DUBAI NATIONAL INSURANCE & REINSURANCE
(Public Shareholding Company)

دبي الوطنية للتأمين وإعادة التأمين
(شركة مساهمة عامة)

Dated : 13th May 2014

Directors' Report
For the First Quarter Ended 31st March 2014

The Board of Directors is pleased to present the unaudited results for the first quarter ended 31st March 2014.

- The gross premium written increased in the first quarter of 2014 by 14.5% to AED 67.150 Million as compared to AED 58.638 Million in the same period last year.
- The net underwriting income also increased by 6.5% in the first quarter of 2014 to AED 8.211 Million as compared to AED 7.710 Million in the first quarter of 2013.
- The net profit for the first quarter 2014 also improved by 11.7% achieving AED 10.663 Million, compared to AED 9.545 Million as of first quarter 2013.

Mohammed Khalaf Al Habtoor
Managing Director

Grant Thornton

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

Dubai - United Arab Emirates

Condensed Interim Financial Statements
(Un-audited)

For the period ended March 31, 2014

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Public Accountants
Rolex Tower
23rd floor
Sheikh Zayed Road
P.O. Box 1620
Dubai, United Arab Emirates
Tel: +971 (4) 388 9925
Fax: +971 (4) 388 9915
Website : www.grantthornton.ae

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 March 31, 2014 and the related condensed interim income statement, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 statements is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton

Grant Thornton
Farouk Mohamed
Registration No: 86

Dubai, United Arab Emirates
Date: May 13, 2014

UAE Member Firm of Grant Thornton International Ltd.
Registered with the Dubai Financial Services Authority

Condensed Interim Statement of Financial Position
As at March 31, 2014

	Notes	(Unaudited) March 31, 2014 AED'000	(Audited) December 31, 2013 AED'000
Assets			
Non-current			
Statutory deposits	4	10,268	10,268
Property and equipment		592	593
Investment property	5	84,685	85,141
		95,545	96,002
Current			
Financial assets at fair value through other comprehensive income	6	318,689	228,861
Insurance receivables		34,945	26,738
Other receivables		3,587	2,561
Due from related parties	7	26,360	6,938
Re-insurers' contract assets		129,792	107,693
Cash and cash equivalents	8	63,675	55,265
		577,048	428,056
Total assets		672,593	524,058
Equity and liabilities			
Equity			
Share capital		115,500	115,500
Legal reserve		57,750	57,750
Obligatory reserve		28,875	28,875
General reserve		220,000	220,000
Fair value reserve on financial assets at fair value through other comprehensive income		(60,806)	(150,634)
Retained earnings		21,805	34,242
Total equity		383,124	305,733
Liabilities			
Non-current			
Employees' end-of-service benefits		2,736	2,636
Current			
Insurance contract provisions		186,130	159,144
Insurance payables		56,765	36,779
Dividend payable	12	23,100	-
Other payables		16,216	16,262
Due to related parties	7	4,522	3,504
		286,733	215,689
Total liabilities		289,469	218,325
Total equity and liabilities		672,593	524,058

These condensed interim financial statements were approved by the Board of Directors on May 13, 2014 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmed Al Habtoor
Vice Chairman

The notes from 1 to 12 form an integral part of these condensed interim financial statements.

Condensed Interim Income Statement
For the period ended March 31, 2014

	(Un-audited) Three months period ended March 31, 2014 AED'000	(Un-audited) Three months period ended March 31, 2013 AED'000
Gross premium	67,150	58,638
Reinsurance share of premium	(43,974)	(35,103)
Net premium	23,176	23,535
Net transfer to unearned premium	(3,134)	(9,480)
Net premium earned	20,042	14,055
Commission earned	4,132	3,670
Commission paid	(5,269)	(4,832)
Others	472	633
Gross underwriting income	19,377	13,526
Gross claims paid	22,699	17,096
Reinsurance share	(13,285)	(10,198)
Net claims paid	9,414	6,898
Provision for outstanding claims and technical provisions	6,422	(2,611)
Reinsurance share of outstanding claims	(4,670)	1,529
Net claims incurred	11,166	5,816
Net underwriting income	8,211	7,710
Income from investments - net	4,854	4,240
Income from investment property – net	2,706	2,448
Other income	43	-
Gross income	15,814	14,398
General and administrative expenses	(5,151)	(4,853)
Net profit for the period	10,663	9,545
Earnings per share:		
Basic and diluted (note 9)	0.09	0.08

The notes from 1 to 12 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Comprehensive Income
For the period ended March 31, 2014

	(Un-audited) Three months period ended March 31, 2014 AED'000	(Un-audited) Three months period ended March 31, 2013 AED'000
Net profit for the period	10,663	9,545
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net unrealized profit on financial assets at fair value through other comprehensive income	89,828	27,160
Adjustment arising on translation of operating assets and liabilities of overseas branch	-	(3)
Total comprehensive income for the period	100,491	36,702

