Arab Insurance Group (B.S.C.)

Condensed consolidated interim financial statements for the six months ended 30 June 2016

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

11 August 2016

The Board of Directors
Arab Insurance Group (B.S.C.)
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 June 2016 condensed consolidated interim financial statements of Arab Insurance Group (B.S.C.) ("the Company") and its subsidiaries (together "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2016;
- the condensed consolidated statement of income for the three-month and six-month periods ended 30 June 2016;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2016;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2016;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2016; and
- notes to the condensed consolidated interim financial statements.

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

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2016 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

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ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

(In thousands of U.S. Dollars)

	Note	30 June 2016 (reviewed)	31 December 2015 (audited)	30 June 2015 (reviewed)
ASSETS				
Cash and bank balances		**209,287**	198,769	195,839
Investments	4	**505,958**	545,459	523,549
Accrued income	5	**157,413**	71,322	139,148
Insurance receivables		**87,389**	116,022	113,177
Insurance deposits		**34,324**	37,017	39,332
Deferred policy acquisition costs		**22,986**	20,400	30,107
Reinsurers' share of technical provisions	6	**72,704**	65,850	80,548
Other assets	7	**41,400**	21,987	21,208
Property and equipment	8	**21,948**	22,236	22,319
		1,153,409	1,099,062	1,165,227
LIABILITIES				
Technical provisions	9	**741,459**	679,543	786,137
Insurance payables		**38,319**	44,606	30,919
Borrowings		**41,000**	44,000	10,000
Other liabilities	10	**45,643**	51,933	40,310
		866,421	820,082	867,366
EQUITY				
Attributable to shareholders of parent company				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(14,793)**	(14,793)	(14,793)
Reserves		**39,338**	33,750	40,975
Retained earnings		**7,181**	5,291	15,909
		251,726	244,248	262,091
Non-controlling interests		**35,262**	34,732	35,770
		286,988	278,980	297,861
		1,153,409	1,099,062	1,165,227

These condensed consolidated interim financial statements were approved by the Board of Directors on 11 August 2016 and signed on its behalf by:

Khalid J. Bin Kalban	Dr. Fouad A A Alfalah	Yassir Albaharna
Chairman	Vice Chairman	Chief Executive Officer

The accompanying notes 1 to 21 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In thousands of U.S. Dollars)

	Note	For the three months ended 30 June 2016 (reviewed)	For the three months ended 30 June 2015 (reviewed)	For the financial year-to-date 30 June 2016 (reviewed)	For the financial year-to-date 30 June 2015 (reviewed)	For the year ended 31 December 2015 (audited)
Gross premiums written		**3,496**	20,065	**206,174**	186,109	220,442
Net earned premiums		**45,734**	62,437	**90,007**	116,847	219,924
Claims and related expenses		**(33,089)**	(43,527)	**(62,113)**	(78,464)	(148,259)
Policy acquisition costs		**(11,982)**	(14,680)	**(23,856)**	(28,600)	(58,422)
Investment income attributable to insurance funds	12	**2,966**	3,840	**5,393**	7,655	8,542
Operating expenses	13	**(3,982)**	(5,871)	**(8,309)**	(11,202)	(21,012)
Underwriting result	11	**(353)**	2,199	**1,122**	6,236	773
Investment income attributable to shareholders' funds	12	**2,410**	3,203	**4,500**	5,676	5,752
Operating expenses -non underwriting activities	13	**(1,823)**	(1,519)	**(3,527)**	(3,686)	(7,544)
Borrowing cost		**(194)**	(42)	**(388)**	(84)	(416)
Other income	14	**725**	1,083	**2,254**	2,473	5,945
Other expenses and provisions	15	**243**	(1,292)	**(1,971)**	(6,682)	(12,134)
Profit (loss) for the period		**1,008**	3,632	**1,990**	3,933	(7,624)
Attributable to:						
Non-controlling interests		**5**	937	**222**	(2,301)	(3,203)
Shareholders of parent company		**1,003**	2,695	**1,768**	6,234	(4,421)
		1,008	3,632	**1,990**	3,933	(7,624)
Earnings per share attributable to shareholders (basic and diluted)	16 US$	**0.01**	0.01	**0.01**	0.03	(0.02)

The accompanying notes 1 to 21 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In thousands of U.S. Dollars)

	For the three months ended 30 June 2016 (reviewed)	For the three months ended 30 June 2015 (reviewed)	For the financial year-to-date 30 June 2016 (reviewed)	For the financial year-to-date 30 June 2015 (reviewed)	For the year ended 31 December 2015 (audited)
Profit (loss) for the period	**1,008**	3,632	**1,990**	3,933	(7,624)
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes on remeasurement of available for sale investments	**1,288**	(2,452)	**5,048**	1,266	(6,382)
Transfers for recognition of losses on disposal of available for sale investments	**846**	99	**970**	153	477
Other comprehensive income	**2,134**	(2,353)	**6,018**	1,419	(5,905)
Total comprehensive income	**3,142**	1,279	**8,008**	5,352	(13,529)
Attributable to:					
Non-controlling interests	**96**	1,014	**530**	(2,092)	(3,130)
Shareholders of parent company	**3,046**	265	**7,478**	7,444	(10,399)
	3,142	1,279	**8,008**	5,352	(13,529)

