DUBAI NATIONAL INSURANCE & REINSURANCE
(Public Shareholding Company)

دبي الوطنية للتأمين وإعادة التأمين
(شركة مساهمة عامة)

Dated : 7th May 2015

Directors' Report
For the First Quarter Ended 31st March 2015

The Board of Directors is pleased to present the unaudited results for the first quarter ended 31st March 2015.

- **The gross premium written for the first quarter of 2015 is AED 65.328 Million compared to AED 67.150 Million in the first quarter of 2014.**
- **The net underwriting income is AED 8.224 Million for the first quarter of 2015 compared to AED 8.211 Million in the first quarter of 2014.**
- **The company achieved net profit of AED 19.944 Million as of 31st March 2015 compared to AED 10.663 Million as of 31st March 2014.**

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, 2015

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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 March 31, 2015 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 and related explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 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 IAS 34.

Grant Thornton

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

Grant Thornton
Farouk Mohamed
Registration No: 86

Dubai, United Arab Emirates
Date: May 7, 2015

Condensed Interim Statement of Financial Position

As at March 31, 2015

	Notes	(Unaudited) March 31, 2015 AED'000	(Audited) December 31, 2014 AED'000
Assets			
Non-current			
Statutory deposits	4	10,268	10,268
Property and equipment		765	787
Investment property	5	82,838	83,294
		93,871	94,349
Current			
Financial assets at fair value through other comprehensive income	6	322,721	335,482
Insurance receivables		37,915	37,491
Other receivables		15,238	1,990
Due from related parties	7	21,642	5,745
Re-insurers' contract assets		128,546	115,001
Cash and cash equivalents	8	79,707	73,314
		605,769	569,023
Total assets		699,640	663,372
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		25,528	38,289
Accumulated losses		(40,907)	(37,751)
Total equity		406,746	422,663
Liabilities			
Non-current			
Employees' end-of-service benefits		3,186	3,039
Current			
Insurance contract provisions		188,245	168,971
Insurance payables		56,762	40,541
Dividend payable	12	23,100	-
Other payables		21,600	22,198
Due to related parties	7	1	5,960
		289,708	237,670
Total liabilities		292,894	240,709
Total equity and liabilities		699,640	663,372

These condensed interim financial statements were approved by the Board of Directors on May 7, 2015 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

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

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Condensed Interim Income Statement
For the period ended March 31, 2015

	(Un-audited) Three months period ended March 31, 2015 AED'000	(Un-audited) Three months period ended March 31, 2014 AED'000
Gross premium	65,328	67,150
Reinsurance share of premium	(39,889)	(43,974)
Net premium	25,439	23,176
Net transfer to unearned premium	(6,000)	(3,134)
Net premium earned	19,439	20,042
Commission earned	4,089	4,132
Commission paid	(6,644)	(5,269)
Others	752	472
Gross underwriting income	17,636	19,377
Gross claims paid	25,457	22,699
Reinsurance share	(15,773)	(13,285)
Net claims paid	9,684	9,414
Provision for outstanding claims and technical provisions	2,691	6,422
Reinsurance share of outstanding claims	(2,963)	(4,670)
Net claims incurred	9,412	11,166
Net underwriting income	8,224	8,211
Income from investments - net	13,963	4,854
Income from investment property – net	2,897	2,706
Other income	-	43
Gross income	25,084	15,814
General and administrative expenses	(5,140)	(5,151)
Net profit for the period	19,944	10,663
	AED	**AED**
Earnings per share:		
Basic and diluted (note 9)	0.17	0.09

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, 2015

	(Un-audited) Three months period ended March 31, 2015 AED'000	(Un-audited) Three months period ended March 31, 2014 AED'000
Net profit for the period	19,944	10,663
Other comprehensive (loss)/ income		
Item that will not be subsequently reclassified to profit or loss		
Net unrealised (loss)/ profit on financial assets at fair value through other comprehensive income	(12,761)	89,828
Total comprehensive income for the period	7,183	100,491

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, 2015

	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	Accumulated losses AED'000	Total equity AED'000
Balance at January 1, 2015 (Audited)	**115,500**	**57,750**	28,875	220,000	38,289	**(37,751)**	**422,663**
Dividend declared (note 12)	-	-	-	-	-	(23,100)	(23,100)
Transactions with owners	-	-	-	-	-	(23,100)	(23,100)
Profit for the period	-	-	-	-	-	19,944	19,944
Other comprehensive loss for the period	-	-	-	-	(12,761)	-	(12,761)
Balance at March 31, 2015 (Un-audited)	**115,500**	**57,750**	28,875	220,000	25,528	**(40,907)**	**406,746**
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
Other 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**

