Dated : 14th May 2017

Directors' Report
For the First Quarter Ended 31st March 2017

The Board of Directors is pleased to present the unaudited results for the first quarter ended 31st March 2017.

- The gross premium written for the first quarter of 2017 is AED 85.301 Million compared to AED 64.967 Million in the first quarter of 2016.
- The net underwriting income is AED 9.297 Million for the first quarter of 2017 compared to AED 9.348 Million (restated) in the first quarter of 2016.
- The company achieved net profit of AED 20.003 Million as of 31st March 2017 compared to AED 23.339 Million (restated) as of 31st March 2016.

Mohammed Khalaf Al Habtoor
Managing Director

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, 2017

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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 31 March 2017 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 month 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
Farouk Mohamed

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

Registration No: 86
Dubai, 14 May 2017

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Condensed interim statement of financial position
As at March 31, 2017

	Notes	(Unaudited) March 31, 2017 AED'000	(Audited-Restated) December 31, 2016 AED'000
Assets			
Non-current			
Statutory deposits	4	10,000	10,000
Property and equipment		707	770
Investment property	5	79,133	79,595
		89,840	90,365
Current			
Financial assets at fair value through other comprehensive income	6	367,355	372,316
Insurance receivables		55,149	43,619
Other receivables		32,656	18,584
Due from related parties	7	17,298	13,386
Reinsurance contract assets		160,329	133,033
Cash and cash equivalents	8	79,236	110,004
		712,023	690,942
Total assets		801,863	781,307
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		46,084	51,045
Retained earnings		26,007	34,879
Total equity		454,216	468,049
Liabilities			
Non-current			
Employees' end-of-service benefits		4,531	4,348
Current			
Insurance contract provisions		246,791	211,458
Insurance payables		63,026	50,893
Other payables		33,299	36,504
Due to related parties	7	-	10,055
		343,116	308,910
Total liabilities		347,647	313,258
Total equity and liabilities		801,863	781,307

These condensed interim financial statements were approved by the Board of Directors on May 14, 2017 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmed Al Habtoor
Vice Chairman

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

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Condensed interim income statement

For the period ended March 31, 2017

	(Unaudited) March 31, 2017 AED'000	(Unaudited-Restated) March 31, 2016 AED'000
Gross premiums	85,301	64,967
Reinsurance share of premiums	(53,946)	(37,998)
Net premiums	31,355	26,969
Net transfer to unearned premium	(6,424)	(6,140)
Net premiums earned	24,931	20,829
Commission earned	5,761	5,572
Commission paid	(7,187)	(5,586)
Others	882	830
Gross underwriting income	24,387	21,645
Gross claims paid	39,274	31,501
Reinsurance share	(25,799)	(18,969)
Net claims paid	13,475	12,532
Provision for outstanding claims and technical provisions	13,200	8,395
Reinsurance share of outstanding claims and technical provisions	(11,585)	(8,630)
Net claims incurred	15,090	12,297
Net underwriting income	9,297	9,348
Income from investments - net	14,388	16,506
Income from investment property- net	2,052	3,006
Other income	12	12
Gross income	25,749	28,872
General and administrative expenses	(5,746)	(5,533)
Net profit for the period	20,003	23,339
Earnings per share:		
Basic and diluted (note 9)	AED 0.17	AED 0.20

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 March 31, 2017

	(Unaudited) March 31, 2017 AED'000	(Unaudited-Restated) March 31, 2016 AED'000
Net profit for the period	**20,003**	23,339
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net unrealised (loss)/profit on financial assets at fair value through other comprehensive income	**(4,961)**	6,436
Total comprehensive income for the period	**15,042**	29,775

