

Qatar Insurance Company Q.S.P.C

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

**FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2019**

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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 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 2019, comprising of the interim consolidated statement of financial position as at 30 June 2019 and the related interim consolidated statements of income and comprehensive income for the six months period ended 30 June 2019, 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 is 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. Consequently, it 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.

Basis for qualified conclusion

We have considered the recent announcement of the revised Ogden rates and the disclosures made in note 18. For the reasons set out therein; management has elected to not revise their provisions to reflect the impact of the revision in the Ogden rate. Such a revision is required by IFRS and the amount of such a possible provision could be material to these financial statements and have a direct impact on the results for the six month period. We have not been able to assess the reasonableness of the preliminary management estimate as disclosed in note 18.

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, 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
Ahmed Sayed
of Ernst and Young
Auditor's Registration No. 326



Date: 30 July 2019
Doha

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019 QR ('000) (Reviewed)	31 December 2018 QR ('000) (Audited)
	<i>Notes</i>		
ASSETS			
Cash and cash equivalents	3	7,693,891	8,011,163
Insurance and other receivables		10,006,205	9,345,951
Reinsurance contract assets	4	6,789,578	5,467,185
Equity accounted investments		144,217	145,267
Investments	5	14,691,014	14,876,164
Investment properties	6	598,911	606,372
Property and equipment		128,372	52,033
Goodwill and intangible assets		648,736	660,488
TOTAL ASSETS		40,700,924	39,164,623
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Short term borrowings		4,499,159	4,881,821
Provisions, reinsurance and other payables		4,445,874	4,142,016
Insurance contract liabilities	4	21,718,511	20,420,997
Long term borrowings		173,301	132,554
TOTAL LIABILITIES		30,836,845	29,577,388
SHAREHOLDERS' EQUITY			
Share capital	11	3,266,101	3,189,059
Share premium	11	2,759,194	2,554,492
Legal reserve	12	634,567	634,567
General reserve		287,000	287,000
Fair value reserve		49,243	(313,851)
Catastrophe special reserve		32,017	32,017
Other components of equity	13	(76,529)	60,012
Retained earnings		1,162,630	1,282,527
Equity attributable to shareholders of the Parent Company		8,114,223	7,725,823
Non-controlling interests		134,260	245,816
TOTAL SHAREHOLDERS' EQUITY		8,248,483	7,971,639
Subordinated perpetual debt	14	1,615,596	1,615,596
TOTAL EQUITY		9,864,079	9,587,235
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		40,700,924	39,164,623

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

Khalifa Abdulla Turki Al Subaey
Group President and Chief Executive Officer

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



شركة قطر للتأمين
Qatar Insurance Company Q.S.P.C.

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months period ended 30 June 2019

	Notes	<i>For the six month period ended</i>	
		<i>30 June 2019 QR ('000) (Reviewed)</i>	<i>30 June 2018 QR ('000) (Reviewed)</i>
Gross premiums	8	6,385,248	6,572,541
Premium ceded to reinsurers	8	(735,377)	(932,810)
Net premiums		5,649,871	5,639,731
Movement in unexpired risk reserve	8	(320,372)	8,857
Net earned premiums		5,329,499	5,648,588
Gross claims paid	8	(4,777,471)	(3,654,457)
Reinsurance recoveries	8	817,023	413,678
Movement in outstanding claims	8	356,015	(759,891)
Net commissions	8	(1,398,988)	(1,320,996)
Other insurance income	8	4,524	3,065
Net underwriting results	8	330,602	329,987
Investment income		499,051	459,631
Finance costs		(72,735)	(51,390)
Net investment income		426,316	408,241
Advisory fee income		7,050	9,631
Rental income	6	23,908	25,939
Other income		163	459
Total income		788,039	774,257
Operating and administrative expenses		(339,586)	(365,397)
Depreciation and amortisation		(35,991)	(16,918)
PROFIT BEFORE SHARE OF RESULTS FROM INVESTMENTS IN ASSOCIATES		412,462	391,942
Share of profit from investments in associates		6,700	8,895
PROFIT FOR THE PERIOD		419,162	400,837
<i>Attributable to:</i>			
Equity holders of the Parent		409,918	384,495
Non-controlling interests		9,244	16,342
Profit for the period		419,162	400,837
Basic and diluted earnings per share attributable to ordinary equity holders of the Parent in Qatari Riyals (2018: Restated as a result of private rights issue)	9	0.114	0.107

