DUBAI NATIONAL INSURANCE & REINSURANCE
(Public Shareholding Company)

دبي الوطنية للتأمين وإعادة التأمين
(شركة مساهمة عامة)

Dated : 8th August 2016

Directors' Report
For the Half Year Ended 30th June 2016

The Board of Directors is pleased to present the half yearly unaudited results for the period ended 30th June 2016.

- The gross premium written for the half year 2016 is AED 135.449 Million compared to AED 118.947 Million in the same period last year.
- The net underwriting income of the half year ended 30th June 2016 is AED 15.918 Million as compared to AED 17.652 Million as of 30th June 2015.
- The company achieved net profit of AED 28.381 Million for the half year ended 30th June 2016 as compared to AED 29.325 Million as of 30th June 2015.

Mohammed Khalaf Al Habtoor
Managing Director

سجلت في سجل شركات التأمين طبقا للقانون الإتحادي رقم (٦) لسنة ٢٠٠٧، شهادة قيد رقم ٦٤ بتاريخ ٦ يناير ١٩٩٢
Registered in the Insurance Companies Register Under Federal Law No. (6) of 2007, Certificate No. 64 Dated 6th January 1992
E-mail : mails@dnirc.com, Website : www.dnirc.com
ص. ب: ١٨٠٦، دبي، الإمارات العربية المتحدة، هاتف: ٢٩٥٦٧٠٠ ٤ ٩٧١+، فاكس: ٢٩٥٦٧١١ ٤ ٩٧١+
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Dubai National Insurance & Reinsurance (P.S.C.)

Dubai - United Arab Emirates

Condensed Interim Financial Statements
(Unaudited)

For the period ended June 30, 2016

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)
For the period ended June 30, 2016

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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 June 30, 2016 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 six 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 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton

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

Farouk Mohamed
Registration No: 86
Dubai, August 8, 2016

Condensed interim statement of financial position
As at June 30, 2016

	Notes	(Unaudited) June 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Assets			
Non-current			
Statutory deposits	4	10,000	10,000
Property and equipment		886	928
Investment property	5	80,525	81,447
		91,411	92,375
Current			
Financial assets at fair value through other comprehensive income	6	362,616	328,506
Insurance receivables		48,830	39,036
Other receivables		4,419	3,747
Due from related parties	7	18,760	4,597
Re-insurers' contract assets		115,186	98,572
Cash and cash equivalents	8	86,035	90,974
		635,846	565,432
Total assets		727,257	657,807
Equity and liabilities			
Equity			
Share capital		115,500	115,500
Legal reserve		57,750	57,750
Obligatory reserve		28,875	28,875
General reserve		180,000	180,000
Fair value reserve on financial assets at fair value through other comprehensive income		42,891	8,781
Retained earnings		21,737	16,456
Total equity		446,753	407,362
Liabilities			
Non-current			
Employees' end-of-service benefits		3,857	3,635
Current			
Insurance contract provisions		195,797	165,468
Insurance payables		54,270	45,456
Other payables		20,645	27,289
Due to related parties	7	5,935	8,597
		276,647	246,810
Total liabilities		280,504	250,445
Total equity and liabilities		727,257	657,807

These condensed interim financial statements were approved by the Board of Directors on August 8, 2016 and signed on their behalf by:

Khalaf Ahmad Al Habtoor
Chairman

Mohammed Khalaf Al Habtoor
Managing Director

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Condensed interim income statement
For the period ended June 30, 2016

	(Unaudited) Six months period ended June 30, 2016 AED'000	(Unaudited) Six months period ended June 30, 2015 AED'000	(Unaudited) Three months period ended June 30, 2016 AED'000	(Unaudited) Three months period ended June 30, 2015 AED'000
Gross premiums	135,449	118,947	70,482	53,618
Reinsurance share of premiums	(78,280)	(70,311)	(40,282)	(30,421)
Net premiums	57,169	48,636	30,200	23,197
Net transfer to unearned premiums	(13,237)	(11,757)	(7,097)	(5,757)
Net premiums earned	43,932	36,879	23,103	17,440
Commission earned	11,093	9,688	6,414	5,599
Commission paid	(15,162)	(12,305)	(8,220)	(5,661)
Others	2,141	2,109	1,311	1,358
Gross underwriting income	42,004	36,371	22,608	18,736
Gross claims paid	66,462	54,038	33,717	28,581
Reinsurance share	(40,853)	(35,284)	(20,640)	(19,511)
Net claims paid	25,609	18,754	13,077	9,070
Provision for outstanding claims and technical provisions	7,737	(3,955)	60	(6,647)
Reinsurance share of outstanding claims	(6,685)	3,920	361	6,884
(Decrease)/increase in incurred but not reported claims reserve	(557)	-	258	-
(Decrease)/increase in unallocated loss adjustment expense reserve	(18)	-	33	-
Net claims incurred	26,086	18,719	13,789	9,306
Net underwriting income	15,918	17,652	8,819	9,429
Income from investments	17,858	16,198	1,352	2,235
Income from investment property - net	5,786	5,819	2,780	2,922
Other income	51	25	39	25
Gross income	39,613	39,694	12,990	14,611
General and administrative expenses	(11,232)	(10,369)	(5,699)	(5,232)
Net profit for the period	28,381	29,325	7,291	9,379
Earnings per share:				
Basic and diluted (note 9)	AED 0.25	AED 0.25	AED 0.06	AED 0.08

