**(17,913)**	**8,434**
Earnings per share	0.18	(0.12)	0.06

22 Correction of error *(continued)*

30 June 2019 *(continued)*

	Impact of correction of error		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Condensed interim statement of profit or loss for the six-month period ended 30 June 2019			
Gross written premiums	644,720	(19,995)	624,725
Net premiums earned	**288,347**	**(19,995)**	**268,352**
Commission expenses	(64,694)	4,038	(60,656)
Gross underwriting income	**251,579**	**(15,957)**	**235,622**
Gross claims paid	(209,827)	(17,626)	(227,453)
Net claims paid	**(122,515)**	**(17,626)**	**(140,141)**
Change in incurred but not reported claims reserve - net	(811)	(966)	(1,777)
Net claims incurred	**(142,705)**	**(18,592)**	**(161,297)**
Net underwriting income	**108,874**	**(34,549)**	**74,325**
Profit for the period	**90,045**	**(34,549)**	**55,496**
Earnings per share	0.60	(0.23)	0.37

31 December 2019

Statement of financial position:			
Insurance Receivables	368,597	(67,116)	301,481
Reinsurers' share of claims incurred but not reported reserve	83,357	(3,423)	79,934
Total assets	**2,777,577**	**(70,539)**	**2,707,038**
Gross claims incurred but not reported reserve	146,924	9,120	156,044
Total liabilities	**1,589,030**	**9,120**	**1,598,150**
Retained earnings	171,741	(79,659)	92,082
Total equity	**1,188,547**	**(79,659)**	**1,108,888**

22 Correction of error *(continued)*

There is no impact on the total operating, investing or financing cash flows for the six-month period ended 30 June 2019.

23 Comparative figures

The comparative figures have been re-classified to conform with current year presentation changes.

24 General

The condensed interim financial information of the Company was approved for issuance by the Board of Directors on 13 August 2020.