

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

Condensed consolidated interim financial information

30 June 2020

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 six-month period ended 30 June 2020

The Board of Directors is pleased to report Abu Dhabi National Insurance Company's financial results for the six months ended 30 June 2020. In unprecedented market conditions, ADNIC continues to produce resilient results and we are thankful for the efforts and the commitment of our team towards this achievement.

The impact of the COVID-19 pandemic is an evolving situation and ADNIC will continue to monitor the impact on its business closely and take decisive action as required to support its customers and partners. As a testament to our financial strength, experience and commitment to high level of service delivery, our GWP for the first six months of the year was up by 9.1% to AED 2.56 billion. Particularly strong gains were achieved in the commercial lines with GWP increasing by 17.1%. Despite challenging market conditions, specifically for consumer lines, GWP was maintained almost at the same level as the previous year.

Profitability across the key lines was very strong with Total Underwriting Profits up 67.0% for the first six months to AED 276.3 million. Combined ratio was 80.2% compared to 93.9% for the previous year. The extreme market volatility, particularly in March contributed to investment income through P&L for the first six months being lower by 30.3%. While some stability has returned to securities markets in the second quarter and the total Investment Income including Other Comprehensive Income for the second quarter was higher by 74.7% compared to the second quarter of the previous year. ADNIC's capitalisation and solvency continue to remain robust. Total Shareholders' Equity was stable at AED 2.19 billion and loss reserves were maintained at comfortable levels

Everybody has a responsibility in ensuring a quick recovery to normal. A large part of this will be our adherence to following government guidelines to ensure a safe, gradual and smooth return to ADNIC office facilities. ADNIC has embraced the changes brought about by the pandemic to improve its processes and hasten its digitisation efforts and these will continue even after the present circumstances pass.

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.

I would also like to take this opportunity to express our sincere gratitude to those on the frontline for their unwavering commitment and care for our nation in fighting against the pandemic. We also thank our customers, business partners, employees and shareholders for their support during this unprecedented time.



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 six-month period ended 30th June 2020

I hereby present ADNIC's financial results for the six-month period ended 30th June 2020.

I am pleased to report that ADNIC delivered strong growth in both net profit and gross written premiums for the first half of 2020. This performance is a testament to our sound underwriting strategy, financial strength and customer centric business model. Moving to the remainder of the year, we are looking forward to continuing to leverage our innovative capabilities to meet the ever growing needs of our clients and to achieve sound return to our shareholders.

Key Financial Highlights

Gross Written Premium

For the six-month period ended June 30th 2020, ADNIC's Gross Written Premium increased by 9.1% to AED 2.56 billion compared to AED 2.35 billion for the same period in 2019.

Premium Retention

The overall premium retention ratio reached 34.3% for the six-month period ended June 30th 2020 compared to 32.6% for the same period in 2019.

Net Underwriting Income

For the six-month period ended June 30th 2020, ADNIC Net Underwriting profit increased by 67.0% to AED 276.3 million, against a Net Underwriting Profit of AED 165.4 million for the same period in 2019.

General and Administrative Expenses

General and Administrative Expenses excluding provision for doubtful debts for six-month period ended June 30th 2020 decreased by 1.8% to AED 117.0 million compared to AED 119.2 million for the same period in 2019.

Net Technical Profit

Net Technical Profit for the six-month period ended June 30th 2020 increased by 237.8% to AED 137.5 million, against a Net Technical Profit of AED 40.7 million for the same period in 2019.

Net Investment Income


ADNIC's Net Investment and Other Income is AED 55.1 million for the six-month period ended June 30th 2020 compared to AED 79.1 million for the same period in 2019.

Net Profit

For the six-month period ended June 30th 2020, Net profit increased by 59.9% to AED 189.7 million, compared to a net profit of AED 118.6 million for the same period in 2019.

