

**Orient Insurance PJSC
and its subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2017 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Orient Insurance PJSC and its subsidiaries (the “Group”) as of 31 March 2017, which comprise the interim consolidated statement of financial position as of 31 March 2017 and the related interim consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Ernst & Young



Anthony O’ Sullivan
Partner
Registration No. 687

3 May 2017


Dubai, United Arab Emirates

Orient Insurance PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the three months ended 31 March 2017

| | Notes | 31 March 2017 AED'000 Unaudited | 31 December 2016 AED'000 Audited | 31 March 2016 AED'000 Unaudited |
|--|-------|--|---|--|
| ASSETS | | | | |
| Property and equipment | | 107,038 | 107,491 | 118,058 |
| Investment in an associate | 4 | 70,437 | 70,000 | - |
| Held to maturity investments | 5 | 80,968 | 65,293 | 127,741 |
| Available for sale investments | 5 | 1,483,458 | 1,577,029 | 1,809,333 |
| Investments carried at fair value through profit and loss | 5 | 13,543 | 13,804 | 16,415 |
| Insurance balances receivables | 8 | 832,785 | 412,626 | 512,078 |
| Statutory deposits | 6 | 54,780 | 53,969 | 68,122 |
| Insurance contract assets | 12 | 1,732,526 | 2,581,702 | 2,000,631 |
| Other receivables and prepayments | 18 | 109,022 | 45,177 | 100,677 |
| Bank deposits | 7 | 1,493,584 | 1,347,827 | 1,213,177 |
| Cash and cash equivalents | 7 | 350,941 | 350,465 | 122,599 |
| TOTAL ASSETS | | 6,329,082 | 6,625,383 | 6,088,831 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 9 | 500,000 | 500,000 | 500,000 |
| Statutory reserve | 10 | 125,000 | 125,000 | 125,000 |
| Legal reserve | 10 | 250,000 | 250,000 | 226,596 |
| Exceptional loss reserve | 10 | 177,763 | 177,763 | 159,680 |
| General reserve | 10 | 658,664 | 658,664 | 509,845 |
| Retained earnings | | 173,689 | 26,291 | 140,828 |
| Available-for-sale (AFS) reserve | 10 | 683,694 | 782,907 | 1,030,556 |
| Foreign currency translation reserve | 10 | (85,875) | (85,814) | (51,342) |
| Proposed dividends | 11 | - | 100,000 | - |
| Equity attributable to equity holders of the parent | | 2,482,935 | 2,534,811 | 2,641,163 |
| Non-controlling interest | | 24,921 | 21,942 | 40,708 |
| Total equity | | 2,507,856 | 2,556,753 | 2,681,871 |
| Liabilities | | | | |
| Retirement benefit obligation | | 19,392 | 17,533 | 16,273 |
| Reinsurance and other payables | 20 | 1,162,581 | 769,471 | 725,438 |
| Dividend payable | | 100,000 | - | - |
| | | 1,281,973 | 787,004 | 741,711 |
| INSURANCE CONTRACT LIABILITIES | | | | |
| Outstanding claims | | 809,500 | 1,921,525 | 1,322,012 |
| Premium collected in advance | | 91,315 | 93,054 | 105,214 |
| Uncarried premium reserve | | 1,208,473 | 870,872 | 1,000,768 |
| Incurred but not reported reserve | | 234,658 | 227,543 | 130,041 |
| Allocated loss adjustment expense reserve | | 16,024 | 16,254 | 9,776 |
| Unallocated loss adjustment expense reserve | | 8,834 | 6,288 | 6,289 |
| Mathematical reserve | | 139,279 | 120,154 | 75,698 |
| Unit-linked funds' reserve | | 31,170 | 25,936 | 15,451 |
| Total insurance contract liabilities | | 2,539,253 | 3,281,626 | 2,665,249 |
| Total liabilities | | 3,821,226 | 4,068,630 | 3,406,960 |
| TOTAL EQUITY AND LIABILITIES | | 6,329,082 | 6,625,383 | 6,088,831 |


 President - Orient Group
 3 May 2017

The attached notes 1 to 21 form part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2017

| | | <i>Three months ended 31 March Unaudited</i> | |
|---|--------------|--|----------------|
| | | <i>2017</i> | <i>2016</i> |
| | | <i>AED'000</i> | <i>AED'000</i> |
| | <i>Notes</i> | | |
| Gross premiums written | | 934,707 | 691,696 |
| Reinsurance share of inward premiums | | 17,638 | 36,188 |
| Total gross premiums | | 952,345 | 727,884 |
| Reinsurance share of ceded premiums | | (605,833) | (514,007) |
| Net premium written | | 346,512 | 213,877 |
| Net transfer to unearned premium reserve/mathematical reserve | | (144,435) | (38,943) |
| Net premium earned | | 202,077 | 174,934 |
| Commission income | | 75,312 | 49,600 |
| Commission expenses | | (71,745) | (44,471) |
| Gross underwriting income | | 205,644 | 180,063 |
| Gross claims paid | | 1,365,490 | 251,683 |
| Reinsurance share of claims paid | | (1,247,627) | (184,232) |
| Net claims paid | | 117,863 | 67,451 |
| (Decrease)/ increase in provisions for outstanding claims | | (1,112,575) | 131,785 |
| Decrease/ (increase) in reinsurance share of outstanding claims | | 1,064,613 | (116,091) |
| Increase/ (decrease) in incurred but not reported claims reserves | | 7,436 | (2,943) |
| Increase in loss adjustment expense reserve | | 2,448 | 6,878 |
| Net claims incurred | | 79,785 | 87,080 |
| Net underwriting income | | 125,859 | 92,983 |
| Income from investments | 19 | 74,192 | 75,928 |
| Other income | | 3,821 | 3,119 |
| Share of loss from associate | | (263) | - |
| Total income | | 203,609 | 172,030 |
| General and administrative expenses | | (52,622) | (42,794) |
| Profit before tax | | 150,987 | 129,236 |
| Income tax expenses net of deferred taxes | | (965) | 135 |
| Profit after tax | | 150,022 | 129,371 |
| Attribute to: | | | |
| Equity holders of the Parent company | | 147,398 | 126,710 |
| Non-controlling interest | | 2,624 | 2,661 |
| Total profit for the period | | 150,022 | 129,371 |
| Basic and diluted earnings per share (AED) attributable to equity holders of the parent | | 29.48 | 25.34 |

