

**OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARIES**

**Review report and interim financial information
for the three months period ended 31 March 2017**

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Oman Insurance Company P.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Insurance Company P.S.C. (the "Company") and its Subsidiaries (together referred to as the "Group") as at 31 March 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information 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 financial information is not prepared, in all material respects in accordance with International Accounting Standards 34, "*Interim Financial Reporting*".

Deloitte & Touche (M.E.)



Signed by:
Musa Ramahi
Registration Number 872
15 May 2017
Dubai, United Arab Emirates

Condensed consolidated statement of financial position
At 31 March 2017

	Notes	31 March 2017 (unaudited) AED'000	31 December 2016 (audited) AED'000
ASSETS			
Property and equipment		19,735	21,255
Intangible assets		76,653	78,197
Investment properties		511,364	511,364
Goodwill		14,880	15,365
Deferred tax assets		6,692	9,126
Financial investments	5	1,343,646	1,847,946
Statutory deposits		156,445	121,715
Reinsurance contract assets	6	2,463,652	2,407,487
Deferred acquisition costs		153,267	128,630
Insurance receivables	19	1,681,409	1,531,259
Prepayments and other receivables		140,596	118,214
Bank balances and cash		855,247	465,378
Total assets		7,423,586	7,255,936
EQUITY AND LIABILITIES			
Equity			
Share capital	7	461,872	461,872
Reserves	8	1,477,337	1,477,337
Cumulative changes in fair value of securities		(272,805)	(332,402)
Foreign currency translation reserve		(27,681)	(27,100)
Retained earnings		269,579	352,729
Equity attributable to the Owners of the Company		1,908,302	1,932,436
Non-controlling interests		23,696	24,657
Total equity		1,931,998	1,957,093
Liabilities			
Insurance contract liabilities	6	4,218,398	3,956,799
End of service benefits		33,438	32,769
Bank borrowings	9	230,675	367,732
Deferred commission income		114,087	95,633
Re-insurance deposits retained		71,437	67,322
Insurance payables		693,669	680,223
Other payables		129,884	98,365
Total liabilities		5,491,588	5,298,843
Total equity and liabilities		7,423,586	7,255,936

.....
Abdul Aziz Abdulla Al Ghurair
Chairman

.....
Christos Adamantiadis
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated income statement (unaudited)
for the three months period ended 31 March 2017**

	Three months period ended 31 March	
	2017	2016
	AED'000	AED'000
Gross insurance premium	1,169,399	1,155,627
Less: Insurance premium ceded to reinsurers	(654,729)	(742,344)
Net retained premium	514,670	413,283
Net change in unearned premium	(163,973)	(77,655)
Net earned insurance premium	350,697	335,628
Gross claims settled	(632,935)	(479,749)
Insurance claims recovered from reinsurers	396,186	220,686
Net claims settled	(236,749)	(259,063)
Net change in outstanding claims and additional reserves	(24,896)	2,854
Net claims incurred	(261,645)	(256,209)
Reinsurance commission income	84,768	86,439
Commission expenses	(89,399)	(89,463)
Other income relating to underwriting activities	10,844	11,900
Net commission and other income	6,213	8,876
General and administrative expenses relating to underwriting activities	(77,215)	(73,330)
Net underwriting profit	18,050	14,965

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated income statement (unaudited)
for the three months period ended 31 March 2017 (continued)**

	Three months period ended 31 March	
	2017	2016
	AED'000	AED'000
Net underwriting profit	18,050	14,965
Net investment income	25,668	20,069
Finance costs	(735)	(334)
Allowance for doubtful debts	(6,631)	(347)
Other expenses – net	(8,756)	(10,331)
Profit before tax	27,596	24,022
Income tax expenses	(2,144)	(1,589)
Profit for the period	25,452	22,433
Attributable to:		
Owners of the Company	25,983	24,296
Non-controlling interests	(531)	(1,863)
	25,452	22,433
Basic earnings per share (AED) (Note 10)	0.06	0.05

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of comprehensive income (unaudited)
for the three months period ended 31 March 2017**

	Three months period ended 31 March	
	2017	2016
	AED'000	AED'000
Profit for the period	25,452	22,433
Other comprehensive loss:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net fair value loss on revaluation of investments designated at FVTOCI	(3,349)	(9,635)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange (loss)/gain on translating foreign operations	(1,011)	2,536
Total other comprehensive loss for the period	(4,360)	(7,099)
Total comprehensive income for the period	21,092	15,334
Attributable to:		
Owners of the Company	22,053	16,303
Non-controlling interests	(961)	(969)
	21,092	15,334

