

Qatar Insurance Company Q.S.P.C

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2020**

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR INSURANCE COMPANY Q.S.P.C. AND ITS SUBSIDIARIES

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Insurance Company Q.S.P.C (the "Parent Company") and its subsidiaries (collectively "the Group") as at 30 June 2020, comprising of the interim consolidated statement of financial position as at 30 June 2020 and the related interim consolidated statements of income and comprehensive income for the six months period ended 30 June 2020, the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months period then ended, and the related explanatory notes.


The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.


Ahmed Sayed
of Ernst and Young
Auditor's Registration No. 326



Date: 26 July 2020
Doha

Qatar Insurance Company Q.S.P.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | | 30 June 2020 QR ('000) (Reviewed) | 31 December 2019 QR ('000) (Audited) |
|--|--------------|--|---|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Cash and cash equivalents | 3 | 8,100,629 | 8,544,700 |
| Insurance and other receivables | 4 | 9,623,427 | 8,452,858 |
| Reinsurance contract assets | 5 | 5,996,504 | 5,099,804 |
| Equity accounted investments | | 149,597 | 149,638 |
| Investments | 6 | 16,041,609 | 15,788,492 |
| Investment properties | 7 | 569,764 | 596,004 |
| Property and equipment | | 134,921 | 146,935 |
| Goodwill and intangible assets | | 615,324 | 636,883 |
| TOTAL ASSETS | | 41,231,775 | 39,415,314 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Short term borrowings | | 4,303,915 | 4,526,219 |
| Provisions, reinsurance and other payables | | 4,445,530 | 3,995,183 |
| Insurance contract liabilities | 5 | 22,171,373 | 20,499,218 |
| Long term borrowings | | 167,407 | 178,500 |
| TOTAL LIABILITIES | | 31,088,225 | 29,199,120 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 12 | 3,266,101 | 3,266,101 |
| Share premium | 12 | 2,759,194 | 2,759,194 |
| Legal reserve | 13 | 634,567 | 634,567 |
| General reserve | | 287,000 | 287,000 |
| Fair value reserve | | (180,904) | 177,462 |
| Catastrophe special reserve | | 32,017 | 32,017 |
| Other components of equity | 14 | (77,285) | (38,772) |
| Retained earnings | | 578,075 | 1,335,692 |
| Equity attributable to shareholders of the Parent Company | | 7,298,765 | 8,453,261 |
| Non-controlling interests | | 147,139 | 147,337 |
| TOTAL SHAREHOLDERS' EQUITY | | 7,445,904 | 8,600,598 |
| Subordinated perpetual debt | 15 | 2,697,646 | 1,615,596 |
| TOTAL EQUITY | | 10,143,550 | 10,216,194 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 41,231,775 | 39,415,314 |

H.E. Sheikh Khalid Bin Mohammed Bin Ali Al-Thani
Chairman and Managing Director



Khalifa Abdulla Turki Al Subaey
Group Resident

The accompanying notes are an integral part of these interim consolidated financial statements

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months period ended 30 June 2020

| | Notes | <i>For the six month period ended</i> | |
|---|-------|--|--|
| | | <i>30 June 2020 (QR '000) (Reviewed)</i> | <i>30 June 2019 (QR '000) (Reviewed)</i> |
| Gross premiums | 9 | 7,233,760 | 6,385,248 |
| Premiums ceded to reinsurers | 9 | (1,798,738) | (735,377) |
| Net premiums | 9 | 5,435,022 | 5,649,871 |
| Movement in unexpired risk reserve | 9 | (208,014) | (320,372) |
| Net earned premiums | 9 | 5,227,008 | 5,329,499 |
| Gross claims paid | 9 | (4,208,467) | (4,777,471) |
| Reinsurance recoveries | 9 | 963,736 | 817,023 |
| Movement in outstanding claims | 9 | (753,408) | 356,015 |
| Net commission | 9 | (1,240,388) | (1,398,988) |
| Other insurance income | 9 | 1,542 | 4,524 |
| Net underwriting result | 9 | (9,977) | 330,602 |
| Investment income | | 145,237 | 499,051 |
| Finance costs | | (29,805) | (72,735) |
| Net investment income | | 115,432 | 426,316 |
| Advisory fee income | | 7,617 | 7,050 |
| Rental income | | 20,634 | 23,908 |
| Other income | | 1,259 | 163 |
| Total investment and other income | | 144,942 | 457,437 |
| Share of profit from equity accounted investments | | 7,458 | 6,700 |
| TOTAL INCOME | | 142,423 | 794,739 |
| Operating and administrative expenses | | (300,147) | (330,717) |
| Depreciation and amortization | | (37,325) | (35,991) |
| (LOSS) / PROFIT BEFORE INCOME TAX | | (195,049) | 428,031 |
| Income tax | | (3,445) | (8,869) |
| (LOSS) / PROFIT AFTER TAX FOR THE PERIOD | | (198,494) | 419,162 |
| <i>Attributable to:</i> | | | |
| Equity holders of the parent | | (207,838) | 409,918 |
| Non-controlling interests | | 9,344 | 9,244 |
| | | (198,494) | 419,162 |
| Earnings per share | | | |
| Basic and diluted earnings per share attributable to ordinary equity holders of the parent in Qatari Riyals | 10 | (0.080) | 0.113 |

