

**Abu Dhabi National Insurance
Company PSC**

BOARD OF DIRECTORS' STATEMENT,
CHIEF EXECUTIVE OFFICER'S STATEMENT AND
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 SEPTEMBER 2018

Abu Dhabi National Insurance Company PSC

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. Jamal Sultan Al-Hameli Mr. Abdulrahman Hamad Al-Mubarak Mr. Hazzaa Mohamed Al-Mheiri Mr. Hamoodah Ghanem Bin Hamoodah
Chief Executive Officer:	Mr. Ahmad Idris
Address:	P.O. Box 839 Abu Dhabi United Arab Emirates
External auditors:	Ernst & Young Middle East

**Abu Dhabi National Insurance
Company PSC**

BOARD OF DIRECTORS' STATEMENT

30 SEPTEMBER 2018



Abu Dhabi National Insurance Company P.J.S.C
Board of Directors' Statement
For the nine-month period ended 30th September 2018

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 Consolidated Financial Statements for the nine-month period ended 30th September 2018.

The Board of Directors is pleased to report that ADNIC has delivered strong performance in the first nine months of 2018. The results stand as testament to the company's continuous efforts to become the insurer of choice for customers, and its target to optimize return on investment for shareholders. ADNIC's leading performance across the business is driven by a successful strategy of revenue stream diversification across different insurance segments, new product development, a clear focus on underwriting quality, and greater business efficiency.

Looking forward to the remainder of 2018, the management will remain firmly focused on maintaining the strong revenue momentum achieved in the first nine months of the year. The management will continue to support our customers' evolving needs, while leveraging our existing platform, together with our product and sector expertise to create value.

Cash Balances

ADNIC's cash balances increased by 41.8% to AED 1,000.2 million as at 30th September 2018, compared to AED 705.4 million as at December 31st 2017.

Investments

Total investments including cash in time deposits, bank accounts and investment properties increased by 14.4% to AED 3.88 billion as at 30th September 2018, compared to AED 3.39 billion as at December 31st 2017.

Total Assets

Total assets increased by 9.3% to AED 7.32 billion as at 30th September 2018, compared to AED 6.70 billion as at December 31st 2017.

Gross Technical Reserves

Gross Technical Reserves increased by 3.9% to AED 4.04 billion as at 30th September 2018, compared to AED 3.88 billion as at December 31st 2017.

Shareholders' Equity

Shareholders' Equity position increased by 7.0% AED 2.11 billion as at 30th September 2018, compared to AED 1.98 billion as at December 31st 2017.

Basic and Diluted Earnings Per Share

Basic and diluted earnings per share increased by 25.8% to AED 0.39 as a result of achieving a net profit of AED 218.8 million for the nine-month period ended 30 September 2018 compared to basic and diluted earnings per share of AED 0.31 resulting from a net profit of AED 178.5 million for the same period last year.



Abu Dhabi National Insurance Company P.J.S.C
Board of Directors' Statement
For the nine-month period ended 30th September 2018
(Continued)

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 PSC**

CHIEF EXECUTIVE OFFICER'S STATEMENT

30 SEPTEMBER 2018

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the nine-month period ended 30th September 2018

I hereby present ADNIC's financial results for the nine-month period ended 30th September 2018.

I am pleased to report that ADNIC has delivered strong set of results for the nine-month period ended 30th September 2018, with continued growth in net profit and gross written premiums. This performance is a testament to our sound underwriting discipline, and financial strength.

We continue to be focused on driving further innovation across all areas of the business to grow our product and service range significantly.

As we approach the end of 2018, I am confident that we will continue to build solid foundations to support our long-term sustainable growth and achieve further milestones. ADNIC's customers are at the heart of our values, and with innovation being the foundation of our growth, we are able to create solutions that deliver value for them.

Key Financial Highlights

Gross Written Premiums

For the nine-month period ended September 30th 2018, ADNIC's Gross Written Premium increased by 12.2% to AED 2.23 billion compared to AED 1.98 billion for the same period in 2017.

Premium Retention

The overall premium retention ratio reached 51.0% for the nine-month period ended September 30th 2018 compared to 46.5% for the same period in 2017.