The notes from 1 to 12 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Changes in Equity
For the period ended March 31, 2014

	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, 2014 (Audited)	**115,500**	**57,750**	**28,875**	**220,000**	**(150,634)**	**34,242**	**305,733**
Dividend declared	-	-	-	-	-	(23,100)	(23,100)
Transactions with owners	-	-	-	-	-	(23,100)	(23,100)
Profit for the period	-	-	-	-	-	10,663	10,663
Total comprehensive income for the period	-	-	-	-	89,828	-	89,828
Balance at March 31, 2014 (Un-audited)	**115,500**	**57,750**	**28,875**	**220,000**	**(60,806)**	**21,805**	**383,124**
Balance at January 1, 2013 (Audited)	**115,500**	**57,448**	**28,875**	**220,000**	**(260,932)**	**29,851**	**190,742**
Dividend declared	-	-	-	-	-	(23,100)	(23,100)
Transactions with owners	-	-	-	-	-	(23,100)	(23,100)
Profit for the period	-	-	-	-	-	9,545	9,545
Total comprehensive income for the period	-	-	-	-	27,160	-	27,160
Branch adjustment	-	-	-	-	-	(3)	(3)
Balance at March 31, 2013 (Un-audited)	**115,500**	**57,448**	**28,875**	**220,000**	**(233,772)**	**16,293**	**204,344**

The notes from 1 to 12 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Cash Flows
For the period ended March 31, 2014

	Notes	(Un-audited) Three months period ended March 31, 2014 AED'000	(Un-audited) Three months period ended March 31, 2013 AED'000
Cash flows from operating activities			
Net profit for the period		10,663	9,545
Adjustments for:			
Depreciation on property and equipment		102	213
Depreciation on investment property		456	455
Gain on disposal of property & equipment		(43)	-
Net transfer to employees' end-of-service benefits		100	124
Insurance contract provisions		26,986	26,709
Reinsurance contract assets		(22,099)	(18,311)
Dividend and interest on long-term deposits		(4,854)	(4,240)
Income from investment property		(2,706)	(2,904)
Operating profit before changes in working capital		8,605	11,591
Changes in working capital			
Insurance receivables		(8,207)	(6,274)
Other receivables		(1,026)	(4,933)
Insurance payables		19,986	15,190
Other payables		(46)	(413)
Due to related parties – net		(18,404)	(8,551)
Net cash generated from operating activities		908	6,610
Cash flows from investing activities			
Purchase of property and equipment		(101)	(50)
Proceeds from disposal of property & equipment		43	-
Dividend and interest on long-term deposits		4,854	4,240
Income from investment property –net		2,706	2,904
Net cash generated from investing activities		7,502	7,094
Net change in cash and cash equivalents		8,410	13,704
Cash and cash equivalents, beginning of period		55,265	31,304
Difference in exchange on cash and cash equivalents		-	(3)
Cash and cash equivalents, end of period		63,675	45,005

The notes from 1 to 12 form an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements (Un-audited)
For the period ended March 31, 2014

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C) (the "Company") is a public shareholding company incorporated in Dubai on January 6, 1992 with an overseas 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 on Establishment of the Insurance Authority and Organization of the Insurance Operations 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. The branch has no operations and the total expenses and assets of the branch are not material to these condensed interim financial statements. Hence, these condensed interim financial statements do not separately disclose the expenses, assets, liabilities and cash flows for the discontinued operations of the branch.

2 General information and basis of preparation

The condensed interim financial statements are for the three months ended March 31, 2014 and are presented in Arab Emirate Dirham (AED), which is the functional currency of the Company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the financial statements for the year ended December 31, 2013.

3 Significant accounting policies

The condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2013. No relevant new accounting standards / annual improvements are applicable on the Company from January 1, 2014 except already disclosed in the Company's most recent annual financial statements for the year ended December 31, 2013.

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

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity securities in FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. They are initially recognised at fair value plus transaction costs.

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.

3 Significant accounting policies (continued)

b) 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. Actual results may substantially be different.

Outstanding claims and technical provisions
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.

Classification of investment property
The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

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

Fair value of unquoted securities
Fair value of unquoted securities has been determined by the management based on Earnings Multiple Technique using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Actual results may substantially be different. Further information on using the estimates is mentioned in note 6.

4 Statutory deposits

	(Un-audited) March 31, 2014 AED'000	(Audited) December 31, 2013 AED'000
Held with a local bank in Dubai	10,000	10,000
Held with a bank outside UAE	268	268
	10,268	10,268

Statutory deposit held with a local bank in Dubai, 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 on Establishment of the Insurance Authority and Organization of the Insurance Operations, 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.