The accompanying notes are an integral part of these interim consolidated financial statements

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2020

| | <i>For the six month period ended</i> | |
|--|--|--|
| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>30 June 2019 QR ('000) (Reviewed)</i> |
| (Loss) / profit for the period | (198,494) | 419,162 |
| Other comprehensive income (OCI) | | |
| OCI to be reclassified to profit or loss in subsequent periods | | |
| <i>Debt instruments at fair value through other comprehensive income</i> | | |
| Net changes in fair value during the period | (359,658) | 377,495 |
| Foreign currency translation differences foreign operations | (45,971) | (4,003) |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD | (604,123) | 792,654 |
| <i>Attributable to:</i> | | |
| Equity holders of the Parent | (612,175) | 777,116 |
| Non-controlling interests | 8,052 | 15,538 |
| Total comprehensive (loss) /income for the period | (604,123) | 792,654 |

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2020

| | Share capital QR ('000) | Share premium QR ('000) | Legal reserve QR ('000) | General reserve QR ('000) | Fair value reserve QR ('000) | Catastrophe special reserve QR ('000) | Other components of equity QR ('000) | Retained earnings QR ('000) | Attributable to owners of the Parent Company QR ('000) | Non-controlling interests QR ('000) | Total equity QR ('000) |
|--|----------------------------|----------------------------|----------------------------|------------------------------|---------------------------------|--|---|--------------------------------|---|--|---------------------------|
| At 1 January 2020 (Audited) | 3,266,101 | 2,759,194 | 634,567 | 287,000 | 177,462 | 32,017 | (38,772) | 1,335,692 | 8,453,261 | 147,337 | 8,600,598 |
| Loss for the period | - | - | - | - | - | - | - | (207,838) | (207,838) | 9,344 | (198,494) |
| Foreign currency translation | - | - | - | - | - | - | (45,971) | - | (45,971) | - | (45,971) |
| Net change in investments at fair value through other comprehensive income (FVOCI) | - | - | - | - | (358,366) | - | - | - | (358,366) | (1,292) | (359,658) |
| Total comprehensive income for the period | - | - | - | - | (358,366) | - | (45,971) | (207,838) | (612,175) | 8,052 | (604,123) |
| Dividend for the period 2019 (Note 11) | - | - | - | - | - | - | - | (489,915) | (489,915) | (8,250) | (498,165) |
| Interest on subordinated perpetual debt | - | - | - | - | - | - | - | (52,406) | (52,406) | - | (52,406) |
| Transfer to other components of equity | - | - | - | - | - | - | 7,458 | (7,458) | - | - | - |
| At 30 June 2020 (Reviewed) | 3,266,101 | 2,759,194 | 634,567 | 287,000 | (180,904) | 32,017 | (77,285) | 578,075 | 7,298,765 | 147,139 | 7,445,904 |

The accompanying notes are an integral part of these interim consolidated financial statements