The attached notes 1 to 21 form part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

| | <i>Notes</i> | <i>Three months ended 31 March Unaudited</i> | |
|--|--------------|--|-------------------------|
| | | <i>2017 AED'000</i> | <i>2016 AED'000</i> |
| Profit after tax | | 150,022 | 129,371 |
| Other comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</i> | | | |
| Net unrealized loss from investments through other comprehensive income | | (99,213) | (24,531) |
| Foreign currency adjustments from translation of foreign operations | | 294 | (7,372) |
| Other comprehensive income for the period | | (98,919) | (31,903) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 51,103 | 97,468 |
| Attributable to: | | | |
| Shareholders of the parent company | | 48,124 | 97,775 |
| Non-controlling interests | | 2,979 | (307) |
| | | 51,103 | 97,468 |

The attached notes 1 to 21 form part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2017

| | <i>Notes</i> | <i>Three months ended 31 March Unaudited</i> | |
|---|--------------|--|-------------------------|
| | | <i>2017 AED'000</i> | <i>2016 AED'000</i> |
| OPERATING ACTIVITIES | | | |
| Profit before tax for the period | | 150,987 | 129,236 |
| Adjustments for: | | | |
| Depreciation | | 1,844 | 2,071 |
| Unrealised loss on sale of property and equipment | | - | 26 |
| Interest income | | (24,445) | (23,453) |
| Dividend income | | (50,008) | (49,614) |
| Share of associate's results | | 263 | - |
| Unrealised (gain)/ loss on investments at fair value through profit or loss | | 261 | (2,861) |
| Cash flow from operating activities | | <u>78,902</u> | <u>55,405</u> |
| Increase in insurance receivables | | (420,159) | (64,941) |
| (Increase) / decrease insurance contract assets | | 849,176 | (181,855) |
| Increase in other receivables and prepayments | | (62,013) | (64,390) |
| (Decrease) /increase in insurance contract liabilities | | (742,373) | 229,077 |
| (Decrease) /increase in reinsurance and other payables | | 390,383 | 61,488 |
| Increase in retirement benefit obligations | | 1,859 | 544 |
| Income tax paid | | (70) | (1,767) |
| Net cash from operating activities | | <u>95,705</u> | <u>33,561</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (1,450) | (1,522) |
| Proceeds from sale of property and equipment | | - | 47 |
| Interest income | | 24,445 | 23,453 |
| Dividends income | | 50,008 | 49,614 |
| Deposits with banks | | (146,568) | 973 |
| Movement in investment in associate | | (700) | - |
| Purchase of held to maturity investments | | (20,281) | (13,001) |
| Purchase of available-for-sale investments | | (20,831) | (8,846) |
| Sale of held to maturity investments | | 6,095 | 15,385 |
| Sale of available-for-sale investments | | 15,105 | 10,936 |
| Foreign exchange differences | | (1,346) | - |
| Net cash from (used in) investing activities | | <u>(95,523)</u> | <u>77,039</u> |
| FINANCING ACTIVITIES | | | |
| Dividends paid | | - | (100,000) |
| Net cash used in financing activities | | <u>-</u> | <u>(100,000)</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at 1 January | | 350,465 | 119,371 |
| Movement in foreign currency translation reserve | | 294 | (7,372) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | <u><u>350,941</u></u> | <u><u>122,599</u></u> |

The attached notes 1 to 21 form part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

| | <i>Attributable to shareholders of the parent</i> | | | | | | | | | | | |
|--|---|--------------------------------------|----------------------------------|---|------------------------------------|--------------------------------------|--|---|--------------------------------------|--------------------------|--|--------------------------|
| | <i>Share capital</i> AED '000 | <i>Statutory reserve</i> AED '000 | <i>Legal reserve</i> AED '000 | <i>Exceptional loss reserve</i> AED '000 | <i>General reserve</i> AED '000 | <i>Retained earnings</i> AED '000 | <i>Available- for-sale (AFS) reserve</i> AED '000 | <i>Foreign currency translation reserve</i> AED '000 | <i>Proposed dividend</i> AED '000 | <i>Total</i> AED '000 | <i>Non-controlling interests</i> AED '000 | <i>Total</i> AED '000 |
| As at 1 January 2017 | 500,000 | 125,000 | 250,000 | 177,763 | 658,664 | 26,291 | 782,907 | (85,814) | 100,000 | 2,534,811 | 21,942 | 2,556,753 |
| Profit for the period | - | - | - | - | - | 147,398 | - | - | - | 147,398 | 2,624 | 150,022 |
| Other comprehensive income/ (expense) for the year | - | - | - | - | - | - | (99,213) | (61) | - | (99,274) | 355 | (98,919) |
| Total comprehensive income | - | - | - | - | - | 147,398 | (99,213) | (61) | - | 48,124 | 2,979 | 51,103 |
| Transfer to current liability | - | - | - | - | - | - | - | - | (100,000) | (100,000) | - | (100,000) |
| At 31 March 2017 (Unaudited) | 500,000 | 125,000 | 250,000 | 177,763 | 658,664 | 173,689 | 683,694 | (85,875) | - | 2,482,935 | 24,921 | 2,507,856 |

The attached notes 1 to 21 form part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the three months ended 31 March 2016

| | <i>Attributable to shareholders of the parent</i> | | | | | | | | | | | |
|----------------------------|---|----------------------------------|------------------------------|---|--------------------------------|----------------------------------|--|---|----------------------------------|-------------------|--|-------------------|
| | Share capital AED '000 | Statutory reserve AED '000 | Legal reserve AED '000 | Exceptional loss reserve AED '000 | General reserve AED '000 | Retained earnings AED '000 | Available- for-sale (AFS) reserve AED '000 | Foreign currency translation reserve AED '000 | Proposed dividend AED '000 | Total AED '000 | Non-controlling interests AED '000 | Total AED '000 |
| As at 1 January 2016 | 500,000 | 125,000 | 226,596 | 159,680 | 509,845 | 14,118 | 1,055,087 | (46,938) | 100,000 | 2,643,388 | 41,015 | 2,684,403 |
| Profit for the period | - | - | - | - | - | 126,710 | - | - | - | 126,710 | 2,661 | 129,371 |
| Other comprehensive income | - | - | - | - | - | - | (24,531) | (4,404) | - | (28,935) | (2,968) | (31,903) |
| Total comprehensive income | - | - | - | - | - | 126,710 | (24,531) | (4,404) | - | 97,775 | (307) | 97,468 |
| Dividend paid | - | - | - | - | - | - | - | - | (100,000) | (100,000) | - | (100,000) |
| At 31 March 2016 | 500,000 | 125,000 | 226,596 | 159,680 | 509,845 | 140,828 | 1,030,556 | (51,342) | - | 2,641,163 | 40,708 | 2,681,871 |