Appreciation

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



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 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 on Review of Condensed Consolidated Interim Financial Information

To the Shareholders of Abu Dhabi National Insurance Company PJSC

Introduction

We have reviewed the accompanying 30 June 2020 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 June 2020;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2020;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed consolidated interim statement of changes in shareholders' equity for the six-month period ended 30 June 2020;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2020; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this 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
*Independent Auditors' Report on Review of Condensed
Consolidated Interim Financial Information
30 June 2020*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Saif Fayez Shawer
Registration No: 1131
Abu Dhabi, United Arab Emirates
Date: **05 AUG 2020**

Abu Dhabi National Insurance Company PJSC and its subsidiary

Condensed consolidated interim statement of financial position

as at

		(Unaudited) 30 June 2020 AED'000	(Audited) 31 December 2019 AED'000
	Note		
Assets			
Property and equipment		72,287	71,950
Financial assets at amortised cost	6	861,128	800,872
Financial assets at fair value through other comprehensive income	6	1,098,872	1,203,104
Financial assets at fair value through profit or loss	6	351,067	325,493
Investment properties		695,243	703,027
Statutory deposits	7	10,000	10,000
Insurance balances receivable	4	1,207,585	962,770
Reinsurers' share of unearned premiums reserve	5	1,347,936	926,667
Reinsurers' share of outstanding claims reserves	5	1,605,074	1,634,783
Reinsurers' share of claims incurred but not reported reserve	5	320,558	259,317
Prepayments and other receivables	4	150,497	112,660
Deposits	7	274,111	128,292
Bank balances and cash	7	427,575	782,073
Total assets		8,421,933	7,921,008
Equity and liabilities			
Equity			
Share capital		570,000	570,000
Share premium		110,925	110,925
Legal reserve		215,925	215,925
General reserve		1,000,000	1,000,000
Fair value reserve		27,968	94,126
Retained earnings		263,062	305,361
Total equity		2,187,880	2,296,337
Liabilities			
Employees' end of service benefits		28,667	30,916
Other payables		231,499	213,388
Accounts payables		1,170,255	1,128,766
		1,430,421	1,373,070
Technical reserves			
Unearned premiums reserve	5	2,004,159	1,385,236
Outstanding claims reserve	5	2,287,270	2,393,205
Claims incurred but not reported reserve	5	476,497	437,454
Allocated and unallocated loss adjustment expenses reserve	5	35,706	35,706
Total technical reserves		4,803,632	4,251,601
Total liabilities		6,234,053	5,624,671
Total equity and liabilities		8,421,933	7,921,008

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.



Chairman of the Board of Directors



Chief Executive Officer

The notes set out on pages 8 to 20 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 June (Unaudited)

