DUBAI NATIONAL INSURANCE & REINSURANCE
(Public Shareholding Company)

دبي الوطنية للتأمين وإعادة التأمين
(شركة مساهمة عامة)

Dated : 11th November 2012

Directors' Report
For the Third Quarter Ended 30th September 2012

The Board of Directors is pleased to present the unaudited results for the third quarter ended 30th September 2012.

- The gross premium written as of the third quarter of 2012 is AED 96.229 Million as compared to AED 92.864 Million in the same period last year.

- The net underwriting income as of third quarter of 2012 improved by 59% to AED 24.024 Million as compared to AED 15.072 Million as of year to date September 2011.

- The company achieved net profit of AED 23.519 Million as of third quarter of 2012 compared to AED 16.763 Million in the same period last year.

Mohammed Khalaf Al Habtoor
Managing Director

Grant Thornton

Dubai National Insurance & Reinsurance (P.S.C.)

Dubai - United Arab Emirates

Condensed Interim Financial Information
(Un-audited)

For the period ended September 30, 2012

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed Interim Financial Information
for the period ended September 30, 2012

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Grant Thornton

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Review report of the independent auditor to the shareholders of Dubai National Insurance & Reinsurance (P.S.C.)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") as of September 30, 2012 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim financial reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standards on Review Engagement 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 condensed interim financial information is not prepared, in all material respect in accordance with International Accounting Standard 34 "Interim financial reporting".

Grant Thornton

Grant Thornton
Farouk Mohamed
Insurance Registration No: 54

Dubai, United Arab Emirates
November 11, 2012

Condensed Interim Statement of Financial Position
as at September 30, 2012

	Notes	(Un-audited) September 30, 2012 AED'000	(Audited) December 31, 2011 AED'000
Assets			
Non-current			
Statutory deposits	4	10,268	10,268
Property and equipment		1,198	1,764
Investment property	5	87,454	88,841
		98,920	100,873
Current			
Financial assets at fair value through other comprehensive income	6	117,230	105,077
Insurance receivables		31,087	46,393
Other receivables		1,473	1,091
Due from related parties	7	10,255	11,327
Re-insurers' share of outstanding claims		63,059	67,666
Cash and cash equivalents	8	25,973	11,223
		249,077	242,777
Total assets		347,997	343,650
Equity and liabilities			
Equity			
Share capital		115,500	110,000
Legal reserve		54,537	54,537
Obligatory reserve		27,500	27,500
General reserve		220,000	220,000
Fair value reserve on financial assets at fair value through other comprehensive income		(262,264)	(274,417)
Retained earnings		30,448	28,927
Total equity		185,721	166,547
Liabilities			
Non-current			
Employees' end-of-service benefits		1,942	1,761
Current			
Outstanding claims provision		79,388	83,775
Technical provisions		27,421	27,151
Insurance payables		38,092	35,102
Other payables		13,646	12,968
Due to related parties	7	1,787	16,346
		160,334	175,342
Total liabilities		162,276	177,103
Total equity and liabilities		347,997	343,650

This condensed interim financial information was approved by the Board of Directors on November 11, 2012 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmed Al Habtoor
Vice Chairman

The notes from 1 to 11 form an integral part of this condensed interim financial information.

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Dubai National Insurance & Reinsurance (P.S.C.)
Condensed Interim Financial Information

