

**Gulf Insurance Group K.S.C.P. and its
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)**

30 SEPTEMBER 2020

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INSURANCE GROUP K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2020, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated 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.

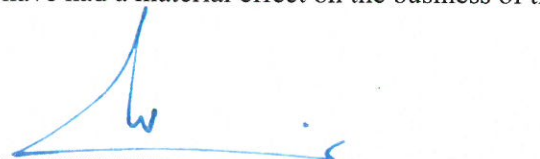
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on review of other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association have occurred during the nine months period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine months period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

9 November 2020
Kuwait

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		KD	KD	KD	KD
Revenue:					
Premiums written		103,670,383	93,112,928	334,327,823	266,229,163
Reinsurance premiums ceded		(57,720,719)	(49,124,480)	(184,581,811)	(132,619,683)
Net premiums written		45,949,664	43,988,448	149,746,012	133,609,480
Movement in unearned premiums reserve		4,776,449	1,134,024	(4,642,935)	(506,234)
Movement in life mathematical reserve		(2,741,286)	(185,369)	(4,248,126)	(66,321)
Net premiums earned		47,984,827	44,937,103	140,854,951	133,036,925
Commission received on ceded reinsurance		4,152,045	4,226,828	13,395,530	13,515,726
Policy issuance fees		667,905	646,869	2,100,997	2,434,601
Net investment income from designated life insurance	3	833,123	428,903	985,562	2,059,714
		53,637,900	50,239,703	157,337,040	151,046,966
Expenses:					
Claims incurred		34,013,265	31,936,331	95,547,841	93,769,794
Commission and discounts		6,063,938	5,707,401	16,947,517	16,422,929
Maturity and cancellations of life insurance policies		887,704	1,045,984	1,905,082	4,796,540
General and administrative expenses		6,755,474	6,494,867	20,311,623	20,106,099
		47,720,381	45,184,583	134,712,063	135,095,362
Net underwriting income		5,917,519	5,055,120	22,624,977	15,951,604
Net investment income	3	3,248,977	1,947,303	10,369,905	8,065,567
Finance costs		(665,364)	(1,036,441)	(1,899,246)	(2,417,440)
Share of results of associates		(1,020,081)	(32,832)	(143,348)	1,024,491
Net sundry income		882,152	634,049	2,001,861	1,696,487
		8,363,203	6,567,199	32,954,149	24,320,709
Other charges:					
Unallocated general and administrative expenses		(3,754,307)	(3,071,038)	(13,577,338)	(9,631,726)
PROFIT FOR THE PERIOD BEFORE TAXATION					
		4,608,896	3,496,161	19,376,811	14,688,983
Contribution to KFAS		(87,243)	(30,536)	(168,637)	(87,676)
NLST		(11,727)	(133,800)	(206,354)	(329,215)
Zakat		(27,703)	(22,984)	(92,894)	(70,226)
Taxation from subsidiaries		(642,983)	(425,880)	(2,650,835)	(2,076,493)
PROFIT FOR THE PERIOD		3,839,240	2,882,961	16,258,091	12,125,373
Attributable to:					
Equity holders of the Parent Company		3,248,915	2,595,762	13,092,239	10,707,223
Non-controlling interests		590,325	287,199	3,165,852	1,418,150
		3,839,240	2,882,961	16,258,091	12,125,373
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	17.45 fils	14.43 fils	70.31 fils	59.63 fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 KD	2019 KD	2020 KD	2019 KD
Profit for the period		3,839,240	2,882,961	16,258,091	12,125,373
Other comprehensive (loss) income:					
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>					
- Investments available for sale:					
Net unrealised (loss) gain		(130,647)	2,110,628	928,915	3,282,558
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(780,438)	(576,749)	(2,346,597)	(2,162,338)
Impairment loss on investments available for sale	3	79,491	189,043	1,447,432	220,933
		(831,594)	1,722,922	29,750	1,341,153
- Share of other comprehensive income of associates		198,720	170,252	200,184	4,202
- Exchange differences on translation of foreign operations		(5,960,964)	1,675,480	(7,974,124)	2,324,789
Other comprehensive (loss) income for the period		(6,593,840)	3,568,654	(7,744,190)	3,670,144
Total comprehensive (loss) income for the period		(2,754,600)	6,451,615	8,513,901	15,795,517
Attributable to:					
Equity holders of the Parent Company		(1,247,474)	5,668,635	7,664,206	13,600,906
Non-controlling interests		(1,507,126)	782,980	849,695	2,194,611
		(2,754,600)	6,451,615	8,513,901	15,795,517