The accompanying notes 1 to 21 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016
(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2015	220,000	(14,793)	33,200	(5,195)	5,745	33,750	5,291	244,248	34,732	278,980
Net profit for the period	-	-	-	-	-	-	1,768	1,768	222	1,990
Changes on remeasurement of available for sale investments	-	-	-	4,769	-	4,769	-	4,769	279	5,048
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	941	-	941	-	941	29	970
Total comprehensive income for the period	-	-	-	5,710	-	5,710	1,768	7,478	530	8,008
Transfer of net depreciation on revalued property	-	-	-	-	(91)	(91)	91	-	-	-
Transfer (from) to non-distributable reserves	-	-	(31)	-	-	(31)	31	-	-	-
Balances at 30 June 2016	220,000	(14,793)	33,169	515	5,654	39,338	7,181	251,726	35,262	286,988

The accompanying notes 1 to 21 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2014	220,000	(14,793)	33,144	783	5,930	39,857	19,485	264,549	37,862	302,411
Net loss for the year	-	-	-	-	-	-	(4,421)	(4,421)	(3,203)	(7,624)
Changes on remeasurement of available for sale investments	-	-	-	(6,311)	-	(6,311)	-	(6,311)	(71)	(6,382)
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	333	-	333	-	333	144	477
Total comprehensive income for the year	-	-	-	(5,978)	-	(5,978)	(4,421)	(10,399)	(3,130)	(13,529)
Dividends paid	-	-	-	-	-	-	(9,902)	(9,902)	-	(9,902)
Transfer of net depreciation on revalued property	-	-	-	-	(185)	(185)	185	-	-	-
Transfer to (from) non-distributable reserves	-	-	56	-	-	56	(56)	-	-	-
Balances at 31 December 2015	220,000	(14,793)	33,200	(5,195)	5,745	33,750	5,291	244,248	34,732	278,980

The accompanying notes 1 to 21 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2014	220,000	(14,793)	33,144	783	5,930	39,857	19,485	264,549	37,862	302,411
Net profit (loss) for the period	-	-	-	-	-	-	6,234	6,234	(2,301)	3,933
Changes on remeasurement of available for sale investments	-	-	-	1,045	-	1,045	-	1,045	221	1,266
Transfers for recognition of losses (gains) on disposal of available for sale investments	-	-	-	165	-	165	-	165	(12)	153
Total comprehensive income for the period	-	-	-	1,210	-	1,210	6,234	7,444	(2,092)	5,352
Dividend paid	-	-	-	-	-	-	(9,902)	(9,902)	-	(9,902)
Transfer of net depreciation on revalued property	-	-	-	-	(92)	(92)	92	-	-	-
Balances at 30 June 2015	220,000	(14,793)	33,144	1,993	5,838	40,975	15,909	262,091	35,770	297,861

The accompanying notes 1 to 21 are an integral part of these consolidated interim condensed financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 June 2016 (reviewed)	For the financial year-to-date 30 June 2015 (reviewed)	For the year ended 31 December 2015 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Premiums received		132,591	159,163	308,434
Reinsurance premiums paid		(22,339)	(16,092)	(58,869)
Claims and acquisition costs paid		(127,503)	(137,030)	(250,677)
Reinsurance receipts in respect of claims		17,490	18,073	31,190
Investment income		(2,004)	147	1,986
Interest received		1,227	1,007	2,211
Dividends received		562	904	1,878
Operating expenses paid		(17,986)	(14,964)	(22,700)
Other income/ (expenses) , net		3,133	(6,204)	(3,332)
Insurance deposits received, net		3,169	3,824	5,444
Purchase of trading investments		(17,530)	(37,675)	(46,990)
Sale of trading investments		19,983	8,036	31,340
Directors' remunerations paid		-	(305)	(305)
Net cash used in operating activities	17	(9,207)	(21,116)	(390)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Maturity/sale of investments		143,318	203,528	329,987
Purchase of investments		(110,927)	(174,468)	(348,512)
Term deposits with bank		(9,863)	12,451	29,845
Interest received		5,092	4,847	9,347
Dividends received		-	-	10
Investment income		2,868	10,850	7,492
Collateralised cash deposits paid, net		(16,916)	(5,519)	(10,137)
Purchase of property and equipment		(220)	(213)	(574)
Purchase of intangible assets		(8)	(30)	(38)
Investment in associate		(62)	-	-
Net cash provided by investing activities		13,282	51,446	17,420
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings		(3,000)	-	34,000
Interest on borrowings		(362)	(73)	(328)
Dividends paid		(61)	(9,114)	(9,245)
Net cash (used in) provided by financing activities		(3,423)	(9,187)	24,427
Net increase in cash and cash equivalents		652	21,143	41,457
Effect of exchange rate on cash and cash equivalents		2	3	13
Cash and cash equivalents, beginning of period		136,515	95,045	95,045
Cash and cash equivalents, end of period		137,169	116,191	136,515
Term deposits with bank		72,118	79,648	62,254
Cash and bank balances, end of period		209,287	195,839	198,769

The accompanying notes 1 to 21 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. INCORPORATION AND PRINCIPAL ACTIVITY

Arab Insurance Group (B.S.C.) (the "Company", "parent company") is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The parent company and its subsidiaries (the "Group") are involved in provision of general (non-life) and life reinsurance and related service activities.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Group has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) which allows the interim financial information to be prepared in condensed form. The interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

The Group's financial statements are presented in U.S. Dollars, which is its functional currency as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

The accounting policies and methods of computation are consistent with the most recent consolidated financial statements of the Group at 31 December 2015 that were prepared in accordance with International Financial Reporting Standards (IFRS). Comparative figures have been reclassified, where necessary, to conform to the current period's presentation.