The attached notes 1 to 21 form part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

1 CORPORATE INFORMATION

Orient Insurance PJSC (the "Company") is a Public Shareholding Company and is registered under the Federal Law No. 2 of 2015 relating to commercial companies in the UAE and also registered in accordance with the UAE Federal Law No. 6 of 2007, as amended ("The Insurance Companies Law"). The Company mainly issues short term insurance contracts in connection with property, motor, marine, fire and engineering, general accident risks and medical (collectively known as general insurance) and group life and individual life classes (collectively referred as life insurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates. The holding company of the Group is Al Futtaim Private Company which is based in Dubai, United Arab Emirates and has a significant influence over the Group.

These interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") and the group's share of the results.

The Group comprises of the parent and the under-mentioned subsidiary companies and its branches in the Sultanate of Oman and Bahrain.

| <i>Subsidiary</i> | <i>Principal Activity</i> | <i>Country of incorporation</i> | <i>Ownership</i> |
|---------------------------------|---------------------------|---------------------------------|------------------|
| Arab Orient Insurance Company | General insurance | Syria | 40% |
| Orient Takaful Company (S.A.E.) | General insurance | Egypt | 60% |
| Orient Insurance Limited | General insurance | Sri Lanka | 100% |
| Orient Sigorta Anomin Sirketi | General insurance | Turkey | 100% |

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The interim consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

Changes in accounting estimates

The accounting policies are consistent with those used in the previous year. The accounting estimates used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016.

New standards, interpretations and amendments

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim consolidated financial statements.

These condensed consolidated financial statements do not include all disclosures and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016. In addition, results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

3 SEGMENT INFORMATION

3.1 SEGMENTAL INCOME, EXPENSES AND RESULTS

| | <i>General and insurance</i> | | <i>Life insurance</i> | | <i>Total (Unaudited)</i> | |
|--|------------------------------|----------------|-----------------------|----------------|--------------------------|----------------|
| | <i>2017</i> | <i>2016</i> | <i>2017</i> | <i>2016</i> | <i>2017</i> | <i>2016</i> |
| | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| Total premiums written | 851,283 | 654,270 | 101,062 | 73,614 | 952,345 | 727,884 |
| Gross underwriting income | 182,320 | 156,057 | 23,324 | 24,006 | 205,644 | 180,063 |
| Net underwriting income | 111,635 | 71,918 | 14,224 | 21,065 | 125,859 | 92,983 |
| General and administration expenses | (44,185) | (34,599) | (8,437) | (8,195) | (52,622) | (42,794) |
| Net technical profit | 67,450 | 37,319 | 5,787 | 12,870 | 73,237 | 50,189 |
| Investment and other income | 76,920 | 78,397 | 830 | 650 | 77,750 | 79,047 |
| Profit before Tax | 144,370 | 115,716 | 6,617 | 13,520 | 150,987 | 129,236 |
| Income tax expense net of deferred taxes | | | | | (965) | 135 |
| Profit for the period | | | | | 150,022 | 129,371 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2017 (Unaudited)

3 SEGMENT INFORMATION (Continued)

3.2 SEGMENT ASSETS AND LIABILITIES

| | General and insurance | | Life insurance | | Investments | | Total | | | | | |
|-----------------------|-----------------------|---------------|----------------|---------------|---------------|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | | | | | | |
| Segment assets | 2,816,329 | 3,258,690 | 2,679,305 | 315,983 | 238,771 | 174,738 | 3,196,770 | 3,127,922 | 3,234,788 | 6,329,082 | 6,625,383 | 6,088,831 |
| Segmental liabilities | 3,435,023 | 3,738,195 | 3,168,997 | 386,203 | 330,435 | 237,963 | - | - | - | 3,821,266 | 4,068,630 | 3,406,960 |
| | | | | | | | | | | | | |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

3 SEGMENT INFORMATION (Continued)

3.3 REGULATORY FRAMEWORK

Regulators are primarily interested in protecting the rights of the policyholders and the public shareholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Pursuant to the requirement of financial regulations of Insurance Authority, United Arab Emirates, the Group has presented the consolidated statement of financial position and consolidated statement of income of comprehensive income of General Insurance (referred as 'Property and Liability Insurance') and Life Insurance (referred as 'Persons and Funds Accumulation Operations') as follows:.

Financial Position for Insurance of Persons and Fund Accumulation Operations

| | <i>31 March 2017 (Unaudited)</i> | <i>31 December 2016</i> | <i>31 March 2016 (Unaudited)</i> |
|-----------------------------------|--|-----------------------------|--|
| Assets | | | |
| Property and equipment | 1,222 | 1,305 | 1,524 |
| Available for sale investments | 31,170 | 25,936 | 15,451 |
| Insurance balances receivable | 51,892 | 26,843 | 22,707 |
| Statutory deposits | 5,433 | 5,433 | 4,716 |
| Insurance contract assets | 169,673 | 148,471 | 105,411 |
| Other receivables and prepayments | 12,284 | 11,719 | 10,265 |
| Bank deposits | 67,768 | 87,768 | 63,126 |
| Cash and cash equivalents | 80,912 | 50,433 | 34,831 |
| Total Assets | 420,354 | 357,908 | 258,031 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| General reserve | 10,000 | 10,000 | - |
| Retained earnings | 24,151 | 17,473 | 20,068 |
| Total Equity | 34,151 | 27,473 | 20,068 |
| Liabilities | | | |
| Retirement benefit obligation | 1,247 | 1,118 | 925 |
| Reinsurance and other payables | 42,421 | 39,340 | 41,554 |
| | 43,668 | 40,458 | 42,479 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

3.3 REGULATORY FRAMEWORK (continued)

Financial Position for Insurance of Persons and Fund Accumulation Operations (continued)