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
 POSITION (UNAUDITED)

As at 30 September 2020

		(Audited)		
	Notes	30 September 2020 KD	31 December 2019 KD	30 September 2019 KD
ASSETS				
Property and equipment		33,568,565	35,215,083	30,296,642
Right-of-use assets		1,401,607	2,213,395	2,122,463
Investments in associates		42,901,886	43,437,290	43,566,549
Goodwill		15,104,460	15,104,460	15,104,460
Financial instruments:				
Investments held to maturity		37,243,286	29,687,204	29,863,256
Debt securities (loans)		13,987,264	13,604,047	13,632,487
Investments available for sale		44,998,349	44,951,045	44,022,601
Investments carried at fair value through profit or loss		29,879,745	26,329,719	24,133,230
Loans secured by life insurance policies		926,757	1,104,147	1,098,673
Premiums and insurance balances receivable		170,602,166	142,633,886	153,875,851
Reinsurance recoverable on outstanding claims		280,861,758	247,320,982	261,711,784
Investment properties		6,009,688	6,166,079	5,366,854
Other assets		31,342,518	28,457,095	29,464,638
Time deposits		37,453,356	39,280,244	40,150,049
Cash and bank balances	5	104,710,992	87,661,768	60,568,108
TOTAL ASSETS		850,992,397	763,166,444	754,977,645
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		18,703,913	18,703,913	18,703,913
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(429,455)	(429,455)	(429,455)
Treasury shares reserve		3,099,292	3,099,292	3,099,292
Statutory reserve		18,703,913	18,703,913	18,703,913
Voluntary reserve		27,558,098	27,558,098	26,149,664
Other reserve		(2,836,728)	(2,836,728)	(2,836,728)
Cumulative changes in fair values		1,413,670	1,529,248	(789,804)
Foreign currency translation adjustments		(25,153,863)	(19,841,408)	(18,998,471)
Revaluation reserve		12,241,253	12,241,253	8,939,446
Retained earnings		52,490,198	46,474,233	45,241,609
Equity attributable to the equity holders of the Parent Company		109,390,291	108,802,359	101,383,379
Non-controlling interests		25,888,349	26,044,031	24,405,317
TOTAL EQUITY		135,278,640	134,846,390	125,788,696
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		369,323,434	319,935,216	332,300,160
Unearned premiums reserve (net)		61,564,507	59,508,501	60,358,868
Life mathematical reserve (net)		31,192,434	26,370,500	25,248,383
Incurred but not reported reserve (net)		966,192	2,586,940	2,503,358
Total liabilities arising from insurance contracts		463,046,567	408,401,157	420,410,769
Premiums received in advance		4,502,809	5,751,229	4,718,524
Insurance payable		145,591,894	125,719,810	114,397,795
Long term loans	6	38,333,500	35,333,500	31,250,000
Other liabilities		57,673,397	51,379,273	46,292,465
Bank overdrafts	5	6,565,590	1,735,085	12,119,396
TOTAL LIABILITIES		715,713,757	628,320,054	629,188,949
TOTAL EQUITY AND LIABILITIES		850,992,397	763,166,444	754,977,645