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of comprehensive income

For the period ended June 30, 2016

	(Unaudited) Six months period ended June 30, 2016 AED'000	(Unaudited) Six months period ended June 30, 2015 AED'000	(Unaudited) Three months period ended June 30, 2016 AED'000	(Unaudited) Three months period ended June 30, 2015 AED'000
Net profit for the period	**28,381**	29,325	**7,291**	9,379
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Net unrealised profit on financial assets at fair value through other comprehensive income	**34,110**	7,837	**27,674**	20,597
Adjustment arising on translation of operating assets and liabilities of overseas branch	-	(1)	-	-
Other comprehensive income for the period	**34,110**	7,836	**27,674**	20,597
Total comprehensive income for the period	**62,491**	37,161	**34,965**	29,976

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of changes in equity
For the period ended June 30, 2016

	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 / (accumulated losses) AED'000	Total equity AED'000
Balance at January 1, 2016 (Audited)	115,500	57,750	28,875	180,000	8,781	16,456	407,362
Dividend (note 12)	-	-	-	-	-	(23,100)	(23,100)
Transaction with owners	-	-	-	-	-	(23,100)	(23,100)
Net profit for the period	-	-	-	-	-	28,381	28,381
Other comprehensive income for the period	-	-	-	-	34,110	-	34,110
Total comprehensive income for the period	-	-	-	-	34,110	28,381	62,491
Balance at June 30, 2016 (Unaudited)	**115,500**	**57,750**	**28,875**	**180,000**	**42,891**	**21,737**	**446,753**
Balance at January 1, 2015 (Audited)	115,500	57,750	28,875	220,000	38,289	(37,751)	422,663
Dividend (note 12)	-	-	-	-	-	(23,100)	(23,100)
Transaction with owners	-	-	-	-	-	(23,100)	(23,100)
Net profit for the period	-	-	-	-	-	29,325	29,325
Other comprehensive income for the period	-	-	-	-	7,837	(1)	7,836
Total comprehensive income for the period	-	-	-	-	7,837	29,324	37,161
Balance at June 30, 2015 (Unaudited)	115,500	57,750	28,875	220,000	46,126	(31,527)	436,724

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of cash flows
For the period ended June 30, 2016

	(Unaudited) Six months period ended June 30, 2016 AED'000	(Unaudited) Six months period ended June 30, 2015 AED'000
Cash flows from operating activities		
Net profit for the period	28,381	29,325
Adjustments for:		
Depreciation on property and equipment	231	175
Depreciation on investment property	922	916
Gain on disposal of property and equipment	(51)	(25)
Net transfer to employees' end-of-service benefits	222	302
Insurance contract provisions	30,329	16,991
Reinsurance contract assets	(16,614)	(5,269)
Income from investments	(17,858)	(16,198)
Income from investment property	(6,708)	(6,735)
Operating cash flows before changes in working capital	18,854	19,482
Changes in working capital:		
Insurance receivables	(9,794)	(2,481)
Other receivables	(672)	(237)
Insurance payables	8,814	11,381
Other payables	(6,644)	(930)
Due from/to related parties – net	(16,825)	(19,246)
Net cash (used in)/generated from operating activities	(6,267)	7,969
Cash flows from investing activities		
Purchase of property and equipment	(189)	(119)
Proceeds from disposal of property and equipment	51	25
Income from investments	17,858	16,198
Income from investment property	6,708	6,735
Net cash generated from investing activities	24,428	22,839
Cash flows from financing activity		
Dividend paid	(23,100)	(23,100)
Net cash used in financing activity	(23,100)	(23,100)
Net change in cash and cash equivalents	(4,939)	7,708
Cash and cash equivalents, beginning of period	90,974	73,314
Difference in exchange rate on cash and cash equivalents	-	(1)
Cash and cash equivalents, end of period	86,035	81,021

The notes from 1 to 13 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 Organisation 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 up. Its license as required by local regulations has been terminated and it will be shut down once it meets all its obligations as published in the official gazette dated 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 six months period ended June 30, 2016 and are presented in United Arab Emirates 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 IFRS, and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2015. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2016.

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, 2015. 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, 2015, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

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 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.

3 Significant accounting policies (continued)

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

Outstanding claims and technical provisions

The estimation of the ultimate liability (both technical and outstanding) arising from claims and unearned premiums 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 (including actuarial calculations), 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 and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different. Further information on using the estimates is mentioned in note 6.

