Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

Auditor's review report and condensed interim financial information for the three months period ended March 31, 2019 (Unaudited)

Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

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Dated : 14th May 2019

Directors' Report
For the First Quarter Ended 31st March 2019

The Board of Directors is pleased to present the unaudited results for the first quarter ended 31st March 2019.

- The gross premium written for the first quarter of 2019 is AED 93.782 Million compared to AED 98.789 Million in the first quarter of 2018.
- The net underwriting income is AED 12.995 Million for the first quarter of 2019 compared to AED 13.281 Million in the first quarter of 2018.
- The company achieved net profit of AED 26.013 Million as of 31st March 2019 compared to AED 24.150 Million as of 31st March 2018.
- Basic and diluted earnings per share is AED 0.23 for the three-month period ended 31st March 2019 as compared to AED 0.21 for the same period in 2018.

Mohammed Khalaf Al Habtoor
Managing Director

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Independent auditor's report on review of condensed interim financial information

To,

The Shareholders
M/s. Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

Introduction

We have reviewed the accompanying condensed interim financial information of **M/s. Dubai National Insurance & Reinsurance (P.S.C.)**, Dubai - United Arab Emirates, (the "Entity") which comprise the condensed interim statement of financial position as at March 31, 2019 and the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of changes in shareholders' equity and condensed interim statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other matters

The financial statements as of December 31, 2018 were audited by another auditor whose report dated February 13, 2019 expressed an unqualified opinion on those financial statements. Also, the condensed interim financial information of the Entity as of March 31, 2018 were reviewed by another auditor whose report dated May 14, 2018 expressed an unqualified conclusion on the interim condensed financial information.

For Crowe Mak

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P.O.Box: 1650
FUJAIRAH
U.A.E.
CROWE MAK

James Mathew
Senior Partner
Regn. No. 548

May 14, 2019
Fujairah - United Arab Emirates

Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

Condensed interim statement of financial position as at March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

		Mar 31, 2019 (Unaudited) (AED '000)	Dec 31, 2018 (Audited) (AED '000)
Assets			
Non-current assets			
Statutory deposits	4	**10,000**	10,000
Property and equipment		**451**	487
Investment properties	5	**75,439**	75,899
		85,890	86,386
Current assets			
Financial assets at fair value through other comprehensive income (FVTOCI)	6	**463,260**	439,853
Insurance receivables		**79,800**	78,751
Other receivables		**36,834**	27,857
Due from related parties	7	**23,499**	17,815
Reinsurance contract assets		**213,756**	190,888
Cash and bank balances	8	**158,331**	142,544
Total current assets		**975,480**	897,708
Total assets		**1,061,370**	984,094
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		**115,500**	115,500
Legal reserve		**57,750**	57,750
Obligatory reserve		**-**	28,875
General reserve		**180,000**	180,000
Fair value reserve on financial assets at fair value through other comprehensive income (FVTOCI)		**118,517**	95,110
Retained earnings		**32,073**	63,810
Total shareholders' equity		**503,840**	541,045
Non-current liabilities			
Employees' end of service benefits		**5,719**	5,497
Total non-current liabilities		**5,719**	5,497
Current liabilities			
Insurance contract liabilities		**321,776**	293,004
Insurance payables		**104,324**	94,151
Other payables		**125,009**	42,874
Due to related parties	7	**702**	7,523
Total current liabilities		**551,811**	437,552
Total liabilities		**557,530**	443,049
Total shareholders' equity and liabilities		**1,061,370**	984,094

The accompanying notes form an integral part of this condensed interim financial information.

The review report of the auditor is set out on page 2.