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of changes in equity
for the three months period ended 31 March 2017**

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value of securities AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Equity attributable to the Owners of the Company AED '000	Non- controlling interests AED '000	Total AED '000
Balance at 31 December 2015 - (audited)	461,872	1,456,956	(387,941)	(24,158)	376,362	1,883,091	31,777	1,914,868
Profit for the period	-	-	-	-	24,296	24,296	(1,863)	22,433
Other comprehensive loss for the period	-	-	(9,635)	1,642	-	(7,993)	894	(7,099)
Total comprehensive income for the period	-	-	(9,635)	1,642	24,296	16,303	(969)	15,334
Cash dividends (Note 23)	-	-	-	-	(46,187)	(46,187)	-	(46,187)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	21,725	-	(21,725)	-	-	-
Balance at 31 March 2016 (unaudited)	461,872	1,456,956	(375,851)	(22,516)	332,746	1,853,207	30,808	1,884,015
Balance at 31 December 2016 (audited)	461,872	1,477,337	(332,402)	(27,100)	352,729	1,932,436	24,657	1,957,093
Profit for the period	-	-	-	-	25,983	25,983	(531)	25,452
Other comprehensive loss for the period	-	-	(3,349)	(581)	-	(3,930)	(430)	(4,360)
Total comprehensive income for the period	-	-	(3,349)	(581)	25,983	22,053	(961)	21,092
Cash dividends (Note 23)	-	-	-	-	(46,187)	(46,187)	-	(46,187)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	62,946	-	(62,946)	-	-	-
Balance at 31 March 2017 (unaudited)	461,872	1,477,337	(272,805)	(27,681)	269,579	1,908,302	23,696	1,931,998

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2017**

	Three months period ended 31 March	
	2017	2016
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period before tax	27,596	24,022
Adjustments for:		
Depreciation of property and equipment	5,594	4,416
Unrealised (gains)/ losses on financial investments at FVTPL	(18,994)	6,233
Provision for end of service benefits	1,901	1,386
Allowance for doubtful debts	6,631	347
Dividends income from financial investments at FVTPL and FVTOCI	(9,451)	(10,929)
Interest income from financial assets	(14,002)	(13,937)
Amortisation of financial assets	487	726
Realised gains on sale of financial investments at FVTPL	(293)	-
Realised (gains)/losses on sale of financial investments at amortised cost	(7,233)	162
Finance costs	735	334
Other investment expenses	7,877	4,347
Rental income from investment properties	(2,228)	(2,187)
Unrealised loss on fair valuation of derivatives	205	1,639
Operating cash flows before changes in operating assets and liabilities	(1,175)	16,559
Increase in reinsurance contract assets	(56,165)	(428,553)
Increase in insurance and other receivables	(178,907)	(318,903)
Increase in deferred acquisition costs	(24,637)	(15,826)
Increase in insurance contract liabilities	244,967	507,030
(Decrease)/increase in insurance and other payables	(1,761)	243,666
Increase in reinsurance deposits retained	4,115	2,718
Increase in deferred commission income	18,454	20,918
Net cash generated from operations	4,891	27,609
End of service benefits paid	(1,232)	(1,148)
Finance costs paid	(735)	(334)
Net cash generated from operating activities	2,924	26,127

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2017 (continued)**

	Three months period ended 31 March	
	2017	2016
	AED'000	AED'000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(37,371)	(27,313)
Proceeds from sale of financial investments at FVTOCI	190,721	33,721
Purchases of financial investments at FVTPL	(28,470)	(26,233)
Proceeds from sale of financial investments at FVTPL	47,250	42,872
Decrease in unit linked liabilities	16,632	(21,895)
Proceeds from sale of financial investments at amortised cost	455,536	31,612
Purchase of financial investments at amortised cost	(100,682)	(27,978)
Dividends income from financial investments at FVTPL and FVTOCI	5,306	5,959
Interest income from financial assets	17,974	13,246
Rental income from investment properties	2,145	2,127
Other investment expenses	(7,543)	(5,000)
Purchase of property and equipment	(1,232)	(611)
Purchase of intangible assets	(1,751)	-
Decrease in term deposits maturing after 3 months	75,645	26,400
Increase in statutory deposits	(34,730)	-
Net cash generated from investing activities	599,430	46,907
Cash flows from financing activities		
Decrease in bank borrowings	(137,057)	(33,489)
Dividends paid	-	(46,187)
Cash used in financing activities	(137,057)	(79,676)
Net increase/(decrease) in cash and cash equivalents	465,297	(6,642)
Cash and cash equivalents at the beginning of the period	295,390	181,320
Effects of exchange rate changes on the balances of cash held in foreign currency	217	1,607
Cash and cash equivalents at the end of the period (note 11)	760,904	176,285

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017**

1. General information

Oman Insurance Company P.S.C., (the “Company”) which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai, as a public shareholding company. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of the U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. The Company’s registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises Oman Insurance Company P.S.C and its subsidiaries. The Company’s ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The licensed activities of the Company are issuing short term and long term insurance contracts and trading in securities. The insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked products.