Net Underwriting Income

For the nine-month period ended September 30th 2018, ADNIC's Net Underwriting profit increased by 27.5% to AED 304.7 million, against Net Underwriting Profit of AED 239.0 million for the same period in 2017.

General and Administrative Expenses

General and Administrative Expenses for nine-month period ended September 30th 2018 stood at AED 176.6 million compared to AED 148.7 million for the same period in 2017.

Net Technical Profit

Net Technical Profit for the nine-month period ended September 30th 2018 increased by 40.6% to AED 132.3 million, against Net Technical Profit of AED 94.1 million for the same period in 2017.

Net Investment Income

ADNIC's Net Investment and Other Income increased by 2.8% to AED 90.7 million for the nine-month period ended September 30th 2018 compared to AED 88.2 million for the same period in 2017.


Net Profit

For the nine-month period ended September 30th 2018, Net profit increased by 22.6% to AED 218.8 million, compared to net profit of AED 178.5 million for the same period in 2017.

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the nine-month period ended 30th September 2018
(Continued)

Appreciation

I would like to thank ADNIC's Board of Directors and shareholders for their continued support, our clients and business partners for their patronage and our management team and employees for their diligent efforts.



Ahmad Idris
Chief Executive Officer

**Abu Dhabi National Insurance
Company PSC**

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 SEPTEMBER 2018

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ABU DHABI NATIONAL INSURANCE COMPANY PSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi National Insurance Company PSC (the “Company”) and its subsidiary (the “Group”) as at 30 September 2018, comprising of the interim consolidated statement of financial position as at 30 September 2018, and the related interim consolidated statements of income and comprehensive income for the three month and nine months periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 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 Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of 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.

Conclusion

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



Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No 532

30 October 2018
Abu Dhabi

Abu Dhabi National Insurance Company PSC

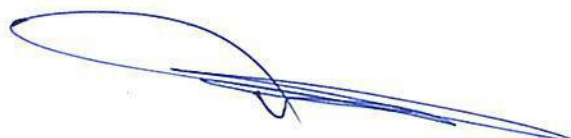
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (unaudited)

		<i>(Unaudited)</i> 30 September 2018 AED'000	<i>(Audited)</i> 31 December 2017 AED'000
	<i>Notes</i>		
ASSETS			
Property and equipment		66,366	69,865
Investments at amortised cost	8	722,022	616,853
Investments at fair value through other comprehensive income	8	1,164,857	1,123,113
Investments carried at fair value through profit or loss	8	248,723	205,399
Investment properties		743,519	741,025
Statutory deposits	9	10,000	10,000
Insurance balances receivable	6	863,898	758,294
Reinsurers' share of unearned premium reserve	7	649,220	658,333
Reinsurers' share of outstanding claims reserve	7	1,256,872	1,295,990
Reinsurers' share of claims incurred but not reported reserve	7	376,055	307,500
Prepayments and other receivables	6	226,443	215,417
Deposits	9	458,595	481,930
Bank balance and cash	9	<u>531,621</u>	<u>213,504</u>
TOTAL ASSETS		<u>7,318,191</u>	<u>6,697,223</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		375,000	375,000
Legal reserve		187,500	187,500
General reserve		850,000	750,000
Investments revaluation reserve		106,244	93,191
Mandatory convertible bonds – equity component		305,925	305,925
Retained earnings		<u>289,715</u>	<u>263,983</u>
Total equity		<u>2,114,384</u>	<u>1,975,599</u>
LIABILITIES			
Employees' end of service benefits		31,320	30,919
Other accounts payable		387,290	186,971
Mandatory convertible bonds – liability component		27,244	54,788
Trade accounts payable		722,430	566,527
Technical reserves			
Unearned premium reserve	7	1,312,150	1,290,973
Outstanding claims reserve	7	2,069,469	1,999,346
Claims incurred but not reported reserve	7	608,272	540,000
Allocated and unallocated loss adjustment expense reserve	7	<u>45,632</u>	<u>52,100</u>
Total technical reserves		<u>4,035,523</u>	<u>3,882,419</u>
TOTAL LIABILITIES		<u>5,203,807</u>	<u>4,721,624</u>
TOTAL EQUITY AND LIABILITIES		<u>7,318,191</u>	<u>6,697,223</u>