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months period ended 30 June 2020

| | Share capital QR ('000) | Share premium QR ('000) | Legal reserve QR ('000) | General reserve QR ('000) | Fair value reserve QR ('000) | Catastrophe special reserve QR ('000) | Other components of equity QR ('000) | Retained earnings QR ('000) | Attributable to owners of the Parent Company QR ('000) | Non-controlling interests QR ('000) | Total equity QR ('000) |
|--|----------------------------|----------------------------|----------------------------|------------------------------|---------------------------------|--|---|--------------------------------|---|--|---------------------------|
| At 1 January 2019 (Audited) | 3,189,059 | 2,554,492 | 634,567 | 287,000 | (313,851) | 32,017 | 60,012 | 1,282,527 | 7,725,823 | 245,816 | 7,971,639 |
| Impact of Adopting IFRS 16 | - | - | - | - | - | - | - | 3,033 | 3,033 | 57 | 3,090 |
| At 1 January 2019 (Adjusted) | 3,189,059 | 2,554,492 | 634,567 | 287,000 | (313,851) | 32,017 | 60,012 | 1,285,560 | 7,728,856 | 245,873 | 7,974,729 |
| Profit for the period | - | - | - | - | - | - | - | 409,918 | 409,918 | 9,244 | 419,162 |
| Foreign currency translation | - | - | - | - | - | - | (4,003) | - | (4,003) | - | (4,003) |
| Net change in investments at fair value through other comprehensive income (FVOCI) | - | - | - | - | 371,201 | - | - | - | 371,201 | 6,294 | 377,495 |
| Total comprehensive income for the period | - | - | - | - | 371,201 | - | (4,003) | 409,918 | 777,116 | 15,538 | 792,654 |
| Dividend for the period 2018 (Note 11) | - | - | - | - | - | - | - | (478,359) | (478,359) | - | (478,359) |
| Interest on subordinated perpetual debt | - | - | - | - | - | - | - | (40,541) | (40,541) | - | (40,541) |
| Transfer to other components of equity | - | - | - | - | - | - | 6,700 | (6,700) | - | - | - |
| Issuance of shares (Note 12) | 77,042 | 204,702 | - | - | (8,107) | - | (139,238) | (7,248) | 127,151 | (127,151) | - |
| At 30 June 2019 (Reviewed) | 3,266,101 | 2,759,194 | 634,567 | 287,000 | 49,243 | 32,017 | (76,529) | 1,162,630 | 8,114,223 | 134,260 | 8,248,483 |

The accompanying notes are an integral part of these interim consolidated financial statements

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2020

| | <i>For the six month period ended</i> | |
|---|--|--|
| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>30 June 2019 QR ('000) (Reviewed)</i> |
| <i>Notes</i> | | |
| OPERATING ACTIVITIES | | |
| (Loss) / profit before tax | (195,049) | 428,031 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 37,325 | 35,991 |
| Share of profit from investments in equity accounted investments | (7,458) | (6,700) |
| Investment income and other income | (116,691) | (426,479) |
| Impairment loss on insurance and other receivables | 2,260 | 4,199 |
| Provision for employees' end of service benefits | 3,393 | 3,185 |
| Loss on disposal of property and equipment | 452 | 2,161 |
| Operating (loss) / profit before working capital changes | (275,768) | 40,388 |
| <i>Working capital changes</i> | | |
| Change in insurance and other receivables | (1,172,829) | (664,453) |
| Change in insurance reserves – net | 775,455 | (24,879) |
| Change in provisions, reinsurance and other payables | 435,130 | 210,610 |
| Cash flows used in operations | (238,012) | (438,334) |
| Income tax paid | (2,457) | (2,364) |
| Employees' end of service benefits paid | (1,029) | (287) |
| Net cash flows used in operating activities | (241,498) | (440,985) |
| INVESTING ACTIVITIES | | |
| Net cash movements in investments | (612,776) | 562,645 |
| Investment income and other finance income | 116,691 | 426,479 |
| Purchase of property and equipment | (7,689) | (7,652) |
| Dividend received from equity accounted investments | 7,500 | 7,750 |
| Purchase of investment properties | 7 (556) | (2,324) |
| Net cash flows from (used in) from investing activities | (496,830) | 986,898 |
| FINANCING ACTIVITIES | | |
| Interest on subordinated perpetual debt | (40,541) | (40,541) |
| Dividends paid | (489,915) | (478,359) |
| Net repayment of borrowings | (222,747) | (339,192) |
| Proceeds from subordinated perpetual debt | 15 1,082,050 | - |
| Dividends paid to non-controlling interests | (8,250) | - |
| Net cash flows generated from (used in) financing activities | 320,597 | (858,092) |
| Net (decrease) in cash and cash equivalents | (417,731) | (312,179) |
| Effect of foreign currency exchange differences | (26,340) | (5,093) |
| Cash and cash equivalents at 1 January | 8,544,700 | 8,011,163 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 3 8,100,629 | 7,693,891 |

Qatar Insurance Company Q.S.P.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2020

1 STATUS AND OPERATIONS

Qatar Insurance Company Q.S.P.C. (the “Parent Company”) is a public shareholding company incorporated in the State of Qatar in the year 1964 under Commercial Registration No. 20 and governed by the provisions of the Qatar Commercial Companies’ Law and Qatar Central Bank’s insurance regulations. The Parent Company and its subsidiaries (the “Group”) are engaged in the business of insurance, reinsurance, real estate and financial advisory services. The head office of the Group is at QIC Building, Tamin Street, West Bay, P.O. Box 666, Doha, State of Qatar.