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



شركة قطر للتأمين
Qatar Insurance Company Q.S.P.C

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2019

	<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2019</i>	<i>2018</i>
	<i>QR ('000)</i>	<i>QR ('000)</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period	419,162	400,837
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	377,495	(285,809)
Foreign currency translation differences foreign operations	(4,003)	244
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	792,654	115,272
Attributable to:		
Equity holders of the Parent	777,116	110,099
Non-controlling interests	15,538	5,173
Total comprehensive income for the period	792,654	115,272

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2019

	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 2019 (Note 10)	-	-	-	-	-	-	-	(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 10)	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

(1) The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method, comparative information has not been restated.

Qatar Insurance Company Q.S.P.C

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months period ended 30 June 2019

	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 2018 (Audited)	2,773,095	2,554,492	701,321	287,000	(92,410)	381,227	74,402	1,338,130	8,017,257	256,336	8,273,593
Impact of Adopting IFRS 9	-	-	-	-	143,261	-	-	(149,726)	(6,465)	(269)	(6,734)
At 1 January 2018 (Adjusted)	2,773,095	2,554,492	701,321	287,000	50,851	381,227	74,402	1,188,404	8,010,792	256,067	8,266,859
Profit for the period	-	-	-	-	-	-	-	384,495	384,495	16,342	400,837
Foreign currency translation	-	-	-	-	-	-	235	-	235	9	244
Net change in investments at fair value through other comprehensive income (FVOCI)	-	-	-	-	(274,631)	-	-	-	(274,631)	(11,178)	(285,809)
Total comprehensive income for the period	-	-	-	-	(274,631)	-	235	384,495	110,099	5,173	115,272
Dividend for the year 2017 (Note 10)	-	-	-	-	-	-	-	(415,964)	(415,964)	(3,120)	(419,084)
Interest on subordinated perpetual debt	-	-	-	-	-	-	-	(38,816)	(38,816)	(1,727)	(40,543)
Transfer to other components of equity	-	-	-	-	-	-	8,895	(8,895)	-	-	-
Issuance of bonus shares (Note 10)	415,964	-	(66,754)	-	-	(349,210)	-	-	-	-	-
At 30 June 2018 (Reviewed)	3,189,059	2,554,492	634,567	287,000	(223,780)	32,017	83,532	1,109,224	7,666,111	256,393	7,922,504

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 2019

	Notes	<i>For the six month period ended</i>	
		<i>30 June</i>	<i>30 June</i>
		<i>2019</i>	<i>2018</i>
		<i>QR ('000)</i>	<i>QR ('000)</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
OPERATING ACTIVITIES			
Profit for the period		419,162	400,837
<i>Adjustments for:</i>			
Depreciation and amortisation		35,991	16,918
Share of profit from investments in associates		(6,700)	(8,895)
Investment income and other income		(426,479)	(408,700)
Impairment loss on insurance and other receivables		4,199	5,062
Provision for employees' end of service benefits		3,185	7,618
Gain on sale of investment properties		-	(54,947)
Loss on disposal of property and equipment		2,161	82
Operating profit (loss) before working capital changes		31,519	(42,025)
<i>Working capital changes</i>			
Change in insurance and other receivables		(664,453)	(967,571)
Change in insurance reserves – net		(24,879)	754,683
Change in provisions, reinsurance and other payables		193,016	546,485
Cash flows (used in) generated from operations		(464,797)	291,572
Employees' end of service benefits paid		(287)	(844)
Net cash flows (used in) generated from operating activities		(465,084)	290,728
INVESTING ACTIVITIES			
Net cash movements in investments		562,645	(1,122,327)
Investment income and other finance income		426,479	408,700
Purchase of property and equipment		(7,652)	(5,724)
Dividend received from associates		7,750	7,000
Proceeds from sale of investment properties		-	107,386
Purchase of investment properties	6	(2,324)	(1,275)
Proceeds from sale of property and equipment		-	990
Net cash flows from (used in) investing activities		986,898	(605,250)
FINANCING ACTIVITIES			
Interest on subordinated perpetual debt		(16,442)	(15,993)
Dividends paid		(478,359)	(415,964)
Net proceeds (repayment) of borrowings		(339,192)	1,001,400
Proceeds from subordinated perpetual debt		-	-
Dividends paid to non-controlling interests		-	(3,120)
Net cash flows (used in) generated from financing activities		(833,993)	566,323
Net (decrease) increase in cash and cash equivalents		(312,179)	251,801
Effect of foreign currency exchange differences		(5,093)	185
Cash and cash equivalents at 1 January		8,011,163	7,914,054
CASH AND CASH EQUIVALENTS AT 30 JUNE	3	7,693,891	8,166,040