Insurance contract Liabilities

| | <i>31 March 2017 (Unaudited)</i> | <i>31 December 2016</i> | <i>31 March 2016 (Unaudited)</i> |
|---|--|-----------------------------|--|
| Outstanding claims | 116,344 | 101,602 | 58,210 |
| Unearned Premium Reserve | 40,302 | 26,736 | 37,118 |
| Claims Incurred but Not Reported | 15,011 | 15,120 | 8,578 |
| Unallocated loss adjustment expense reserve | 429 | 429 | 429 |
| Mathematical Reserve | 139,279 | 120,154 | 75,698 |
| Unit-linked funds' reserve | 31,170 | 25,936 | 15,451 |
| | <u>342,535</u> | <u>289,977</u> | <u>195,484</u> |
| Total Technical provisions | 342,535 | 289,977 | 195,484 |
| Total Liabilities | 386,203 | 330,435 | 237,963 |
| Total Shareholders' Equity and Liabilities | 420,354 | 357,908 | 258,031 |

Income Statement for Insurance of Persons and Fund Accumulation Operations

| | <i>31 March 2017 (Unaudited)</i> | <i>31 March 2016 (Unaudited)</i> |
|---|--|--|
| Gross premiums written | 98,362 | 73,614 |
| Reinsurance share of inward premiums | 2,700 | - |
| | <u>101,062</u> | <u>73,614</u> |
| Total gross premiums | 101,062 | 73,614 |
| Reinsurance share of ceded premiums | (40,085) | (32,334) |
| | <u>60,977</u> | <u>41,280</u> |
| Net premium written | 60,977 | 41,280 |
| Net transfer to unearned premium reserve/mathematical reserve | (28,047) | (8,347) |
| | <u>32,930</u> | <u>32,933</u> |
| Net premium earned | 32,930 | 32,933 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

3.3 REGULATORY FRAMEWORK (continued)

Income Statement for Insurance of Persons and Fund Accumulation Operations (continued)

| | <i>31 March 2017 (Unaudited)</i> | <i>31 March 2016 (Unaudited)</i> |
|--|--|--|
| Commissions earned | 4,254 | 2,797 |
| Commissions paid | (13,860) | (11,724) |
| Gross underwriting income | 23,324 | 24,006 |
| Gross claims paid | 44,198 | 22,710 |
| Reinsurance share of claims paid | (37,269) | (18,858) |
| Net claims paid | 6,929 | 3,852 |
| Increase in provisions for outstanding claims | 14,742 | 5,553 |
| Increase in reinsurance share of outstanding claims | (12,462) | (5,084) |
| Decrease in incurred but not reported reserves | (109) | (1,809) |
| Increase in allocated & unallocated loss adjustment expenses reserve | - | 429 |
| Net claims incurred | 9,100 | 2,941 |
| Net underwriting income | 14,224 | 21,065 |
| Income from investments | 830 | 650 |
| Total Income | 15,054 | 21,715 |
| General and administrative expenses | (8,437) | (8,195) |
| Net profit for the period | 6,617 | 13,520 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

3.3 REGULATORY FRAMEWORK (continued)

Financial Position for Property and Liability Insurance

| | <i>31 March 2017 (Unaudited)</i> | <i>31 December 2016</i> | <i>31 March 2016 (Unaudited)</i> |
|---|--|-----------------------------|--|
| Assets | | | |
| Property and equipment | 105,816 | 106,186 | 116,534 |
| Investments in associates | 70,437 | 70,000 | - |
| Held to maturity investments | 80,968 | 65,293 | 127,741 |
| Available for sale investments | 1,452,288 | 1,551,093 | 1,793,882 |
| Investments classified at fair value through income statement | 13,543 | 13,804 | 16,415 |
| Insurance receivables | 780,893 | 385,783 | 489,371 |
| Statutory deposits | 49,347 | 48,536 | 63,406 |
| Insurance contract assets | 1,562,853 | 2,433,231 | 1,895,220 |
| Other receivables and prepayments | 96,738 | 33,458 | 90,412 |
| Bank deposits | 1,425,816 | 1,260,059 | 1,150,051 |
| Cash and cash equivalents | 270,029 | 300,032 | 87,768 |
| Total Assets | 5,908,728 | 6,267,475 | 5,830,800 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 500,000 | 500,000 | 500,000 |
| Statutory reserve | 125,000 | 125,000 | 125,000 |
| Legal reserve | 250,000 | 250,000 | 226,596 |
| Exceptional loss reserve | 177,763 | 177,763 | 159,680 |
| General reserve | 648,664 | 648,664 | 509,845 |
| Retained earnings | 149,538 | 8,818 | 120,760 |
| Available-for-sale reserve | 683,694 | 782,907 | 1,030,556 |
| Foreign currency translation reserve | (85,875) | (85,814) | (51,342) |
| Proposed dividends | - | 100,000 | - |
| Total Shareholders' Equity | 2,448,784 | 2,507,338 | 2,621,095 |
| Non-controlling interests | 24,921 | 21,942 | 40,708 |
| Total Equity | 2,473,705 | 2,529,280 | 2,661,803 |
| Liabilities | | | |
| Retirement benefit obligation | 18,145 | 16,415 | 15,348 |
| Reinsurance and other payables | 1,120,160 | 730,131 | 683,884 |
| Dividend payable | 100,000 | - | - |
| | 1,238,305 | 746,546 | 699,232 |
| Insurance contract Liabilities | | | |
| Outstanding claims | 693,156 | 1,819,923 | 1,263,802 |
| Premiums received in advance | 91,315 | 93,054 | 105,214 |
| Unearned Premium Reserve | 1,168,171 | 844,136 | 963,650 |
| Incurred but Not Reported reserve | 219,647 | 212,423 | 121,463 |
| Allocated loss adjustment expense reserve | 16,024 | 16,254 | 9,776 |
| Unallocated loss adjustment expense reserve | 8,405 | 5,859 | 5,860 |
| Total Technical Reserves | 2,196,718 | 2,991,649 | 2,469,765 |
| Total Liabilities | 3,435,023 | 3,738,195 | 3,168,997 |
| Total Shareholders' Equity and Liabilities | 5,908,728 | 6,267,475 | 5,830,800 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