The Company also operates in Sultanate of Oman, State of Qatar, and Republic of Turkey.

2. Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Financial improvements to IFRS Standards 2014 – 2016 Cycle – Amendments to IFRS 12 Disclosure of Interest in Other Entities.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28

**Effective for
annual periods
beginning on or after**

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

IFRIC 22 Foreign Currency Transactions and Advance Consideration

1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions

1 January 2018

Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

1 January 2018

Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

1 January 2018

Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.

1 January 2018

A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IFRS 4: Insurance Contracts which introduces the overlay approach and deferral approach towards implementing IFRS 9 before implementing the replacement standard that the IASB Board is developing for IFRS 4

When IFRS 9 is first applied or 1 January 2021 under deferral approach.

IFRS 15 Revenue from Contracts with Customers

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

1 January 2018

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

IFRS 16 *Leases*

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for finalised version of IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of their standard as the Group is in the process of performing a detailed review.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "Interim Financial Reporting" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The Group presents its condensed consolidated statement of financial position broadly in order of liquidity.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2016. In addition, results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.2 Significant accounting policies

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2016.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment properties, property and equipment and financial assets have been disclosed in these condensed consolidated financial statements (Notes 3.4 to 3.6).

3.3 Basis of consolidation

The condensed consolidated financial statements of Oman Insurance P.S.C. and Subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.5 Property and equipment

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipments	3 - 5
Motor vehicles	5

3.6 Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

3.6.1 Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

3.6.2 Financial assets at amortised cost and the effective interest method

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see 3.6.8 below), with interest income recognised on an effective yield basis in investment income.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.2 Financial assets at amortised cost and the effective interest method (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3.6.3 Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and deposits held with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

3.6.4 Insurance receivables, other receivables and statutory deposits

Insurance receivables, other receivables and statutory deposits are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.6.5 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.5 Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.6.6 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Investment linked components of insurance contracts are classified as at FVTPL. Any gains or losses arising on remeasurement of these assets and equivalent movements in reserves attributable to policyholders are offset within the same line in the consolidated income statement.

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue.

3.6.7 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.7 Foreign exchange gains and losses (continued)

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in profit or loss.

3.6.8 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as insurance receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.9 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions 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.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. Financial investments

The Group's financial investments at the end of reporting period are detailed below.

	31 March 2017 (unaudited) AED '000	31 December 2016 (audited) AED '000
At fair value through profit or loss	295,415	294,908
At fair value through other comprehensive income	423,474	580,173
Measured at amortised cost	624,757	972,865
	1,343,646	1,847,946

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

5. Financial investments (continued)

Financial investments measured at amortised cost include quoted bonds. These bonds carry interest at coupon rates of 1.8% to 7.8% per annum. The Group holds these investments with the objective of receiving the contractual cash flows over the instruments life. The fair value of these bonds at 31 March 2017 is AED 629,219 thousand (31 December 2016: AED 973,682 thousand).

The movements in investments are as follows:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
At 31 December 2015 (audited)	308,955	466,611	962,622	1,738,188
Purchases	135,638	217,288	161,040	513,966
Disposals	(159,569)	(121,378)	(148,567)	(429,514)
Amortisation	-	-	(2,230)	(2,230)
Changes in fair value	9,884	17,652	-	27,536
At 31 December 2016 (audited)	294,908	580,173	972,865	1,847,946
Purchases	28,470	37,371	100,682	166,523
Disposals	(46,957)	(190,721)	(448,303)	(685,981)
Amortisation	-	-	(487)	(487)
Changes in fair value	18,994	(3,349)	-	15,645
At 31 March 2017 (unaudited)	295,415	423,474	624,757	1,343,646

5.1 Reclassification of financial investments measured at FVTPL

On 28 March 2013, management revisited the Group's business model for managing the financial investments and changed its business model for managing investments in debt instruments. Accordingly, the Group reclassified AED 352,391 thousand from FVTPL to amortised cost from 1 April 2013. The business model has been changed from realizing the fair value by disposing of the investment to hold the asset until its maturity so as to collect the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

These bonds carry effective interests at the rates of 2% to 9% per annum at the date of reclassification. The interest income recognized on these investments for the reporting period ended 31 March 2017 is AED 1,717 thousand (31 March 2016: AED 1,346 thousand).