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

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. Qatar Reinsurance Company Limited, a subsidiary, has issued a subordinated Tier 2 qualifying capital notes that were issued through the Irish Stock Exchange (Note 14).

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.

In 2018, the Group initiated a process to transfer the life and medical insurance business of Q Life & Medical Insurance Company LLC (“QLM”) from the Qatar Financial Centre (“QFC”) to the Ministry of Trade and Business. This was achieved by incorporating a new life and medical insurance entity QLM Life & Medical Insurance W.L.L., in the State of Qatar and thereafter transferring the entire insurance business portfolio of QLM (except the Labuan branch business that is currently in runoff) to the newly formed entity. The portfolio transfer process was subject to approval of the Civil and Commercial Court of the QFC (“QFC Court”). On 07 January 2019, the QFC Court approved the transfer effective 1 January 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim consolidated financial statements for the six month period ended 30 June 2019 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.

There interim 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 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 2018. In addition, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

This is the first set of the Group’s financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in Note 2.2.

The accounting policies adopted in the preparation of the interim 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 2018 except for noted above.

These interim consolidated financial statements were approved by the Board of Directors and signed on its behalf on 30 July 2019.

2.2 New standards, interpretations and amendments adopted by the Group

Accounting policies adopted in the preparation of the interim 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.2 New standards, interpretations and amendments adopted by the Group (continued)**

The Group applies, for the first time, IFRS 16 Leases that does not require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets') (QR 18,200).

The following amounts are recognised under the new standard and included in the respective headings of the interim consolidated statement of financial position and interim consolidated statement of income:

	<i>30 June 2019 QR ('000) (Reviewed)</i>	<i>1 January 2019 QR ('000) (Reviewed)</i>
Right of use Asset (Property and equipment)	79,129	84,698
Lease liability (Provisions, reinsurance and other payables)	73,561	80,845
		<i><u>Six months ended</u> 30 June 2019 QR ('000) (Reviewed)</i>
Depreciation charge for Right of Use Asset (Depreciation and amortisation)		7,806
Interest expense on lease liabilities (Operating and administrative expenses)		1,228

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The following new accounting standards 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 2021 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.

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 2018, except for the effects of adoption of IFRS 16 as described in Note 2.2 to these interim consolidated financial statements.

3 CASH AND CASH EQUIVALENTS

	30 June 2019 QR ('000) (Reviewed)	31 December 2018 QR ('000) (Audited)
Cash at banks	1,491,652	1,395,905
Short-term deposits	6,202,239	6,615,258
	7,693,891	8,011,163

