

**Abu Dhabi National Insurance Company PJSC
and its subsidiary**

Condensed consolidated interim financial information

30 September 2019

Principal business address:

Abu Dhabi National Insurance Company PJSC
P.O. Box: 839
Abu Dhabi
UAE

Abu Dhabi National Insurance Company PJSC

Composition of Board of Directors

Chairman:	Sheikh Mohamed Bin Saif Al-Nahyan
Vice Chairman:	Sheikh Theyab Bin Tahnoon Al-Nahyan
Members:	H.E. Sultan Rashed Al-Dhaheri Mr. Abdulla Khalaf Al-Otaiba Mr. Omar Liaqat Mr. Abdulrahman Hamad Al-Mubarak Mr. Hazza Mohamed Rubayea Al-Mheiri Mr. Hamoodah Ghanem Bin Hamoodah Mr. Mohamed Khalaf Al-Otaiba
Chief Executive Officer:	Mr. Ahmad Idris
Address:	P.O. Box 839 Abu Dhabi United Arab Emirates
External auditors:	KPMG Lower Gulf Limited

Abu Dhabi National Insurance Company P.J.S.C
Board of Directors' Statement
For the nine-month period ended 30th September 2019

Dear Shareholders,

On behalf of the Board of Directors of Abu Dhabi National Insurance Company (ADNIC), I would like to present our Board of Directors' Report and Audited Condensed Consolidated Interim Financial Statements for the nine-month period ended 30th September 2019.

After a successful start to the year, ADNIC has continued to deliver consistent profitability with growth that outpaces the industry average. The economic outlook continues to present many challenges. In such times, it is important to stay focused on delivering key strategic goals. Sustainable profitability is at the core of the value proposition for our shareholders and I am pleased that ADNIC continues to make efforts in this regard.

ADNIC's franchise is built on the ability to offer a wide range of insurance coverage with prudent risk management and management continues to focus on having a well-diversified portfolio of insurance offerings. During the year, ADNIC has been able to further improve its footprint in other geographies as well as acquire prestigious accounts.

ADNIC's top-line results for the first nine months of 2019 show strong growth in gross written premium, with an increase by 34.0% compared to the same period last year. The company also delivered its second consecutive quarter of bottom-line growth, with net profit increasing by 11.1% in the third quarter of 2019 as compared to the previous year.

ADNIC's achievements were made possible by the deep support of our customers, partners and shareholders and of our employees, and we will continue to use our strength and competitive advantage to protect the interest of all stakeholders. We will invest in modernizing our technology backbone to provide superior services to our customers.

Key Financial Highlights

Cash Balances

ADNIC's cash balances increased by 4.5% to AED 893.1 million as of 30th September 2019, compared to AED 854.6 million as of 31st December 2018.

Investments

Total investments including cash in time deposits, bank accounts and investment properties increased by 3.7% to AED 3.88 billion as of 30th September 2019, compared to 3.75 billion as of 31st December 2018.

Total Assets

Total assets increased by 8.4% to AED 7.86 billion as of 30th September 2019, compared to AED 7.25 billion as of 31st December 2018.

Gross Technical Reserves

Gross technical reserves increased by 9.4% to AED 4.33 billion as of 30th September 2019, compared to AED 3.96 billion as of 31st December 2018.

Shareholders' Equity

The shareholders' equity increased by 5.1% to AED 2.21 billion as of 30th September 2019, compared to AED 2.10 billion as of 31st December 2018.

Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is AED 0.34 as a result of achieving a net profit of AED 194.4 million for the nine-month period ended 30th September 2019, compared to basic and diluted earnings per share of AED 0.39 resulting from a net profit of AED 218.8 million for the same period last year.

On behalf of the Board of Directors, I would like to extend our sincere gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President and Prime Minister, and Ruler of Dubai, and His Highness Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, for their continued support.



Sheikh Mohamed Bin Saif Al-Nahyan
Chairman of the Board

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the nine-month period ended 30th September 2019

I hereby present ADNOC's financial results for the nine-month period ended 30th September 2019.

ADNIC delivered a solid top line performance in the first nine months of 2019 with growth in underwriting premium, demonstrating the fundamental strength of the company as we continue to cement our position as one of the region's preferred insurers.

Our third quarter net profit grew by 11.1% compared to the same quarter last year. ADNOC's performance was driven by our sustained business momentum, strong balance sheet, and solid market position, which have combined to deliver strong performance and lay foundations for future growth. Additionally, our resilient business model and operating strategy have contributed to growth in profit, which will support our efforts to invest in further product innovation and enhanced customer service.

Looking forward to the remainder of 2019, we will remain firmly focused on maintaining the strong upwards growth trajectory, as we continue to meet the needs of our customers and the expectations of our shareholders.