Chairman of the Board of Directors



Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Abu Dhabi National Insurance Company PSC

INTERIM CONSOLIDATED INCOME STATEMENT

For the nine-month period ended 30 September 2018 (unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 AED 000	2017 AED 000	2018 AED 000	2017 AED 000
Gross premium	14	413,148	403,309	2,225,987	1,983,188
Reinsurance share of ceded premiums	14	<u>(243,750)</u>	<u>(172,479)</u>	<u>(1,091,663)</u>	<u>(1,061,987)</u>
Net premium		169,398	230,830	1,134,324	921,201
Net change in unearned premium reserve	14	<u>223,930</u>	<u>33,180</u>	<u>(30,290)</u>	<u>(165,797)</u>
Net premium earned	14	<u>393,328</u>	<u>264,010</u>	<u>1,104,034</u>	<u>755,404</u>
Commissions earned		39,013	42,764	120,429	106,922
Commissions incurred		<u>(46,699)</u>	<u>(36,386)</u>	<u>(118,126)</u>	<u>(104,677)</u>
Gross underwriting income		<u>385,642</u>	<u>270,388</u>	<u>1,106,337</u>	<u>757,649</u>
Gross claims paid	14	(313,856)	(459,147)	(1,193,380)	(1,214,254)
Reinsurance share of claims paid	14	<u>97,746</u>	<u>295,394</u>	<u>521,917</u>	<u>760,598</u>
Net claims paid	14	<u>(216,110)</u>	<u>(163,753)</u>	<u>(671,463)</u>	<u>(453,656)</u>
Change in provisions for outstanding claims reserve		4,444	(207,315)	(70,123)	(260,928)
Change in reinsurance share of outstanding claims reserve		(51,706)	187,755	(39,118)	227,846
Net (increase) decrease in incurred but not reported claims reserves		(3,611)	6,130	283	(5,670)
Net (increase) decrease in claims allocated and unallocated loss adjustment expense reserve		-	(5,900)	6,468	(4,100)
Net claims incurred		<u>(266,983)</u>	<u>(183,083)</u>	<u>(773,953)</u>	<u>(496,508)</u>
Underwriting income		118,659	87,305	332,384	261,141
Other income related to underwriting activities		2,590	2,122	7,187	6,748
Other expenses related to underwriting activities		<u>(9,651)</u>	<u>(11,196)</u>	<u>(34,881)</u>	<u>(28,875)</u>
Net underwriting income		111,598	78,231	304,690	239,014
Income from investments	11	12,199	16,308	62,347	58,243
Income from investment properties (rental income)	11	<u>8,769</u>	<u>9,729</u>	<u>28,326</u>	<u>29,952</u>
Total income		132,566	104,268	395,363	327,209
General and administrative expenses		<u>(64,338)</u>	<u>(54,217)</u>	<u>(176,601)</u>	<u>(148,701)</u>
PROFIT FOR THE PERIOD		<u>68,228</u>	<u>50,051</u>	<u>218,762</u>	<u>178,508</u>
Earnings per share:					
Basic and diluted earnings per share (AED)	12	<u>0.12</u>	<u>0.09</u>	<u>0.39</u>	<u>0.31</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Abu Dhabi National Insurance Company PSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2018 (unaudited)

	Note	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
		<i>2018</i> <i>AED 000</i>	<i>2017</i> <i>AED 000</i>	<i>2018</i> <i>AED 000</i>	<i>2017</i> <i>AED 000</i>
Profit for the period		68,228	50,051	218,762	178,508
Other comprehensive income					
Items that will not be reclassified to the consolidated statement of income:					
Gain (loss) on sale of investments at fair value through other comprehensive income		16	(449)	6,520	(14,612)
Changes in fair value of investments at fair value through other comprehensive income		12,049	20,276	13,053	57,888
Directors' remuneration	10	-	-	(5,800)	(5,800)
Total other comprehensive income		<u>12,065</u>	<u>19,827</u>	<u>13,773</u>	<u>37,476</u>
Total comprehensive income for the period		<u>80,293</u>	<u>69,878</u>	<u>232,535</u>	<u>215,984</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Abu Dhabi National Insurance Company PSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2018 (unaudited)

	Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Investments revaluation reserve AED '000	Mandatory convertible bond AED '000	Retained earnings AED '000	Total equity AED '000
Balance at 1 January 2017	375,000	187,500	550,000	32,579	305,925	314,477	1,765,481
Profit for the period	-	-	-	-	-	178,508	178,508
Other comprehensive income (loss)	-	-	-	57,888	-	(20,412)	37,476
Total comprehensive income for the period	-	-	-	57,888	-	158,096	215,984
Dividends declared and paid (note 10)	-	-	-	-	-	(56,250)	(56,250)
Transfer from retained earnings to general reserve (note 10)	-	-	200,000	-	-	(200,000)	-
Balance at 30 September 2017	375,000	187,500	750,000	90,467	305,925	216,323	1,925,215
Balance at 1 January 2018	375,000	187,500	750,000	93,191	305,925	263,983	1,975,599
Profit for the period	-	-	-	-	-	218,762	218,762
Other comprehensive income	-	-	-	13,053	-	720	13,773
Total comprehensive income for the period	-	-	-	13,053	-	219,482	232,535
Dividend declared and paid (note 10)	-	-	-	-	-	(93,750)	(93,750)
Transfer from retained earnings to general reserve (note 10)	-	-	100,000	-	-	(100,000)	-
Balance at 30 September 2018	375,000	187,500	850,000	106,244	305,925	289,715	2,114,384

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Abu Dhabi National Insurance Company PSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2018 (unaudited)

	Notes	Nine months ended 30 September	
		2018 AED'000	2017 AED'000
OPERATING ACTIVITIES			
Profit for the period		218,762	178,508
Adjustments for:			
Net movement in unearned premiums reserve		30,290	165,797
Change in gross outstanding claims and IBNR reserves		131,927	246,528
Change in reinsurance share in outstanding claims and IBNR reserves		(29,437)	(203,676)
Depreciation expense		9,974	9,557
Charge of (reversal of) provision of receivables		7,991	(7,178)
Changes in fair value of investments at fair value through profit or loss	11	1,207	(2,895)
Gain on disposal of investments carried through profit or loss	11	(38)	-
Net amortisation expense		2,495	1,966
Accretion on mandatory convertible bonds		1,706	1,009
Amortisation of transaction cost - mandatory convertible bonds		137	137
Provision for employees' end of service benefits		3,250	3,543
Gain on disposal of property and equipment		-	(103)
		<u>378,264</u>	<u>393,193</u>
Working capital changes:			
Insurance balances receivable, prepayments and other receivables		(124,758)	49,206
Trade and other payables		<u>356,222</u>	<u>(204,836)</u>
Cash from operations		609,728	237,563
Employees' end of service benefits paid		<u>(2,849)</u>	<u>(4,369)</u>
Net cash from operating activities		<u>606,879</u>	<u>233,194</u>
INVESTING ACTIVITIES			
Proceeds from sale of investments		359,071	420,130
Change in bank deposits		23,335	45,889
Purchase of investments		(533,399)	(867,883)
Purchase of property and equipment		(6,475)	(4,398)
Proceeds from disposal of property and equipment		-	106
Additions to investment properties		<u>(2,494)</u>	<u>(278)</u>
Net cash used in investing activities		<u>(159,962)</u>	<u>(406,434)</u>
FINANCING ACTIVITIES			
Dividend paid		(93,750)	(56,250)
Directors' remuneration		(5,800)	(5,800)
Interest payment on mandatory convertible bonds		<u>(29,250)</u>	<u>(29,250)</u>
Net cash used in financing activities		<u>(128,800)</u>	<u>(91,300)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		318,117	(264,540)
Cash and cash equivalents at 1 January		<u>213,504</u>	<u>467,530</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	9	<u>531,621</u>	<u>202,990</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Abu Dhabi National Insurance Company PSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi National Insurance Company PSC (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, and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

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.

These interim condensed consolidated financial statements includes the financial performance and position of the Company and its subsidiary (collectively referred to as the "Group").