4 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	30 June 2019 QR ('000) (Reviewed)	31 December 2018 QR ('000) (Audited)
Gross insurance contract liabilities		
Claims reported and unsettled	10,275,963	10,604,882
Claims incurred but not reported	4,859,742	4,092,904
Unearned premiums	6,582,806	5,723,211
	21,718,511	20,420,997
Reinsurers' share of insurance contract liabilities		
Claims reported and unsettled	3,740,067	3,362,156
Claims incurred but not reported	1,542,709	1,039,438
Unearned premiums	1,506,802	1,065,591
	6,789,578	5,467,185
Net insurance contract liabilities		
Claims reported and unsettled	6,535,896	7,242,726
Claims incurred but not reported	3,317,033	3,053,466
Unearned premiums	5,076,004	4,657,620
	14,928,933	14,953,812

5 FINANCIAL INVESTMENTS

	30 June 2019 QR ('000) (Reviewed)	31 December 2018 QR ('000) (Audited)
Financial investments at fair value through other comprehensive income (FVOCI)	10,764,562	10,639,699
Financial investments at fair value through profit or loss (FVTPL)	3,926,452	4,236,465
	14,691,014	14,876,164

Expected Credit losses of debt securities measured at FVOCI is amounted to QR 22,671 million at 30 June 2019 (31 December 2018: QR 30,794 million).

6 INVESTMENT PROPERTIES

	30 June 2019 QR ('000) (Reviewed)	31 December 2018 QR ('000) (Audited)
Balance as at 1 January	606,372	585,789
Additions	2,324	77,809
Effect of acquisition of subsidiaries	-	21,449
Effect of foreign currency exchange difference	(1,763)	(9,876)
Disposal	-	(53,191)
Depreciation	(8,022)	(15,608)
At 30 June / 31 December	598,911	606,372

The rental income arising during the period amounted to QR 23,908 thousand (2018: QR 25,939 thousand) and direct operating expenses (included within general and administrative expenses) arising in respect of such properties during the period was QR 6,707 thousand (2018: QR 5,371 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 2018 were QR 1,343.62 million. Management believes that the fair value as at 30 June 2019 does not materially differ from the fair value on 31 December 2018 had the fair valuation been carried out on that date.

7 RELATED PARTY DISCLOSURES

Note 1 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year.

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.

	30 June 2019 QR ('000) (Reviewed)	30 June 2018 QR ('000) (Reviewed)
Premium	14,143	13,229
Purchase of services	4,561	751
Claims	14,101	31,232

7 RELATED PARTY DISCLOSURES (CONTINUED)**Related party balances**

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

	30 June 2019 QR ('000) (Reviewed)	31 December 2018 QR ('000) (Audited)
(a) Due from related parties	15,143	14,072
(b) Due to related parties	25,092	18,118

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 (2018: Nil).

Compensation of key management personnel

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

	30 June 2019 QR ('000) (Reviewed)	30 June 2018 QR ('000) (Reviewed)
Salaries and other short term benefits	20,748	20,533
End of service benefits	953	923
	21,701	21,456

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2019

8 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 2019

	Marine and aviation QR ('000)	Property and casualty QR ('000)	Health and life QR ('000)	Total insurance QR ('000)	Real estate QR ('000)	Advisory QR ('000)	Investments QR ('000)	Unallocated income (expenses) QR ('000)	Total QR ('000)
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)	(339,586)
Depreciation and amortization	-	-	-	-	(8,022)	(23)	-	(27,946)	(35,991)
Profit before share of results from investments in associates	-	-	-	330,602	9,179	(6,186)	426,479	(347,612)	412,462
Share of profit from associates	-	-	-	-	-	-	-	6,700	6,700
Segment results	-	-	-	330,602	9,179	(6,186)	426,479	(340,912)	419,162