		Three-month period ended 2020	Three-month period ended 2019	Six-month period ended 2020	Six-month period ended 2019
	<i>Note</i>	AED'000	AED'000	AED'000	AED'000
Underwriting income					
Gross premiums written	13	687,480	606,415	2,562,340	2,347,922
Reinsurance share of gross premiums written	13	(410,785)	(410,003)	(1,684,550)	(1,583,279)
		<hr/>	<hr/>	<hr/>	<hr/>
Net premiums written		276,695	196,412	877,790	764,643
Net transfer to unearned premiums reserve	13	56,963	106,256	(197,654)	(121,759)
		<hr/>	<hr/>	<hr/>	<hr/>
Net premiums earned	13	333,658	302,668	680,136	642,884
Commission income earned	13	40,508	60,759	93,929	118,567
Commission expenses incurred	13	(32,756)	(41,573)	(67,586)	(76,580)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross underwriting income		341,410	321,854	706,479	684,871
		<hr/>	<hr/>	<hr/>	<hr/>
Gross claims paid	13	(453,540)	(423,938)	(1,022,086)	(1,042,321)
Reinsurance share of claims paid	13	194,996	159,425	519,990	450,674
		<hr/>	<hr/>	<hr/>	<hr/>
Net claims paid	13	(258,544)	(264,513)	(502,096)	(591,647)
Change in outstanding claims reserve		18,981	25,726	105,935	171,206
Change in reinsurance share of outstanding claims reserve		16,637	5,400	(29,709)	(74,773)
Net change in claims incurred but not reported reserve		16,901	2,515	22,198	(5,361)
		<hr/>	<hr/>	<hr/>	<hr/>
Net claims incurred		(206,025)	(230,872)	(403,672)	(500,575)
		<hr/>	<hr/>	<hr/>	<hr/>
Underwriting income		135,385	90,982	302,807	184,296
Other income related to underwriting activities	13	4,764	4,186	6,846	8,454
Other expenses related to underwriting activities	13	(15,076)	(14,055)	(33,357)	(27,312)
		<hr/>	<hr/>	<hr/>	<hr/>
Net underwriting income	13	125,073	81,113	276,296	165,438
Income from investments, <i>net</i>	9	12,230	38,991	38,758	63,011
Income from investment properties (rental income), <i>net</i>	9	7,919	7,879	16,364	16,123
		<hr/>	<hr/>	<hr/>	<hr/>
Total income		145,222	127,983	331,418	244,572
General and administrative expenses		(59,257)	(58,643)	(117,046)	(119,214)
Charge for impairment of premiums and insurance receivable		(18,906)	(3,337)	(24,695)	(6,730)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period		67,059	66,003	189,677	118,628
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Earnings per share:					
Basic and diluted earnings per share (AED)	10	0.12	0.12	0.33	0.21
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes set out on pages 8 to 20 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 June (Unaudited)

	Three-month period ended 2020 AED'000	Three-month period ended 2019 AED'000	Six-month period ended 2020 AED'000	Six-month period ended 2019 AED'000
Profit for the period	67,059	66,003	189,677	118,628
Other comprehensive income				
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>				
(Loss) / gain on sale of equity investments at fair value through other comprehensive income, <i>net</i>	(23,969)	8,986	(87,421)	10,058
Change in fair value of equity investments at fair value through other comprehensive income, <i>net</i>	63,259	(12,364)	(61,198)	4,512
<i>Items that are or may be reclassified subsequently to the consolidated statement of profit or loss:</i>				
Change in fair value of debt investments at fair value through other comprehensive income	34,510	9,338	(4,605)	21,409
Debt investments measured at fair value through other comprehensive income – reclassified to profit or loss	(93)	887	(355)	887
Directors' remuneration	-	-	-	(5,800)
Other comprehensive income / (loss) for the period	73,707	6,847	(153,579)	31,066
Total comprehensive income for the period	140,766	72,850	36,098	149,694

The notes set out on pages 8 to 20 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 changes in shareholders' equity
for the six-month period ended 30 June (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 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	-	-	-	-	-	-	118,628	118,628
Other comprehensive income for the period	-	-	-	-	26,808	-	4,258	31,066
Total comprehensive income for the period	-	-	-	-	26,808	-	122,886	149,694
<i>Transactions with owners of the Company:</i>								
Dividend paid (note 8)	-	-	-	-	-	-	(112,500)	(112,500)
Total transactions with owners of the Company	-	-	-	-	-	-	(112,500)	(112,500)
Conversion of mandatory convertible bonds	195,000	110,925	-	-	-	(305,925)	-	-
Transfer from retained earnings to general reserve	-	-	-	150,000	-	-	(150,000)	-
Balance at 30 June 2019 (Unaudited)	570,000	110,925	187,500	1,000,000	112,722	-	157,786	2,138,933
Balance at 1 January 2020 (Audited)	570,000	110,925	215,925	1,000,000	94,126	-	305,361	2,296,337
<i>Total comprehensive income:</i>								
Profit for the period	-	-	-	-	-	-	189,677	189,677
Other comprehensive loss for the period	-	-	-	-	(66,158)	-	(87,421)	(153,579)
Total comprehensive (loss) / income for the period	-	-	-	-	(66,158)	-	102,256	36,098
<i>Transactions with owners of the Company:</i>								
Dividend paid (note 8)	-	-	-	-	-	-	(144,555)	(144,555)
Total transactions with owners of the Company	-	-	-	-	-	-	(144,555)	(144,555)
Balance at 30 June 2020 (Unaudited)	570,000	110,925	215,925	1,000,000	27,968	-	263,062	2,187,880