Key Financial Highlights

Gross Written Premiums

For the nine-month period ended 30th September 2019, ADNOC's gross written premiums increased by 34.0% to AED 2.98 billion, compared to AED 2.23 billion for the same period in 2018.

Premium Retention

The overall premium retention ratio is 30.8% for the nine-month period ended 30th September 2019, compared to 51.0 % for the same period in 2018.

Net Underwriting Income

For the nine-month period ended 30th September 2019, ADNOC's net underwriting profit is AED 274.1 million, against AED 304.7 million for the same period in 2018.

General and Administrative Expenses

General and administrative expenses for the nine-month period ended 30th September 2019 stood at AED 186.0 million, compared to AED 176.6 million for the same period in 2018.

Net Technical Profit

Net technical profit for the nine-month period ended 30th September 2019 is AED 89.5 million, against AED 129.2 million for the same period in 2018.

Net Investment Income

ADNIC's net investment and other income increased by 17.3% to AED 106.4 million for nine-month period ended 30th September 2019, compared to AED 90.7 million for the same period in 2018.

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the nine-month period ended 30th September 2019

Net Profit

For the nine-month period ended 30th September 2019, net profit is AED 194.4 million, compared to AED 218.8 million for the same period in 2018.

Appreciation

I would like to thank ADNIC's Board of Directors and shareholders for their continued support, our clients and partners for the trust and confidence they have placed in us, and our management team and employees for their hard work and dedication.



Ahmad Idris
Chief Executive Officer

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim financial information

<i>Contents</i>	<i>Page</i>
Independent auditors' report on the review of the condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of profit or loss	4
Condensed consolidated interim statement of profit or loss and other comprehensive income	5
Condensed consolidated interim statement of changes in Shareholders' equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial information	8



KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Abu Dhabi Corniche, UAE
Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

Independent Auditors' Report

To the Shareholders of Abu Dhabi National Insurance Company PJSC

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial information of Abu Dhabi National Insurance Company PJSC (the "Company") and its subsidiary (collectively referred to as the 'Group'), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2019;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated interim statement of changes in shareholders' equity for the nine-month period ended 30 September 2019;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2019; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Abu Dhabi National Insurance Company PJSC and its subsidiary
*Independent Auditors' Report on Review of Condensed
Consolidated Interim Financial Information for the
nine-month period ended 30 September 2019*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The condensed consolidated interim financial information for the nine-month period ended 30 September 2018 and the consolidated financial statements for the year ended 31 December 2018 were reviewed and audited respectively by another auditor who expressed an unmodified conclusion on the condensed consolidated interim financial information for the nine-month period ended 30 September 2018 on 30 October 2018 and an unmodified opinion on the consolidated financial statements for the year ended 31 December 2018 on 12 February 2019.

KPMG Lower Gulf Limited

Saif Fayeze Shawer
Registration No: 1131
Abu Dhabi, United Arab Emirates
Date: **28 OCT 2019**

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of financial position

as at

		(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Assets			
Property and equipment		77,185	71,624
Financial assets at amortised cost	7	785,834	774,315
Financial assets at fair value through other comprehensive income	7	1,187,546	1,135,973
Financial assets at fair value through profit or loss	7	313,213	270,218
Investment properties		703,435	709,987
Statutory deposits	8	10,000	10,000
Insurance balances receivable	5	873,150	892,649
Reinsurers' share of unearned premiums reserve	6	1,070,568	739,584
Reinsurers' share of outstanding claims reserves	6	1,290,151	1,296,925
Reinsurers' share of claims incurred but not reported reserve	6	499,890	318,937
Prepayments and other receivables	5	167,856	185,417
Deposits	8	383,141	507,866
Bank balances and cash	8	499,972	336,769
Total assets		7,861,941	7,250,264
Equity and liabilities			
Equity			
Share capital	11	570,000	375,000
Share premium		110,925	-
Legal reserve		187,500	187,500
General reserve		1,000,000	850,000
Fair value reserve		107,702	85,914
Mandatory convertible bonds – equity component	11	-	305,925
Retained earnings		233,818	297,400
Total equity		2,209,945	2,101,739
Liabilities			
Employees' end of service benefits		30,339	31,600
Other payables		255,775	311,132
Mandatory convertible bonds – liability component		-	27,960
Accounts payable		1,036,278	819,743
		1,322,392	1,190,435
Technical reserves			
Unearned premiums reserve	6	1,553,275	1,284,135
Outstanding claims reserve	6	2,036,656	2,090,512
Claims incurred but not reported reserve	6	693,444	537,214
Allocated and unallocated loss adjustment expenses reserve	6	46,229	46,229
Total technical reserves		4,329,604	3,958,090
Total liabilities		5,651,996	5,148,525
Total equity and liabilities		7,861,941	7,250,264