The Group has adopted all new and revised IFRS and interpretations applicable for accounting periods beginning on or after 1 January 2016.

3. SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Group registers approximately 60% of its gross premiums during the first quarter of every year. Gross premiums written over the remainder of the financial year are almost evenly spread out. This seasonality does not however, have any material impact on the Group's underwriting result as the premiums are taken to income over the terms of the related contracts or policies.

4. INVESTMENTS

	US$ '000		
	30 June 2016	31 December 2015	30 June 2015
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	**43,095**	44,825	59,799
	43,095	44,825	59,799
Designated at fair value on initial recognition			
Debt securities			
- Other investment grade	**50,989**	49,490	50,217
- Other	**42,956**	40,696	42,093
	93,945	90,186	92,310
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	**1,000**	1,000	7,997
- Other investment grade	**7,845**	4,000	4,003
- Non OECD country government	**-**	-	2,653
- Other	**3,906**	9,902	9,889
	12,751	14,902	24,542
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	**49,845**	77,147	70,243
- Other investment grade	**181,461**	199,147	157,673
- Other	**89,785**	83,177	85,249
Common stock of listed companies	**12,320**	12,214	10,503
Common stock of unlisted companies	**6,463**	6,422	5,896
Other equity type investment	**16,080**	17,202	17,033
	355,954	395,309	346,597
Investment in associate	**213**	237	301
	505,958	545,459	523,549

Debt securities amounting to US$ 127.1 million (31 December 2015: US$ 151.8 million; 30 June 2015: US$ 94.5 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

5. ACCRUED INCOME

	US$ '000		
	30 June 2016	31 December 2015	30 June 2015
Accrued insurance premiums	**155,367**	68,975	136,643
Accrued interest	**2,046**	2,347	2,505
	157,413	71,322	139,148

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	30 June 2016	31 December 2015	30 June 2015
General insurance business			
- Claims outstanding	**36,078**	37,738	44,772
- Unreported claims	**10,123**	14,674	15,648
- Deferred retrocession premium reserve	**26,182**	13,304	19,553
	72,383	65,716	79,973
Life insurance business			
- Claims outstanding	**136**	20	23
- Unreported claims	**185**	114	550
- Deferred retrocession premium reserve	**-**	-	2
	321	134	575
	72,704	65,850	80,548

7. OTHER ASSETS

	US$ '000		
	30 June 2016	31 December 2015	30 June 2015
Intangible assets :			
- Computer software	**9,538**	9,530	9,520
	9,538	9,530	9,520
Less: Accumulated amortisation	**(9,140)**	(9,019)	(8,870)
Net intangible assets	**398**	511	650
Other assets:			
- Collateralised cash deposits	**36,020**	19,104	14,486
- Prepayments and other receivables	**4,982**	2,372	6,072
	41,002	21,476	20,558
	41,400	21,987	21,208

8. PROPERTY AND EQUIPMENT

	US$ '000		
	30 June 2016	31 December 2015	30 June 2015
Land	**2,469**	2,469	2,469
Building	**19,182**	19,182	19,182
Work in progress	**19**	19	30
Information systems, furniture, equipment and other	**10,899**	10,679	10,353
	32,569	32,349	32,034
Less: Accumulated depreciation	**(10,621)**	(10,113)	(9,715)
	21,948	22,236	22,319

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

9. TECHNICAL PROVISIONS

Technical provisions comprise:

	US$ '000		
	30 June 2016	31 December 2015	30 June 2015
General insurance business			
- Claims outstanding	**282,020**	298,985	325,549
- Unreported losses	**172,051**	192,072	187,522
- Unearned premiums	**209,850**	109,828	191,192
	663,921	600,885	704,263
Life insurance business			
- Claims outstanding	**18,356**	17,976	16,405
- Unreported losses	**51,055**	52,996	53,549
- Unearned premiums	**8,127**	7,686	11,920
	77,538	78,658	81,874
	741,459	679,543	786,137

10. OTHER LIABILITIES

	US$ '000		
	30 June 2016	31 December 2015	30 June 2015
Post-employment benefits	**14,036**	14,236	13,828
Reinsurance premiums accrued	**6,146**	8,619	8,619
Accrued expenses	**5,944**	7,978	4,863
Dividends payable	**2,518**	2,579	2,711
Employee share scheme	**2,375**	4,902	4,987
Other	**14,624**	13,619	5,302
	45,643	51,933	40,310

11. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT

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

	US$ '000								
	Period ended 30 June 2016								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	28,510	14,379	7,678	7,246	118,888	18,803	9,945	725	206,174
Outward reinsurance premiums	(2,369)	(1,681)	(331)	(361)	(23,298)	(1,073)	(100)	-	(29,213)
Change in unearned premiums – gross	(6,724)	(754)	(1,532)	(1,517)	(85,310)	(8,162)	117	(377)	(104,259)
Change in unearned premiums - reinsurance	729	425	134	237	16,544	(575)	(189)	-	17,305
Net earned premiums	20,146	12,369	5,949	5,605	26,824	8,993	9,773	348	90,007
Investment income attributable to insurance funds	1,584	784	534	235	169	975	452	660	5,393
	21,730	13,153	6,483	5,840	26,993	9,968	10,225	1,008	95,400
COSTS AND EXPENSES :									
Gross claims paid	(19,873)	(10,005)	(4,821)	(4,335)	(16,293)	(10,270)	(10,241)	(902)	(76,740)
Claims recovered from reinsurers	149	269	329	19	2,397	(5)	211	-	3,369
Change in provision for outstanding claims - gross	(3,947)	5,785	2,903	1,180	(2,250)	1,944	379	(826)	5,168
Change in provision for outstanding claims - reinsurance	1,058	(263)	(987)	(188)	(10)	(525)	115	-	(800)
Change in provision for unreported losses - gross	10,389	(6,438)	210	237	(519)	1,824	1,535	366	7,604
Change in provision for unreported losses - reinsurance	(464)	69	(41)	(19)	(279)	(93)	113	-	(714)
Claims and related expenses	(12,688)	(10,583)	(2,407)	(3,106)	(16,954)	(7,125)	(7,888)	(1,362)	(62,113)
Policy acquisition costs	(7,876)	(4,560)	(2,938)	(2,723)	(9,919)	(473)	72	157	(28,260)
Policy acquisition costs recovered from reinsurers	419	334	132	190	-	(28)	-	-	1,047
Change in deferred policy acquisition costs - gross	1,680	485	460	807	282	48	(76)	13	3,699
Change in deferred policy acquisition costs - reinsurance	(197)	(131)	(44)	(128)	-	158	-	-	(342)
Policy acquisition costs	(5,974)	(3,872)	(2,390)	(1,854)	(9,637)	(295)	(4)	170	(23,856)
Operating expenses	(3,053)	(1,066)	(745)	(750)	(208)	(1,208)	(1,075)	(204)	(8,309)
Underwriting result	15	(2,368)	941	130	194	1,340	1,258	(388)	1,122

11. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.)

	US$ '000								
	Year ended 31 December 2015								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	52,557	27,384	14,876	14,765	50,186	32,459	27,676	539	220,442
Outward reinsurance premiums	(4,995)	(3,039)	(297)	(143)	(6,252)	(2,269)	(554)	(3)	(17,552)
Change in unearned premiums - gross	2,412	2,530	1,202	1,727	18,953	(3,022)	(1,629)	36	22,209
Change in unearned premiums - reinsurance	57	(68)	30	7	(6,885)	1,459	225	-	(5,175)
Net earned premiums	50,031	26,807	15,811	16,356	56,002	28,627	25,718	572	219,924
Investment income attributable to insurance funds	2,531	1,255	854	375	185	1,562	726	1,054	8,542
	52,562	28,062	16,665	16,731	56,187	30,189	26,444	1,626	228,466
COSTS AND EXPENSES :									
Gross claims paid	(55,936)	(18,078)	(10,922)	(12,249)	(38,860)	(27,786)	(17,625)	(2,997)	(184,453)
Claims recovered from reinsurers	1,772	351	(2,788)	92	9,652	143	21	-	9,243
Change in provision for outstanding claims - gross	28,562	5,306	6,483	2,294	(6,188)	8,166	(194)	(777)	43,652
Change in provision for outstanding claims - reinsurance	(2,341)	(367)	(1,537)	(76)	2	(1,843)	(45)	(1)	(6,208)
Change in provision for unreported losses - gross	(8,496)	(3,412)	620	483	(563)	(3,104)	(724)	2,495	(12,701)
Change in provision for unreported losses - reinsurance	273	282	64	(31)	(279)	1,973	(73)	(1)	2,208
Claims and related expenses	(36,166)	(15,918)	(8,080)	(9,487)	(36,236)	(22,451)	(18,640)	(1,281)	(148,259)
Policy acquisition costs	(15,334)	(8,514)	(5,682)	(4,323)	(20,292)	(1,244)	(1,588)	(30)	(57,007)
Policy acquisition costs recovered from reinsurers	393	289	117	33	-	638	-	-	1,470
Change in deferred policy acquisition costs - gross	(636)	(725)	(81)	(830)	(220)	(51)	70	(5)	(2,478)
Change in deferred policy acquisition costs - reinsurance	(16)	33	(21)	(2)	-	(401)	-	-	(407)
Policy acquisition costs	(15,593)	(8,917)	(5,667)	(5,122)	(20,512)	(1,058)	(1,518)	(35)	(58,422)
Operating expenses	(7,342)	(2,751)	(1,919)	(1,856)	(499)	(3,574)	(2,603)	(468)	(21,012)
Underwriting result	(6,539)	476	999	266	(1,060)	3,106	3,683	(158)	773

11. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.)