 Khaled Saoud Al-Hassan
 Chief Executive Officer

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2020

	Attributable to equity holders of the Parent Company													
	Share capital	Share Premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Revaluation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2020	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	1,529,248	(19,841,408)	12,241,253	46,474,233	108,802,359	26,044,031	134,846,390
<i>(Audited)</i>	-	-	-	-	-	-	-	-	-	-	13,092,239	13,092,239	3,165,852	16,258,091
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	(2,316,157)	(7,744,190)
Other comprehensive loss for the period	-	-	-	-	-	-	-	(115,578)	(5,312,455)	-	-	(5,428,033)	-	-
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(115,578)	(5,312,455)	-	13,092,239	7,664,206	849,695	8,513,901
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,076,274)	(7,076,274)	-	(7,076,274)
Dividends paid payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,005,377)	(1,005,377)
As at 30 September 2020	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	1,413,670	(25,153,863)	12,241,253	52,490,198	109,390,291	25,888,349	135,278,640
As at 1 January 2019	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	26,149,664	(3,101,138)	(1,778,260)	(20,903,698)	8,939,446	40,978,391	89,140,379	23,282,933	112,423,312
<i>(Audited)</i>	-	-	-	-	-	-	-	-	-	-	10,707,223	10,707,223	1,418,150	12,125,373
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	776,461	3,670,144
Other comprehensive income for the period	-	-	-	-	-	-	-	988,456	1,905,227	-	-	2,893,683	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	988,456	1,905,227	-	10,707,223	13,600,906	2,194,611	15,795,517
Change in ownership of a subsidiary	-	-	-	-	-	-	264,410	-	-	-	-	264,410	(617,194)	(352,784)
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	(6,444,005)	(6,444,005)	-	(6,444,005)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(455,033)	(455,033)
Sale of treasury shares	-	-	3,773,612	1,048,077	-	-	-	-	-	-	-	4,821,689	-	4,821,689
As at 30 September 2019	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	26,149,664	(2,836,728)	(789,804)	(18,998,471)	8,939,446	45,241,609	101,383,379	24,405,317	125,788,696

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 September 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit for the period before taxation		19,376,811	14,688,983
<i>Adjustments for:</i>			
Depreciation of property and equipment and right-of-use assets		1,344,184	1,358,739
Net investment income	3	(7,696,046)	(10,346,214)
Impairment loss on investments available for sale	3	1,447,432	220,933
Share of results of associates		143,348	(1,024,491)
Finance costs		1,899,246	2,417,440
		16,514,975	7,315,390
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		(4,364,938)	1,104,171
Premiums and insurance balances receivable		(27,968,280)	(44,021,674)
Reinsurance recoverable on outstanding claims		(33,540,776)	(130,743,212)
Other assets		(3,346,415)	(273,989)
Liabilities arising from insurance contracts		54,645,410	139,395,141
Premiums received in advance		(1,248,420)	341,811
Insurance payable		19,872,084	39,096,050
Other liabilities		4,416,824	(4,843,281)
		24,980,464	7,370,407
Paid to KFAS		(87,450)	(132,861)
Paid to NLST		(265,523)	(340,333)
Paid to Zakat		-	(93,637)
Remuneration paid to directors		(185,000)	(185,000)
		24,442,491	6,618,576
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,001,057)	(2,447,511)
Proceeds from sale of property and equipment		189,048	51,902
Purchase of investment properties		(143,379)	(237,742)
Net movement of investments held to maturity		(7,556,082)	(6,634,201)
Net movement of debt securities (loans)		(383,217)	3,019,373
Net movement of investments available for sale		840,359	333,786
Loans secured by life insurance policies		177,390	167,964
Movement in time deposits		1,826,888	(7,471,966)
Interest received		6,304,322	6,093,424
Dividends income received		826,531	1,117,218
Advance towards acquisition of investment		(505,500)	(125,575)
Dividends received from associates		592,240	857,158
		167,543	(5,276,170)
FINANCING ACTIVITIES			
Term loan	6	3,000,000	31,250,000
Proceeds from sale of treasury shares		-	4,821,689
Payment of lease liability		(766,933)	(765,500)
Finance cost paid		(1,835,758)	(2,331,315)
Dividends paid		(7,076,274)	(6,444,005)
Dividends paid to non-controlling interests		(1,005,377)	(455,033)
Net movement in non-controlling interest		-	(352,784)
		(7,684,342)	25,723,052
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(4,706,971)	3,112,668
Cash and cash equivalents at 1 January		85,926,683	18,270,586
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	98,145,402	48,448,712

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (the “Group”) were authorised for issue by the Board of Directors on 09 November 2020. The Ordinary Annual General Assembly meeting of the Parent Company’s shareholders held on 23 March 2020 approved the consolidated financial statements for the year ended 31 December 2019 and approved the proposed distribution of cash dividends of 38 fils per share (2018: 36 fils per share).