The condensed consolidated interim financial information of the Group was authorised for issue and approved by the Board of Directors on 28 October 2019, and signed on their behalf by:


Chairman of the Board of Directors


Chief Executive Officer

The notes set out on pages 8 to 21 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of profit or loss for the period ended 30 September (Unaudited)

		Three-month period ended 2019 AED'000	Three-month period ended 2018 AED'000	Nine-month period ended 2019 AED'000	Nine-month period ended 2018 AED'000
	<i>Note</i>				
Underwriting income					
Gross premiums written	15	634,384	413,148	2,982,306	2,225,987
Reinsurance share of gross premiums	15	(481,824)	(243,750)	(2,065,103)	(1,091,663)
Net premiums written		152,560	169,398	917,203	1,134,324
Net transfer to unearned premiums reserve	15	183,603	223,930	61,844	(30,290)
Net premiums earned	15	336,163	393,328	979,047	1,104,034
Commissions earned		56,102	39,013	174,669	120,429
Commissions incurred		(38,745)	(46,699)	(115,325)	(118,126)
Gross underwriting income		353,520	385,642	1,038,391	1,106,337
Gross claims paid	15	(410,203)	(313,856)	(1,452,524)	(1,193,380)
Reinsurance share of claims paid	15	196,015	97,746	646,689	521,917
Net claims paid	15	(214,188)	(216,110)	(805,835)	(671,463)
Change in outstanding claims reserve		(117,350)	4,444	53,856	(70,123)
Change in reinsurance share of outstanding claims reserve		68,000	(51,706)	(6,773)	(39,118)
Net change in incurred but not reported claims reserve		30,085	(3,611)	24,724	283
Net decrease in allocated and unallocated loss adjustment expenses reserve		-	-	-	6,468
Net claims incurred		(233,453)	(266,983)	(734,028)	(773,953)
Underwriting income		120,067	118,659	304,363	332,384
Other income related to underwriting activities		5,059	2,590	13,513	7,187
Other expenses related to underwriting activities		(16,463)	(9,651)	(43,775)	(34,881)
Net underwriting income		108,663	111,598	274,101	304,690
Income from investments	10	19,431	12,199	82,442	62,347
Income from investment properties (rental income)	10	7,793	8,769	23,916	28,326
Total income		135,887	132,566	380,459	395,363
General and administrative expenses		(60,074)	(64,338)	(186,018)	(176,601)
Profit for the period		75,813	68,228	194,441	218,762
Earnings per share:					
Basic and diluted earnings per share (AED)	12	0.13	0.12	0.34	0.39

The notes set out on pages 8 to 21 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of profit or loss and other comprehensive income

for the period ended 30 September (Unaudited)

	Three-month period ended 2019	Three-month period ended 2018	Nine-month period ended 2019	Nine-month period ended 2018
<i>Note</i>	AED'000	AED'000	AED'000	AED'000
Profit for the period	75,813	68,228	194,441	218,762
Other comprehensive income				
<i>Items that will not be reclassified subsequently to statement of profit or loss:</i>				
Gain on sale of financial assets at fair value through other comprehensive income	219	16	10,277	6,520
Changes in fair value of financial assets at fair value through other comprehensive income, net	(5,020)	12,049	21,788	13,053
Directors' remuneration	<i>13</i> -	-	(5,800)	(5,800)
Other comprehensive (loss) / income for the period	(4,801)	12,065	26,265	13,773
Total comprehensive income for the period	71,012	80,293	220,706	232,535

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Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of changes in shareholders' equity
for the nine-months period ended 30 September (Unaudited)