The fair value loss recognized in profit or loss during the reporting period would have been increased by AED 256 thousand (31 March 2016: AED 386 thousand) if these financial assets had not been reclassified.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

6. Insurance contract liabilities and reinsurance contract assets

	31 March 2017 (unaudited) AED '000	31 December 2016 (audited) AED '000
Insurance contract liabilities		
Outstanding claims	1,781,630	1,867,591
Additional reserve	349,232	317,739
Life assurance fund	227,862	235,138
Unearned premium	1,577,988	1,271,277
Unit linked liabilities	272,183	255,551
Unallocated loss adjustment expenses reserve	9,503	9,503
	<u>4,218,398</u>	<u>3,956,799</u>
Recoverable from re-insurers		
Outstanding claims	1,379,792	1,483,302
Additional reserve	229,623	205,477
Unearned premiums	854,237	718,708
	<u>2,463,652</u>	<u>2,407,487</u>
Insurance contract liabilities – net		
Outstanding claims	401,838	384,289
Additional reserve	119,609	112,262
Life assurance fund	227,862	235,138
Unearned premiums	723,751	552,569
Unit linked liabilities	272,183	255,551
Unallocated loss adjustment expenses reserve	9,503	9,503
	<u>1,754,746</u>	<u>1,549,312</u>

7. Share capital

	31 March 2017 (unaudited) AED '000	31 December 2016 (audited) AED '000
Authorised, issued and fully paid 461,872,125 shares of AED 1 each (31 December 2016: 461,872,125 shares of AED 1 each)	<u>461,872</u>	<u>461,872</u>

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

8. Reserves

	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Total AED '000
Balance at 31 December 2015 (audited)	230,936	303,750	913,327	8,943	1,456,956
Balance at 31 March 2016 (unaudited)	230,936	303,750	913,327	8,943	1,456,956
Balance at 31 December 2016 (audited)	230,936	303,750	933,051	9,600	1,477,337
Balance at 31 March 2017 (unaudited)	230,936	303,750	933,051	9,600	1,477,337

9. Bank borrowings

	31 March 2017 (unaudited) AED '000	31 December 2016 (audited) AED '000
Short term loan	230,675	367,732

Short term loan was secured by assignment of certain bank deposits in favour of the lending institution. The term loan carried a fixed interest rate of 1.11% per annum.

10. Basic earnings per share

	Three months period ended 31 March 2017 (unaudited)	2016 (unaudited)
Profit for the period attributable to the Owners of the Company (AED '000)	25,983	24,296
Number of shares	461,872,125	461,872,125
Basic earnings per share (AED)	0.06	0.05

Basic earnings per share are calculated by dividing the profit for the period attributable to Owners of the Company by the number of shares outstanding at the end of the reporting period.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

11. Cash and cash equivalents

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Deposits with banks maturing within 3 months	71,341	95,767
Current accounts and cash	689,563	80,518
	<u>760,904</u>	<u>176,285</u>

12. Related party transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

12.1 At the end of the reporting period, amounts due from/to related parties are included in the following accounts:

	31 March 2017	31 December 2016
	(unaudited)	(audited)
	AED '000	AED '000
Cash and bank balances	173,209	180,688
Bank borrowings	230,675	357,855
Statutory deposits	45,312	10,000
Net insurance receivable	65,762	38,213
Net insurance payable	1,294	1,519

12.2 During the period, the Group entered into the following transactions with related parties:

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Premiums	35,728	28,655
Claims	15,021	17,937
Interest income	163	145
Interest expense	1,217	-
Rental expense	839	1,187

Premiums are charged to related parties at rates agreed with management.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

12. Related party transactions (continued)

12.3 Compensation of key management personnel

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Directors' fees	2,250	2,250
Salaries and benefits	618	618
End of service benefits	201	-
Total compensation paid to the key management personnel	3,069	2,868

13 Contingent liabilities

At 31 March 2017, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 113 million (31 December 2016: AED 105 million).

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Group's consolidated financial performance or consolidated financial position.