The notes set out on pages 8 to 20 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 six-month period ended 30 June (Unaudited)

	Note	2020 AED'000	2019 AED'000
Cash flows from operating activities			
Profit for the period		189,677	118,628
<i>Adjustments for:</i>			
Depreciation		10,083	9,732
Amortisation		1,142	1,172
Net impairment loss on insurance balances receivable		24,695	6,730
Allowance for impairment loss on other financial assets		263	1,703
Fair value loss / (gain) on financial assets at fair value through profit or loss	9	21,873	(5,739)
Change in fair value of investment properties	9	5,332	-
Accretion on mandatory convertible bonds		-	1,290
Amortisation of transaction cost - mandatory convertible bonds		-	83
Loss on disposal of property and equipment		2	-
Provision for employees' end of service benefits		1,931	1,896
Net cash generated from operations		254,998	135,495
<i>Changes in:</i>			
Insurance balances receivable, prepayments and other receivables		(307,754)	(302,996)
Accounts and other payables		62,181	250,798
Unearned premiums reserve, <i>net</i>		197,654	121,760
Gross outstanding claims and IBNR reserves		(66,892)	(6,843)
Reinsurers' share of outstanding claims and IBNR reserves		(31,532)	(84,229)
Cash generated from operations		108,655	113,985
Employees' end of service benefits paid		(4,180)	(541)
Net cash generated from operating activities		104,475	113,444
Cash flows from investing activities			
Proceeds from sale of investments		348,836	408,211
Purchase of investments		(506,766)	(450,124)
Bank deposits (placed) / withdrawn, <i>net</i>		(146,028)	124,629
Purchase of property and equipment		(10,550)	(4,037)
Net cash (used in) / generated from investing activities		(314,508)	78,679
Cash flows from financing activities			
Dividend paid		(144,555)	(112,500)
Directors' remuneration		-	(5,800)
Interest paid on mandatory convertible bonds		-	(29,250)
Net cash used in financing activities		(144,555)	(147,550)
Net (decrease) / increase in cash and cash equivalents		(354,588)	44,573
Cash and cash equivalents at 1 January		782,518	336,769
Cash and cash equivalents at 30 June	7	427,930	381,342

Material non-cash transactions include transfer from investment properties to property and equipment of AED 2,452 thousand and write off of right-of-use of assets relating to leased properties classified under property and equipment of AED 2,581 thousand.

The notes set out on pages 8 to 20 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 registered and 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, Insurance Authority Board decision No. (25) of 2014 Pertinent to Financial Regulations for insurance companies and Insurance Authority Board of Directors’ Decision No. (23) of 2019 concerning Instructions Organising Reinsurance Operations. The Group’s principal activity is the transaction of insurance and reinsurance business of all classes and is registered with the Insurance Companies Register of Insurance Authority of UAE under registration No. 001. 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, this condensed consolidated interim financial information does 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 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results for the year ending 31 December 2020.

(b) 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
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.

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

(c) 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.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

2 Basis of preparation *(continued)*

(d) 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.

(e) Use of judgments and estimates

In preparing this condensed consolidated interim financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements for the year ended 31 December 2019 except the following estimates and judgements which are applicable from 1 January 2020.

Impact of COVID-19

On 11 March 2020, the World Health Organization (“WHO”) officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain the spread of the virus.

This note outlines the steps taken by the Group to estimate the impact of COVID-19 and the judgements applied by management in assessing the values of assets and liabilities as at 30 June 2020.

i) Assessment of expected credit loss

The Group uses a range of macro-economic factors in the assessment of ECL. The Group periodically reviews and updates selected economic series and applies judgement in determining what constitutes reasonable and forward looking estimates.