	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Mandatory convertible bond AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2018 (Audited)	375,000	-	187,500	750,000	93,191	305,925	263,983	1,975,599
<i>Total comprehensive income:</i>								
Profit for the period	-	-	-	-	-	-	218,762	218,762
Other comprehensive income for the period	-	-	-	-	13,053	-	720	13,773
Total comprehensive income for the period	-	-	-	-	13,053	-	219,482	232,535
<i>Transactions with owners of the Company:</i>								
Dividends paid (note 9)	-	-	-	-	-	-	(93,750)	(93,750)
Total transactions with owners of the Company	-	-	-	-	-	-	(93,750)	(93,750)
Transfer from retained earnings to general reserve (note 9)	-	-	-	100,000	-	-	(100,000)	-
Balance at 30 September 2018 (Unaudited)	375,000	-	187,500	850,000	106,244	305,925	289,715	2,114,384
Balance at 1 January 2019 (Audited)	375,000	-	187,500	850,000	85,914	305,925	297,400	2,101,739
<i>Total comprehensive income:</i>								
Profit for the period	-	-	-	-	-	-	194,441	194,441
Other comprehensive income for the period	-	-	-	-	21,788	-	4,477	26,265
Total comprehensive income for the period	-	-	-	-	21,788	-	198,918	220,706
<i>Transactions with owners of the Company:</i>								
Dividends paid (note 9)	-	-	-	-	-	-	(112,500)	(112,500)
Total transactions with owners of the Company	-	-	-	-	-	-	(112,500)	(112,500)
Conversion of mandatory convertible bonds (note 11)	195,000	110,925	-	-	-	(305,925)	-	-
Transfer from retained earnings to general reserve (note 9)	-	-	-	150,000	-	-	(150,000)	-
Balance at 30 September 2019 (Unaudited)	570,000	110,925	187,500	1,000,000	107,702	-	233,818	2,209,945

The notes set out on pages 8 to 21 form an integral part of this condensed consolidated interim financial information.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of cash flows for the nine-month period ended 30 September (Unaudited)

	Note	2019 AED'000	2018 AED'000
Cash flows from operating activities			
Profit for the period		194,441	218,762
<i>Adjustments for:</i>			
Depreciation		14,563	9,974
Net impairment loss on insurance balances receivable		6,558	7,991
Allowance for impairment of other financial assets		1,777	-
Gain on sale of financial assets at fair value through profit or loss	10	-	(38)
Change in fair value of financial assets at fair value through profit or loss	10	(2,535)	1,207
Amortisation expense – net		1,716	2,495
Change in fair value of investment properties		7,500	13,125
Accretion on mandatory convertible bonds		1,290	1,706
Amortisation of transaction cost - mandatory convertible bonds		83	137
Provision for employees' end of service benefits		3,097	3,250
Net cash generated from operations		228,490	258,609
<i>Changes in:</i>			
Insurance balances receivable, prepayments and other receivables		29,897	(124,758)
Accounts payables		147,884	343,097
Unearned premiums reserve - net		(61,844)	30,290
Gross outstanding claims and IBNR reserves		102,374	131,927
Reinsurance share in outstanding claims and IBNR reserves		(174,181)	(29,437)
Cash generated from operations		272,620	609,728
Employees' end of service benefits paid		(4,358)	(2,849)
Net cash generated from operating activities		268,262	606,879
Cash flows from investing activities			
Proceeds from sale of investments		561,397	359,071
Purchase of investments		(635,646)	(533,399)
Bank deposits withdrawn		124,726	23,335
Additions to investment properties		(948)	(2,494)
Purchase of property and equipment		(6,829)	(6,475)
Net cash generated from / (used in) investing activities		42,700	(159,962)
Cash flows from financing activities			
Dividends paid		(112,500)	(93,750)
Directors' remuneration		(5,800)	(5,800)
Interest paid on mandatory convertible bonds		(29,250)	(29,250)
Net cash used in financing activities		(147,550)	(128,800)
Net increase in cash and cash equivalents		163,412	318,117
Cash and cash equivalents at 1 January		336,769	213,504
Cash and cash equivalents at 30 September	8	500,181	531,621

Material non-cash transactions include conversion of mandatory bonds to share capital.

The notes set out on pages 8 to 21 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

1 Legal status and activities

Abu Dhabi National Insurance Company PJSC (the 'Company') is a public joint stock company incorporated in Abu Dhabi, United Arab Emirates, by Law No. (4) of 1972 as amended, and is governed by the provisions of the Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and organisation of the insurance operations, the Federal Law No. (2) of 2015 concerning the commercial companies which has come into effect from 1 July 2015, Insurance Authority Board decision No. (25) of 2014 pertinent to Financial Regulations for insurance companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 Concerning Instructions Organizing Reinsurance Operations. The Company's principal activity is the transaction of insurance and reinsurance business of all classes. The registered office of the Company is Khalifa Street, ADNIC Building, P. O. Box 839, Abu Dhabi, UAE.

2 Basis of preparation

(a) *Statement of compliance*

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, these do not include all of the information required for a complete set of financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The results for the nine-month period ended 30 September 2019 are not necessarily indicative of the results for the year ending 31 December 2019.

(b) *Basis of measurement*

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

(c) *Functional and reporting currency*

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

(d) *Use of judgments and estimates*

In preparing the condensed consolidated interim financial information, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2018.