5 Investment property

Within U.A.E:	(Un-audited) March 31, 2014 AED'000	(Audited) December 31, 2013 AED'000
Cost at the beginning of the period	105,721	105,721
Accumulated depreciation	(21,036)	(20,580)
Written down value at the end of the period	84,685	85,141

6 Financial assets at fair value through other comprehensive income

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
March 31, 2014					
Investment in quoted securities	(a)	259,789	-	-	259,789
Investment in unquoted securities*	(b)	-	-	58,900	58,900
		259,789	-	58,900	318,689
December 31, 2013					
Investment in quoted securities	(a)	199,361	-	-	199,361
Investment in unquoted securities*	(b)	-	-	29,500	29,500
		199,361	-	29,500	228,861

(a) Fair values have been determined by reference to their quoted prices at the reporting date

(b) The Company holds investments in unquoted securities of three entities as at March 31, 2014. These investments were fair valued as at December 31, 2013 based on Earnings Multiple Technique using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Latest financial information for only two of these three unquoted investee entities was available until the date of the issue of these financial statements, therefore financial information reported as at December 31, 2013 for these two investees has been used to fair value unquoted securities. For the purpose of fair value of the two investee entities, their unobservable financial data as at December 31, 2013 has been used with observable market data at the same date. Financial information reported as at December 31, 2012 has been used to fair value the remaining one entity's unquoted securities therefore there is no change in its fair value as compared to December 31, 2013. This has been treated as a significant accounting estimate considering the non-availability of required data. Management believes that there is no significant deterioration in the value of the unquoted investments during the period ended March 31, 2014. All the unquoted securities fall under level 3 of fair value hierarchy therefore used of estimate is significant.

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

*The title of the unquoted securities is held by related parties for the beneficial interest of the Company.

7 Related parties

Details of related party balances are as follows:

	(Un-audited) March 31, 2014 AED'000	(Audited) December 31, 2013 AED'000
Due from related parties		
Al Habtoor Leighton LLC	20,166	5,058
Dubai National Investment Co. LLC	3,493	430
Habtoor Grand Resort & Spa	1,219	488
Other Habtoor Group companies	1,482	962
	26,360	6,938
Due to related parties		
Due to investor:		
Al Habtoor Motors Co L.L.C	4,458	3,331
Others:		
Al Habtoor Group companies	64	173
	4,522	3,504

Related party transactions

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.

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

	(Un-audited) Three months period ended March 31, 2014 AED'000	(Un-audited) Three months period ended March 31, 2013 AED'000
Premiums written	35,920	27,945
Claims paid	2,294	3,421
Commission paid	818	1,022
Agency/ Non-agency repairs	6,340	5,117

8 Cash and cash equivalents

	(Un-audited) March 31, 2014 AED'000	(Audited) December 31, 2013 AED'000
Cash in hand and at banks	63,675	55,265

(a) Cash at banks includes approximately AED 0.18 million (2013: AED 0.18 million) converted from Lebanese Lira (LL).

(b) Cash at banks includes short term deposits with local banks carrying interest ranging from 0.5% - 1.25% (December 31, 2013: 0.5% - 1.25%).

9 Earnings per share

Basic and diluted

	(Un-audited) Three months period ended March 31, 2014	(Un-audited) Three months period ended March 31, 2013
Earnings (AED'000):		
Net profit for the period	10,663	9,545
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	115,500,000	115,500,000
Earnings per share (AED):		
Basic and diluted	0.09*	0.08*

* These figures are rounded off

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equals basic earnings per share.

10 Segment information

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

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

10 Segment information (continued)

	Three months period ended March 31, 2014 AED '000			Three months period ended March 31, 2013 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	67,150	8,662	75,812	58,638	7,458	66,096
Segment result	8,211	7,603	15,814	7,710	6,688	14,398
Unallocated administrative cost			(5,151)			(4,853)
Net profit for the period			10,663			9,545

	March 31, 2014 AED '000			December 31, 2013 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	195,275	403,375	598,650	144,524	314,001	458,525
Unallocated assets			73,943			65,533
Total assets			672,593			524,058
Segment liabilities	284,468	5,001	289,469	215,908	2,417	218,325
Unallocated liabilities			-			-
Total liabilities			289,469			218,325

11 Commitments and contingencies

The Company's bankers have issued in the normal course of business guarantee in favour of third parties amounting to AED 0.5 million (December 31, 2013: AED 0.5 million).

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

12 Dividend

The Board proposed cash dividend of 20% of paid up capital, AED 23.1 million (AED 0.20 per share) for the year ended December 31, 2013 which was approved at the Annual General Meeting held on March 26, 2014.