The interim condensed consolidated financial statements were approved for issuance on behalf of the Board of Directors on 30 October 2018.

2 STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements for the nine months ended 30 September 2018 have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's annual financial statements as at 31 December 2017. In addition, results for the nine-months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new amendments to standards effective as of 1 January 2018.

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions; and
- Amendments to IAS 40: Transfers of Investment Property.

Annual Improvements 2014-2016 Cycle

- IFRS 1 First-time adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first time adopters; and
- IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The amendments to standards listed above had no significant impact on the Group's financial position or performance or disclosures.

Abu Dhabi National Insurance Company PSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

4 ESTIMATES

The preparation of these interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2017.

5 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial results of the Company and those of its following subsidiary:

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>
ADNIC International LTD*	Other activities 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.

The subsidiary is fully consolidated from the date on which control is transferred to the Company. 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the six elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Abu Dhabi National Insurance Company PSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

5 BASIS OF CONSOLIDATION continued

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

6 TRADE AND OTHER RECEIVABLES

	<i>(Unaudited)</i> 30 September 2018 AED'000	<i>(Audited)</i> 31 December 2017 AED'000
Trade receivables	1,011,220	899,389
Less: impairment provision of receivables	<u>(147,322)</u>	<u>(141,095)</u>
Net insurance balances receivable	<u>863,898</u>	<u>758,294</u>
<i>Other receivables:</i>		
Deferred acquisition costs	87,600	80,937
Rental income receivable	49,693	56,344
Prepayments	64,851	33,513
Other receivables, net of provision	<u>24,299</u>	<u>44,623</u>
Total other receivables	<u>226,443</u>	<u>215,417</u>
Total trade and other receivables	<u>1,090,341</u>	<u>973,711</u>

Abu Dhabi National Insurance Company PSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	<i>(Unaudited)</i> <i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>AED'000</i>
Insurance contract liabilities		
Outstanding claims (i)	2,115,101	2,051,446
Claims incurred but not reported	608,272	540,000
Unearned premium reserve (ii)	<u>1,312,150</u>	<u>1,290,973</u>
	<u>4,035,523</u>	<u>3,882,419</u>
Re-insurance contract assets		
Outstanding claims	1,256,872	1,295,990
Claims incurred but not reported	376,055	307,500
Unearned premium reserve	<u>649,220</u>	<u>658,333</u>
	<u>2,282,147</u>	<u>2,261,823</u>
Insurance liabilities - net		
Outstanding claims (i)	858,229	755,456
Claims incurred but not reported	232,217	232,500
Unearned premium reserve (ii)	<u>662,930</u>	<u>632,640</u>
	<u>1,753,376</u>	<u>1,620,596</u>
(i) Outstanding claims includes allocated and unallocated loss adjustment expenses reserve of AED 45,632 thousand (31 December 2017: AED 52,100 thousand).		
(ii) Unearned premium reserve includes:		
	<i>(Unaudited)</i> <i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>AED'000</i>
Premium deficiency reserve - gross	70,200	112,800
Premium deficiency reserve - net	16,500	33,700
Unexpired risk reserve - gross	50,988	61,127
Unexpired risk reserve - net	22,020	22,169

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

8 INVESTMENTS

	<i>(Unaudited)</i> 30 September 2018 AED'000	<i>(Audited)</i> 31 December 2017 AED'000
Investments at fair value through other comprehensive income	1,164,857	1,123,113
Investments at amortised cost	722,022	616,853
Investment at fair value through profit or loss	<u>248,723</u>	<u>205,399</u>
	<u>2,135,602</u>	<u>1,945,365</u>

Geographical concentration of investments is as follows:

Within UAE	1,232,664	1,097,772
Outside UAE	<u>902,938</u>	<u>847,593</u>
	<u>2,135,602</u>	<u>1,945,365</u>

As at 30 September 2018, the Group did not hold any investments in Abraaj Holdings or any of the funds managed by them.