3 Changes in accounting policies, estimates and judgements

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2018, except the following accounting policies which are applicable from 1 January 2019:

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

3 Changes in accounting policies, estimates and judgements *(continued)*

IFRS 16 Leases

The Group has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

Lessee accounting

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has assessed that the impact of IFRS 16 is not material on retained earnings as at the reporting date and has presented, right of use assets within 'Property and equipment' and lease liabilities within 'Other payables' in the condensed consolidated interim statement of financial position.

Impacts on condensed consolidated interim financial information

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised AED 11,658 thousand of right-of-use assets (included in property and equipment) and AED 11,731 thousand of lease liabilities as at 30 September 2019.

Further, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the nine-month period ended 30 September 2019, the Group recognised AED 3,919 thousand of depreciation charges and AED 573 thousand of interest costs from these leases.

4 Basis of consolidation

The condensed consolidated interim financial information comprises the financial results of the Company and those of its following subsidiary:

Subsidiary	Principal activity	Country of incorporation	Ownership
	Other activities		
ADNIC International LTD*	auxiliary to insurance	United Kingdom	100%

* The Company incorporated a wholly owned subsidiary on 3 July 2017 named ADNIC International LTD to operate as a representative office of the Company in London, England.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

4 Basis of consolidation *(continued)*

The subsidiary is fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

5 Insurance balances receivables, prepayments and other receivables

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Insurance receivables	1,013,661	1,034,907
<i>Less:</i> allowance for impairment of insurance receivables	(140,511)	(142,258)
Insurance balances receivable	<u>873,150</u>	<u>892,649</u>
<i>Prepayments and other receivables:</i>		
Deferred acquisition costs	92,115	81,669
Rental income receivables, net	31,608	41,643
Prepayments	12,387	40,271
Other receivables, net of provision	31,746	21,834
Prepayments and other receivables	<u>167,856</u>	<u>185,417</u>
Total insurance receivables, prepayments and other receivables	<u><u>1,041,006</u></u>	<u><u>1,078,066</u></u>

6 Insurance contract liabilities and reinsurance contract assets

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Insurance contract liabilities		
Unearned premiums reserve (ii)	1,553,275	1,284,135
Outstanding claims reserve (i)	2,082,885	2,136,741
Claims incurred but not reported reserve	693,444	537,214
	<u>4,329,604</u>	<u>3,958,090</u>
Re-insurance contract assets		
Unearned premiums reserve	1,070,568	739,584
Outstanding claims reserve	1,290,151	1,296,925
Claims incurred but not reported reserve	499,890	318,937
	<u>2,860,609</u>	<u>2,355,446</u>

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

6 Insurance contract liabilities and reinsurance contract assets (continued)

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Insurance liabilities - net		
Unearned premiums reserve (ii)	482,707	544,551
Outstanding claims reserve (i)	792,734	839,816
Claims incurred but not reported reserve	193,554	218,277
	<u>1,468,995</u>	<u>1,602,644</u>

(i) Outstanding claims reserve includes allocated and unallocated loss adjustment expenses reserve of AED 46,229 thousand (31 December 2018: AED 46,229 thousand).

(ii) Unearned premiums reserve includes:

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Premiums deficiency reserve - gross	126,800	83,800
Premiums deficiency reserve - net	24,300	25,400
Unexpired risk reserve - gross	49,439	46,438
Unexpired risk reserve - net	14,907	18,809

7 Investments

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Financial assets at amortised cost	785,834	774,315
Financial assets at fair value through other comprehensive income	1,187,546	1,135,973
Financial assets at fair value through profit or loss	313,213	270,218
	<u>2,286,593</u>	<u>2,180,506</u>

Geographical concentration of investments is as follows:

Within UAE	1,357,364	1,244,297
Outside UAE	929,229	936,209
	<u>2,286,593</u>	<u>2,180,506</u>

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

8 Cash and cash equivalents

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Cash on hand	99	87
Statutory deposits	10,000	10,000
Cash / call / current accounts with local banks, including deposits	883,223	844,548
<i>Less: allowance for impairment</i>	<i>(209)</i>	-
	<hr/>	<hr/>
Total bank balances and cash	893,113	854,635
<i>Less: statutory deposits</i>	<i>(10,000)</i>	<i>(10,000)</i>
<i>Less: deposits with original maturities of three months or more</i>	<i>(383,141)</i>	<i>(507,866)</i>
	<hr/>	<hr/>
Bank balances and cash	499,972	336,769
<i>Add: allowance for impairment</i>	<i>209</i>	-
	<hr/>	<hr/>
Cash and cash equivalents for the purpose of the condensed consolidated interim statement of cash flows	500,181	336,769
	<hr/> <hr/>	<hr/> <hr/>

Geographical concentration of cash and cash equivalents, statutory deposits and deposits with original maturities of three months or more, net of allowance of impairment is as follows:

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Within UAE	855,869	832,599
Outside UAE	37,244	22,036
	<hr/>	<hr/>
	893,113	854,635
	<hr/> <hr/>	<hr/> <hr/>

Interest rates on bank deposits range between 1.50% and 4.00% (31 December 2018: 2.00% to 4.00%).

