DUBAI NATIONAL INSURANCE & REINSURANCE
(Public Shareholding Company)

دبي الوطنية للتأمين وإعادة التأمين
(شركة مساهمة عامة)

Dated : 12th May 2016

Directors' Report
For the First Quarter Ended 31st March 2016

The Board of Directors is pleased to present the unaudited results for the first quarter ended 31st March 2016.

- The gross premium written for the first quarter of 2016 is AED 64.967 Million compared to AED 65.328 Million in the first quarter of 2015.
- The net underwriting income is AED 7.099 Million for the first quarter of 2016 compared to AED 8.224 Million in the first quarter of 2015.
- The company achieved net profit of AED 21.090 Million as of 31st March 2016 compared to AED 19.944 Million as of 31st March 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 March 31, 2016

Dubai National Insurance & Reinsurance P.S.C.
Condensed Interim Financial Statements (Unaudited)
For the period ended March 31, 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 March 31, 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 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 are not prepared, in all material respects, in accordance with IAS 34.

Grant Thornton

Grant Thornton
Farouk Mohamed
Registration No: 86

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

Dubai, United Arab Emirates
Date: May 12, 2016

Condensed interim statement of financial position

As at March 31, 2016

	Notes	(Unaudited) March 31, 2016	(Audited) December 31, 2015
		AED'000	AED'000
ASSETS			
Property and equipment		990	928
Financial assets at fair value through other comprehensive income	4	334,942	328,506
Investment property	5	80,986	81,447
Insurance receivables	6	60,857	43,633
Statutory deposit	8	10,000	10,000
Reinsurer's share of outstanding claims and UPR		109,673	98,572
Other receivables and prepayments		14,045	3,747
Cash and cash equivalents	9	64,696	90,974
TOTAL ASSETS		676,189	657,807
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholder equity attributable to shareholders			
Retained earnings		14,446	16,456
Share capital		115,500	115,500
Statutory reserves		86,625	86,625
General reserve		180,000	180,000
Fair value reserve on financial assets at fair value through other comprehensive income		15,217	8,781
Total share capital and reserves		397,342	390,906
TOTAL SHAREHOLDERS' EQUITY		411,788	407,362
LIABILITIES			
Retirement benefit obligation		3,635	3,635
Accounts payable		78,291	81,342
Insurance liabilities			
Insurance contract liabilities		65,345	57,825
Technical provisions			
Unearned premium reserve		101,173	90,820
Incurred but not reported reserve		14,891	15,706
Unallocated loss adjustment expense reserve		1,066	1,117
Total technical provisions		117,130	107,643
TOTAL LIABILITIES		264,401	250,445
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		676,189	657,807

These condensed interim financial statements were approved by the Board of Directors on May 12, 2016 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmed Al Habtoor
Vice Chairman

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

Condensed interim income statement
For the period ended March 31, 2016

	(Unaudited) Three months period ended March 31, 2016 AED'000	(Unaudited) Three months period ended March 31, 2015 AED'000
Gross premiums	61,055	64,305
Reinsurance share of gross premiums	(37,998)	(39,889)
Reinsurance share of accepted business premiums	3,912	1,023
Net premiums	26,969	25,439
Net transfer to unearned premium reserve	(6,140)	(6,000)
Net premiums earned	20,829	19,439
Commissions earned	4,679	4,089
Commissions paid	(6,942)	(6,644)
Others	830	752
Gross underwriting income	19,396	17,636
Gross claims paid	31,369	25,457
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	(18,969)	(15,773)
Reinsurance share of accepted business claims	132	-
Net claims paid	12,532	9,684
Provision for outstanding claims	7,677	2,691
Reinsurance share of outstanding claims	(7,046)	(2,963)
Decrease in incurred but not reported claims reserves	(815)	-
Decrease in unallocated loss adjustment expense reserve	(51)	-
Net claims incurred	12,297	9,412
Net underwriting income	7,099	8,224
Income from investments	16,506	13,963
Income from investment property - net	3,006	2,897
Other income	12	-
Total income	26,623	25,084
General and administrative expenses	(5,533)	(5,140)
Net profit for the period	21,090	19,944
	AED	AED
Earnings per share:		
Basic and diluted (note 10)	0.18	0.17

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

Condensed interim statement of comprehensive income

For the period ended March 31, 2016

	(Unaudited) Three months period ended March 31, 2016 AED'000	(Unaudited) Three months period ended March 31, 2015 AED'000
Net profit for the period	21,090	19,944
Other comprehensive income/(loss)		
Item that will not be subsequently reclassified to profit or loss		
Net unrealised profit/(loss) on financial assets at fair value through other comprehensive income	6,436	(12,761)
Total comprehensive income for the period	27,526	7,183