14. Commitments

	31 March 2017	31 December 2016
	(unaudited)	(audited)
	AED '000	AED '000
14.1 Purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	12,721	12,721
Capital commitments towards acquisitions of property and equipment and intangible assets	-	295

14.2. Operating lease commitments

At the end of the reporting period, minimum lease commitments under non-cancellable operating lease agreements are as follows:

	31 March 2017	31 December 2016
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	7,259	2,632
Second to fifth year	3,462	1,407

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

15. Locations of assets

As required by Securities and Commodities Authority notification dated 12 October 2008, the locations of assets are disclosed below:

	31 March 2017 (unaudited)			31 December 2016 (audited)		
	In U.A.E. AED '000	In other countries AED '000	Total AED '000	In U.A.E. AED '000	In other countries AED '000	Total AED '000
Property and equipment	17,263	2,472	19,735	18,837	2,418	21,255
Investment properties	511,364	-	511,364	511,364	-	511,364
Financial investments at FVTOCI	177,333	246,141	423,474	326,431	253,742	580,173
Financial investments at FVTPL	3,495	291,920	295,415	3,079	291,829	294,908
Financial investments at amortised cost	411,751	213,006	624,757	523,652	449,213	972,865
Bank balances and cash	667,436	187,811	855,247	275,877	189,501	465,378
	<u>1,788,642</u>	<u>941,350</u>	<u>2,729,992</u>	<u>1,659,240</u>	<u>1,186,703</u>	<u>2,845,943</u>

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

16. Segment information

For management purposes, the Group is organised into three business segments, general insurance, life insurance including medical and investments. The general insurance segment comprises property, motor, general accident, aviation and marine risks. The life insurance segment includes individual life (participating and non-participating), medical, group life and personal accident as well as investment linked products. Investment comprises investments (financial and non-financial), deposits with banks and cash management for the Group's own accounts.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision Maker.

Segmental information is presented below:

16.1 Segment premium and results by operating segments

	Three months period ended 31 March (unaudited)					
	General insurance		Life assurance and Medical		Total	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
Gross insurance premium	548,141	507,443	621,258	648,184	1,169,399	1,155,627
Net underwriting profit/(loss)	13,370	16,637	4,680	(1,672)	18,050	14,965
Net investment income					25,668	20,069
Finance costs					(735)	(334)
Allowance for doubtful debts					(6,631)	(347)
Other expenses – net					(8,756)	(10,331)
Profit before tax					27,596	24,022
Income tax					(2,144)	(1,589)
Profit for the period					25,452	22,433
Attributable to:						
Owners of the Company					25,983	24,296
Non-controlling interests					(531)	(1,863)
Profit for the period					25,452	22,433

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

16. Segment information (continued)

16.2 Segment results by geographical distribution

Three months period ended 31 March (unaudited)						
	GCC		Turkey		Total	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
Gross insurance premium	1,111,536	1,093,148	57,863	62,479	1,169,399	1,155,627
Net underwriting profit/(loss)	18,316	14,209	(266)	756	18,050	14,965
Net investment income	23,141	18,958	2,527	1,111	25,668	20,069
Finance costs	(735)	(334)	-	-	(735)	(334)
Allowance for doubtful debts	(6,631)	-	-	(347)	(6,631)	(347)
Other expenses – net	(7,329)	(6,491)	(1,427)	(3,840)	(8,756)	(10,331)
Profit/(loss) before tax	26,762	26,342	834	(2,320)	27,596	24,022
Income tax	-	-	(2,144)	(1,589)	(2,144)	(1,589)
Profit/(loss) for the period	26,762	26,342	(1,310)	(3,909)	25,452	22,433
Attributable to:						
Owners of the Company	26,651	26,292	(668)	(1,996)	25,983	24,296
Non-controlling interests	111	50	(642)	(1,913)	(531)	(1,863)
Profit/(loss) for the period	26,762	26,342	(1,310)	(3,909)	25,452	22,433

16.3 Segment assets and liabilities by operating segments

31 March 2017 (unaudited)			
	General insurance AED '000	Life assurance and medical AED '000	Investment AED '000
Segment assets	2,394,488	3,174,088	1,855,010
Segment liabilities	3,459,700	2,031,888	-
Capital expenditure	2,983	-	-
Depreciation	1,347	1,103	-

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

16. Segment information (continued)

16.3 Segment assets and liabilities by operating segments (continued)

	31 December 2016 (audited)			
	General insurance AED '000	Life assurance and medical AED '000	Investment AED '000	Total AED '000
Segment assets	2,105,549	2,791,077	2,359,310	7,255,936
Segment liabilities	3,338,271	1,960,572	-	5,298,843
Capital expenditure	15,942	-	-	15,942
Depreciation	10,412	8,519	-	18,931