In accordance with the requirements of Federal Law No. (6) of 2007, concerning establishment of Insurance Authority and organisation of its operations, the Group maintains a bank deposit of AED 10 million (31 December 2018: AED 10 million) which cannot be utilised without the consent of the UAE Insurance Authority.

9 Retained earnings

At the Annual General Assembly held on 19 March 2019 (2018: 19 March 2018 relating to the results of the year ended 31 December 2017), the Shareholders approved the distribution of cash dividends relating to the results of 2018 of AED 0.30 per share amounting to AED 112,500 thousand (2018: AED 0.25 per share amounting to AED 93,750 thousand).

At the Annual General Assembly held on 19 March 2019, the Shareholders approved the board of directors' remuneration relating to the results of 2018 amounting to AED 5,800 thousand (2018: AED 5,800 thousand relating to the results of the year ended 31 December 2017).

The Board of Directors proposed a transfer of AED 150,000 thousand (2018: AED 100,000 thousand) from retained earnings to general reserve, which was approved in the Annual General Assembly held on 19 March 2019.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

10 Net investments and other income

	<i>(Unaudited)</i> Nine-month period ended 30 September 2019 AED'000	<i>(Unaudited)</i> Nine-month period ended 30 September 2018 AED'000
Income from investment properties (rental income)	23,916	28,326
Dividend income	58,812	54,901
Net interest income on bank deposits and bonds	36,914	28,687
Changes in fair value of financial assets at fair value through profit or loss	2,535	(1,207)
Gain on sale of financial assets at fair value through profit or loss	-	38
Decrease in in fair value of investment properties	(7,500)	(13,125)
Other expenses, net	(8,319)	(6,947)
Income from investments, net	82,442	62,347
	106,358	90,673

11 Mandatory convertible bonds

During 2016, the Company issued mandatory convertible bonds with a nominal value amounting to AED 390,000 thousand that were convertible into new ordinary shares at the end of the third year from the date of issue being 15 June 2016 at the rate of AED 2 per share. The proceeds received from the issuance of mandatory convertible bonds have been split between a liability component arising from present value of contractual interest payments and an equity component, representing the residual value attributable to the future delivery of the ordinary shares of the Company. The bonds were bearing interest at a fixed rate of 7.5% per annum, payable annually in arrears, commencing on 15 June 2017 until the conversion date in the current period. On 15 June 2019, these mandatory convertible bonds were converted to 195,000 thousand ordinary shares as per the conversion price of AED 2. Consequently, the current share capital of the Company increased from AED 375,000 thousand to AED 570,000 thousand. A reconciliation between the amounts presented in the condensed consolidated statement of financial position is as follows:

	<i>Liability component</i> AED '000	<i>Equity component</i> AED '000	<i>Share capital</i> AED '000	<i>Share premium</i> AED '000
Balance at 1 January 2019	27,960	305,925	375,000	-
Accretion expense	1,290	-	-	-
Interest paid	(29,250)	-	-	-
Conversion of mandatory convertible bonds	-	(305,925)	195,000	110,925
Balance at 30 September 2019	-	-	570,000	110,925

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

12 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>(Unaudited)</i> <i>Three months ended</i> <i>30 September</i>		<i>(Unaudited)</i> <i>Nine months ended</i> <i>30 September</i>	
	<i>2019</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>
Profit for the period	75,813	68,228	194,441	218,762
Accretion recognised during the period on mandatory convertible bonds	-	714	1,290	1,706
Profit for the period used for calculating basic and diluted earnings per share	<u>75,813</u>	<u>68,942</u>	<u>195,731</u>	<u>220,468</u>
Ordinary shares outstanding during the period	<u>570,000</u>	<u>570,000</u>	<u>570,000</u>	<u>570,000</u>
Basic and diluted earnings per share (AED)	<u>0.13</u>	<u>0.12</u>	<u>0.34</u>	<u>0.39</u>

13 Related parties

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Government of Abu Dhabi holds 24 percent shareholding in the Group through Abu Dhabi Investment Council.