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The address of the Parent Company’s registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Sharq, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait. The Parent Company’s objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 45.99% (31 December 2019: 45.99% and 30 September 2019: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 43.43% (31 December 2019: 43.43% and 30 September 2019: 41.42%) by Fairfax Financial Holding Limited as at 30 September 2020.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars which is the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)**

2.2 New standards, interpretations, and amendments adopted by the Group (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial information are listed below. The Group intends to adopt these standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach).
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

3 NET INVESTMENT INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020 KD</i>	<i>2019 KD</i>	<i>2020 KD</i>	<i>2019 KD</i>
Net realised gain on sale of investments available for sale	780,438	576,749	2,346,597	2,162,338
Realised gain on sale of investments at fair value through profit or loss	205,734	330,424	588,316	766,653
Unrealised loss on investments at fair value through profit or loss	(363,210)	(509,184)	(1,403,228)	(147,556)
Dividend income	29,157	168,603	826,531	1,117,218
Interest on investments held to maturity	1,120,682	869,007	3,088,805	2,550,510
Interest on debt securities (loans)	277,018	261,332	808,109	819,433
Interest on time and call deposits	853,695	948,607	2,407,408	2,723,481
Foreign exchange gain (loss)	1,257,702	(138,297)	5,106,851	345,617
Other investment income	270,135	242,336	690,254	568,641
Impairment loss on investments available for sale	(79,491)	(189,043)	(1,447,432)	(220,933)
Other investment expenses	(269,759)	(184,328)	(1,656,746)	(560,121)
	4,082,098	2,376,206	11,355,465	10,125,281

Net investment income is presented in the interim condensed consolidated statement of income as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020 KD</i>	<i>2019 KD</i>	<i>2020 KD</i>	<i>2019 KD</i>
Net investment income from designated life insurance	833,123	428,903	985,562	2,059,714
Net investment income	3,248,977	1,947,303	10,369,905	8,065,567
	4,082,100	2,376,206	11,355,467	10,125,281

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period.

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020 KD</i>	<i>2019 KD</i>	<i>2020 KD</i>	<i>2019 KD</i>
Profit attributable to equity holders of the Parent Company	3,248,915	2,595,762	13,092,239	10,707,223
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	186,217,729	179,839,167	186,217,729	179,559,493
Basic and diluted earnings per share	17.45 fils	14.43 fils	70.31 fils	59.63 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following balances:

	30 September 2020 KD	<i>(Audited)</i> 31 December 2019 KD	30 September 2019 KD
Cash and bank balances	20,702,767	15,054,336	14,123,524
Short term and call deposits	84,008,225	72,607,432	46,444,584
	<hr/>	<hr/>	<hr/>
Cash and bank balances	104,710,992	87,661,768	60,568,108
Bank overdrafts	(6,565,590)	(1,735,085)	(12,119,396)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	98,145,402	85,926,683	48,448,712
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6 TERM LOANS

During the prior year, the Parent Company obtained two bank loans from local banks to be payables as follows:

- First loan is payable six annual installments beginning on 1 January 2020 and carry interest rate of 2.75% per annum and the last installment is due on 31 January 2025.
- Second loan is payable five annual installments beginning on 30 September 2020 and carry interest rate of 2.75% per annum and the last installment is due on 30 September 2024.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

7 SEGMENT INFORMATION

For the management purpose, the Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. The following are the details of these two segments:

a) Segmental interim condensed consolidated statement of income:

	General risk insurance					Life and medical		Total KD		
	Marine and aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Sub-total KD	Life insurance KD		Medical insurance KD	Sub-total KD
<i>Nine months ended 30 September 2020</i>										
Segment revenue	3,745,637	8,739,000	42,293,661	7,475,391	8,726,808	70,980,497	10,270,403	76,086,140	86,356,543	157,337,040
Segment results										
Net underwriting income	1,260,875	1,437,662	2,773,789	1,918,864	2,244,946	9,636,136	695,944	12,292,897	12,988,841	22,624,977
<i>Nine months ended 30 September 2019</i>										
Segment revenue	3,829,792	8,505,594	42,553,420	7,095,947	9,503,419	71,488,172	12,138,324	67,420,470	79,558,794	151,046,966
Segment results										
Net underwriting income (loss)	1,646,093	3,802,956	(2,140,063)	881,489	1,622,991	5,813,466	2,398,459	7,739,679	10,138,138	15,951,604

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 September 2020</i>	<i>General risk Insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	533,295,777	122,060,899	195,635,721	850,992,397
Total liabilities	444,826,399	173,542,877	97,344,481	715,713,757
<i>As at 31 December 2019</i>	<i>General risk Insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	514,591,829	111,169,809	137,404,806	763,166,444
Total liabilities	424,470,438	121,868,788	81,980,828	628,320,054
<i>As at 30 September 2019</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	515,760,366	102,580,787	136,636,492	754,977,645
Total liabilities	436,520,279	104,357,323	88,311,347	629,188,949

8 RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Nine months ended 30 September 2020</i>		<i>Nine months ended 30 September 2019</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	221,005	25,669	242,276	5,046
Other related parties	3,539,690	183,263	2,954,709	921,092
	3,760,695	208,932	3,196,985	926,138

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

8 RELATED PARTY DISCLOSURES (continued)

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

	30 September 2020		(Audited) 31 December 2019		30 September 2019	
	Amounts owed by related parties KD	Amounts owed to related Parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD
Directors and key management personnel	213,441	2,113	330,964	150	329,713	7,920
Other related parties	1,969,921	916,327	1,042,903	1,108,589	1,329,207	1,552,068
	2,183,362	918,440	1,373,867	1,108,739	1,658,920	1,559,988

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 6,878,646 (31 December 2019: KD 29,194,150 and 30 September 2019: KD 5,536,155). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 4,832,500 (31 December 2019: KD 4,816,500 and 30 September 2019: KD 4,817,000).

Compensation of key management personnel is as follows:

	Nine months ended 30 September	
	2020 KD	2019 KD
Salaries and other short-term benefits	441,669	438,669
Employees' end of service benefits	186,248	133,761
	627,917	572,430

9 CONTINGENT LIABILITIES

As at 30 September 2020, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 58,967,484 (31 December 2019: KD 55,335,102 and 30 September 2019: KD 55,019,974).

10 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans secured by life insurance policies, premiums and insurance balances receivable, reinsurance on outstanding claims, time deposits, bank balances and short term deposits. Financial liabilities consist of bank overdrafts, insurance payable and certain other liabilities.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost, are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

10 FAIR VALUE MEASUREMENT (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Fair value measurement using</i>			Total
	Level 1	Level 2	Level 3	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
30 September 2020				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	12,640,924	-	-	12,640,924
Unquoted equity securities	-	19,088	6,191,722	6,210,810
Quoted managed funds	203,043	-	-	203,043
Quoted bonds	25,425,391	-	-	25,425,391
Unquoted managed funds	-	497,836	20,345	518,181
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	3,987,638	-	-	3,987,638
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	25,892,107	-	-	25,892,107
Property and equipment				
Land	-	15,370,472	-	15,370,472
Buildings	-	15,153,373	-	15,153,373
Investment properties	-	6,009,688	-	6,009,688
Total	68,149,103	37,050,457	6,212,067	111,411,627
	<i>Fair value measurement using</i>			Total
	Level 1	Level 2	Level 3	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 December 2019				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	11,433,900	-	-	11,433,900
Unquoted equity securities	240,990	20,192	5,632,027	5,893,209
Quoted managed funds	221,438	-	-	221,438
Quoted bonds	26,725,541	-	-	26,725,541
Unquoted managed funds	-	654,514	22,443	676,957
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	4,844,468	-	-	4,844,468
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	21,485,251	-	-	21,485,251
Property and equipment				
Land	-	15,913,719	-	15,913,719
Buildings	-	16,882,747	-	16,882,747
Investment properties	-	6,166,079	-	6,166,079
Total	64,951,588	39,637,251	5,654,470	110,243,309