For the six-month period ended 30 June 2020, the Group has used the mechanism to stress the probability scenario weightages to estimate additional ECL requirements due to COVID-19 as in comparison to the scenario weightages used as of 31 December 2019.

In the context of COVID-19 crisis, Loss given Default (“LGD”) and Exposure at Default (“EAD”) estimates have also been critically assessed. This assessment has considered several aspects including cash situation and credit rating of the counterparties.

ii) Liquidity risk management

In response to COVID-19 outbreak, the Group continues to monitor and respond to all liquidity requirements that are presented. The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in the current extreme stress. As at the reporting date the liquidity position of the Group remains strong and is well placed to absorb and manage the impacts of this disruption.

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

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 2019.

4 Insurance balances receivable, prepayments and other receivables

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Insurance balances receivable	1,372,447	1,102,937
Less: allowance for expected credit losses	(164,862)	(140,167)
Insurance balances receivable	<u>1,207,585</u>	<u>962,770</u>
<i>Prepayments and other receivables:</i>		
Deferred acquisition costs	89,506	76,721
Rental income receivables, <i>net</i>	2,493	3,131
Prepayments	13,917	7,146
Other receivables, net of expected credit losses (i)	44,581	25,662
Prepayments and other receivables	<u>150,497</u>	<u>112,660</u>
Total insurance balances receivable, prepayments and other receivables	<u><u>1,358,082</u></u>	<u><u>1,075,430</u></u>

(i) Other receivables are stated net of expected credit losses amounting to AED 1,932 thousand (31 December 2019: AED 1,525 thousand).

5 Insurance contract liabilities and reinsurance contract assets

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Insurance contract liabilities		
Unearned premiums reserve (i)	2,004,159	1,385,236
Outstanding claims reserve (ii)	2,322,976	2,428,911
Claims incurred but not reported reserve	476,497	437,454
	<u>4,803,632</u>	<u>4,251,601</u>
Re-insurance contract assets		
Unearned premiums reserve	1,347,936	926,667
Outstanding claims reserve	1,605,074	1,634,783
Claims incurred but not reported reserve	320,558	259,317
	<u>3,273,568</u>	<u>2,820,767</u>

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

5 Insurance contract liabilities and reinsurance contract assets *(continued)*

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Insurance contract liabilities, net		
Unearned premiums reserve (i)	656,223	458,569
Outstanding claims reserve (ii)	717,902	794,128
Claims incurred but not reported reserve	155,939	178,137
	1,530,064	1,430,834

(i) Unearned premiums reserve includes:

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Premiums deficiency reserve, <i>gross</i>	78,581	110,097
Premiums deficiency reserve, <i>net</i>	15,692	29,831
Unexpired risk reserve, <i>gross</i>	51,098	40,860
Unexpired risk reserve, <i>net</i>	15,551	13,080

(ii) Outstanding claims reserve includes allocated and unallocated loss adjustment expenses reserve of AED 35.7 million (31 December 2019: AED 35.7 million).

6 Investments

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Financial assets at amortised cost	861,128	800,872
Financial assets at fair value through other comprehensive income	1,098,872	1,203,104
Financial assets at fair value through profit or loss	351,067	325,493
	2,311,067	2,329,469
Geographical concentration of investments is as follows:		
Within UAE	1,407,027	1,382,786
Outside UAE	904,040	946,683
	2,311,067	2,329,469

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

7 Cash and cash equivalents

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Cash on hand	80	90
Statutory deposits (i), (ii)	10,000	10,000
Cash / call / current accounts with local banks, including deposits (i)	702,235	910,785
<i>Less:</i> allowance for expected credit losses	(629)	(510)
	<hr/>	<hr/>
Total bank balances and cash	711,686	920,365
<i>Less:</i> statutory deposits	(10,000)	(10,000)
<i>Less:</i> deposits with original maturities of three months or more	(274,111)	(128,292)
	<hr/>	<hr/>
Bank balances and cash	427,575	782,073
<i>Add:</i> allowance for expected credit losses	355	445
	<hr/>	<hr/>
Cash and cash equivalents for the purpose of the condensed consolidated interim statement of cash flows	427,930	782,518
	<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 for expected credit losses is as follows:

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Within UAE	688,420	901,153
Outside UAE	23,266	19,212
	<hr/>	<hr/>
	711,686	920,365
	<hr/> <hr/>	<hr/> <hr/>

- (i) Interest rates on bank deposits range between 0.55% to 2.50% (31 December 2019: 2.00% to 3.50%).
- (ii) 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 2019: AED 10 million) which cannot be utilised without the consent of the Chairman of the UAE Insurance Authority's Board of Directors.

8 Retained earnings

At the Annual General Assembly held on 15 March 2020 (31 December 2019: 19 March 2019 relating to the results of the year ended 31 December 2018), the Shareholders approved the distribution of cash dividend relating to the results for the year ended 31 December 2019 of AED 0.30 per share amounting to AED 144,555 thousand (31 December 2019: AED 0.30 per share amounting to AED 112,500 thousand).

Dividend on shares resulting from conversion of mandatory convertible bonds are calculated from the date of conversion of bonds of 15 June 2019 in accordance with Article No. (232) of the Commercial Companies Law.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

8 Retained earnings (continued)

At the Annual General Assembly held on 15 March 2020, the Shareholders approved board of directors' remuneration relating to the results for the year ended 31 December 2019 amounting to AED 5,800 thousand (31 December 2019: AED 5,800 thousand relating to the results for the year ended 31 December 2018).

9 Net investments and other income

	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	Three-month period ended		Six-month period ended	
	30 June		30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Income from investment properties (rental income), <i>net</i>	7,919	7,879	16,364	16,123
Dividend income	24,645	31,013	49,549	44,101
Net interest income on bank deposits and bonds	9,163	11,623	20,121	24,703
Decrease in fair value of investment properties	(2,666)	-	(5,332)	-
Change in fair value of financial assets at fair value through profit or loss	(16,962)	2,418	(21,873)	5,739
Other expenses, <i>net</i>	(1,950)	(6,063)	(3,707)	(11,532)
Income from investments, <i>net</i>	12,230	38,991	38,758	63,011
	20,149	46,870	55,122	79,134

10 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>(Unaudited)</i>	
	Three-month period ended		Six-month period ended	
	30 June		30 June	
	2020	2019	2020	2019
Profit for the period (AED'000)	67,059	66,003	189,677	118,628
Accretion recognised during the period on mandatory convertible bonds (AED'000)	-	590	-	1,290
Profit for the period used for calculating basic and diluted earnings per share (AED'000)	67,059	66,593	189,677	119,918
Ordinary shares outstanding during the period (shares in '000)	570,000	570,000	570,000	570,000
Basic and diluted earnings per share (AED)	0.12	0.12	0.33	0.21

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

11 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:

	30 June 2020 (Unaudited)			
	Directors and key management AED'000	Major shareholder AED'000	Others AED'000	Total AED'000
Insurance balances receivable, prepayments and other receivables	735	1,838	207,460	210,033
Accounts payables	43	-	15,400	15,443
Cash and bank balances	-	-	217,990	217,990
Investments	-	-	432,839	432,839
Statutory deposits	-	-	10,000	10,000
Insurance contract liabilities	33	59	1,250,717	1,250,809

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

	31 December 2019 (Audited)			
	<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 balances receivable, prepayments and other receivables	1,588	2	143,799	145,389
Accounts payables	316	-	11,031	11,347
Cash and bank balances	-	-	127,087	127,087
Investments	-	-	417,847	417,847
Statutory deposits	-	-	10,000	10,000
Insurance contract liabilities	103	70	1,014,827	1,015,000

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

11 Related parties (continued)

Contingent liabilities issued in favor of related parties as at 30 June 2020 amounted to AED 95,450 thousand (31 December 2019: AED 96,237 thousand).