Pricing policies and terms of these transactions are approved by management. The Group maintains significant balances with these related parties, which arise from commercial transactions as follows:

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

	<i>30 September 2019 (Unaudited)</i>			
	<i>Directors and key management AED'000</i>	<i>Major shareholder AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Insurance receivables, prepayments and other receivables	<u>86</u>	<u>5</u>	<u>139,548</u>	<u>139,639</u>
Accounts payables	<u>218</u>	<u>1</u>	<u>16,062</u>	<u>16,281</u>
Cash and bank balances	<u>-</u>	<u>-</u>	<u>612,986</u>	<u>612,986</u>
Investments	<u>-</u>	<u>-</u>	<u>403,477</u>	<u>403,477</u>
Statutory deposits	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Insurance contract liabilities	<u>93</u>	<u>81</u>	<u>1,093,949</u>	<u>1,094,123</u>

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

13 Related parties (continued)

Others comprise of companies controlled by directors of the Group and major shareholders.

	<i>31 December 2018 (Audited)</i>			
	<i>Directors and key management AED'000</i>	<i>Major shareholder AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Insurance receivables, prepayments and other receivables	285	-	163,799	164,084
Accounts payables	18	72	24,198	24,288
Cash and bank balances	-	-	515,751	515,751
Investments	-	-	353,104	353,104
Statutory deposits	-	-	10,000	10,000
Insurance contract liabilities	18	1,426	341,262	342,706

Contingent liabilities issued in favor of related parties as at 30 September 2019 amounted to AED 83,689 thousand (31 December 2018: AED 69,956 thousand).

Transactions with related parties during the period are as follows:

	<i>Nine-month period ended 30 September 2019 (Unaudited)</i>			
	<i>Directors and key management AED'000</i>	<i>Major shareholder AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Premiums written	161	106	820,264	820,531
Claims incurred	7	26	284,287	284,320
Dividend income	-	-	8,508	8,508
Interest income	-	-	16,183	16,183
Directors remuneration	(5,800)	-	-	(5,800)
Other investment income	-	-	123	123

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

13 Related parties (continued)

Transactions with related parties during the period are as follows: (continued)

	<i>Nine-month period ended 30 September 2018 (Unaudited)</i>			
	<i>Directors and key management AED'000</i>	<i>Major shareholder AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Premiums written	30	3,325	240,121	243,476
Claims incurred	-	3,177	94,071	97,248
Dividend income	-	-	6,991	6,991
Interest income	-	-	10,891	10,891
Directors remuneration	(5,800)	-	-	(5,800)
Other investment income	-	-	145	145

Compensation of key management personnel is as follows:

	<i>(Unaudited) Nine-month period ended 30 September 2019 AED'000</i>	<i>(Unaudited) Nine-month period ended 30 September 2018 AED'000</i>
Salaries and short-term benefits	14,430	10,716
Staff end of service benefits	440	472
	14,870	11,188

14 Fair value of financial instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

14 Fair value of financial instruments (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in the different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Assets measured at fair value – fair value hierarchy

The table below analyses assets at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<i>30 September 2019 (Unaudited)</i>				
Financial assets at fair value				
through profit or loss	-	-	313,213	313,213
Financial assets at fair value through OCI	993,333	-	194,213	1,187,546
	<u>993,333</u>	<u>-</u>	<u>507,426</u>	<u>1,500,759</u>
<i>31 December 2018 (Audited)</i>				
Financial assets at fair value				
through profit or loss	-	-	270,218	270,218
Financial assets at fair value through OCI	904,392	-	231,581	1,135,973
	<u>904,392</u>	<u>-</u>	<u>501,799</u>	<u>1,406,191</u>

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim financial information approximate their fair values.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

14 Fair value of financial instruments (continued)

	Carrying Amount AED'000	Fair value AED'000
<i>30 September 2019 (Unaudited)</i>		
Financial assets at amortised cost	<u>785,834</u>	<u>807,888</u>
<i>31 December 2018 (Audited)</i>		
Financial assets at amortised cost	<u>774,315</u>	<u>766,738</u>

Movement in level 3 for investments carried at fair value through profit or loss and investments at fair value through OCI is as follows:

	<i>(Unaudited)</i> 30 September 2019 AED'000	<i>(Audited)</i> 31 December 2018 AED'000
Balance as at 1 January	501,799	421,522
Change in fair value	(10,757)	1,128
Additions	76,861	125,647
Transfers	(18,275)	-
Disposals	(42,202)	(46,498)
Balance at	<u>507,426</u>	<u>501,799</u>

During the nine-month period ended 30 September 2019, there were transfers from Level 3 to Level 1 of AED 18,275 thousand (*31 December 2018: Nil*).

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

15 Segment information

The Group is organised into two main business segments:

Underwriting of commercial lines of business – incorporating all classes of general insurance including marine cargo, marine hull, aviation, energy, property and engineering; and

Underwriting of consumer line of business – incorporating all classes of insurance including accident, motor and medical.