	US$ '000								
	Period ended 30 June 2015								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	41,969	18,858	10,965	12,843	55,068	27,933	17,727	746	186,109
Outward reinsurance premiums	(3,010)	(1,606)	(69)	(126)	(6,399)	(2,382)	(169)	-	(13,761)
Change in unearned premiums - gross	(12,149)	(3,136)	(2,601)	(2,349)	(18,616)	(12,872)	(5,208)	(385)	(57,316)
Change in unearned premiums - reinsurance	188	62	(66)	73	(484)	2,046	(4)	-	1,815
Net earned premiums	26,998	14,178	8,229	10,441	29,569	14,725	12,346	361	116,847
Investment income attributable to insurance funds	2,446	1,093	776	173	80	1,510	624	953	7,655
	29,444	15,271	9,005	10,614	29,649	16,235	12,970	1,314	124,502
COSTS AND EXPENSES :									
Gross claims paid	(26,312)	(8,887)	(7,257)	(7,233)	(20,433)	(12,791)	(9,044)	(1,265)	(93,222)
Claims recovered from reinsurers	530	67	23	53	5,025	173	16	-	5,887
Change in provision for outstanding claims - gross	9,303	2,294	2,455	1,406	(1,272)	4,528	678	(1,000)	18,392
Change in provision for outstanding claims - reinsurance	(1,129)	(98)	(191)	(29)	1	(1,423)	(41)	(1)	(2,911)
Change in provision for unreported losses - gross	(3,066)	(2,471)	1,060	(867)	(1,710)	(2,070)	263	1,602	(7,259)
Change in provision for unreported losses - reinsurance	(70)	143	(30)	(25)	(279)	973	(62)	(1)	649
Claims and related expenses	(20,744)	(8,952)	(3,940)	(6,695)	(18,668)	(10,610)	(8,190)	(665)	(78,464)
Policy acquisition costs	(11,100)	(5,379)	(3,507)	(3,640)	(9,997)	(1,601)	(887)	(127)	(36,238)
Policy acquisition costs recovered from reinsurers	172	156	18	34	-	639	-	-	1,019
Change in deferred policy acquisition costs - gross	3,161	907	823	880	443	831	174	3	7,222
Change in deferred policy acquisition costs - reinsurance	(26)	(14)	22	(22)	-	(563)	-	-	(603)
Policy acquisition costs	(7,793)	(4,330)	(2,644)	(2,748)	(9,554)	(694)	(713)	(124)	(28,600)
Operating expenses	(3,890)	(1,432)	(991)	(965)	(254)	(1,674)	(1,693)	(303)	(11,202)
Underwriting result	(2,983)	557	1,430	206	1,173	3,257	2,374	222	6,236

12. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 30 June 2016			Financial year-to-date 30 June 2015	Year ended 31 December 2015
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	**508**	**239**	**747**	443	768
- Others	**3,141**	**2,580**	**5,721**	5,411	10,839
Dividends	**344**	**218**	**562**	904	1,888
Realised gains/ (loss)					
- Trading investments	**1**	**817**	**818**	6,079	3,344
- Investment designated at fair value through profit or loss	**(242)**	**(132)**	**(374)**	496	489
- Available for sale	**1,225**	**1,286**	**2,511**	3,283	3,955
Gain (loss) on remeasurement of investments at fair value through profit & loss					
- Trading investments	**(249)**	**(809)**	**(1,058)**	(1,091)	(3,105)
- Investments designated at fair value through profit or loss	**950**	**518**	**1,468**	(852)	(1,589)
Impairment loss - available for sale	**(20)**	**(68)**	**(88)**	(845)	(1,189)
Other	**(265)**	**(149)**	**(414)**	(497)	(1,106)
	5,393	**4,500**	**9,893**	13,331	14,294

13. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 30 June 2016			Financial year-to-date 30 June 2015	Year ended 31 December 2015
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	**5,693**	**2,436**	**8,129**	10,840	19,809
General and administration	**2,616**	**1,091**	**3,707**	4,048	8,747
	8,309	**3,527**	**11,836**	14,888	28,556

14. OTHER INCOME

	US$ '000		
	Financial year-to-date 30 June 2016	Financial year-to-date 30 June 2015	Year ended 31 December 2015
Third party administration services	**1,576**	1,294	4,490
Other	**678**	1,179	1,455
	2,254	2,473	5,945

15. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 30 June 2016	Financial year-to-date 30 June 2015	Year ended 31 December 2015
Loss on revaluation of building	**-**	4,850	4,850
Foreign exchange loss (gain)	**1,773**	(822)	3,509
Provision for doubtful receivable & deposits	**(56)**	2,007	71
Other	**254**	647	3,704
	1,971	6,682	12,134

16. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		Financial year-to-date 30 June 2016	Financial year-to-date 30 June 2015	Year ended 31 December 2015
Weighted average number of shares outstanding	'000	**198,032**	198,032	198,032
Net profit (loss)	US$'000	**1,768**	6,234	(4,421)
Earnings per share	US$	**0.01**	0.03	(0.02)