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

Condensed interim statement of changes in equity
For the period ended March 31, 2016

	Retained earnings/ (accumulated losses) AED'000	Share capital AED'000	Statutory reserves AED'000	General reserve AED'000	Fair value reserve on financial assets at fair value through other comprehensive income AED'000	Total shareholders' equity AED'000
Balance at January 1, 2016 (Audited)	**16,456**	**115,500**	**86,625**	**180,000**	**8,781**	**407,362**
Dividend declared (note 13)	(23,100)	-	-	-	-	(23,100)
Transaction with owners	(23,100)	-	-	-	-	(23,100)
Net profit for the period	21,090	-	-	-	-	21,090
Other comprehensive income for the period	-	-	-	-	6,436	6,436
Total comprehensive income for the period	21,090	-	-	-	6,436	27,526
Balance at March 31, 2016 (Unaudited)	**14,446**	**115,500**	**86,625**	**180,000**	**15,217**	**411,788**
Balance at January 1, 2015 (Audited)	**(37,751)**	**115,500**	**86,625**	**220,000**	**38,289**	**422,663**
Dividend declared	(23,100)	-	-	-	-	(23,100)
Transaction with owners	(23,100)	-	-	-	-	(23,100)
Net profit for the period	19,944	-	-	-	-	19,944
Other comprehensive loss for the period	-	-	-	-	(12,761)	(12,761)
Total comprehensive income for the period	19,944	-	-	-	(12,761)	7,183
Balance at March 31, 2015 (Unaudited)	**(40,907)**	**115,500**	**86,625**	**220,000**	**25,528**	**406,746**

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

Condensed interim statement of cash flows
For the period ended March 31, 2016

	Notes	(Unaudited) Three months period ended March 31, 2016 AED'000	(Unaudited) Three months period ended March 31, 2015 AED'000
Cash flows from operating activities			
Net profit for the period		21,090	19,944
Adjustments for:			
Depreciation on property and equipment		119	86
Depreciation on investment property		461	456
Gain on disposal of property and equipment		(12)	-
Provision for retirement benefit obligation		-	147
Insurance contract liabilities and technical provisions		17,007	19,274
Reinsurer's share of outstanding claims and UPR		(11,101)	(13,545)
Income from investments		(16,506)	(13,963)
Income from investment property - net		(3,006)	(2,897)
Operating cash flows before changes in working capital		8,052	9,502
Changes in working capital:			
Insurance receivables		(17,224)	(16,321)
Other receivables and prepayments		(10,298)	(13,248)
Accounts payable		(3,051)	9,664
Net cash used in operating activities		(22,521)	(10,403)
Cash flows from investing activities			
Purchase of property and equipment		(181)	(64)
Proceeds from disposals of property and equipment		12	-
Income from investments		16,506	13,963
Income from investment property – net		3,006	2,897
Net cash generated from investing activities		19,343	16,796
Cash flows from financing activity			
Dividend paid		(23,100)	-
Net cash used in financing activity		(23,100)	-
Net change in cash and cash equivalents		(26,278)	6,393
Cash and cash equivalents at beginning of the period		90,974	73,314
Cash and cash equivalents at end of the period	9	64,696	79,707

The notes from 1 to 14 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 three months ended March 31, 2016 and are presented in United 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 IFRS, and should be read in conjunction with the financial statements 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. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2016.

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. These 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, IBNR, ULAE and UPR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims and UPR 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 (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 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 4.

4 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 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)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair values of the financial assets are classified into these three levels as follows:

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
March 31, 2016					
Investment in quoted securities	(a)	287,769	-	-	287,769
Investment in unquoted securities*	(b)	-	-	47,173	47,173
		287,769	-	47,173	334,942
December 31, 2015					
Investment in quoted securities	(a)	281,333	-	-	281,333
Investment in unquoted securities*	(b)	-	-	47,173	47,173
Net fair value		281,333	-	47,173	328,506

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

(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, 2016. These investments are fair valued 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 of these unquoted investees was not available at the date of issuance of these condensed interim financial statements, therefore financial information reported as at December 31, 2014 has been used to fair value these unquoted securities as at March 31, 2016 resulting in no change in fair value as compared to December 31, 2015. This has been treated as a significant accounting estimate.

Management believes that there are no indicators of a significant deterioration in the value of these unquoted investments during the period ended March 31, 2016. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate is significant.