Qatar Insurance Company Q.S.P.C

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2019

8 SEGMENT INFORMATION (CONTINUED)

Segment income statement for the six month period ended 30 June 2018

	Marine and aviation QR ('000)	Property and casualty QR ('000)	Health and life QR ('000)	Total insurance QR ('000)	Real estate QR ('000)	Advisory QR ('000)	Investments QR ('000)	Unallocated income (expenses) QR ('000)	Total QR ('000)
Gross premiums	574,056	5,177,971	820,514	6,572,541	-	-	-	-	6,572,541
Premiums ceded to reinsurers	(146,830)	(749,957)	(36,023)	(932,810)	-	-	-	-	(932,810)
Net premiums	427,226	4,428,014	784,491	5,639,731	-	-	-	-	5,639,731
Movement in unexpired risk reserve	(288)	180,608	(171,463)	8,857	-	-	-	-	8,857
Net earned premiums	426,938	4,608,622	613,028	5,648,588	-	-	-	-	5,648,588
Gross claims paid	(366,387)	(2,708,624)	(579,446)	(3,654,457)	-	-	-	-	(3,654,457)
Reinsurance recoveries	66,888	362,101	(15,311)	413,678	-	-	-	-	413,678
Movement in outstanding claims	82,438	(895,562)	53,233	(759,891)	-	-	-	-	(759,891)
Net commissions	(100,279)	(1,184,895)	(35,822)	(1,320,996)	-	-	-	-	(1,320,996)
Other insurance income (unallocated)	-	-	-	3,065	-	-	-	-	3,065
Net underwriting results	109,598	181,642	35,682	329,987	-	-	-	-	329,987
Rental income	-	-	-	-	25,939	-	-	-	25,939
Advisory fees	-	-	-	-	-	9,631	-	-	9,631
Investment income and other income	-	-	-	-	-	-	460,090	-	460,090
Finance cost	-	-	-	-	-	-	(51,390)	-	(51,390)
Total income	-	-	-	329,987	25,939	9,631	408,700	-	774,257
Operating and administrative expenses	-	-	-	-	(3,295)	(12,955)	-	(349,147)	(365,397)
Depreciation and amortisation	-	-	-	-	(8,676)	(25)	-	(8,217)	(16,918)
Profit before share of results from investments in associates	-	-	-	329,987	13,968	(3,349)	408,700	(357,364)	391,942
Share of profit from associates	-	-	-	-	-	-	8,895	-	8,895
Segment results	-	-	-	329,987	13,968	(3,349)	417,595	(357,364)	400,837

Segment assets and liabilities

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

9 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 2019 QR ('000) (Reviewed)	30 June 2018 QR ('000) (Reviewed)
Net profit attributable to owners of the Parent Company (QR '000)	409,918	384,495
Less: Interest on subordinated perpetual debt	(40,541)	(38,816)
	369,377	345,679
Weighted average number of ordinary shares ('000)	3,242,265	3,242,265
Basic and diluted earnings per share (QR)	0.114	0.107

The Group has restated the calculations of the comparative earnings per share as a result of the effect of the private rights issue shares (number of shares 7,042,580) issued during the period. The private rights share issue was approved in the Annual General Meeting held on 26 February 2019.

10 DIVIDEND, RIGHTS AND BONUS SHARES

A final cash dividend distribution of QR 1.50 per share (2018: Dividend of QR 1.50 per share and bonus shares of 15% (QR 66,754 thousand distributed from legal reserve and the remaining amount of QR 349,210 thousand distributed from catastrophe reserve)) was approved at the Annual General Meeting held on 26 February 2019 and distributed by the Parent Company during the six month period ended 30 June 2019.

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.

11 SHARE CAPITAL AND SHARE PREMIUM**11.1 Share capital***Authorised, issued and fully paid up*

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Share capital (QR'000)	3,266,101	3,189,059
Number of shares of QR 1 each (2018: QR 10)	3,266,101,330	318,905,875

On 26 February 2019, the Extraordinary General Meeting of the Company approved the par value of the ordinary share to be QR1 instead of QR10, as per the instructions of Qatar Financial Markets Authority (QFMA), and amendment of the related Articles of Association. The share split was implemented on 27 June 2019 and the total number of shares were increased from 326,610,133 to 3,266,101,330 ordinary shares. Consequently, Earnings Per Share for comparative periods has been restated to reflect this.

11 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)**11.2 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.

12 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.

13 OTHER COMPONENTS OF EQUITY

Other components of equity includes foreign currency translation reserve, merger reserves and share of profit from associates.