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 March 31, 2017

	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, 2017 (Audited)	115,500	57,750	28,875	180,000	51,045	33,563	466,733
Effect of change in accounting policy (note 13)	-	-	-	-	-	1,316	1,316
Balance at January 1, 2017 (Restated)	115,500	57,750	28,875	180,000	51,045	34,879	468,049
Dividend (note 12)	-	-	-	-	-	(28,875)	(28,875)
Transactions with owners	-	-	-	-	-	(28,875)	(28,875)
Net profit for the period	-	-	-	-	-	20,003	20,003
Other comprehensive income for the period	-	-	-	-	(4,961)	-	(4,961)
Total comprehensive income for the period	-	-	-	-	(4,961)	20,003	15,042
Balance at March 31, 2017 (Unaudited)	**115,500**	**57,750**	**28,875**	**180,000**	**46,084**	**26,007**	**454,216**
Balance at January 1, 2016 (Audited)	115,500	57,750	28,875	180,000	8,781	16,456	407,362
Effect of change in accounting policy (note 13)	-	-	-	-	-	(638)	(638)
Balance at January 1, 2016 (Restated)	115,500	57,750	28,875	180,000	8,781	15,818	406,724
Dividend (note 12)	-	-	-	-	-	(23,100)	(23,100)
Transactions with owners	-	-	-	-	-	(23,100)	(23,100)
Net profit for the period	-	-	-	-	-	23,339	23,339
Other comprehensive income	-	-	-	-	6,436	-	6,436
Total comprehensive income for the period	-	-	-	-	6,436	23,339	29,775
Balance at March 31, 2016 (Unaudited)	**115,500**	**57,750**	**28,875**	**180,000**	**15,217**	**16,057**	**413,399**

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 March 31, 2017

	(Unaudited) March 31, 2017 AED'000	(Unaudited-Restated) March 31, 2016 AED'000
Cash flows from operating activities		
Net profit for the period	20,003	23,339
Adjustments for:		
Depreciation on property and equipment	106	119
Depreciation on investment property	462	461
Gain on disposal of property and equipment	(11)	(12)
Net transfer to employees' end-of-service benefits	183	-
Insurance contract provisions	35,333	18,589
Reinsurance contract assets	(27,296)	(12,685)
Income from investments	(14,388)	(16,506)
Income from investment property	(2,512)	(3,467)
Operating cash flows before changes in working capital	11,880	9,838
Changes in working capital		
Insurance receivables	(11,530)	(12,701)
Other receivables	(14,072)	(11,653)
Insurance payables	12,133	7,728
Other payables	(3,205)	(5,067)
Due from/to related parties – net	(13,967)	(11,127)
Net cash used in operating activities	(18,761)	(22,982)
Cash flows from investing activities		
Purchase of property and equipment	(43)	(181)
Proceeds from disposal of property and equipment	11	12
Income from investments	14,388	16,506
Income from investment property	2,512	3,467
Net cash generated from investing activities	16,868	19,804
Cash flows from financing activity		
Dividend paid	(28,875)	(23,100)
Net cash used in financing activity	(28,875)	(23,100)
Net change in cash and cash equivalents	(30,768)	(26,278)
Cash and cash equivalents, beginning of period	110,004	90,974
Cash and cash equivalents, end of period	79,236	64,696

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 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 up. Its license as required by local regulations has been terminated and it will shut down once 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 period ended March 31, 2017 and are presented in United Arab Emirate Dirham (AED), which is also 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, 2016. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2017.

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, 2016 with the exception of commission earned and paid. Commission earned and paid is now initially deferred and recognised as income or expense over the policy period (refer note 13). 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, 2016, 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.

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 (including actuarial calculations), is an appropriate basis for predicting future events.

3 Significant accounting policies (continued)

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

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

	(Unaudited) March 31, 2017 AED'000	(Audited) December 31, 2016 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 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.

5 Investment property

	(Unaudited) March 31, 2017 AED'000	(Audited) December 31, 2016 AED'000
Within UAE:		
Cost at the beginning of the period	105,721	105,721
Accumulated depreciation	(26,588)	(26,126)
Written down value at the end of the period	79,133	79,595

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, 2017					
Investment in quoted securities	(a)	306,452	-	-	306,452
Investment in unquoted securities*	(b)	-	-	60,903	60,903
		306,452	**-**	**60,903**	**367,355**
December 31, 2016					
Investment in quoted securities	(a)	311,413	-	-	311,413
Investment in unquoted securities*	(b)	-	-	60,903	60,903
		311,413	-	60,903	372,316

(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, 2017 (December 31, 2016: three entities). These investments are fair valued based on Earnings Multiple and Net Asset 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 (December 31, 2016: financial statements for the year ended December 31, 2015).