Transactions with related parties during the period are as follows:

	Six-month period ended 30 June 2020 (Unaudited)			
	Directors and key management AED'000	Major shareholder AED'000	Others AED'000	Total AED'000
Premiums written	53	64	773,753	773,870
Claims incurred	23	46	250,283	250,352
Dividend income	-	-	8,779	8,779
Interest income	-	-	5,241	5,241
Directors' remuneration	5,800	-	-	5,800
Other investment income	-	-	84	84

	Six-month period ended 30 June 2019 (Unaudited)			
	Directors and key management AED'000	Major shareholder AED'000	Others AED'000	Total AED'000
Premiums written	128	83	707,798	708,009
Claims incurred	7	8	11,197	11,212
Dividend income	-	-	6,064	6,064
Interest income	-	-	10,497	10,497
Directors' remuneration	5,800	-	-	5,800
Other investment income	-	-	92	92

Compensation of key management personnel is as follows:

	(Unaudited) Six-month period ended 30 June 2020 AED'000	(Unaudited) Six-month period ended 30 June 2019 AED'000
Salaries and short-term benefits	8,716	8,815
Staff end of service benefits	231	226
	8,947	9,041

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

12 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 IFRS. 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.

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 June 2020 (Unaudited)</i>				
Financial assets at fair value through profit or loss	82,906	-	268,161	351,067
Financial assets at fair value through OCI	952,294	-	146,578	1,098,872
	<u>1,035,200</u>	<u>-</u>	<u>414,739</u>	<u>1,449,939</u>
<i>31 December 2019 (Audited)</i>				
Financial assets at fair value through profit or loss	1,871	-	323,622	325,493
Financial assets at fair value through OCI	1,027,605	-	175,499	1,203,104
	<u>1,029,476</u>	<u>-</u>	<u>499,121</u>	<u>1,528,597</u>

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

12 Fair value of financial instruments *(continued)*

The valuation techniques and inputs used in these condensed consolidated interim financial information are same as those as those described in the Group's last annual consolidated financial statements for the year ended 31 December 2019.

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.

	Carrying amount AED'000	Fair value AED'000
30 June 2020 (Unaudited)		
Financial assets at amortised cost	861,128	888,999
31 December 2019 (Audited)		
Financial assets at amortised cost	800,872	822,750

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

	<i>(Unaudited)</i> 30 June 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Balance as at 1 January	499,121	501,799
Change in fair value	(40,830)	(26,341)
Additions	110,532	105,855
Transfers	(96,780)	(18,275)
Disposals	(57,304)	(63,917)
Balance as at period / year end	414,739	499,121

During the six-month period ended 30 June 2020, there were transfers from Level 3 to Level 1 of AED 96,780 thousand (*31 December 2019: from Level 3 to Level 1 of AED 18,275 thousand*).

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

13 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.