Condensed Interim Income Statement
for the period ended September 30, 2012

	(Un-audited) 9 months ended September 30, 2012 AED'000	(Un-audited) 9 months ended September 30, 2011 AED'000	(Un-audited) 3 months ended September 30, 2012 AED'000	(Un-audited) 3 months ended September 30, 2011 AED'000
Gross premium	96,229	92,864	38,362	14,939
Reinsurance share of premium	(64,162)	(61,351)	(27,487)	(9,135)
Net premium	32,067	31,513	10,875	5,804
Net transfer to unearned premium	(217)	181	1,075	3,439
Net premium earned	31,850	31,694	11,950	9,243
Commission earned	11,337	10,016	4,830	1,740
Commission paid	(8,723)	(7,302)	(3,116)	(1,723)
Others	4,768	3,157	3,638	1,409
Gross underwriting income	39,232	37,565	17,302	10,669
Gross claims paid	37,134	203,540	9,964	13,443
Reinsurance share	(22,201)	(171,078)	(6,664)	(7,976)
Net claims paid	14,933	32,462	3,300	5,467
Provision for outstanding claims and technical provisions	(4,333)	(241,990)	1,753	(896)
Reinsurance share of outstanding claims	4,608	232,021	525	1,484
Net claims incurred	15,208	22,493	5,578	6,055
Net underwriting income	24,024	15,072	11,724	4,614
Income from investment - net	5,920	5,172	90	51
Income from investment property - net	7,909	9,425	2,415	2,945
Other income	12	92	12	17
Gross income	37,865	29,761	14,241	7,627
General and administrative expenses	(14,346)	(12,998)	(4,879)	(4,166)
Net profit for the period	23,519	16,763	9,362	3,461
Earnings per share:				
Basic and diluted (note 9)	AED 0.20	AED 0.15	AED 0.08	AED 0.03

The notes from 1 to 11 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Comprehensive Income
for the period ended September 30, 2012

	(Un-audited) 9 months ended September 30, 2012 AED'000	(Un-audited) 9 months ended September 30, 2011 AED'000	(Un-audited) 3 months ended September 30, 2012 AED'000	(Un-audited) 3 months ended September 30, 2011 AED'000
Net profit for the period	23,519	16,763	9,362	3,461
Other comprehensive income:				
Net unrealized profit/(loss) on investments	12,153	3,298	11,478	(6,789)
Translation of operating assets and liabilities of overseas branch	2	-	(2)	-
Other comprehensive income/(loss) for the period	12,155	3,298	11,476	(6,789)
Total comprehensive income for the period	35,674	20,061	20,838	(3,328)

The notes from 1 to 11 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Changes in Equity
for the period ended September 30, 2012

	Share capital AED'000	Legal reserve AED'000	Obligatory reserve AED'000	General reserve AED'000	Fair value reserve on financial assets at fair value through other comprehensive income AED'000	Retained earnings AED'000	Total equity AED'000
Balance at January 1, 2011 (Audited)	110,000	52,175	27,175	220,000	(270,304)	31,538	170,584
Dividend paid	-	-	-	-	-	(22,000)	(22,000)
Transactions with owners	-	-	-	-	-	(22,000)	(22,000)
Net profit for the period	-	-	-	-	-	16,763	16,763
Other comprehensive income:							
Net unrealized gain on investments	-	-	-	-	3,298	-	3,298
Total comprehensive income for the period	-	-	-	-	3,298	16,763	20,061
Balance at September 30, 2011 (Un-audited)	110,000	52,175	27,175	220,000	(267,006)	26,301	168,645
Balance at January 1, 2012 (Audited)	110,000	54,537	27,500	220,000	(274,417)	28,927	166,547
Bonus shares issued	5,500	-	-	-	-	(5,500)	-
Dividend paid	-	-	-	-	-	(16,500)	(16,500)
Transactions with owners	5,500	-	-	-	-	(22,000)	(16,500)
Net profit for the period	-	-	-	-	-	23,519	23,519
Other comprehensive income:							
Net unrealized gain on investments	-	-	-	-	12,153	-	12,153
Adjustment arising on translation of operating assets and liabilities of branch	-	-	-	-	-	2	2
Total comprehensive income for the period	-	-	-	-	12,153	23,521	35,674
Balance at September 30, 2012 (Un-audited)	115,500	54,537	27,500	220,000	(262,264)	30,448	185,721

The notes from 1 to 11 form an integral part of this condensed interim financial information

Condensed Interim Statement of Cash Flows
for the period ended September 30, 2012