16.4 Geographical information of segment assets and liabilities

	31 March 2017 (unaudited)		
	GCC AED '000	Turkey AED '000	Total AED '000
Segment assets	7,000,433	423,153	7,423,586
Segment liabilities	5,139,199	352,389	5,491,588
Capital expenditure	2,983	-	2,983
Depreciation	2,209	241	2,450

	31 December 2016 (audited)		
	GCC AED '000	Turkey AED '000	Total AED '000
Segment assets	6,852,450	403,486	7,255,936
Segment liabilities	4,970,089	328,754	5,298,843
Capital expenditure	15,942	-	15,942
Depreciation	18,020	911	18,931

17. Fair value measurements

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

17. Fair value measurements (continued)

17.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 5 of these condensed consolidated financial statements.

17.2 Fair value of financial and non-financial items carried at fair value

17.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2016.

17.2.2 Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	31 March 2017 (unaudited) AED'000	Fair value as at 31 December 2016 (audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – FVTOCI	301,755	314,075	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted equity investments – FVTOCI	121,719	266,098	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted debt instruments – FVTPL	20,663	37,549	Level 1	Quoted bid prices in an active market.	None.	NA
Unit linked investments – FVTPL	274,752	257,359	Level 3	Net assets values of the funds	Net assets value	Higher the net assets value, higher the fair value.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

17. Fair value measurements (continued)

17.2 Fair value of financial and non-financial items carried at fair value (continued)

17.2.2 Fair value of the Group's financial assets that are measured at fair value on recurring basis (continued)

Financial assets	31 March 2017 (unaudited) AED'000	Fair value as at 31 December 2016 (audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted debt instruments – amortized costs	613,056	958,226	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted debt instruments – amortized costs	16,163	15,456	Level 3	Net assets values of the funds.	Net assets value	Higher the net assets value, higher the fair value.

17.2.3 Reconciliation of level 3 fair value measurements

17.2.3.1 Reconciliation of unit linked investments – at fair value through profit or loss, movements in level 3 financial assets measured at fair values:

	31 March 2017 AED'000 Unaudited	31 December 2016 AED '000 Audited
Balance at the beginning of the period/year	257,359	292,065
Additions during the period/year	28,470	101,081
Disposals during the period/year	(29,042)	(139,542)
Fair value changes	17,965	3,755
Balance at the end of the period/year	274,752	257,359

17.2.3.2 Reconciliation of unquoted equity instruments – at fair value through other comprehensive income, movements in level 3 financial assets measured at fair values:

	31 March 2017 AED '000 Unaudited	31 December 2016 AED '000 Audited
Balance at beginning of the period/year	266,098	133,530
Additions during the period/year	-	106,165
Disposals during the period/year	(148,959)	(16,643)
Losses recognised in other comprehensive income	4,580	43,046
Balance at the end of the period/year	121,719	266,098

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

18. Capital risk management

The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of Its Operations;
- to protect its policy holders' interests;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the Shareholders and benefits for other stakeholders; and
- to provide an adequate return to the Shareholders by pricing insurance contracts commensurately with the level of risk.

The solvency regulations identify the required solvency margin to be held in addition to insurance liabilities. The solvency margin must be maintained at all times throughout the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

New Regulations to be enforced end of 2017:

The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these solvency margins as per the Section 2 of the new Financial Regulations for the Insurance Companies which will be enforced at the end of 2017 as per the alignment period of the same regulations.

	31 March 2017 AED'000 Unaudited	31 December 2016 AED'000 Audited
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	978,424	806,114
Minimum Guarantee Fund (MGF)	356,362	358,320
Own Funds		
Basic Own Funds	1,336,362	1,012,392
Ancillary Own Funds	-	-
Minimum Capital Requirement Surplus (over MCR)	1,236,362	912,392
Minimum Capital Requirement Surplus (over SCR)	357,938	206,278
Minimum Capital Requirement Surplus (over MGF)	979,999	654,072

The Company believes that above surplus calculated as per the new Regulations are not an accurate reflection of the solvency of the Company. The Company has its reservations with regard to this model for which it is in communication with the Insurance Authority to resolve.

Actual Regulation

Based on the actual regulatory requirements, the minimum regulatory capital required is AED 100 million (31 December 2016: AED 100 million) against which the paid up capital of the Company is AED 462 million (31 December 2016: AED 462 million).