The Parent Company’s shares are listed on Qatar Stock Exchange.

The Group operates in the State of Qatar, United Arab Emirates, Sultanate of Oman, State of Kuwait, United Kingdom, Switzerland, Bermuda, Singapore, Labuan (Malaysia), Gibraltar, Italy, Jersey and Malta.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six month period ended 30 June 2020 have been prepared in accordance with IAS 34 - “Interim Financial Reporting” and the applicable provisions of the Qatar Central Bank regulations, under the historical cost convention except for certain financial instruments which are stated at fair value.

The interim condensed consolidated financial statements are presented in Qatari Riyals (“QR”), which is the Group’s functional and presentation currency except as otherwise indicated, financial information presented in QR has been rounded to the nearest thousand.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019. In addition, results for the six months period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Changes to significant accounting policies are described in Note 2.2.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements 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 noted above.

These interim consolidated financial statements were approved by the Board of Directors and signed on its behalf on 26 July 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 statements 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 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 statements of the Group

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 New and revised IFRSs in issue but not yet effective

The following new accounting standard and interpretations have been issued but are not yet effective. The Group is currently evaluating the impact of these new standards.

IFRS 17 Insurance Contracts - Standard issued in May 2018

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The standard is effective for annual periods beginning on or after 1 January 2023 with an earlier application is permitted.

IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For general insurance contracts, IFRS 17 requires discounting of loss reserves expected to be paid in more than one year as well as risk adjustment, for which confidence level equivalent disclosure will be required.

In order to further evaluate the effects of adopting IFRS 17, an IFRS 17 Group Implementation Team has been set up sponsored by the Group Chief Financial Officer, comprising senior management from Finance, Risk, Operations and Investment Operations.

Implementation team has successfully completed the first phase (Gap analysis) and currently working on the detailed operational and financial impact.

2.4 Use of estimates and judgments

The preparation of the interim consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019.

3 CASH AND CASH EQUIVALENTS

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>31 December 2019 QR ('000) (Audited)</i> |
|---------------------|--|---|
| Cash at banks | 1,014,553 | 1,857,957 |
| Short-term deposits | <u>7,086,076</u> | <u>6,686,743</u> |
| | <u>8,100,629</u> | <u>8,544,700</u> |

All deposits are subject to an average variable interest rate of 2.373 % (2019: 3.276 %). The expected credit losses relating to short-term deposits measured at amortised cost amounted to QR 1,333 thousand (2019: QR 1,905 thousand). All instruments measured at amortised cost were in stage 1.

Qatar Insurance Company Q.S.P.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2020

4 INSURANCE AND OTHER RECEIVABLES

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>31 December 2019 QR ('000) (Audited)</i> |
|---|--|---|
| Receivables from policyholders | | |
| Due from policyholders | 4,262,232 | 2,882,260 |
| Impairment losses on doubtful receivables | <u>(44,094)</u> | <u>(43,691)</u> |
| | <u>4,218,138</u> | <u>2,838,569</u> |
| Receivables from reinsurers | | |
| Due from insurance companies | 3,302,752 | 3,457,913 |
| Impairment losses on doubtful receivables | <u>(45,322)</u> | <u>(43,465)</u> |
| | <u>3,257,430</u> | <u>3,414,448</u> |
| Other receivables | | |
| Staff advances against indemnity | 57,632 | 55,910 |
| Deferred acquisition cost | 1,423,493 | 1,468,488 |
| Prepayments and others | <u>666,734</u> | <u>675,443</u> |
| | <u>2,147,859</u> | <u>2,199,841</u> |
| | <u>9,623,427</u> | <u>8,452,858</u> |

Prepayment and others include an amount of USD 104 million (QR 377 million) (2019: QR 383 million) as an indemnification asset, through Qatar Re, for uncertainties about the settlement amounts of certain insurance liabilities acquired. Nil fair value was assigned to the indemnification asset as at the acquisition-date or as subsequently re-measured for the purposes of disclosure in the Group's consolidated financial statements for the year ended 31 December 2019.