As per the Qatar Central Bank's instruction dated 4 March 2019, share of profit from associates should be transferred from retained earnings to reserve for share of profit from associates. Declared and received dividends from associates are the only distributable portion of this reserve.

14 SUBORDINATED PERPETUAL DEBT

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.

15 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2019 QR ('000) (Reviewed)</i>	<i>31 December 2018 QR ('000) (Audited)</i>
Bank guarantees	3,060,986	2,748,785
Authorised future investment commitments	<u>329,089</u>	<u>251,443</u>
	<u>3,390,075</u>	<u>3,000,228</u>

16 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>30 June 2019 (reviewed)</i>	<i>Level 1 (QR '000)</i>	<i>Level 2 (QR '000)</i>	<i>Level 3 (QR '000)</i>	<i>Total (QR '000)</i>
Investment securities	13,365,857	570,297	749,430	14,685,583
Derivative assets held for risk management	-	5,431	-	5,431
	<u>13,365,857</u>	<u>575,728</u>	<u>749,430</u>	<u>14,691,014</u>
<i>31 December 2018</i>	<i>Level 1 (QR '000)</i>	<i>Level 2 (QR '000)</i>	<i>Level 3 (QR '000)</i>	<i>Total (QR '000)</i>
Investment securities	13,601,056	548,547	716,105	14,865,708
Derivative assets held for risk management	-	10,456	-	10,456
	<u>13,601,056</u>	<u>559,003</u>	<u>716,105</u>	<u>14,876,164</u>

17 BUSINESS COMBINATION

During third quarter of 2018, the Group, through its subsidiary, QRe, acquired 100% of the share capital of Markerstudy's Gibraltar-based insurance companies, with the objective of generating a higher proportion of lower volatility business.

Additional work is going on to determine fair value of the identifiable net assets on the acquisition date and therefore, provisional accounting has been performed as of 30 June 2019. On receipts of final valuation reports and computation of related exercise, appropriate adjustments will be made to the provisional amounts in accordance with the requirements of IFRS 3, *Business Combinations*.

Indemnification asset

The selling shareholder, provided an indemnification to the Group, through Qatar Re, for uncertainties about the settlement amounts of insurance liabilities acquired. The indemnification requires the seller to reimburse Qatar Re for 50% of any subsequent adverse claims development relating to business written pre-acquisition. Nil fair value was provisionally 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 2018.

As at 30 June 2019, the fair value of the indemnification asset has been estimated to be £60 million (QR 278 million) following deteriorations observed in the associated claims reserves during the period.

18 OGDEN RATE

On 15 July 2019 the Lord Chancellor, Ministry of Justice, United Kingdom, announced that, under the provisions of the Civil Liability Act 2018, the prescribed discount rate (OGDEN rate) to be taken into account by the courts when assessing lump sum damages awards for personal injury would be established at minus 0.25% with effect from 5 August 2019. The rate is intended to be fixed for the next five years. This is a culmination of a process of establishing the OGDEN rate initiated in February 2017 when a preliminary discount level was established to be used for personal injury compensation awards.

QIC Group through its UK Motor insurance and reinsurance business is exposed to impacts caused by the changed discount rates and expected future lump sum settlements of personal injury cases.

It was unfeasible for the Group to quantify the impact given the very limited time the Group had since date of announcement and the release of the interim consolidated financial statements due to the following prevailing uncertainties:

- Relevant claims data is still being gathered from the market. We have not yet received claims information for our reinsurance business that is awaiting information from the insurance companies that have exposures to on ground UK Motor Claims.
- Challenges in determining the percentage of claims not being exposed to the discount rate.
- The actuarial analysis to be applied is at a relatively early stage.
- Past claim settlement experience of Ogden claims is in the range between 0% to 1%,

The Group is committed to review and account for the impact when the results from the full actuarial review becomes available in the near future. The Group's preliminary assessment of the Ogden impact ranges from GBP 19 million to GBP 41 million which represents less than 1% of the Group's net technical reserves. This estimate is not indicative of the final impact that may result upon completion of the actuarial review.