	(Un-audited) 9 months ended September 30, 2012 AED'000	(Un-audited) 9 months ended September 30, 2011 AED'000
Cash flows from operating activities		
Net profit for the period	23,519	16,763
Adjustments for:		
Depreciation on property and equipment	737	785
Depreciation on investment property	1,387	1,382
Net movement in employees' end-of-service benefits	181	35
Net movement in technical provisions	270	(9,612)
Provision for outstanding claims	(4,387)	(232,559)
Reinsurers' share of outstanding claims	4,607	232,021
Dividend and interest on long-term deposits	(5,920)	-
Income from investment property - net	(7,909)	(9,425)
Profit on sale of property and equipment	(12)	(92)
Operating profit before changes in working capital	12,473	(702)
Changes in working capital		
Insurance receivables	15,306	(9,497)
Other receivables	(382)	82
Insurance and other payables	3,668	(15,109)
Due (to) / from related parties – net	(13,485)	3,966
Net cash generated from/(used in) operating activities	17,580	(21,260)
Cash flows from investing activities		
Purchase of property and equipment	(190)	(668)
Dividend and interest on long-term deposits	5,920	-
Income from investment property	7,909	9,425
Proceeds from sale of property and equipment	31	121
Net cash generated from investing activities	13,670	8,878
Cash flows from financing activity		
Dividend paid	(16,500)	(22,000)
Net cash used in financing activity	(16,500)	(22,000)
Net change in cash and cash equivalents	14,750	(34,382)
Cash and cash equivalents, beginning of period	11,223	42,205
Cash and cash equivalents, end of period	25,973	7,823

The notes from 1 to 11 form an integral part of this condensed interim financial information.

Notes to the condensed interim financial information (Un-audited)

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on January 06, 1992 with a branch in Beirut, Lebanon.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to insurance companies and insurance agents. The registered address of the Company is Dubai National Insurance Building, Floor 7 & 9, Port Saeed, P.O. Box 1806, Dubai, U. A. E.

The overseas branch in Beirut is in the process of being wound down. Accordingly, the related license as required by local regulations has been terminated. The related guarantee is blocked with the Ministry of Economic & Commerce, Insurance Affairs Department in Lebanon until it meets all its obligations, as published in the official gazette in April 2004.

2 Statement of compliance with IFRS

The condensed interim financial information of the Company is prepared in accordance with International Financial Reporting Standard, (IAS 34 on "Interim Financial Reporting").

3 Significant accounting policies

The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2011.

(a) Adoption of new and revised standards

Certain revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2012:

Relevant to the Company's financial statements

IFRS 7	Financial Instruments: Disclosures - Enhanced derecognition disclosures requirements

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

Financial assets in equity securities are classified as investments at FVTOCI. These are initially recognised at fair value, which is equivalent to consideration given and acquisition charges associated with the investments.

After initial recognition, securities are measured at fair value, with unrealised gains or losses reported within the fair value reserve on investments at FVTOCI, and shown as part of shareholders' equity until the investment is derecognised. When the investment is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

Notes to the condensed interim financial information (Un-audited)

3 Significant accounting policies (continued)

(c) Investment property

Investment property is measured at cost and is carried net of accumulated depreciation and impairment. Depreciation is determined on a straight-line basis over the estimated useful life of the property which is considered to be 40 years.

(d) Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability (both technical and outstanding) arising from claims made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance receivables.

4 Statutory deposits

	(Un-audited) September 30, 2012 AED'000	(Audited) December 31, 2011 AED'000
Held with a local bank in UAE	10,000	10,000
Held with a bank outside UAE	268	268
	10,268	10,268

Statutory deposit held with a local bank in UAE represents deposits held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 (as amended) relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

Statutory deposits held outside UAE represent a Restricted Fixed Deposit in favour of the Ministry of Economy & Commerce, Government of Lebanon, as per Law No. 31/91 of Insurance companies held under lien by bank against guarantees issued.