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, 2015

	(Un-audited) Three months period ended March 31, 2015 AED'000	(Un-audited) Three months period ended March 31, 2014 AED'000
Cash flows from operating activities		
Net profit for the period	19,944	10,663
Adjustments for:		
Depreciation on property and equipment	86	102
Depreciation on investment property	456	456
Gain on disposal of property and equipment	-	(43)
Net transfer to employees' end-of-service benefits	147	100
Insurance contract provisions	19,274	26,986
Reinsurance contract assets	(13,545)	(22,099)
Dividend and interest on long-term deposits	(13,963)	(4,854)
Income from investment property	(2,897)	(2,706)
Operating cash flows before changes in working capital	9,502	8,605
Changes in working capital		
Insurance receivables	(424)	(8,207)
Other receivables	(13,248)	(1,026)
Insurance payables	16,221	19,986
Other payables	(598)	(46)
Due to related parties – net	(21,856)	(18,404)
Net cash (used in)/ generated from operating activities	(10,403)	908
Cash flows from investing activities		
Purchase of property and equipment	(64)	(101)
Proceeds from disposal of property and equipment	-	43
Dividend and interest on long-term deposits	13,963	4,854
Income from investment property – net	2,897	2,706
Net cash generated from investing activities	16,796	7,502
Net change in cash and cash equivalents	6,393	8,410
Cash and cash equivalents, beginning of period	73,314	55,265
Cash and cash equivalents, end of period	79,707	63,675

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

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, UAE.

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

These condensed interim financial statements are for the three months ended March 31, 2015 and are presented in Arab Emirate Dirham (AED), which is the functional currency of the Company. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and 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, 2014.

3 Significant accounting policies

These 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 December 31, 2014. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended December 31, 2014, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

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 judgements 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 judgements 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, 2015 AED'000	(Audited) December 31, 2014 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

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
Within U.A.E:	AED'000	AED'000
Cost at the beginning of the period	105,721	105,721
Accumulated depreciation	(22,883)	(22,427)
Written down value at the end of the period	82,838	83,294

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, 2015					
Investment in quoted securities	(a)	285,346	-	-	285,346
Investment in unquoted securities*	(b)	-	-	37,375	37,375
		285,346	-	37,375	322,721
December 31, 2014					
Investment in quoted securities	(a)	280,221	-	-	280,221
Investment in unquoted securities*	(b)	-	-	55,261	55,261
		280,221	-	55,261	335,482

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

(b) The Company holds investments in unquoted securities of three entities as at March 31, 2015. These investments were fair valued as at December 31, 2014 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 one of these three unquoted investee entities was available until the date of the issue of these condensed interim financial statements, therefore financial information reported as at December 31, 2014 for this one investee has been used to fair value unquoted securities. For the purpose of fair value of this one investee entity, its unobservable financial data as at December 31, 2014 has been used with observable market data at the same date. Financial information reported as at December 31, 2013 has been used to fair value the remaining two entities unquoted securities therefore there is no change in their fair value, as compared to December 31, 2014. 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 these unquoted investments during the period ended March 31, 2015. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate is significant.

*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, 2015 AED'000	(Audited) December 31, 2014 AED'000
Due from related parties		
Related parties due to common directorship		
Al Habtoor Motors Co. L.L.C.	632	-
Al Habtoor Leighton L.L.C.	15,783	2,751
Dubai National Investment Co. L.L.C.	2,908	654
Diamond Lease L.L.C.	1,017	2,040
Other Habtoor Group companies	1,302	300
	21,642	5,745
Due to related parties		
Related parties due to common directorship		
Al Habtoor Motors Co. L.L.C.	-	5,802
Other Habtoor Group companies	1	158
	1	5,960

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, 2015 AED'000	(Un-audited) Three months period ended March 31, 2014 AED'000
Premiums written	28,863	35,920
Claims paid	1,937	2,294
Commission paid	1,679	818
Agency/ Non-agency repairs	8,038	6,340

8 Cash and cash equivalents

	(Un-audited) March 31, 2015 AED'000	(Audited) December 31, 2014 AED'000
Cash in hand and at banks	79,707	73,314

(a) Cash at banks includes approximately AED 0.06 million (2014: AED 0.06 million) converted from Lebanese Lira (LL).

(b) Cash at banks includes short term deposits with local banks carrying interest ranging from 0.2% - 1.0% (December 31, 2014: 0.1% - 1.3%).

9 Earnings per share

Basic and diluted

	(Un-audited) Three months period ended March 31, 2015	(Un-audited) Three months period ended March 31, 2014
Earnings (AED'000):		
Net profit for the period	19,944	10,663
Number of shares:		
Weighted average number of ordinary shares for the purpose of earnings per share	115,500,000	115,500,000
Earnings per share (AED):		
Basic and diluted	0.17*	0.09*

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

* These figures are rounded off.

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, 2015 AED '000			Three months period ended March 31, 2014 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	65,328	18,095	83,423	67,150	8,619	75,769
Segment result	8,224	16,860	25,084	8,211	7,560	15,771
Unallocated:						
- Other income			-			43
- Admin expenses			(5,140)			(5,151)
Net profit for the period			19,944			10,663

	March 31, 2015 AED '000			December 31, 2014 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	204,106	405,559	609,665	161,014	418,776	579,790
Unallocated assets			89,975			83,582
Total assets			699,640			663,372
Segment liabilities	264,546	5,248	269,794	238,142	2,567	240,709
Unallocated liabilities			23,100			-
Total liabilities			292,894			240,709

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, 2014: 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 amounting to AED 23.1 million (AED 0.20 per share) for the year ended December 31, 2014 which was approved at the Annual General Meeting held on March 9, 2015.