4 Statutory deposits

	(Unaudited) June 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Held with a local bank in Dubai, UAE	**10,000**	10,000

Statutory deposit held with a local bank in Dubai, UAE represents deposits held under a lien in favor 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 Organisation 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.

5 Investment property

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
Within UAE:	AED'000	AED'000
Cost at the beginning of the period	**105,721**	105,721
Accumulated depreciation	**(25,196)**	(24,274)
Written down value at the end of the period	**80,525**	81,447

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
June 30, 2016					
Investment in quoted securities	(a)	303,349	-	-	303,349
Investment in unquoted securities*	(b)	-	-	59,267	59,267
		303,349	**-**	**59,267**	**362,616**
December 31, 2015					
Investment in quoted securities	(a)	281,333	-	-	281,333
Investment in unquoted securities*	(b)	-	-	47,173	47,173
		281,333	-	47,173	328,506

(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 June 30, 2016. These investments are fair valued based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Unobservable financial data used in determining the fair values of these unquoted securities has been extracted from their latest available audited financial statements for the year ended December 31, 2015.

Management believes that there is no indicators of a significant deterioration in the financial performance of these unquoted investments during the period ended June 30, 2016. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimates is significant.

*The title of 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:

	(Unaudited) June 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Due from related parties		
Related parties due to common ownership		
Diamond Lease L.L.C.	7,753	1,734
Dubai National Investment Co. L.L.C.	4,939	-
Habtoor Grand Resort & Spa	1,205	-
Other Habtoor Group companies	4,863	2,863
	18,760	4,597
Due to related parties		
Related parties due to common ownership		
Al Habtoor Motors Co. L.L.C.	5,935	8,505
Other Habtoor Group companies	-	92
	5,935	8,597

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 per IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Significant transactions with related parties are summarised below:

	(Unaudited) Six months period ended June 30, 2016 AED'000	(Unaudited) Six months period ended June 30, 2015 AED'000
Premiums written	32,064	45,771
Claims paid	4,893	3,471
Commission paid	2,749	2,947
Agency/ Non-agency repairs	21,477	16,796
Salvage sale	-	160

8 Cash and cash equivalents

	(Unaudited) June 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Cash in hand and at banks	**86,035**	90,974

(a) Cash in hand and at banks includes approximately AED 0.5 million (2015: AED 0.5 million) converted from Lebanese Lira (LL).

(b) Cash at banks includes short-term deposits with local banks carrying interest ranging from 1.1% - 2.0% (December 31, 2015: 0.21% - 1.75%).

9 Earnings per share

Basic and diluted

	(Unaudited) Six months period ended June 30, 2016	(Unaudited) Six months period ended June 30, 2015	(Unaudited) Three months period ended June 30, 2016	(Unaudited) Three months period ended June 30, 2015
Earnings (AED'000):				
Net profit for the period	**28,381**	29,325	**7,291**	9,379
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	**0.25**	0.25	**0.06**	0.08

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)

	Six months period ended June 30, 2016 AED '000			Six months period ended June 30, 2015 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	135,449	26,398	161,847	118,947	24,486	143,433
Segment result	15,918	23,644	39,562	17,652	22,017	39,669
Unallocated:						
-Other income			51			25
-Admin expenses			(11,232)			(10,369)
Net profit for the period			28,381			29,325

	June 30, 2016 AED '000			December 31, 2015 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	188,081	443,141	631,222	166,418	409,953	556,833
Unallocated assets			96,035			100,974
Total assets			727,257			657,807
Segment / Total liabilities	277,378	3,126	280,504	248,083	2,362	250,445

11 Commitments and contingencies

In the normal course of business, the Company's bankers have issued guarantees in favour of third parties amounting to AED 0.3 million (December 31, 2015: AED 0.3 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, 2015 which was approved at the Annual General Meeting held on March 7, 2016 and paid in March 2016.

During the period ended June 30, 2015, cash dividend of AED 23.1 million (AED 0.20 per share) for the year ended December 31, 2014, approved at the Annual General Meeting held on March 9, 2015, was paid in April 2015.

13 Comparatives

As at December 31, 2015, a balance of AED 19.538 million relating to direct motor claim third party recoveries from individuals and local insurance companies (salvage and subrogation recoveries) had been recorded as the Company's receivable and payable under "Re-insurers' contract assets" and "Insurance contract provisions" respectively. Accordingly, comparatives have now been adjusted to exclude the said balance as summarised on the next page. There was no impact of the said reclassification on the reported profit or loss.

13 Comparatives (continued)

	December 31, 2015	Reclassification	December 31, 2015
	AED'000	AED'000	AED'000
	Reported		Restated
Re-insurers' contract assets	118,110	(19,538)	98,572
Insurance contract provisions	77,363	(19,538)	57,825