	Nine-month period ended 30 September (Unaudited)					
	Commercial		Consumer		Total	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Gross written premiums	1,689,843	1,098,811	1,292,463	1,127,176	2,982,306	2,225,987
Less: reinsurance premiums ceded	(1,441,997)	(823,891)	(623,106)	(267,772)	(2,065,103)	(1,091,663)
Net written premiums	247,846	274,920	669,357	859,404	917,203	1,134,324
Net change in unearned premiums reserves	16,763	19,183	45,081	(49,473)	61,844	(30,290)
Net premiums earned	264,609	294,103	714,438	809,931	979,047	1,104,034
Gross claims paid	(488,197)	(493,831)	(964,327)	(699,549)	(1,452,524)	(1,193,380)
Less: reinsurance share of claims paid	335,773	345,406	310,916	176,511	646,689	521,917
Net claims paid	(152,424)	(148,425)	(653,411)	(523,038)	(805,835)	(671,463)
Net change in outstanding claims and incurred but not reported claims reserves	22,264	(8,145)	49,543	(94,345)	71,807	(102,490)
Net claims incurred	(130,160)	(156,570)	(603,868)	(617,383)	(734,028)	(773,953)
Commission income earned	110,667	86,597	64,002	33,832	174,669	120,429
Commission expenses incurred	(78,298)	(76,042)	(37,027)	(42,084)	(115,325)	(118,126)
Net commissions expense	32,369	10,555	26,975	(8,252)	59,344	2,303
Other underwriting income	9,461	4,168	4,052	3,019	13,513	7,187
Other underwriting expenses	(13,575)	(12,713)	(30,200)	(22,168)	(43,775)	(34,881)
Net other underwriting expense	(4,114)	(8,545)	(26,148)	(19,149)	(30,262)	(27,694)
Net underwriting income	162,704	139,543	111,397	165,147	274,101	304,690
Net investments and other income					106,358	90,673
General and administrative expenses					(186,018)	(176,601)
Profit for the period					194,441	218,762

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

15 Segment information (continued)

Assets and liabilities of the Group are commonly used across the segments. There were no transactions between the segments.

	Three-month period ended 30 September					
	<i>(Unaudited)</i>					
	Commercial		Consumer		Total	
2019	2018	2019	2018	2019	2018	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written premiums	393,987	165,351	240,397	247,797	634,384	413,148
Less: reinsurance premiums ceded	(355,103)	(106,869)	(126,721)	(136,881)	(481,824)	(243,750)
Net written premiums	38,884	58,482	113,676	110,916	152,560	169,398
Net change in unearned premiums reserves	53,623	48,636	129,980	175,294	183,603	223,930
Net premiums earned	92,507	107,118	243,656	286,210	336,163	393,328
Gross claims paid	(99,361)	(91,827)	(310,842)	(222,029)	(410,203)	(313,856)
Less: reinsurance share of claims paid	67,817	52,764	128,198	44,982	196,015	97,746
Net claims paid	(31,544)	(39,063)	(182,644)	(177,047)	(214,188)	(216,110)
Net change in outstanding claims and incurred but not reported claims reserves	(24,622)	(11,420)	5,357	(39,453)	(19,265)	(50,873)
Net claims incurred	(56,166)	(50,483)	(177,287)	(216,500)	(233,453)	(266,983)
Commission income earned	33,645	30,182	22,457	8,831	56,102	39,013
Commission expenses incurred	(25,442)	(26,048)	(13,303)	(20,651)	(38,745)	(46,699)
Net commissions income	8,203	4,134	9,154	(11,820)	17,357	(7,686)
Other underwriting income	3,894	1,260	1,165	1,330	5,059	2,590
Other underwriting expenses	(5,148)	(3,601)	(11,315)	(6,050)	(16,463)	(9,651)
Net other underwriting expenses	(1,254)	(2,341)	(10,150)	(4,720)	(11,404)	(7,061)
Net underwriting income	43,290	58,428	65,373	53,170	108,663	111,598
Net investments and other income					27,224	20,968
General and administrative expenses					(60,074)	(64,338)
Profit for the period					75,813	68,228

16 Contingent liabilities and commitments

	<i>(Unaudited)</i>	<i>(Audited)</i>
	30 September	31 December
	2019	2018
	AED'000	AED'000
Commitments in respect of uncalled subscription of equities held as investments	74,149	99,118
Bank guarantees	192,805	160,139
Letters of credit	386	386

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

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

16 Contingent liabilities and commitments *(continued)*

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. Management, based on advice from independent loss adjusters, internal and external legal counsels, makes provision, where applicable, representing amounts expected to result in a probable outflow of economic resources.