3 SEGMENT INFORMATION (continued)

3.3 REGULATORY FRAMEWORK (continued)

Income Statement for Property and Liability Insurance

| | <i>31 March 2017 (Unaudited)</i> | <i>31 March 2016 (Unaudited)</i> |
|---|--|--|
| Gross premiums written | 836,345 | 618,082 |
| Reinsurance share of inward premiums | 14,938 | 36,188 |
| Total gross premiums | 851,283 | 654,270 |
| Reinsurance share of ceded premiums | (565,748) | (481,673) |
| Net premium written | 285,535 | 172,597 |
| Net transfer to unearned premium reserve | (116,388) | (30,596) |
| Net premium earned | 169,147 | 142,001 |
| Commissions earned | 71,058 | 46,803 |
| Commissions paid | (57,885) | (32,747) |
| Gross underwriting income | 182,320 | 156,057 |
| Gross claims paid | 1,321,292 | 228,973 |
| Reinsurance share of claims paid | (1,210,358) | (165,374) |
| Net claims paid | 110,934 | 63,599 |
| (Decrease)/ increase of provisions for outstanding claims | (1,127,317) | 126,232 |
| Increase / (decrease) of reinsurance share of outstanding claims | 1,077,075 | (111,007) |
| Increase/ (decrease) in incurred but not reported claims reserves | 7,545 | (1,134) |
| Increase in loss adjustment expense reserves | 2,448 | 6,449 |
| Net claims incurred | 70,685 | 84,139 |
| Net underwriting income | 111,635 | 71,918 |
| Income from investments | 73,099 | 75,278 |
| Other income | 3,821 | 3,119 |
| Total income | 188,555 | 150,315 |
| General and administrative expenses | (45,185) | (34,599) |
| Income tax expenses net of deferred taxes | (965) | 135 |
| Net profit for the period | 142,405 | 115,851 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

4 INVESTMENTS IN AN ASSOCIATE

| | <i>31 March 2017 (Unaudited)</i> | <i>31 December 2016</i> | <i>31 March 2016 (Unaudited)</i> |
|---|--|-----------------------------|--|
| Shares at cost | 70,000 | 70,000 | - |
| The Group's share of post-acquisition reserves: | | | |
| As at 1 January | 70,000 | - | - |
| Share premium | 700 | - | - |
| Share of results for the period | (263) | - | - |
| As at 31 March | <u>70,437</u> | <u>70,000</u> | <u>-</u> |

5 INVESTMENT SECURITIES

| | <i>31 March 2017</i> | | | |
|-----------------------------|---|---|---|--|
| | <i>Held for trading AED'000</i> | <i>Held to maturity AED'000</i> | <i>Available for-sale AED'000</i> | <i>Total AED'000 (Unaudited)</i> |
| Equity securities | | | | |
| Within UAE (Listed) | 13,543 | - | 1,192,946 | 1,206,489 |
| Within UAE (Not listed) | - | - | 267,600 | 267,600 |
| Outside UAE (Not listed) | - | - | 10,907 | 10,907 |
| Total equity securities | <u>13,543</u> | <u>-</u> | <u>1,471,453</u> | <u>1,484,996</u> |
| Total other invested assets | <u>-</u> | <u>80,968</u> | <u>12,005</u> | <u>92,973</u> |
| Total | <u>13,543</u> | <u>80,968</u> | <u>1,483,458</u> | <u>1,577,969</u> |

Life Insurance

| | <i>31 March 2017</i> | | | |
|--------------------------|---|---|---|--|
| | <i>Held for trading AED'000</i> | <i>Held to maturity AED'000</i> | <i>Available for-sale AED'000</i> | <i>Total AED'000 (Unaudited)</i> |
| Equity securities | | | | |
| Within UAE (Not listed) | - | - | 20,266 | 20,266 |
| Outside UAE | - | - | 10,904 | 10,904 |
| Total equity securities | <u>-</u> | <u>-</u> | <u>31,170</u> | <u>31,170</u> |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

5 INVESTMENT SECURITIES (continued)

General Insurance

| | <i>31 March 2017</i> | | | |
|------------------------------------|---|---|---|--|
| | <i>Held for trading AED'000</i> | <i>Held to maturity AED'000</i> | <i>Available for-sale AED'000</i> | <i>Total AED'000 (Unaudited)</i> |
| Equity securities | | | | |
| Within UAE (Listed) | 13,543 | - | 1,192,946 | 1,206,489 |
| Within UAE (Not listed) | - | - | 247,334 | 247,334 |
| Outside UAE (Not listed) | - | - | 3 | 3 |
| Total equity securities | 13,543 | - | 1,440,283 | 1,453,826 |
| Total other invested assets | - | 80,968 | 12,005 | 92,973 |
| Total | 13,543 | 80,968 | 1,452,288 | 1,546,799 |

| | <i>31 December 2016</i> | | | |
|------------------------------------|---|---|---|--------------------------|
| | <i>Held for trading AED'000</i> | <i>Held to maturity AED'000</i> | <i>Available for-sale AED'000</i> | <i>Total AED'000</i> |
| Equity securities | | | | |
| Within UAE (Listed) | 13,804 | - | 1,292,159 | 1,305,963 |
| Within UAE (Not listed) | - | - | 260,809 | 260,809 |
| Outside UAE (Not listed) | - | - | 9,273 | 9,273 |
| Total equity securities | 13,804 | - | 1,562,241 | 1,576,045 |
| Total other invested assets | - | 65,293 | 14,788 | 80,081 |
| Total | 13,804 | 65,293 | 1,577,029 | 1,656,126 |

Life Insurance

| | <i>31 December 2016</i> | | | |
|--------------------------------|---|---|---|--------------------------|
| | <i>Held for trading AED'000</i> | <i>Held to maturity AED'000</i> | <i>Available for-sale AED'000</i> | <i>Total AED'000</i> |
| Equity securities | | | | |
| Within UAE (Not listed) | - | - | 16,666 | 16,666 |
| Outside UAE (Not listed) | - | - | 9,270 | 9,270 |
| Total equity securities | - | - | 25,936 | 25,936 |
| Total | - | - | 25,936 | 25,936 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

5 INVESTMENT SECURITIES (continued)

General Insurance

31 December 2016

| | <i>Held for trading AED '000</i> | <i>Held to maturity AED '000</i> | <i>Available for-sale AED '000</i> | <i>Total AED '000</i> |
|--------------------------------|--------------------------------------|--------------------------------------|--|---------------------------|
| Equity securities | | | | |
| Within UAE (Listed) | 13,804 | - | 1,292,159 | 1,305,963 |
| Within UAE (Not listed) | - | - | 244,143 | 244,143 |
| Outside UAE (Not listed) | - | - | 3 | 3 |
| Total equity securities | 13,804 | - | 1,536,305 | 1,550,109 |
| Other invested assets | - | 65,293 | 14,788 | 80,081 |
| Total | 13,804 | 65,293 | 1,551,093 | 1,630,190 |