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

	US$ '000		
	Financial year-to-date 30 June 2016	Financial year-to-date 30 June 2015	Year ended 31 December 2015
Profit (loss) for the period	**1,990**	3,933	(7,624)
Increase (decrease) in insurance funds	**55,169**	67,597	(12,277)
Change in insurance receivable/ payable, net	**22,346**	(5,014)	5,828
Change in accrued income	**(86,091)**	(51,125)	16,701
Change in other assets/liabilities, net	**(2,621)**	(36,507)	(3,018)
Net cash used in operating activities	**(9,207)**	(21,116)	(390)

18. FAIR VALUE DISCLOSURE

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

	US$ '000						
	30 June 2016						
	Book Value						Fair value
	At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and bank balances	-	209,287	-	-	-	209,287	209,287
Investments	137,040	-	12,751	355,954	-	505,745	506,294
Accrued income	-	333	156,134	946	-	157,413	157,413
Insurance receivables	-	87,389	-	-	-	87,389	87,389
Insurance deposits	-	34,324	-	-	-	34,324	34,324
Other assets	-	41,002	-	-	-	41,002	41,002
LIABILITIES							
Insurance payables	-	-	-	-	38,319	38,319	38,319
Borrowings	-	-	-	-	41,000	41,000	41,000
Other liabilities	-	-	-	-	39,699	39,699	39,699

	US$ '000						
	31 December 2015						
	Book Value						Fair value
	At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and bank balances	-	198,769	-	-	-	198,769	198,769
Investments	135,011	-	14,902	395,309	-	545,222	545,495
Accrued income	-	309	69,729	1,284	-	71,322	71,322
Insurance receivables	-	116,022	-	-	-	116,022	116,022
Insurance deposits	-	37,017	-	-	-	37,017	37,017
Other assets	-	21,476	-	-	-	21,476	21,476
LIABILITIES							
Insurance payables	-	-	-	-	44,606	44,606	44,606
Borrowings	-	-	-	-	44,000	44,000	44,000
Other liabilities	-	-	-	-	43,955	43,955	43,955

18. FAIR VALUE DISCLOSURE (CONTD.)

	US$ '000						
	30 June 2015						
	Book Value						Fair value
	At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and bank balances	-	195,839	-	-	-	195,839	195,839
Investments	152,109	-	24,542	346,597	-	523,248	523,773
Accrued income	-	479	137,492	1,177	-	139,148	139,148
Insurance receivables	-	113,177	-	-	-	113,177	113,177
Insurance deposits	-	39,332	-	-	-	39,332	39,332
Other assets	-	20,558	-	-	-	20,558	20,558
LIABILITIES							
Insurance payables	-	-	-	-	30,919	30,919	30,919
Borrowings	-	-	-	-	10,000	10,000	10,000
Other liabilities	-	-	-	-	35,447	35,447	35,447

The information disclosed in the table above is not indicative of the net worth of the Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

i. **General:**
The book values of the Group's financial instruments except investments and forward foreign exchange contracts were deemed to approximate fair value due to the immediate or short term maturity of these financial instruments.

Hence, the fair value measurement details are not disclosed.

ii. **Investments:**
The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

18. FAIR VALUE DISCLOSURE (CONTD.)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

  Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation includes risk free and benchmark interest rates, bond and equity prices, and foreign exchange rates. The objective of valuations technique is to arrive at fair value measurement that reflects the price that would be received on sale of the asset at the measurement date.

The table below analyses financial instruments, measured at fair value as at the end of the period, by level in the fair value hierarchy into which the fair value measurement is categorized:

	US$'000			
30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	**43,095**	**-**	**-**	**43,095**
Designated at fair value on initial recognition				
Debt Securities	**93,945**	**-**	**-**	**93,945**
Available for sale				
Debt securities	**321,091**	**-**	**-**	**321,091**
Common stock of listed companies	**12,320**	**-**	**-**	**12,320**
Common stock of unlisted companies	**-**	**-**	**6,463**	**6,463**
Other	**-**	**897**	**15,183**	**16,080**
Forward foreign exchange contracts	**595**	**-**	**-**	**595**
	471,046	**897**	**21,646**	**493,589**

	US$'000			
31 December 2015	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	44,825	-	-	44,825
Designated at fair value on initial recognition				
Debt Securities	90,186	-	-	90,186
Available for sale				
Debt securities	359,471	-	-	359,471
Common stock of listed companies	12,214	-	-	12,214
Common stock of unlisted companies	-	65	6,357	6,422
Other	-	1,307	15,895	17,202
Forward foreign exchange contracts	67	-	-	67
	506,763	1,372	22,252	530,387

18. FAIR VALUE DISCLOSURE (CONTD.)

30 June 2015	US$'000			
	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	59,799	-	-	59,799
Designated at fair value on initial recognition				
Debt Securities	92,310	-	-	92,310
Available for sale				
Debt securities	313,165	-	-	313,165
Common stock of listed companies	10,503	-	-	10,503
Common stock of unlisted companies	-	67	5,829	5,896
Other	-	1,663	15,370	17,033
Forward foreign exchange contracts	139	-	-	139
	475,916	1,730	21,199	498,845