Management believes the fair values of these unquoted investments would not be significantly different if the financial data of these non-public investees as at March 31, 2017 could be used based on its availability. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate 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) March 31, 2017 AED'000	(Audited) December 31, 2016 AED'000
Due from related parties		
Related parties due to common directorship		
Diamond Lease L.L.C.	2,014	3,901
Al Habtoor Theatre LLC	3,460	3,344
Dubai National Investment Co. LLC	4,700	1,856
The Westin Hotel Al Habtoor City Dubai LLC	455	1,611
Other Habtoor Group companies	6,669	2,674
	17,298	13,386
Due to related parties		
Related parties due to common ownership		
Al Habtoor Motors Co. L.L.C.	-	10,038
Other Habtoor Group companies	-	17
	-	10,055

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

Significant transactions with related parties are summarised below:

	(Unaudited) Three months period ended March 31, 2017 AED'000	(Unaudited) Three months period ended March 31, 2016 AED'000
Premiums written	19,921	15,676
Claims paid	2,806	1,171
Commission paid	1,337	1,460
Agency/ Non-agency repairs	8,247	11,400

8 Cash and cash equivalents

	(Unaudited) March 31, 2017 AED'000	(Audited) December 31, 2016 AED'000
Cash in hand and at banks	**79,236**	110,004

(a) Cash in hand and at banks includes approximately AED 0.5 million (December 31, 2016: AED 0.5 million) converted from Lebanese Lira (LL).

(b) Cash at banks includes short term deposits with local banks carrying interest ranging from 0.60% - 2.0% (December 31, 2016: 0.60% - 2.13%).

9 Earnings per share

	(Unaudited) Three months period ended March 31, 2017	(Unaudited-Restated) Three months period ended March 31, 2016
Earnings (AED'000):		
Net profit for the period	**20,003**	23,339
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	**0.17**	0.20

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, 2017			Unaudited Restated - Three months period ended March 31, 2016		
	AED '000			AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	85,301	19,106	104,407	64,967	20,745	85,712
Segment result	9,297	16,440	25,737	9,348	19,512	28,860
Unallocated:						
-Other income			12			12
-Admin expenses			(5,746)			(5,533)
Net profit for the period			20,003			23,339

	March 31, 2017 AED '000			Restated - December 31, 2016 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	266,139	446,488	712,627	209,392	451,911	661,303
Unallocated assets			89,236			120,004
Total assets			801,863			781,307
Segment / Total liabilities	345,980	1,667	347,647	311,284	1,974	313,258

11 Commitments and contingencies

In the normal course of business, the Company's bankers have issued guarantees in favor of third parties amounting to AED 0.3 million (December 31, 2016: 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 25% of paid up capital amounting to AED 28.875 million, i.e. AED 0.25 per share, for the year ended December 31, 2016 which was approved at the Annual General Meeting held on March 7, 2017 and distributed in March 2017.

During the comparative period, the Board proposed cash dividend of 20% of paid up capital amounting to AED 23.1 million i.e. 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 distributed in March 2016.

13 Comparatives

From January 1, 2017 the Company has changed its accounting policy with respect to commission earned and paid. Previously, the Company used to recognise commission income and commission expense at the time the policies were written. Now, the Company initially defers the commission earned and paid and recognises commission income and expense over the tenure of the policies. As a result of the retrospective application of the change in accounting policy, the comparative financial information has been restated as follows:

Condensed interim statement of financial position:

As at December 31, 2016:	Previously reported (AED '000)	Adjustment (AED '000)	Restated (AED '000)
Other receivables	3,884	14,700	18,584
Other payables	23,120	13,384	36,504
Retained earnings	33,563	1,316	34,879
As at December 31, 2015:			
Other receivables	3,747	9,443	13,190
Other payables	27,289	10,081	37,370
Retained earnings	16,456	(638)	15,818

Condensed interim income statement:

Period ended March 31, 2016:	Previously reported (AED '000)	Adjustment (AED '000)	Restated (AED '000)
Commission earned	4,679	893	5,572
Commission paid	6,942	(1,356)	5,586