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

19 Ageing of insurance receivables

19.1 Ageing of insurance receivables as of 31 March 2017 (Unaudited)

	Not yet due AED'000	Past Due by Number of Days						Total AED'000
		<30 days AED'000	30-90 days AED'000	91-180 days AED'000	181-270 days AED'000	271-360 days AED'000	>360 days AED'000	
Due from policyholders	311,903	108,041	115,030	49,559	70,364	139,754	2,011	796,662
Due from insurance companies	-	85,251	112,863	29,443	12,792	20,406	2,580	263,335
Due from reinsurance companies	-	228,726	62,017	69,096	40,640	77,685	1,733	479,897
Due from brokers	56,449	25,526	32,933	469	609	-	-	115,986
Other receivables	298	14,748	1,463	1,396	1,399	4,537	1,688	25,529
Insurance receivables - net	368,650	462,292	324,306	149,963	125,804	242,382	8,012	1,681,409

19.2 Ageing of insurance receivables by location as of 31 March 2017 (Unaudited)

19.2.1 Inside UAE

	Not yet due AED'000	Past Due by Number of Days						Total AED'000
		<30 days AED'000	30-90 days AED'000	91-180 days AED'000	181-270 days AED'000	271-360 days AED'000	>360 days AED'000	
Due from policyholders	217,639	50,640	111,120	46,115	68,697	136,208	-	630,419
Due from insurance companies	-	85,015	110,790	28,156	12,000	13,689	-	249,650
Due from reinsurance companies	-	145,096	60,859	65,153	34,792	68,664	-	374,564
Due from brokers	54,157	25,149	28,115	-	-	-	-	107,421
Other receivables	298	14,468	1,447	1,374	1,383	4,495	1,598	25,063
Insurance receivables - net	272,094	320,368	312,331	140,798	116,872	223,056	1,598	1,387,117

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

19 Ageing of insurance receivables (continued)

19.2 Ageing of insurance receivables by location as of 31 March 2017 (Unaudited) (continued)

19.2.2 Outside UAE

	Not yet due AED'000	Past Due by Number of Days						Total AED'000
		<30 days AED'000	30-90 days AED'000	91-180 days AED'000	181-270 days AED'000	271-360 days AED'000	>360 days AED'000	
Due from policyholders	94,264	57,401	3,910	3,444	1,667	3,546	2,011	166,243
Due from insurance companies	-	237	2,073	1,287	792	6,717	2,580	13,686
Due from reinsurance companies	-	83,629	1,158	3,943	5,848	9,021	1,733	105,332
Due from brokers	2,292	377	4,818	469	609	-	-	8,565
Other receivables	-	280	16	22	16	42	90	466
Insurance receivables - net	96,556	141,924	11,975	9,165	8,932	19,326	6,414	294,292

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

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Notes to the condensed consolidated financial statements

Insurance receivables - net

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

20. Summary of the actuary's report on the technical provisions

This note provides a summary of the actuarial technical provisions calculated and certified by the Appointed Actuary.

The table below provides a summary of the gross of reinsurance technical provisions and related reinsurance assets.

INSURANCE ACTIVITY & TECHNICAL PROVISIONS CATEGORY	AS AT 31 MARCH 2017 (UNAUDITED)			AS AT 31 DECEMBER 2016 (AUDITED)		
	GROSS	RI	NET	GROSS	RI	NET
	AED '000			AED '000		
Personal Insurance and Fund Accumulation Operations						
Outstanding claims provisions (OS)	99,345	(63,894)	35,451	92,247	(60,554)	31,693
Provisions for unearned premiums (UPR)	48,684	(20,856)	27,828	37,739	(12,247)	25,492
Provisions for claims incurred but not reported (IBNR)	24,321	(15,254)	9,067	28,731	(18,908)	9,823
Unallocated loss adjustment expenses reserve (ULAE)	429	-	429	429	-	429
Mathematical Reserves:	500,045	-	500,045	490,689	-	490,689
<i>Unit-Linked</i>	272,183	-	272,183	255,551	-	255,551
<i>Non Unit-Linked</i>	227,862	-	227,862	235,138	-	235,138
Sub-Total	672,824	(100,004)	572,820	649,835	(91,709)	558,126
Property and Liability Insurance Operations						
Outstanding claims provisions (OS)	1,682,285	(1,315,898)	366,387	1,775,344	(1,422,748)	352,596
Provisions for unearned premiums (UPR)	1,529,304	(833,381)	695,923	1,233,538	(706,461)	527,077
Provisions for claims incurred but not reported (IBNR)	324,911	(214,369)	110,542	289,008	(186,569)	102,439
Unallocated loss adjustment expenses reserve (ULAE)	9,074	-	9,074	9,074	-	9,074
Sub-Total	3,545,574	(2,363,648)	1,181,926	3,306,964	(2,315,778)	991,186
Total	4,218,398	(2,463,652)	1,754,746	3,956,799	(2,407,487)	1,549,312

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

20. Summary of the actuary's report on the technical provisions (continued)

Personal insurance and fund accumulation operations

This category includes Individual Life, Group Life and Credit Life business. Technical provisions were calculated for the UAE and Oman operations separately. Generally acceptable actuarial techniques were implemented in the determination of the gross and net technical provisions figures.