5 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>31 December 2019 QR ('000) (Audited)</i> |
|--|--|---|
| Gross insurance contract liabilities | | |
| Claims reported and unsettled | 10,235,261 | 10,598,797 |
| Claims incurred but not reported | 4,912,511 | 3,885,558 |
| Unearned premiums | <u>7,023,601</u> | <u>6,014,863</u> |
| | <u>22,171,373</u> | <u>20,499,218</u> |
| Reinsurers' share of insurance contract liabilities | | |
| Claims reported and unsettled | 2,915,966 | 3,431,016 |
| Claims incurred but not reported | 1,373,620 | 685,499 |
| Unearned premiums | <u>1,706,918</u> | <u>983,289</u> |
| | <u>5,996,504</u> | <u>5,099,804</u> |
| Net insurance contract liabilities | | |
| Claims reported and unsettled | 7,319,295 | 7,167,781 |
| Claims incurred but not reported | 3,538,891 | 3,200,059 |
| Unearned premiums | <u>5,316,683</u> | <u>5,031,574</u> |
| | <u>16,174,869</u> | <u>15,399,414</u> |

Qatar Insurance Company Q.S.P.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2020

6 INVESTMENTS

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>31 December 2019 QR ('000) (Audited)</i> |
|--|--|---|
| Financial investments at fair value through other comprehensive income (FVOCI) | 12,691,150 | 11,915,361 |
| Financial investments at fair value through profit or loss (FVTPL) | 3,350,459 | 3,873,131 |
| | <u>16,041,609</u> | <u>15,788,492</u> |

Investments classified as FVOCI are all stage 1 except QR 882,017 thousand stage 2 debt instruments. During the period QR 4,927 thousand of investments classified as FVOCI moved from stage 1 to stage 2.

The expected credit losses relating to debt securities measured at FVOCI amounted to QR 53,511 thousand at 30 June 2020 (2019: QR 18,181 thousand). The expected credit losses relating to securities at FVOCI in stage 1 was QR 28,259 thousand (2019: QR 14,295 thousand) and stage 2 was QR 25,252 thousand (2019: QR 3,886 thousand).

7 INVESTMENT PROPERTIES

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>31 December 2019 QR ('000) (Audited)</i> |
|--|--|---|
| Balance as at 1 January | 596,004 | 606,372 |
| Additions | 556 | 929 |
| Effect of foreign currency exchange difference | (17,324) | 6,260 |
| Disposal | - | (1,619) |
| Depreciation | (9,472) | (15,938) |
| At 30 June / 31 December | <u>569,764</u> | <u>596,004</u> |

The rental income arising during the period amounted to QR 20,634 thousand (2019: QR 23,908 thousand) and direct operating expenses (included within general and administrative expenses) arising in respect of such properties during the period was QR 8,165 thousand (2019: QR 6,707 thousand).

The fair value of investment properties were estimated by Management's external valuer, by reference to market evidence of recent transactions for similar properties. The estimated fair value of the above investment properties as at 31 December 2019 were QR 1,215.22 million.

8 RELATED PARTY DISCLOSURES

Related parties represent 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 Group's management.

Related party transactions

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial period.

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>30 June 2019 QR ('000) (Reviewed)</i> |
|----------------------|--|--|
| Premium | <u>11,786</u> | <u>14,143</u> |
| Purchase of services | <u>1</u> | <u>5</u> |
| Claims | <u>11,282</u> | <u>14,101</u> |

Related party balances

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

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>31 December 2019 QR ('000) (Audited)</i> |
|-------------------------------------|--|---|
| (a) Due from related parties | <u>24,382</u> | <u>19,009</u> |
| (b) Due to related parties | <u>18,854</u> | <u>18,355</u> |

Outstanding related party balances at the reporting date are unsecured and interest free and no impairment losses relating to these balances were recognised during the period (2019: Nil).

Compensation of key management personnel

The remuneration of directors and other members of key management during the period were as follows:

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>30 June 2019 QR ('000) (Reviewed)</i> |
|--|--|--|
| Salaries and other short term benefits | <u>19,088</u> | <u>20,748</u> |
| End of service benefits | <u>875</u> | <u>953</u> |
| | <u>19,963</u> | <u>21,701</u> |

Qatar Insurance Company Q.S.P.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2020

9 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into six business segments - Marine & Aviation, Property & Casualty, Health & Life, Real Estate, Advisory and Investments. These segments are the basis on which the Group reports its operating segment information.