31 March 2016

| | <i>Held for trading AED '000</i> | <i>Held to maturity AED '000</i> | <i>Available for-sale AED '000</i> | <i>Total AED '000</i> |
|--------------------------------|--------------------------------------|--------------------------------------|--|---------------------------|
| Equity securities | | | | |
| Within UAE (Listed) | 14,267 | - | 1,540,001 | 1,554,268 |
| Within UAE (Not listed) | - | - | 254,548 | 254,548 |
| Outside UAE (Not listed) | 2,148 | - | 5,055 | 7,203 |
| Total equity securities | 16,415 | - | 1,799,604 | 1,816,019 |
| Other invested assets | - | 127,741 | 9,729 | 137,470 |
| Total | 16,415 | 127,741 | 1,809,333 | 1,953,489 |

Life Insurance

31 March 2016

| | <i>Held for trading AED '000</i> | <i>Held to maturity AED '000</i> | <i>Available for-sale AED '000</i> | <i>Total AED '000</i> |
|--------------------------------|--------------------------------------|--------------------------------------|--|---------------------------|
| Equity securities | | | | |
| Within UAE (Not listed) | - | - | 10,404 | 10,404 |
| Outside UAE (Not listed) | - | - | 5,047 | 5,047 |
| Total equity securities | - | - | 15,451 | 15,451 |
| Total | - | - | 15,451 | 15,451 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

5 INVESTMENT SECURITIES (continued)

General Insurance

31 March 2016

| | <i>Held for trading</i> <i>AED'000</i> | <i>Held to maturity</i> <i>AED'000</i> | <i>Available for-sale</i> <i>AED'000</i> | <i>Total</i> <i>AED'000</i> |
|--------------------------|---|---|---|--------------------------------|
| Equity securities | | | | |
| Within UAE (Listed) | 14,267 | - | 1,540,001 | 1,554,268 |
| Within UAE (Not listed) | - | - | 244,144 | 244,144 |
| Outside UAE (Not listed) | 2,148 | - | 8 | 2,156 |
| Equity securities | 16,415 | - | 1,784,153 | 1,800,568 |
| Other invested assets | - | 127,741 | 9,729 | 137,470 |
| Total | 16,415 | 127,741 | 1,793,882 | 1,938,038 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

6 STATUTORY DEPOSITS

| | General Insurance | | Life Insurance | | Total | |
|---|--|--|--|--|--|--|
| | 31 March 2017 AED '000 (Unaudited) | 31 March 2016 AED '000 (Unaudited) | 31 March 2017 AED '000 (Unaudited) | 31 March 2016 AED '000 (Unaudited) | 31 March 2017 AED '000 (Unaudited) | 31 March 2016 AED '000 (Unaudited) |
| a) Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No.6 of 2007 | 6,000 | 6,000 | 4,000 | 4,000 | 10,000 | 10,000 |
| b) Amounts under lien with Capital Market Authority, Sultanate of Oman | 16,722 | 16,722 | 1,433 | 1,433 | 18,155 | 22,283 |
| c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC) | 478 | 478 | - | - | 478 | 478 |
| d) Amounts under lien with Insurance Authority | 178 | 178 | - | - | 178 | 420 |
| e) Amounts under lien with Egyptian Financial Supervisory Authority | 17,885 | 17,486 | - | - | 17,885 | 28,857 |
| f) Amounts under lien with Turkey | 7,355 | 6,943 | - | - | 7,355 | 5,355 |
| g) Amounts under lien with Central Bank of Bahrain | 729 | 729 | - | - | 729 | 729 |
| Statutory deposit Total | <u>49,347</u> | <u>48,536</u> | <u>5,433</u> | <u>4,716</u> | <u>54,780</u> | <u>68,122</u> |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

9 SHARE CAPITAL

| | <i>31 March 2017 AED'000</i> | <i>31 December 2016 AED'000 Audited</i> | <i>31 March 2016 AED'000</i> |
|---|--------------------------------------|---|--------------------------------------|
| <i>Issued and fully paid (5,000,000 shares of AED 100 each)</i> | <u>500,000</u> | <u>500,000</u> | <u>500,000</u> |

10 RESERVES

Nature and purpose of reserves

- **STATUTORY RESERVE**

In accordance with the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the statutory reserve is equal to 25% of paid up capital. No transfer has been made during the three month period to 31 March 2017, as this will be based on the results for the year. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

- **LEGAL RESERVE**

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the legal reserve. The Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. No transfer has been made during the three month period to 31 March 2017, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **EXCEPTIONAL LOSS RESERVE**

An amount equal to 10% of the net underwriting income for the year is to be transferred to an exceptional loss reserve to ensure that the Group has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years. No transfer has been made during the three month period to 31 March 2017, as this will be based on the results for the year.

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

- **AVAILABLE-FOR-SALE (AFS) RESERVE**

This reserve records fair value changes on available-for-sale financial assets.

- **FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

11 PROPOSED DIVIDENDS

Dividends of AED 20 per share (totalling to AED 100 million) relating to the year 2016 were declared upon approval of the shareholders at the Annual General Meeting and paid during the period.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

12 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

Consolidated

| | <i>Gross</i> | | <i>Reinsurers' share</i> | | <i>Net</i> | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> |
| Gross premiums | 952,345 | 727,884 | (605,833) | (514,007) | 346,512 | 213,877 |
| Movement in provision for unearned premiums/ mathematical reserve | (361,868) | (21,809) | 217,433 | (17,134) | (144,435) | (38,943) |
| Insurance premium revenue | <u>590,477</u> | <u>706,075</u> | <u>(388,400)</u> | <u>(531,141)</u> | <u>202,077</u> | <u>174,934</u> |

Life Insurance

| | <i>Gross</i> | | <i>Reinsurers' share</i> | | <i>Net</i> | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> |
| Gross premiums | 101,062 | 73,614 | (40,085) | (32,334) | 60,977 | 41,280 |
| Movement in provision for unearned premiums/ mathematical reserve | (36,787) | (16,773) | 8,740 | 8,426 | (28,047) | (8,347) |
| Insurance premium revenue | <u>64,275</u> | <u>56,841</u> | <u>(31,345)</u> | <u>(23,908)</u> | <u>32,930</u> | <u>32,933</u> |