9 CASH AND CASH EQUIVALENTS

	<i>(Unaudited)</i> 30 September 2018 AED'000	<i>(Unaudited)</i> 30 September 2017 AED'000
Cash in hand	91	77
Statutory deposit	10,000	10,000
Cash / call / current accounts with local UAE banks	<u>990,125</u>	<u>709,555</u>
	1,000,216	719,632
Less: statutory deposit	(10,000)	(10,000)
Less: deposits with original maturities of three months or more	<u>(458,595)</u>	<u>(506,642)</u>
Cash and cash equivalents	<u>531,621</u>	<u>202,990</u>

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

	<i>(Unaudited)</i> 30 September 2018 AED'000	<i>(Unaudited)</i> 30 September 2017 AED'000
Within UAE	985,633	699,138
Outside UAE	<u>14,583</u>	<u>20,494</u>
	<u>1,000,216</u>	<u>719,632</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

9 CASH AND CASH EQUIVALENTS continued

Interest rates on bank deposits range between 1.5% and 3.8% (30 September 2017: 0.75% and 3.0%).

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 (30 September 2017: AED 10 million) which cannot be utilised without the consent of the UAE Insurance Authority.

10 RETAINED EARNINGS

At the Annual General Assembly held on 19 March 2018 (2017: 28 March 2017 relating to the results of 2016), the Shareholders approved the distribution of cash dividends relating to the results of 2017 of AED 0.25 per share amounting to AED 93,750 thousand (2017: AED 0.15 per share amounting to AED 56,250 thousand).

At the Annual General Assembly held on 19 March 2018, the Shareholders approved board of directors' remuneration relating to the results of 2017 amounting to AED 5,800 thousand (2017: AED 5,800 thousand relating to the results of 2016).

The Board of Directors proposed a transfer of AED 100,000 thousand (2017: AED 200,000 thousand) from retained earnings to general reserve, which was approved in the Annual General Assembly held on 19 March 2018 (2017: 28 March 2017).

11 NET INVESTMENT AND OTHER INCOME

	<i>(Unaudited)</i> <i>Nine month</i> <i>period ended</i> <i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>Nine month</i> <i>period ended</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>
Net rental income	<u>28,326</u>	<u>29,952</u>
Dividend income	54,901	49,025
Net interest income on bank deposits and bonds	28,687	25,189
Changes in fair value of investments at fair value through profit or loss	(1,207)	2,895
Gain on disposal of investments at fair value through profit or loss	38	-
Net other expenses	<u>(20,072)</u>	<u>(18,866)</u>
Net investment and other income	<u>62,347</u>	<u>58,243</u>
	<u>90,673</u>	<u>88,195</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bonds.

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, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bonds.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Profit for the period used for basic earnings per share	68,228	50,051	218,762	178,508
Accretion recognised during the period on mandatory convertible bonds	<u>714</u>	<u>485</u>	<u>1,706</u>	<u>1,009</u>
Profit for the period used for calculating basic and diluted earnings per share	<u>68,942</u>	<u>50,536</u>	<u>220,468</u>	<u>179,517</u>
Ordinary shares in issue throughout the period	375,000	375,000	375,000	375,000
Effect of conversion of mandatory convertible bonds	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>
Weighted average number of ordinary shares adjusted for the effect of mandatory convertible bonds used for calculating basic and diluted earnings per share	<u>570,000</u>	<u>570,000</u>	<u>570,000</u>	<u>570,000</u>
Basic and diluted earnings per share (AED)	<u>0.12</u>	<u>0.09</u>	<u>0.39</u>	<u>0.31</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 the management. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

Balances

Balances with related parties at the reporting date are shown below:

	<i>Directors and key management</i>	<i>Major shareholder</i>	<i>Others</i>	<i>(Unaudited) Total</i>
	<i>30 September 2018</i>	<i>30 September 2018</i>	<i>30 September 2018</i>	<i>30 September 2018</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Trade and other receivables	<u>275</u>	<u>4</u>	<u>183,345</u>	<u>183,624</u>
Trade and other payables	<u>-</u>	<u>109</u>	<u>5,634</u>	<u>5,743</u>
Cash and bank balances	<u>-</u>	<u>-</u>	<u>673,357</u>	<u>673,357</u>
Investments	<u>-</u>	<u>-</u>	<u>330,114</u>	<u>330,114</u>
Statutory deposits	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Insurance contract liabilities	<u>14</u>	<u>1,361</u>	<u>193,040</u>	<u>194,415</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

13 RELATED PARTIES continued

Others comprise of companies controlled by the directors and other key management personnel.