Judgment is required in calculating the provisions and is exercised particularly through the choice of assumptions where discretion is permitted. In turn, the assumptions used are based where possible on recent experience investigations and market information where necessary. Technical provisions are most sensitive to assumptions regarding discount rates and mortality/morbidity rates. The discount rate assumption used where applicable is set to 3.00% which is within the range of assumptions used by market peers and is reasonable with regard to the actual earnings of the Company based on the year-to-date asset information and analysis after allowing for risk adjustment. The Company does not hold enough credible mortality experience to conduct a full mortality study as the size of the portfolio does not generate sufficient claims to make the experience statistically significant. A crude estimate of the expected net mortality cost indicated that the expected mortality rate used is materially higher than the realized mortality claims in recent years proving that the basis includes sufficient prudence margins.

Under the net premium method used, the premium taken into account in calculating technical provisions is determined actuarially, based on the valuation assumptions regarding discount rates, mortality and disability. The difference between this premium and the actual premium payable provides sufficient margin for expenses. An expense adequacy test has also been performed indicating that available implicit expense margins in the valuation basis is adequate to cover the total projected expenses for Individual Life, Group Life and Unit linked business. The valuation methodology does not allow for voluntary early termination of the life insurance contracts by the policyholder, hence no assumption is required for persistency. The technical provision determined with no lapse allowance is considered to be prudent.

Property and liability insurance operations

This category includes health and other general insurance lines of business (LOBs). Technical provisions were calculated separately for UAE and for Turkey operations. No discounting of technical provisions was employed.

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. IBNR claims are estimated by subtracting outstanding claims provisions from ultimate claims estimates.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

20. Summary of the actuary's report on the technical provisions (continued)

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

21. Net premiums written

The tables below represents a breakdown of the premiums written by the Group for each category of insurance as defined by the Insurance Authority

21.1 Gross premiums - Direct Business

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance operations	989,295	864,861
Insurance of persons & fund accumulation operations	50,504	157,315
Total	1,039,799	1,022,176

21.2 Gross Premiums - Reinsurance Assumed

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance operations	123,863	123,566
Insurance of persons & fund accumulation operations	5,737	9,885
Total	129,600	133,451

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

21. Net premiums written (continued)

21.3 Reinsurance premiums ceded

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance operations	628,440	638,688
Insurance of persons & fund accumulation operations	26,289	103,656
Total	654,729	742,344

21.4 Net premiums written

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance operations	484,718	349,739
Insurance of persons & fund accumulation operations	29,952	63,544
Total	514,670	413,283

22. Net claims paid

The tables below represents a breakdown of the claims settled by the Group for each category of insurance as defined by the Insurance Authority

22.1 Gross claims settled - Direct Business

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance operations	530,426	408,252
Insurance of persons & fund accumulation operations	32,380	41,010
Total	562,806	449,262

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

22. Net claims paid (continued)

22.2 Gross Claims Settled - Reinsurance Assumed

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance operations	65,868	25,886
Insurance of persons & fund accumulation operations	4,261	4,601
Total	70,129	30,487

22.3 Reinsurance share of claims settled

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance operations	381,707	205,071
Insurance of persons & fund accumulation operations	14,479	15,615
Total	396,186	220,686

22.4 Net claims settled

	Three months period ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
	AED '000	AED '000
Property and liability insurance	214,587	229,067
Insurance of persons & fund accumulation	22,162	29,996
Total	236,749	259,063

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)****23. Dividends**

At the Annual General Meeting held on 21 March 2017, the shareholders approved a cash dividend distribution of 10% amounting to AED 46,187 thousand (AED 10 fils per share) for 2016. A cash dividend of 10% amounting to AED 46,187 thousand (AED 10 fils per share) was declared in the Annual General Meeting held on 15 March 2016 for the year 2015.

24. Seasonality of results

Net investment income includes dividends income of AED 9,451 thousand for the three months period ended 31 March 2017 (31 March 2016: AED 10,929 thousand), which is of a seasonal nature.

25. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 15 May 2017.