	Six-month period ended 30 June (Unaudited)					
	Commercial		Consumer		Total	
	30 June 2020 AED'000	30 June 2019 AED'000	30 June 2020 AED'000	30 June 2019 AED'000	30 June 2020 AED'000	30 June 2019 AED'000
Gross premiums written	1,517,946	1,295,856	1,044,394	1,052,066	2,562,340	2,347,922
Less: reinsurance share of gross premiums written	(1,283,746)	(1,086,894)	(400,804)	(496,385)	(1,684,550)	(1,583,279)
Net premiums written	234,200	208,962	643,590	555,681	877,790	764,643
Net transfer to unearned premiums reserve	(29,889)	(36,860)	(167,765)	(84,899)	(197,654)	(121,759)
Net premiums earned	204,311	172,102	475,825	470,782	680,136	642,884
Gross claims paid	(443,645)	(388,836)	(578,441)	(653,485)	(1,022,086)	(1,042,321)
Less: reinsurance share of claims paid	309,070	267,956	210,920	182,718	519,990	450,674
Net claims paid	(134,575)	(120,880)	(367,521)	(470,767)	(502,096)	(591,647)
Net change in outstanding claims and incurred but not reported claims reserves	78,408	46,886	20,016	44,186	98,424	91,072
Net claims incurred	(56,167)	(73,994)	(347,505)	(426,581)	(403,672)	(500,575)
Commission income earned	55,669	77,022	38,260	41,545	93,929	118,567
Commission expenses incurred	(48,208)	(52,856)	(19,378)	(23,724)	(67,586)	(76,580)
Net commissions income	7,461	24,166	18,882	17,821	26,343	41,987
Other underwriting income	5,237	5,567	1,609	2,887	6,846	8,454
Other underwriting expenses	(10,931)	(8,427)	(22,426)	(18,885)	(33,357)	(27,312)
Net other underwriting expenses	(5,694)	(2,860)	(20,817)	(15,998)	(26,511)	(18,858)
Net underwriting income	149,911	119,414	126,385	46,024	276,296	165,438
Net investment and other income					55,122	79,134
General and administrative expenses					(117,046)	(119,214)
Charge for impairment of premiums and insurance receivable					(24,695)	(6,730)
Profit for the period					189,677	118,628

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

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the condensed consolidated interim financial information

13 Segment information (continued)

	Three-month period ended 30 June (Unaudited)					
	Commercial		Consumer		Total	
	30 June 2020 AED'000	30 June 2019 AED'000	30 June 2020 AED'000	30 June 2019 AED'000	30 June 2020 AED'000	30 June 2019 AED'000
Gross premiums written	417,954	362,453	269,526	243,962	687,480	606,415
Less: reinsurance share of gross premiums written	(319,147)	(296,453)	(91,638)	(113,550)	(410,785)	(410,003)
Net premiums written	98,807	66,000	177,888	130,412	276,695	196,412
Net transfer to unearned premiums reserve	(4,345)	12,788	61,308	93,468	56,963	106,256
Net premiums earned	94,462	78,788	239,196	223,880	333,658	302,668
Gross claims paid	(188,356)	(109,922)	(265,184)	(314,016)	(453,540)	(423,938)
Less: reinsurance share of claims paid	105,780	64,711	89,216	94,714	194,996	159,425
Net claims paid	(82,576)	(45,211)	(175,968)	(219,302)	(258,544)	(264,513)
Net change in outstanding claims and incurred but not reported claims reserves	59,520	21,418	(7,001)	12,223	52,519	33,641
Net claims incurred	(23,056)	(23,793)	(182,969)	(207,079)	(206,025)	(230,872)
Commission income earned	22,966	39,202	17,542	21,557	40,508	60,759
Commission expenses incurred	(22,799)	(28,898)	(9,957)	(12,675)	(32,756)	(41,573)
Net commissions income	167	10,304	7,585	8,882	7,752	19,186
Other underwriting income	3,727	2,739	1,037	1,447	4,764	4,186
Other underwriting expenses	(5,313)	(4,261)	(9,763)	(9,794)	(15,076)	(14,055)
Net other underwriting expenses	(1,586)	(1,522)	(8,726)	(8,347)	(10,312)	(9,869)
Net underwriting income	69,987	63,777	55,086	17,336	125,073	81,113
Net investment and other income					20,149	46,870
General and administrative expenses					(59,257)	(58,643)
Charge for impairment of premiums and insurance receivable					(18,906)	(3,337)
Profit for the period					67,059	66,003

14 Contingent liabilities and commitments

	(Unaudited) 30 June 2020 AED'000	(Audited) 31 December 2019 AED'000
Commitments in respect of uncalled subscription of equities held as investments	44,681	64,600
Bank guarantees	207,610	218,602
Letters of credit	384	384

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

14 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.

15 General

The condensed consolidated interim financial information of the Group was approved for issuance on behalf of the Board of Directors on 5 August 2020.