	<i>Directors and key management 31 December 2017 AED'000</i>	<i>Major shareholder 31 December 2017 AED'000</i>	<i>Others 31 December 2017 AED'000</i>	<i>(Audited) Total 31 December 2017 AED'000</i>
Trade and other receivables	<u>325</u>	<u>2</u>	<u>228,004</u>	<u>228,331</u>
Trade and other payables	<u>5</u>	<u>29</u>	<u>19,451</u>	<u>19,485</u>
Cash and bank balances	<u>-</u>	<u>-</u>	<u>408,054</u>	<u>408,054</u>
Investments	<u>-</u>	<u>-</u>	<u>243,305</u>	<u>243,305</u>
Statutory deposits	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Insurance contract liabilities	<u>21</u>	<u>1,607</u>	<u>368,170</u>	<u>369,798</u>

Contingent liabilities issued in favor of related parties as at 30 September 2018 amounted to AED 70,775 thousand (31 December 2017: AED 47,388 thousand).

Transactions

Transactions carried out during the reporting period with related parties are shown below:

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

	<i>Directors and key management 30 September 2017 AED'000</i>	<i>Major shareholder 30 September 2017 AED'000</i>	<i>Others 30 September 2017 AED'000</i>	<i>(Unaudited) Total 30 September 2017 AED'000</i>
Premium written	<u>31</u>	<u>3,725</u>	<u>318,746</u>	<u>322,502</u>
Claims incurred	<u>-</u>	<u>2,023</u>	<u>118,197</u>	<u>120,220</u>
Dividend income	<u>-</u>	<u>-</u>	<u>6,277</u>	<u>6,277</u>
Interest income	<u>-</u>	<u>-</u>	<u>9,773</u>	<u>9,773</u>
Directors remuneration	<u>(5,800)</u>	<u>-</u>	<u>-</u>	<u>(5,800)</u>
Other investment income	<u>-</u>	<u>-</u>	<u>145</u>	<u>145</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2018 (unaudited)

13 RELATED PARTIES continued

Transactions with key management personnel

Key management compensation is as shown below:

	<i>(Unaudited)</i> <i>Nine month</i> <i>period ended</i> <i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>Nine month</i> <i>period ended</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>
Salaries and short term benefits	10,716	8,047
Staff end of service benefits	<u>472</u>	<u>345</u>
	<u>11,188</u>	<u>8,392</u>

14 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.