General Insurance

| | <i>Gross</i> | | <i>Reinsurers' share</i> | | <i>Net</i> | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> | <i>2017</i> <i>AED'000</i> | <i>2016</i> <i>AED'000</i> |
| Gross premiums | 851,283 | 654,270 | (565,748) | (481,673) | 285,535 | 172,597 |
| Movement in provision for unearned premiums/ mathematical reserve | (325,081) | (5,036) | 208,693 | (25,560) | (116,388) | (30,596) |
| Insurance premium revenue | <u>526,202</u> | <u>649,234</u> | <u>(357,055)</u> | <u>(507,233)</u> | <u>169,147</u> | <u>142,001</u> |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2017 (Unaudited)

12 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

| Consolidated | Gross | | Reinsurers' share | | Net | |
|--|--|---|--|---|--|---|
| | 31 March 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Unaudited) | 31 March 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Unaudited) | 31 March 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Unaudited) |
| Unearned premium reserve | 1,208,473 | 870,872 | 779,643 | 563,786 | 428,830 | 307,086 |
| Advance premium | 91,315 | 93,054 | 77,303 | 78,528 | 14,012 | 14,526 |
| Mathematical reserve | 139,279 | 120,154 | 29,138 | 28,102 | 110,141 | 92,052 |
| Unit linked funds reserve | 31,170 | 25,936 | - | - | 31,170 | 25,936 |
| | 1,470,237 | 1,110,016 | 886,084 | 670,416 | 584,153 | 439,600 |
| Outstanding claims | 809,500 | 1,921,525 | 658,627 | 1,723,018 | 150,873 | 198,507 |
| Incurred but not reported Reserve | 234,658 | 227,543 | 173,971 | 174,292 | 60,687 | 53,251 |
| Allocated loss adjustment expense reserve | 16,024 | 16,254 | 13,844 | 13,976 | 2,180 | 2,278 |
| Unallocated loss adjustment expense reserve | 8,834 | 6,288 | - | - | 8,834 | 6,288 |
| | 1,069,016 | 2,171,610 | 846,442 | 1,911,286 | 222,574 | 260,324 |
| | 2,539,253 | 3,281,626 | 1,732,526 | 2,581,702 | 806,727 | 699,924 |
| | | | | | | 664,618 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

12 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

General Insurance

| | Gross | | Reinsurers' share | | Net | | |
|--|---|---|---|---------------------------------|---|---------------------------------|---|
| | 31 March 2017 AED '000 (Unaudited) | 31 March 2016 AED '000 (Unaudited) | 31 March 2017 AED '000 (Unaudited) | 31 December 2016 AED '000 | 31 March 2017 AED '000 (Unaudited) | 31 December 2016 AED '000 | 31 March 2016 AED '000 (Unaudited) |
| Unearned premium reserve | 1,168,171 | 844,136 | 753,199 | 545,046 | 414,972 | 299,090 | 309,802 |
| Advance premium | 91,315 | 93,054 | 77,303 | 78,528 | 14,012 | 14,526 | 19,326 |
| | <u>1,259,486</u> | <u>1,068,864</u> | <u>830,502</u> | <u>623,574</u> | <u>428,984</u> | <u>313,616</u> | <u>329,128</u> |
| Outstanding claims | 693,156 | 1,819,923 | 557,215 | 1,634,068 | 135,941 | 185,855 | 201,656 |
| Incurred but not reported reserve | 219,647 | 212,423 | 161,292 | 161,613 | 58,355 | 50,810 | 35,778 |
| Allocated loss adjustment expense reserve | 16,024 | 16,254 | 13,844 | 13,976 | 2,180 | 2,278 | 2,123 |
| Unallocated loss adjustment expense reserve | 8,405 | 5,859 | - | - | 8,405 | 5,859 | 5,860 |
| | <u>937,232</u> | <u>2,054,459</u> | <u>732,351</u> | <u>1,809,657</u> | <u>204,881</u> | <u>244,802</u> | <u>245,417</u> |
| | <u>2,196,718</u> | <u>2,991,649</u> | <u>1,562,853</u> | <u>2,433,231</u> | <u>633,865</u> | <u>558,418</u> | <u>574,545</u> |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Unaudited)

13 INCOME TAXES

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The Group entities operate in the Sultanate of Oman, Egypt, Syria, Turkey and Sri Lanka and are subject to income tax in these countries.

The component of income tax recognised in the interim consolidated statement of income is as follows:

| | <i>31 March 2017 AED'000</i> | <i>31 March 2016 AED'000</i> |
|----------------------------|--------------------------------------|--------------------------------------|
| Current income tax expense | 2,797 | 1,229 |
| Deferred taxes | (1,832) | (1,364) |
| | <u>965</u> | <u>(135)</u> |

| | <i>31 March 2017 AED'000</i> | <i>31 December 2016 AED'000 Audited</i> | <i>31 March 2016 AED'000</i> |
|-------------------------------------|--------------------------------------|---|--------------------------------------|
| As at 1 January | 1,724 | 5,111 | 5,111 |
| Provisions during the period | 2,797 | 4,657 | 1,229 |
| Payments | (70) | (6,593) | (1,767) |
| Exchange differences | 15 | (1,451) | (330) |
| Balance as at the end of the period | <u>4,466</u> | <u>1,724</u> | <u>4,243</u> |

14 CONTINGENT LIABILITIES

| | <i>31 March 2017 AED'000 (Unaudited)</i> | <i>31 December 2016 AED'000</i> | <i>31 March 2016 AED'000 (Unaudited)</i> |
|---|--|---|--|
| <i>Guarantees</i> | | | |
| Bank guarantees other than those relating to claims for which provisions are held | <u>27,262</u> | <u>16,470</u> | <u>5,305</u> |

Bank guarantees have been issued in the normal course of business.