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

30 June 2016	**US$ '000**		
	Unlisted equity	**Others**	**Total**
Balance at 1 January 2016	**6,357**	**15,895**	**22,252**
Gain (loss) recognised in:			
- Income statement	**-**	**(60)**	**(60)**
- other comprehensive income	**41**	**(156)**	**(115)**
Investments made during the period	**154**	**1,060**	**1,214**
Investments redeemed during the period	**(89)**	**(1,556)**	**(1,645)**
Balance at 30 June 2016	**6,463**	**15,183**	**21,646**

31 December 2015	US$'000		
	Unlisted equity	Others	Total
Balance at 1 January 2015	6,327	15,124	21,451
Gain (loss) recognised in:			
- Income statement	(568)	(1,507)	(2,075)
- Other comprehensive income	315	(175)	140
Investments made during the year	291	5,073	5,364
Investments redeemed during the year	(8)	(2,620)	(2,628)
Balance at 31 December 2015	6,357	15,895	22,252

18. FAIR VALUE DISCLOSURE (CONTD.)

30 June 2015	US$ '000		
	Unlisted equity	Others	Total
Balance at 1 January 2015	6,327	15,124	21,451
Gain (loss) recognised in:			
- Income statement	(568)	(1,507)	(2,075)
- other comprehensive income	(66)	561	495
Investments made during the period	149	2,693	2,842
Investments redeemed during the period	(13)	(1,501)	(1,514)
Balance at 30 June 2015	5,829	15,370	21,199

The carrying values of the investment held in level 3 are based on unobservable inputs and reflects proportional share of the fair values of the respective companies and their underlying net assets. The Group does not expect the fair value of assets under level 2 & level 3 to change significantly on changing one or more of the unassumable inputs. The valuations of these investments are reviewed quarterly and updated as necessary on the basis of information received from investee and investment managers. For the period ended 30 June 2016, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2015: nil; 30 June 2015: nil). The fair values are estimates and do not necessarily represent the price at which the investment would sell. As the determination of fair values involve subjective judgments, and given the inherent uncertainty of assumptions regarding capitalization rates, discount rates, leasing and other factors, the amount which will be realized by the Company on the disposal of its investments may differ significantly from the values at which they are carried in the consolidated financial statements, and the difference could be material.

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

iii. Forward foreign exchange contracts:

The fair value of forward foreign exchange contracts, used for hedging purposes, is based on quoted market prices.

iv. Fair value less than carrying amounts:

The fair value of fixed interest debt securities fluctuates with changes in market interest rates. The book value of financial assets held to maturity has not been reduced to fair value where lower, because such market rate variations are considered temporary in nature and management intends, and has the financial resources and capacity, to generally hold such investments to maturity.

19. PRINCIPAL SUBSIDIARIES, JOINT VENTURES & ASSOCIATES

At 30 June 2016, the principal subsidiaries of the Company were:

	Country of incorporation	Ownership	Non-controlling Interests	Principal Activities
Arig Capital Limited	United Kingdom	100%	Nil	Reinsurance
Gulf Warranties W.L.L.	Kingdom of Bahrain	100%	Nil	Warranty
Takaful Re Limited	United Arab Emirates	54%	46%	Retakaful

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2015. The Company continues to hold 50% of the joint venture Hardy Arig Insurance Management W.L.L. which is incorporated in the Kingdom of Bahrain and currently under voluntary liquidation. The Group also holds 49% and 25% of the equity shares in Arima Insurance software W.L.L. and Globemed Bahrain W.L.L., Bahrain respectively.

19. PRINCIPAL SUBSIDIARIES, JOINT VENTURES & ASSOCIATES (CONTD.)

The subsidiary Takaful Re Limited which had ceased writing business in 2015 was placed in run-off at the Annual General Meeting of the subsidiary held on 7th April 2016. The run-off is being managed internally under supervision of the Board of Directors of the subsidiary.

20. RELATED PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, subsidiary companies, associates, joint ventures, directors and key management personnel.

The following is the summary of transactions with related parties:

i) **Subsidiary companies:**

	US$ '000		
	Financial year-to-date 30 June 2016	Financial year-to-date 30 June 2015	Year ended 31 December 2015
a) Gross premium retroceded by subsidiary to parent company	**84,415**	35,507	30,365
b) Service fees for administration services provided by parent company	**228**	441	860
c) Balances outstanding - Receivables	**58,062**	66,004	62,636

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

	US$ '000		
	Financial year-to-date 30 June 2016	Financial year-to-date 30 June 2015	Year ended 31 December 2015
a) Directors			
- Attendance fees	**63**	58	145
- Travel expense	**90**	88	148
b) Key management compensation			
- Salaries and other short-term employee benefits	**929**	1,277	2,102
- Post-employment benefits	**155**	151	302
- Share-based compensation	**1,435**	1,606	1,607
c) Balances payable (net)			
Key management			
- Maximum balance	**6,104**	7,208	7,096
- Closing balance	**6,104**	7,208	7,096

21. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in available for sale investments amounting to US$ 4.9 million (31 December 2015: US$ 5.2 million; 30 June 2015: US$ 6.9 million).

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APPENDIX

ARAB INSURANCE GROUP (B.S.C.)