	<i>Commercial</i>		<i>Nine-month period ended 30 September</i> <i>Consumer</i>		<i>Total</i>	
	<i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>30 September</i> <i>2017</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2018</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2017</i> <i>AED'000</i>
Gross written premium	1,098,811	999,935	1,127,176	983,253	2,225,987	1,983,188
Less: reinsurance premium ceded	<u>(823,891)</u>	<u>(671,489)</u>	<u>(267,772)</u>	<u>(390,498)</u>	<u>(1,091,663)</u>	<u>(1,061,882)</u>
Net written premium	274,920	328,446	859,404	592,755	1,134,324	921,201
Net change in unearned premium reserves	<u>19,183</u>	<u>(40,714)</u>	<u>(49,473)</u>	<u>(125,083)</u>	<u>(30,290)</u>	<u>(165,797)</u>
Net premium earned	<u>294,103</u>	<u>287,732</u>	<u>809,931</u>	<u>467,672</u>	<u>1,104,034</u>	<u>755,404</u>
Gross claims paid	(493,831)	(674,901)	(699,549)	(539,353)	(1,193,380)	(1,214,254)
Less: reinsurance share of claims paid	<u>345,406</u>	<u>519,711</u>	<u>176,511</u>	<u>240,887</u>	<u>521,917</u>	<u>760,598</u>
Net claims paid	(148,425)	(155,190)	(523,038)	(298,466)	(671,463)	(453,656)
Net change in outstanding claims and incurred but not reported claims	<u>(8,145)</u>	<u>(8,170)</u>	<u>(94,345)</u>	<u>(34,682)</u>	<u>(102,490)</u>	<u>(42,852)</u>
Net claims incurred	<u>(156,570)</u>	<u>(163,360)</u>	<u>(617,383)</u>	<u>(333,148)</u>	<u>(773,953)</u>	<u>(496,508)</u>
Commission income earned	86,597	70,979	33,832	35,943	120,429	106,922
Commission expenses incurred	<u>(76,042)</u>	<u>(81,199)</u>	<u>(42,084)</u>	<u>(23,478)</u>	<u>(118,126)</u>	<u>(104,672)</u>
Net commissions income (expense)	<u>10,555</u>	<u>(10,220)</u>	<u>(8,252)</u>	<u>12,465</u>	<u>2,303</u>	<u>2,250</u>
Other underwriting income	4,168	3,823	3,019	2,925	7,187	6,748
Other underwriting expenses	<u>(12,713)</u>	<u>(15,141)</u>	<u>(22,168)</u>	<u>(13,734)</u>	<u>(34,881)</u>	<u>(28,875)</u>
Net other underwriting expenses	<u>(8,545)</u>	<u>(11,318)</u>	<u>(19,149)</u>	<u>(10,809)</u>	<u>(27,694)</u>	<u>(22,127)</u>
Net underwriting income	<u>139,543</u>	<u>102,834</u>	<u>165,147</u>	<u>136,180</u>	<u>304,690</u>	<u>239,014</u>
Net investment and other income					90,673	88,195
General and administrative expenses					<u>(176,601)</u>	<u>(148,701)</u>
Profit for the period					<u>218,762</u>	<u>178,508</u>

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

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14 SEGMENT INFORMATION continued

	Commercial		Three-month period ended Consumer		(Unaudited) 30 September 2018 AED'000	Total (Unaudited) 30 September 2017 AED'000
	30 September 2018 AED'000	30 September 2017 AED'000	30 September 2018 AED'000	30 September 2017 AED'000		
	Gross written premium	165,351	174,107	247,797		
Less: reinsurance premium ceded	(106,869)	(96,270)	(136,881)	(76,209)	(243,750)	(172,429)
Net written premium	58,482	77,837	110,916	152,993	169,398	230,830
Net change in unearned premium reserves	48,636	18,829	175,294	14,351	223,930	33,180
Net premium earned	107,118	96,666	286,210	167,344	393,328	264,010
Gross claims paid	(91,827)	(275,258)	(222,029)	(183,889)	(313,856)	(459,147)
Less: reinsurance share of claims paid	52,764	208,488	44,982	86,936	97,746	295,394
Net claims paid	(39,063)	(66,800)	(177,047)	(96,953)	(216,110)	(163,753)
Net change in outstanding claims and incurred but not reported claims	(11,420)	5,517	(39,453)	(24,847)	(50,873)	(19,330)
Net claims incurred	(50,483)	(61,283)	(216,500)	(121,800)	(266,983)	(183,083)
Commission income earned	30,182	27,398	8,831	15,366	39,013	42,764
Commission expenses incurred	(26,048)	(27,889)	(20,651)	(8,497)	(46,692)	(36,386)
Net commissions income (expense)	4,134	(491)	(11,820)	6,869	(7,686)	6,378
Other underwriting income	1,260	1,241	1,330	881	2,590	2,122
Other underwriting expenses	(3,601)	(5,557)	(6,050)	(5,629)	(9,651)	(11,196)
Net other underwriting expenses	(2,341)	(4,316)	(4,720)	(4,758)	(7,061)	(9,074)
Net underwriting income	58,428	30,576	53,170	47,655	111,598	78,231
Net investment and other income					20,968	26,037
General and administrative expenses					(64,338)	(54,217)
Profit for the period					68,228	50,051

15 CONTINGENT LIABILITIES AND COMMITMENTS

	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
Commitments in respect of uncalled subscription of equities held as investments.	81,049	67,824
Bank guarantees	138,057	123,933
Letters of credit	386	386

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

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. The 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.