Notes to the condensed interim financial information (Un-audited)

5 Investment property

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
Within U.A.E:	**AED'000**	**AED'000**
Balance at the beginning of the period	105,721	105,721
Accumulated depreciation	(18,267)	(16,880)
Balance at the end of the period	87,454	88,841

6 Financial assets at fair value through other comprehensive income

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
Within U.A.E:	**AED'000**	**AED'000**
Investment in quoted securities	90,753	90,753
Investment in unquoted securities	18,437	18,437
Cumulative changes in fair value transferred to equity	8,040	(4,113)
	117,230	105,077

The title of the unquoted securities is held by related parties for the beneficial interest of the Company. Unquoted securities as at December 31, 2011 were fair valued by an independent valuer based on the Net Assets Value as of the latest available financial statements of the investee's as at December 31, 2010. Management believes that there is no significant deterioration in the value of the unquoted investments during the period ended September 30, 2012.

7 Related parties

Details of related parties' balances are as follows:

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
	AED'000	**AED'000**
Due from related parties		
Al Habtoor Leighton LLC		
(Formerly Habtoor Engineering Enterprises Co L.L.C)	6,588	2,889
Dubai National Investment	953	347
Diamond Lease L.L.C	654	7,133
Habtoor Grand Resort & Spa	553	128
Other Habtoor Group companies	1,507	830
	10,255	11,327

Notes to the condensed interim financial information (Un-audited)

7 Related parties (continued)

	(Un-audited) September 30, 2012 AED'000	(Audited) December 31, 2011 AED'000
Due to related parties		
Due to investor:		
Al Habtoor Motors Co L.L.C	1,777	16,297
Others:		
Al Habtoor Group companies	10	49
	1,787	16,346

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS. Management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties except specifically disclosed.

The following are the details of significant transactions with related parties:

	(Un-audited) 9 months ended September 30, 2012 AED'000	(Un-audited) 9 months ended September 30, 2011 AED'000
Premiums written	39,035	42,446
Claims paid	6,511	156,969
Commission paid	1,637	1,860
Agency repairs	10,244	9,645

8 Cash and cash equivalents

	(Un-audited) September 30, 2012 AED'000	(Audited) December 31, 2011 AED'000
Held at UAE banks	25,769	11,037
Held with a bank outside UAE	204	186
	25,973	11,223

9 Earnings per share

Basic and diluted

	(Un-audited) 9 months ended September 30, 2012	(Un-audited) 9 months ended September 30, 2011	(Un-audited) 3 months ended September 30, 2012	(Un-audited) 3 months ended September 30, 2011
Earnings (AED'000):				
Net profit for the period	23,519	16,763	9,362	3,461
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	115,500,000	115,500,000	115,500,000	115,500,000
Earnings per share (AED):				
Basic and diluted*	0.20	0.15	0.08	0.03

* These figures are rounded off

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equals basic earnings per share. Earnings per share for 2012 was adjusted for 5% bonus shares issued in 2012 as approved by the shareholders at the Annual General Meeting held on April 5, 2012.

10 Segment information

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Life & Health Insurance. Investments segment comprises Investment Property and Investment at FVTOCI. The Life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

	Nine months period ended September 30, 2012 AED '000			Nine months period ended September 30 , 2011 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	96,229	-	96,229	96,284	-	96,284
Segment result	24,036	13,829	37,865	15,164	14,597	29,761
Unallocated administrative cost	-	-	(14,346)	-	-	(12,998)
Net profit for the period	-	-	23,519	-	-	16,763

Notes to the condensed interim financial information (Un-audited)

10 Segment information (continued)

	September 30 , 2012 AED '000			December 31, 2011 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	107,072	204,684	311,756	128,241	193,918	322,159
Unallocated assets	-	-	36,241	-	-	21,491
Total assets	-	-	347,997	-	-	343,650
Segment liabilities	157,511	4,765	162,276	173,803	3,300	177,103
Unallocated liabilities			-			-
Total liabilities	-	-	162,276	-	-	177,103

11 Commitments

The Company's bankers have issued in the normal course of business guarantee in favour of third parties amounting of AED 0.268 million (December 31, 2011: AED 0.268 million) which is secured by way of deposits held.