The condensed interim financial information on pages 3 to 14 were approved by the Board of Directors on May 14, 2019 and signed on their behalf by:

Sultan Ahmed Al Habtoor
Vice Chairman

Mohammed Khalaf Al Habtoor
Managing Director

Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

Condensed interim statement of profit or loss for the three months period ended March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

	Note	Three months period ended	
		Mar 31, 2019	Mar 31, 2018
		(Unaudited)	(Unaudited)
		(AED '000)	(AED '000)
Gross premium		**93,782**	98,789
Reinsurance share of premium		**(61,903)**	(65,231)
Net premium		**31,879**	33,558
Net transfer to unearned premium reserve		**(1,936)**	(5,041)
Net premium earned		**29,943**	28,517
Commission earned		**5,292**	6,163
Commission paid		**(10,179)**	(8,905)
Others		**125**	1,284
Gross underwriting income		**25,181**	27,059
Gross claims		**49,935**	45,118
Reinsurance share		**(41,718)**	(33,607)
Net claims paid		**8,217**	11,511
Provision for outstanding claims and technical provisions		**20,243**	10,719
Reinsurance share of outstanding claims and technical provisions		**(16,274)**	(8,452)
Net claims incurred		**12,186**	13,778
Net underwriting income		**12,995**	13,281
Income from investments - net		**18,385**	16,257
Income from investment properties - net		**1,600**	2,090
Other Income		**-**	9
Total income		**32,980**	31,637
General and administrative expenses		**(6,967)**	(7,487)
Net profit for the period		**26,013**	24,150
Earnings per share:			
Basic and diluted	9	**0.23**	0.21

The accompanying notes form an integral part of this condensed interim financial information.

Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

Condensed interim statement of other comprehensive income for the three months period ended March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

	Three months period ended	
	Mar 31, 2019	Mar 31, 2018
	(Unaudited)	(Unaudited)
	(AED '000)	(AED '000)
Net profit for the period	**26,013**	24,150
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss		
Net unrealized profit on financial assets at fair value through other comprehensive income (FVTOCI)	**23,407**	41,607
Total comprehensive income for the period	**49,420**	65,757

The accompanying notes form an integral part of this condensed interim financial information.

Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

Condensed interim statement of changes in shareholders' equity for the three months period ended March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

	Share capital	Legal reserve	Obligatory reserve	General reserve	Fair value reserve on financial assets at fair value through other comprehensive income (FVTOCI)	Retained earnings	Total shareholders' equity
	(AED'000)	(AED'000)	(AED'000)	(AED'000)	(AED'000)	(AED'000)	(AED'000)
Balance as at January 01, 2018 (Audited)	115,500	57,750	28,875	180,000	66,282	51,065	499,472
Profit for the period	-	-	-	-	-	24,150	24,150
Net unrealized profit on financial asset at fair value through other comprehensive income	-	-	-	-	41,607	-	41,607
Other comprehensive income	-	-	-	-	41,607	24,150	65,757
Dividend paid	-	-	-	-	-	(34,650)	(34,650)
Balance as at March 31, 2018 (Unaudited)	115,500	57,750	28,875	180,000	107,889	40,565	530,579
Balance as at January 01, 2019 (Audited)	115,500	57,750	28,875	180,000	95,110	63,810	541,045
Profit for the period	-	-	-	-	-	26,013	26,013
Net unrealized profit on financial asset at fair value through other comprehensive income	-	-	-	-	23,407	-	23,407
Other comprehensive income	-	-	-	-	23,407	26,013	49,420
Transfer from obligatory reserve to retained earnings	-	-	(28,875)	-	-	28,875	-
Dividend	-	-	-	-	-	(86,625)	(86,625)
Balance as at March 31, 2019 (Unaudited)	**115,500**	**57,750**	**-**	**180,000**	**118,517**	**32,073**	**503,840**

The accompanying notes form an integral part of this condensed interim financial information.

Dubai National Insurance & Reinsurance (P.S.C.)
Dubai - United Arab Emirates

Condensed interim statement of cash flows for the three months period ended March 31,2019 (Unaudited)
(In Arab Emirates Dirham)