Segment income statement for the six months period ended 30 June 2020

| | <i>Marine and aviation and QR ('000)</i> | <i>Property and casualty QR ('000)</i> | <i>Health and life QR ('000)</i> | <i>Total insurance QR ('000)</i> | <i>Real estate QR ('000)</i> | <i>Advisory QR ('000)</i> | <i>Investments QR ('000)</i> | <i>Unallocated income (expenses) QR ('000)</i> | <i>Total QR ('000)</i> |
|---|--|--|----------------------------------|----------------------------------|------------------------------|---------------------------|------------------------------|--|------------------------|
| Gross premiums | 587,167 | 5,871,081 | 775,512 | 7,233,760 | - | - | - | - | 7,233,760 |
| Premiums ceded to reinsurers | (180,450) | (1,578,474) | (39,814) | (1,798,738) | - | - | - | - | (1,798,738) |
| Net premiums | 406,717 | 4,292,607 | 735,698 | 5,435,022 | - | - | - | - | 5,435,022 |
| Movement in unexpired risk reserve | (59,209) | 13,011 | (161,816) | (208,014) | - | - | - | - | (208,014) |
| Net earned premiums | 347,508 | 4,305,618 | 573,882 | 5,227,008 | - | - | - | - | 5,227,008 |
| Gross claims paid | (285,578) | (3,440,496) | (482,393) | (4,208,467) | - | - | - | - | (4,208,467) |
| Reinsurance recoveries | 60,665 | 885,287 | 17,784 | 963,736 | - | - | - | - | 963,736 |
| Movement in outstanding claims | (3,876) | (749,776) | 244 | (753,408) | - | - | - | - | (753,408) |
| Net commissions | (68,375) | (1,135,852) | (36,161) | (1,240,388) | - | - | - | - | (1,240,388) |
| Other insurance income (unallocated) | - | - | - | 1,542 | - | - | - | - | 1,542 |
| Net underwriting results | 50,344 | (135,219) | 73,356 | (9,977) | - | - | - | - | (9,977) |
| Rental income | - | - | - | - | 20,634 | - | - | - | 20,634 |
| Advisory fees | - | - | - | - | - | 7,617 | - | - | 7,617 |
| Investment income and other income | - | - | - | - | - | - | 146,496 | - | 146,496 |
| Finance cost | - | - | - | - | - | - | (29,805) | - | (29,805) |
| Total income | - | - | - | (9,977) | 20,634 | 7,617 | 116,691 | - | 134,965 |
| Operating and administrative expenses | - | - | - | - | (8,165) | (441) | - | (294,986) | (303,592) |
| Depreciation and amortization | - | - | - | - | (9,472) | - | - | (27,853) | (37,325) |
| Profit before share of results from investments in equity accounted investments | - | - | - | (9,977) | 2,997 | 7,176 | 116,691 | (322,839) | (205,952) |
| Share of profit from equity accounted investments | - | - | - | - | - | - | - | 7,458 | 7,458 |
| Segment results | - | - | - | (9,977) | 2,997 | 7,176 | 116,691 | (315,381) | (198,494) |

Qatar Insurance Company Q.S.P.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2020