| | <i>31 March 2017 AED'000 (Unaudited)</i> | <i>31 December 2016 AED'000</i> | <i>31 March 2016 AED'000 (Unaudited)</i> |
|----------------------------|--|---|--|
| <i>Capital commitment</i> | | | |
| Commitment for investments | <u>7,866</u> | <u>11,057</u> | <u>11,057</u> |
| | <u>7,866</u> | <u>11,057</u> | <u>11,057</u> |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total fair value</i> |
|--|------------------|----------------|----------------|-------------------------|
| | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| 31 March 2017 | | | | |
| Financial assets held-for-trading: | | | | |
| Equity securities | 13,543 | - | - | 13,543 |
| Financial assets designated at fair value through profit or loss: | | | | |
| Equity securities | - | - | - | - |
| Available-for-sale financial assets: | | | | |
| Banking sector | 1,189,215 | - | - | 1,189,215 |
| Other sectors | 3,731 | - | - | 3,731 |
| <i>Equity securities</i> | 1,192,946 | - | - | 1,192,946 |
| Investments held on behalf of policy holders of unit linked products | 31,170 | - | - | 31,170 |
| | 1,237,659 | - | - | 1,237,659 |
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total fair value</i> |
| | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| 31 December 2016 | | | | |
| Financial assets held-for-trading: | | | | |
| <i>Equity securities</i> | 13,804 | - | - | 13,804 |
| Financial assets designated at fair value through profit or loss | | | | |
| <i>Equity securities</i> | - | - | - | - |
| Available-for-sale financial assets: | | | | |
| Banking sector | 1,288,316 | - | - | 1,288,316 |
| Other sectors | 3,843 | - | - | 3,843 |
| <i>Equity securities</i> | 25,936 | - | - | 25,936 |
| Investments held on behalf of policy holders of unit linked products | 25,936 | - | - | 25,936 |
| | 1,331,899 | - | - | 1,331,899 |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

15 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31 March 2017

| | <i>At 1 January 2017 AED'000</i> | <i>Total gain or loss recorded in profit and loss AED'000</i> | <i>Purchase AED'000</i> | <i>Sales AED'000</i> | <i>Total gain or loss recorded in equity AED'000</i> | <i>Transfer from level 1 AED'000</i> | <i>At 31 March 2017 AED'000</i> |
|---|--|---|-----------------------------|--------------------------|--|--|---|
| Financial assets designated at fair value through profit or loss | | | | | | | |
| Equity securities | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |

31 December 2016

| | <i>At 1 January 2016 AED'000</i> | <i>Total gain or loss recorded in profit and loss AED'000</i> | <i>Purchase AED'000</i> | <i>Sales AED'000</i> | <i>Total gain or loss recorded in equity AED'000</i> | <i>Transfer from level 1 AED'000</i> | <i>At 31 December 2016 AED'000</i> |
|---|--|---|-----------------------------|--------------------------|--|--|--|
| Financial assets designated at fair value through profit or loss | | | | | | | |
| Equity securities | 2,148 | 8 | - | 2,156 | - | - | - |
| Total | 2,148 | 8 | - | 2,156 | - | - | - |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

16 SEASONALITY OF RESULTS

Dividend income amounting to AED 50,008 thousand for three months ended 31 March 2017 and AED 49,614 thousand for three months ended 31 March 2016 depends on market conditions, investment activities of the Group and declaration of profits by the investee companies, which are of seasonal nature. Accordingly, results for the period ended 31 March 2017 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2017.

17 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

| | <i>Three months ended 31 March Unaudited</i> | |
|--|--|-------------------------|
| | <i>2017 AED'000</i> | <i>2016 AED'000</i> |
| Profit after tax for the period | 150,022 | 129,371 |
| Less: Attributable to minority interest | (2,624) | (2,661) |
| Profit attributable to shareholders | 147,398 | 126,710 |
| Weighted average number of shares outstanding during the period ('000) | 5,000 | 5,000 |
| Earnings per share (AED) | 29.48 | 25.34 |

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2017 (Unaudited)

18 OTHER RECEIVABLES AND PREPAYMENTS

| | General Insurance | | Life Insurance | | Total |
|---------------------------|---|---|---|--|----------------|
| | 31 March 2017 AED'000 (Unaudited) | 31 March 2016 AED'000 (Unaudited) | 31 March 2017 AED'000 (Unaudited) | 31 December 2016 AED'000 (Unaudited) | |
| Receivable from employees | 1,261 | 1,001 | 7 | - | 1,268 |
| Refundable deposits | 2,710 | 2,956 | - | - | 2,710 |
| Prepayments | 12,349 | 9,538 | 9,595 | 8,438 | 21,944 |
| Others | 80,418 | 19,963 | 2,682 | 3,281 | 83,100 |
| | <u>96,738</u> | <u>33,458</u> | <u>12,284</u> | <u>11,719</u> | <u>109,022</u> |
| | | | | | <u>45,177</u> |
| | | | | | <u>100,677</u> |

19 INCOME FROM INVESTMENTS

| | General Insurance | | Life Insurance | | Total |
|---|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
| | 31 March 2017 AED'000 | 31 March 2016 AED'000 | 31 March 2017 AED'000 | 31 March 2016 AED'000 | |
| Interest income | 23,615 | 22,803 | 830 | 650 | 23,453 |
| Dividend income | 50,008 | 49,614 | - | - | 49,614 |
| Fair value gain / (loss) on investments carried at fair value through profit or loss | (261) | 2,861 | - | - | 2,861 |
| | <u>73,099</u> | <u>75,278</u> | <u>830</u> | <u>650</u> | <u>75,928</u> |
| | | | | | <u>75,928</u> |

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2017 (Unaudited)

21 RECLASSIFICATIONS

| | 31 March 2016 | | |
|--|-------------------------------|-------------------------|------------------------|
| | <i>As previously reported</i> | <i>reclassification</i> | <i>As reclassified</i> |
| Insurance contract assets | 1,914,743 | 85,888 | 2,000,631 |
| Other receivables and prepayments | 99,289 | 1,388 | 100,677 |
| Insurance contract liabilities | 2,560,035 | 105,214 | 2,665,249 |
| Reinsurance balances & other payables and accruals | 759,649 | (34,211) | 725,438 |
| Retirement benefit obligation | - | 16,273 | 16,273 |

- a. Reinsurance share of premium collected in advance of AED 85,888 thousand is classified and presented in insurance contract assets from reinsurance and other payable.
- b. Deferred tax of AED 1,388 thousand is classified and presented in other receivables and prepayments from reinsurance and other payable.
- c. Premium collected in advance of AED 105,214 thousand is classified and presented in insurance contract liabilities from reinsurance and other payables.
- d. Retirement benefit obligations of AED 16,273 thousand has been reclassified from reinsurance and other payables and separately disclosed in the consolidated statement of financial position.