A. SIGNIFICANT ACCOUNTING POLICIES ON INVESTMENTS AS AT 30 JUNE 2016

INVESTMENTS

Investment securities are classified as 'at fair value through profit or loss', which includes financial assets held for trading and those designated at fair value on initial recognition, 'available for sale', 'held to maturity' or 'loans and receivables'. Management determines the appropriate classification of investments at the time of purchase.

Securities are classified as at fair value through profit or loss if they are acquired for the purpose of generating a profit from short-term fluctuations in price or if so designated by management. Derivative financial instruments that are not designated as accounting hedge are classified as at fair value through profit or loss. Investments with fixed or determinable payments and fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity. Financial instruments with fixed or determinable payments and that are not quoted in an active market are categorised as loans and receivables. Securities intended to be held for an indefinite period of time and those that are not classified as at fair value through profit or loss, held to maturity or loans and receivables, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale.

All purchases and sales of investments are recognised at the settlement date. All investment assets are recognised initially at cost. After initial recognition, investments are valued using principles described below.

Investments at fair value through profit or loss and investments available for sale are carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost, less any adjustment necessary for impairment.

Fair values are measured using market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation

PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

A provision is made in respect of a financial asset that is impaired if its carrying amount is greater than its estimated recoverable amount.

Provisions for assets carried at amortised cost are calculated as the difference between the carrying amount of the assets and the present value of expected future cash flows discounted at their original effective interest rate. By comparison, the recoverable amount of an instrument carried at cost is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

In the case of available for sale financial assets, the Group assesses at each statement of financial position date whether there is an objective evidence of impairment of such assets. If any such evidence exists, the impairment is recognised in income. Evidence of impairment considers among other factors significant or prolonged decline in market values and financial difficulties of the issuer. Impairment recognised is not reversed subsequently except in case of debt instruments.

INVESTMENT IN ASSOCIATED COMPANIES

Investments in associated companies are accounted for using the equity method. Associated companies are defined as those companies over which the Group is able to exercise significant influence but not control or joint control over the financial and operating policy decisions.

INVESTMENT IN JOINT VENTURES

Investments in joint ventures are accounted for using the equity method. Joint ventures are defined as those companies over which the Group has joint control with another party and has rights to the net assets of the company. The Group does not have rights to the assets and obligation for the liabilities of the company.

INVESTMENT INCOME

Investment income comprises interest and dividend receivable for the financial year. Gains and losses arising from changes in the fair value of investments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale investments are recognised in other comprehensive income and carried in investment revaluation income as part of equity. When available for sale investments are disposed or are impaired, the related fair value adjustments are included in the income statement.

Investment income arising from insurance business investment assets are allocated to the underwriting results of insurance businesses based on the proportion of their respective insurance funds to shareholders' funds during the financial year.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in currencies other than U.S. Dollars are recorded at the rates ruling at the date of the transaction. All monetary and non-monetary assets carried at fair value denominated in currencies other than U.S. Dollars are translated at year-end exchange rates.

Unrealised gains or losses on translation are taken to income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

Unrealised gains and losses on translation of financial statements of subsidiaries are included in equity. Other foreign currency gains and losses are taken to income.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

In the ordinary course of its business, the Group uses forward foreign exchange contracts as fair value hedges to protect its exposures in respect of foreign currency denominated investments and insurance liabilities and these contracts are carried at fair value.

Where a fair value hedge meets the conditions prescribed by International Financial Reporting Standards for qualifying as an effective hedge, gains or losses from remeasuring forward foreign exchange contracts and gains or losses on hedged assets attributable to the hedged risk are recognised in income.

Where the hedge is not effective, gains or losses from remeasuring forward foreign exchange contracts are recognised in income. Gains or losses on hedged assets are recognised in income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

The gain or losses from remeasuring insurance liabilities and related foreign exchange contracts are recognised in income.

ARAB INSURANCE GROUP (B.S.C.)

APPENDIX

B. ADDITIONAL DISCLOSURE ON INVESTMENTS

	US$ '000 30-June-2016		
	Investments in U.A.E.	Investments outside U.A.E.	Total
a. Cash & bank balances	23,171	186,116	**209,287**
Total cash & bank balances	**23,171**	**186,116**	**209,287**
b. Investments			
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	6,283	36,812	**43,095**
	6,283	**36,812**	**43,095**
Designated at fair value on initial recognition			
Debt Securities			
- Other Investment grade	-	50,989	**50,989**
- Other	-	42,956	**42,956**
	-	**93,945**	**93,945**
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	-	1,000	**1,000**
- Other Investment grade	4,845	3,000	**7,845**
- Non-OECD country government	-	-	**-**
- Other	-	3,906	**3,906**
	4,845	**7,906**	**12,751**
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	-	49,845	**49,845**
- Other Investment grade	24,080	157,381	**181,461**
- Other	22,727	67,058	**89,785**
Common stock of listed companies	-	12,320	**12,320**
Common stock of unlisted companies	-	6,463	**6,463**
Other (see note)	803	15,277	**16,080**
	47,610	**308,344**	**355,954**
Investment in associates	-	213	**213**
	-	**213**	**213**
Total Investments	**58,738**	**447,220**	**505,958**

Note: The Group does not have any direct investments in land or real estate. However, 'Other' includes investments in Real Estate funds amounting to US$ 954,028 (in U.A.E.: US$ NIL).