9 SEGMENT INFORMATION (CONTINUED)

Segment income statement for the six-month period ended 30 June 2019

| | <i>Marine and aviation QR ('000)</i> | <i>Property and casualty QR ('000)</i> | <i>Health and life QR ('000)</i> | <i>Total insurance QR ('000)</i> | <i>Real estate QR ('000)</i> | <i>Advisory QR ('000)</i> | <i>Investments QR ('000)</i> | <i>Unallocated income (expenses) QR ('000)</i> | <i>Total QR ('000)</i> |
|---|--|--|--|--|----------------------------------|-------------------------------|----------------------------------|--|----------------------------|
| Gross premiums | 454,214 | 5,196,273 | 734,761 | 6,385,248 | - | - | - | 6,385,248 | |
| Premiums ceded to reinsurers | (99,301) | (599,656) | (36,420) | (735,377) | - | - | - | (735,377) | |
| Net premiums | 354,913 | 4,596,617 | 698,341 | 5,649,871 | - | - | - | 5,649,871 | |
| Movement in unexpired risk reserve | (22,074) | (153,366) | (144,932) | (320,372) | - | - | - | (320,372) | |
| Net earned premiums | 332,839 | 4,443,251 | 553,409 | 5,329,499 | - | - | - | 5,329,499 | |
| Gross claims paid | (439,318) | (3,889,738) | (448,415) | (4,777,471) | - | - | - | (4,777,471) | |
| Reinsurance recoveries | 50,138 | 811,676 | (44,791) | 817,023 | - | - | - | 817,023 | |
| Movement in outstanding claims | 75,515 | 250,038 | 30,462 | 356,015 | - | - | - | 356,015 | |
| Net commissions | (69,667) | (1,294,402) | (34,919) | (1,398,988) | - | - | - | (1,398,988) | |
| Other insurance income (unallocated) | - | - | - | 4,524 | - | - | - | 4,524 | |
| Net underwriting results | (50,493) | 320,825 | 55,746 | 330,602 | - | - | - | 330,602 | |
| Rental income | - | - | - | - | 23,908 | - | - | 23,908 | |
| Advisory fees | - | - | - | - | - | 7,050 | - | 7,050 | |
| Investment income and other income | - | - | - | - | - | - | 499,214 | 499,214 | |
| Finance cost | - | - | - | - | - | - | (72,735) | (72,735) | |
| Total income | - | - | - | 330,602 | 23,908 | 7,050 | 426,479 | 788,039 | |
| Operating and administrative expenses | - | - | - | - | (6,707) | (13,213) | - | (319,666) | |
| Depreciation and amortization | - | - | - | - | (8,022) | (23) | - | (27,946) | |
| Profit before share of results from investments in equity accounted investments | - | - | - | 330,602 | 9,179 | (6,186) | 426,479 | (347,612) | |
| Share of profit from equity accounted investments | - | - | - | - | - | - | - | 6,700 | |
| Segment results | - | - | - | 330,602 | 9,179 | (6,186) | 426,479 | (340,912) | |
| Segment results | - | - | - | 330,602 | 9,179 | (6,186) | 426,479 | 419,162 | |

Segment statement of financial position

Assets and liabilities of the Group are commonly used across the primary segments.

Qatar Insurance Company Q.S.P.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

10 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share for the period are the same as there are no dilutive effects on earnings.

| | 30 June 2020 QR ('000) (Reviewed) | 30 June 2019 QR ('000) (Reviewed) |
|--|--|--|
| Net (loss) / profit attributable to owners of the Parent Company (QR '000) | (207,838) | 409,918 |
| Less: Interest on subordinated perpetual debt | (52,406) | (40,541) |
| | (260,244) | 369,377 |
| Weighted average number of ordinary shares ('000) | 3,266,101 | 3,266,101 |
| Basic and diluted earnings per share (QR) | (0.080) | 0.113 |

11 DIVIDEND, RIGHTS AND BONUS SHARES

A final cash dividend distribution of QR 0.15 per share (2019: Dividend of QR 1.50 per share) was approved at the Annual General Meeting held on 25 February 2020 and distributed by the Parent Company during the six month period ended 30 June 2020.

A private rights issue shares issuance was approved at the Annual General Meeting held on 26 February 2019 for number of share of 7,042,580 to the minority shareholders in QIC Capital to acquire their shares (4.26%) as a part of Group restructuring by owning 100% of this company.

12 SHARE CAPITAL AND SHARE PREMIUM

12.1 Share capital

Authorised, issued and fully paid up

| | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|-------------------------------|--|---|
| Share capital (QR'000) | 3,266,101 | 3,266,101 |
| Number of shares of QR 1 each | 3,266,101,330 | 3,266,101,330 |

12.2 Share premium

Share premium is the proceeds received from the rights issue, net of any directly attributable transaction costs. The nominal value of the shares were recorded under share capital while the excess of the issue price over the nominal value was recorded under share premium.

Qatar Insurance Company Q.S.P.C

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2020

13 LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB) regulations, applicable provisions of Qatar Commercial Companies' Law and the company's Articles of Association at 10% of the net profit for the year. On 23 November 2014, at an Extra-Ordinary General Meeting the Board of Directors approved an amendment to paragraph (1), Article (66) of the Articles of Association of the Company. The amendment states that transfers to the legal reserve shall be made until it equates 100% of the paid up capital. The reserve is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations/Qatar Commercial Companies Law. The legal reserve also includes the Group's share in legal reserve arising out of its subsidiaries.