5 Investment property

	(Unaudited) March 31, 2016 AED'000	(Audited) December 31, 2015 AED'000
Within UAE		
Cost at the beginning of the period	**105,721**	105,721
Accumulated depreciation	**(24,735)**	(24,274)
Net book value at the end of the period	**80,986**	81,447

6 Insurance receivables

	(Unaudited) March 31, 2016 AED'000	(Audited) December 31, 2015 AED'000
Inside UAE		
Due from policy holders	4,886	5,140
Due from insurance companies	13,073	10,134
Due from reinsurance companies	1,854	934
Due from insurance brokers	34,581	25,484
	54,394	41,692
Provision for doubtful debts	(2,656)	(2,656)
	51,738	39,036
Due from related parties (note 7)	9,119	4,597
	60,857	43,633

The average credit period is 90 days. Insurance receivables of AED 2.66 million (December 31, 2015: AED 2.66 million) outstanding over one year, which are impaired and not recoverable, are fully provided.

7 Related parties

Details of related parties' balances are as follows:

Amounts due from related parties

Related parties due to common directorship

	(Unaudited) March 31, 2016 AED'000	(Audited) December 31, 2015 AED'000
Dubai National Investment Co.	2,856	-
Al Habtoor Leighton L.L.C.	2,563	1,525
ST Regis Hotel Dubai LLC	2,236	-
Diamond Lease L.L.C.	259	1,734
Other Habtoor Group companies	1,205	1,338
	9,119	4,597

Amounts due to related parties

	(Unaudited) March 31, 2016 AED'000	(Audited) December 31, 2015 AED'000
Related parties due to common ownership		
Al Habtoor Motors Co L.L.C.	1,992	8,505
Other Habtoor Group companies	-	92
	1,992	8,597

7 Related parties (continued)

Transactions with related parties

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.

Details of significant transactions with related parties are shown below:

	(Unaudited) Three months period ended March 31, 2016 AED'000	(Unaudited) Three months period ended March 31, 2015 AED'000
Premiums written	15,676	28,863
Claims paid	1,171	1,937
Commission paid	1,460	1,679
Agency / Non-agency repairs	11,400	8,038

8 Statutory deposit

	(Unaudited) March 31, 2016 AED'000	(Audited) December 31, 2015 AED'000
Held with a local bank in Dubai, U.A.E.	10,000	10,000

Statutory deposit held with a local bank in Dubai, U.A.E. represents deposit 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 its Operations relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

9 Cash and cash equivalents

	(Unaudited) March 31, 2016 AED'000	(Audited) December 31, 2015 AED'000
Cash in hand and at banks	64,696	90,974

(a) Cash at banks includes AED 0.50 million (December 31, 2015: AED 0.50 million) converted from Lebanese Lira (LL).

(b) Cash and bank includes short term deposits (3 months) with local banks carrying interest ranging from 0.60% - 1.75% (December 31, 2015: 0.21% - 1.75%) per annum.

10 Earnings per share

Basic and diluted

	(Unaudited) Three months period ended March 31, 2016	(Unaudited) Three months period ended March 31, 2015
Earnings (AED'000):		
Net profit for the period	21,090	19,944
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	0.18	0.17

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

11 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 Financial Assets. The life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

	Three months period ended March 31, 2016 AED'000			Three months period ended March 31, 2015 AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	64,967	20,745	85,712	65,328	18,095	83,423
Segment result	7,099	19,512	26,611	8,224	16,860	25,084
Unallocated:						
- Other income			12			-
- Admin expenses			(5,533)			(5,140)
Net profit for the period			21,090			19,944

11 Segment information (continued)

	March 31, 2016 AED'000			December 31, 2015 AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	185,565	415,928	601,493	146,880	409,953	556,833
Unallocated assets			74,696			100,974
Total assets			676,189			657,807
Segment liabilities	260,597	3,804	264,401	248,083	2,362	250,445
Total liabilities			264,401			250,445

12 Commitments and contingencies

	(Unaudited) March 31, 2016 AED'000	(Audited) December 31, 2015 AED'000
Financial guarantee	300	300

Guarantees of AED 0.3 million (December 31, 2015: AED 0.3 million) issued by banks are secured by way of deposits held.

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.

13 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.

14 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 "Reinsurer's share of outstanding claims and UPR" and "Insurance contract liabilities" respectively. Accordingly, comparatives have now been adjusted to exclude the said balance as follows. There was no impact of the said reclassification on the reported profit or loss.

	December 31, 2015 AED'000 Reported	Reclassification AED'000	December 31, 2015 AED'000 Restated
Reinsurer's share of outstanding claims and UPR	118,110	(19,538)	98,572
Insurance contract liabilities	77,363	(19,538)	57,825