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

10 FAIR VALUE MEASUREMENT (continued)

30 September 2019	Fair value measurement using			Total KD
	Level 1 KD	Level 2 KD	Level 3 KD	
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	11,539,520	-	-	11,539,520
Unquoted equity securities	-	20,440	5,768,753	5,789,193
Quoted managed funds	225,666	-	-	225,666
Quoted bonds	25,796,683	-	-	25,796,683
Unquoted managed funds	-	649,096	22,443	671,539
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	4,561,223	-	-	4,561,223
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	19,572,007	-	-	19,572,007
Property and equipment				
Land	-	13,396,001	-	13,396,001
Buildings	-	16,515,680	-	16,515,680
Investment properties	-	5,366,854	-	5,366,854
Total	61,695,099	35,948,071	5,791,196	103,434,366

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	<i>As at 1 January 2020 KD</i>	<i>Loss recorded in the interim condensed consolidated statement of income KD</i>	<i>Gain recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>As at 30 September 2020 KD</i>
Financial assets available for sale:					
Unquoted equity securities	5,632,027	(808,500)	60,895	1,307,300	6,191,722
Unquoted managed funds	22,443	(2,098)	-	-	20,345
	<u>5,654,470</u>	<u>(810,598)</u>	<u>60,895</u>	<u>1,307,300</u>	<u>6,212,067</u>

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

10 FAIR VALUE MEASUREMENT (continued)

	<i>At 1 January 2019 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Loss recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 31 December 2019 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,770,801	-	(138,774)	-	5,632,027
Unquoted managed funds	55,650	(14,836)	-	(18,371)	22,443
	<u>5,826,451</u>	<u>(14,836)</u>	<u>(138,774)</u>	<u>(18,371)</u>	<u>5,654,470</u>

	<i>As at 1 January 2019 KD</i>	<i>Loss recorded in the interim condensed consolidated statement of income KD</i>	<i>Loss recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>As at 30 September 2019 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,770,801	-	(2,048)	-	5,768,753
Unquoted managed funds	55,650	(14,836)	-	(18,371)	22,443
	<u>5,826,451</u>	<u>(14,836)</u>	<u>(2,048)</u>	<u>(18,371)</u>	<u>5,791,196</u>

11 COVID-19 IMPACT

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

Recoverability of receivables

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on the management, the Group has not identified a material impact to the recoverability of receivables for the period ended 30 September 2020.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.

The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on the management, the Group has not identified a material impact to the fair values of financial assets and liabilities for the period ended 30 September 2020 except for what is disclosed in the condensed consolidated interim financial information under financial assets available for sale.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

11 COVID-19 IMPACT (continued)

Fair value measurement of investment properties

As the real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

Based on the management, this is in early stages and there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Group has not identified any significant impact to the fair values of investment properties for the period ended 30 September 2020. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Outstanding claims

The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 30 September 2020. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

12 SUBSEQUENT EVENT

On 7 October 2020, the shareholder of the Parent Company held an Extraordinary General Meeting and approved the Board of Directors' proposal relating to an increase of authorized share capital from KD 18,703,913 to KD 35,000,000 by issuing 162,960,870 shares of 100 fils each.

On 8 October 2020, the Parent Company has obtained the required approvals from the Capital Market Authority ("CMA") to increase the issued and paid-up share capital of the Parent Company from KD 18,703,913 to KD 20,123,913 by issuing 14,200,000 shares of offering value 500 fils each including nominal value 100 fils each and share premium 400 fils each.

As at the reporting date, the share capital increase has not been reflected by the issuance of shares as the legal formalities have not been completed.