14 OTHER COMPONENTS OF EQUITY

Other components of equity include foreign currency translation reserve, merger reserves and share of profit from equity accounted investments. As per the Qatar Central Bank's instruction dated 4 March 2019, share of profit from equity accounted investments should be transferred from retained earnings to reserve for share of profit from equity accounted investments according to prior year retained earnings have been reclassified. Declared and received dividends from equity accounted investments are the only distributable portion of this reserve.

15 SUBORDINATED PERPETUAL DEBT

In 2017, in an effort to strengthen the capital base of Qatar Re (the "Issuer"), a subsidiary of the Group registered in Bermuda, subordinated Tier 2 qualifying capital notes amounting to QR 1,615,596 thousand net. These were issued through the Irish Stock Exchange, and the Parent Company acts as the guarantor to the notes. The notes were issued in registered form at par value, in denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The notes do not have a stated maturity date and are perpetual in nature, and do not obligate the Issuer to repay or settle by delivery of cash or another financial asset.

During the period, the Group issued perpetual subordinated Tier 2 qualifying capital notes of 1,082,050 (USD 300 million). The notes were issued through QIC (Cayman) Limited, wholly owned subsidiary incorporated in the Cayman Islands, for the purpose of the issuance. These notes are perpetual in nature and qualify as Tier 2 Capital under Qatar Central Bank regulations for the solvency ratio calculations.

16 COMMITMENTS AND CONTINGENT LIABILITIES

| | <i>30 June 2020 QR ('000) (Reviewed)</i> | <i>31 December 2019 QR ('000) (Audited)</i> |
|--|--|---|
| Bank guarantees | 3,124,417 | 2,956,856 |
| Authorised future investment commitments | <u>304,888</u> | <u>385,641</u> |
| | <u>3,429,305</u> | <u>3,342,497</u> |

17 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

| | <i>Level 1 (QR '000)</i> | <i>Level 2 (QR '000)</i> | <i>Level 3 (QR '000)</i> | <i>Total (QR '000)</i> |
|--|------------------------------|------------------------------|------------------------------|----------------------------|
| <i>30 June 2020 (reviewed)</i> | | | | |
| Derivative assets held for risk management | - | 80,085 | - | 80,085 |
| Investment securities | <u>13,573,076</u> | <u>736,595</u> | <u>1,651,853</u> | <u>15,961,524</u> |
| | <u>13,573,076</u> | <u>816,680</u> | <u>1,651,853</u> | <u>16,041,609</u> |

17 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

| <i>31 December 2019</i> | <i>Level 1 (QR '000)</i> | <i>Level 2 (QR '000)</i> | <i>Level 3 (QR '000)</i> | <i>Total (QR '000)</i> |
|--|------------------------------|------------------------------|------------------------------|----------------------------|
| Derivative assets held for risk management | - | 9,010 | - | 9,010 |
| Investment securities | <u>13,405,104</u> | <u>738,781</u> | <u>1,635,597</u> | <u>15,779,482</u> |
| | <u>13,405,104</u> | <u>747,791</u> | <u>1,635,597</u> | <u>15,788,492</u> |

There were no transfers from Level 1 or Level 2 during the period. The Level 3 balance increased due to additions of 66,554 thousand and decrease in fair value movement of 50,298 thousand during the period.

18 IMPACT OF COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.

The Company is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The Company may be impacted by any policies, practices, laws, or regulations introduced by governments which require or compel insurers to defer insurance premiums, pay claims in relation to COVID-19 losses which would not otherwise be payable under the relevant policy or in the normal course of business. The extent of the impact on our business and results of operations is largely dependent on the evolving future developments and the actions taken globally to address its impact. The Group had incurred a claims of QR 379 million (USD 104 million), net of reinsurance, in the first half of 2020.

The Group's investment portfolio is exposed to the current market volatility. Investment portfolios have certain exposures in economies that are relatively dependent on the price of crude oil. The Group has also an exposure of a loan due from a managing general agency (MGA). The management of the group and the MGA have mutually agreed to extend the repayment, given the current circumstances. Due to the uncertainties about global markets and economic performance, changes have been incorporated in the Expected Credit Loss (ECL) calculation to reflect the observable current Macro-Economic factors and forward-looking information

Company's capital, liquidity and funding positions remain robust and the Company remains operationally strong in the face of unprecedented global uncertainty presented by the COVID-19 pandemic. Company expects this uncertainty and consequent capital contraction to influence rates across wholesale and reinsurance markets