	Three months period ended	
	Mar 31, 2019	Mar 31, 2018
	(Unaudited)	(Unaudited)
	(AED '000)	(AED '000)
Cash flows from operating activities		
Profit for the period	**26,013**	24,150
Adjustments for:		
Depreciation on property and equipment	**77**	108
Depreciation on investment properties	**460**	460
Gain on disposal of property and equipment	**-**	(9)
Provision for employees' end-of-service benefits	**300**	212
Income from investments - net	**(18,385)**	(16,257)
Income from investment properties	**(1,600)**	(2,090)
Operating profit before changes in operating assets and liabilities	**6,865**	6,574
(Increase)/decrease in current assets		
Insurance receivables	**(1,049)**	(23,192)
Reinsurance contract assets	**(22,868)**	(20,739)
Other receivables	**(8,977)**	(17,635)
Increase/(decrease) in current liabilities		
Insurance contract liabilities	**28,772**	28,046
Insurance payables	**10,173**	17,993
Other payables	**(4,490)**	(2,381)
Due from/to related parties — net	**(12,505)**	(13,410)
Cash (used in) operations	**(4,079)**	(24,744)
Employees' end of service benefits paid	**(78)**	(40)
Net cash (used in) operating activities	**(4,157)**	(24,784)
Cash flows from investing activities		
Acquisition of property and equipment	**(41)**	(166)
Purchase of investments	**-**	(17,970)
Proceeds from disposal of property and equipment	**-**	9
Income from investments — net	**18,385**	16,257
Income from investment properties	**1,600**	2,090
Net cash from investing activities	**19,944**	220
Cash flows from financing activities		
Dividend paid	**-**	(34,650)
Net cash (used in) financing activities	**-**	(34,650)
Net increase/(decrease) in cash and cash equivalents	**15,787**	(59,214)
Cash and cash equivalents, beginning of the period	**142,544**	140,843
Cash and cash equivalents, end of the period	**158,331**	81,629
Cash and cash equivalents		
Bank balances and cash in hand	**61,075**	20,510
Short term deposits	**97,256**	61,119
	158,331	81,629

The accompanying notes form an integral part of this condensed interim financial information.

1 Legal status and business activities

1.1 **M/s. Dubai National Insurance & Reinsurance (P.S.C.)** (the "Entity") was incorporated as a public shareholding company in the Emirate of Dubai, United Arab Emirates established on January 06, 1992 with an overseas branch in Beirut, Lebanon. The Entity's ordinary shares are listed in Dubai Financial Market.

1.2 The Entity is licensed to engage in insurance and reinsurance of all classes of business in accordance with the provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations.

1.3 The registered address of the Entity is Dubai National Insurance Building, Floor 7 & 9, Port Saeed, P.O. Box: 1806, Dubai - United Arab Emirates.

1.4 The overseas branch in Beirut has been wound up in 2018. Its license as required by local regulations has been terminated and has been shut down after meeting all its obligations, as published in the official gazette in dated April 2004. The branch has no operations and the total expenses and assets of the branch are not material to this condensed interim financial information. Hence, this condensed interim financial information does not separately disclose the expenses, assets, liabilities and cash flows for the discontinued operations of the branch.

2 Basis of preparation

This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and is presented in Arab Emirates Dirhams (AED) which is the Entity's functional and representation currency and rounded off to nearest thousands.

This condensed interim financial information does not include all of the information and disclosures required for full annual financial information prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Entity's audited financial statements for the year ended December 31, 2018.

In addition, the result for the three months period ended March 31, 2019 is not necessarily indicative of the result that may be expected for the financial year ending December 31, 2019.

The accounting policies, presentation and methods of computation adopted in preparation of this condensed interim financial information are consistent with those disclosed in the Entity's audited financial statements for the year ended December 31, 2018.

This condensed interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The preparation of this condensed interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Entity's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Entity's audited financial statements for the year ended December 31, 2018.

3 Significant accounting policies

This condensed interim financial information has been prepared in accordance with the accounting policies adopted in the Entity's most recent audited annual financial statements for the year ended December 31, 2018. Certain amendments to accounting standards and annual improvements, as disclosed in the Entity's most recent annual financial statements for the year ended December 31, 2018, are applicable on the Entity but do not have any material impact on this condensed interim financial information.

Critical accounting estimates and judgements in applying accounting policies

The Entity makes estimates and assumptions 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 Entity's most critical accounting estimate. These estimates are continually reviewed and updated and adjustments resulting from this review are reflected in the condensed interim financial information. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculation), is an appropriate basis for predicting future events.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the Entity based on Earnings Multiples and Net Assets Value 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 to the condensed interim financial information.

Allowance for doubtful debts

Allowances for doubtful debts are determined using a combination of factors to ensure that insurance receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet its financial obligations.

	Mar 31, 2019 (Unaudited) (AED '000)	Dec 31, 2018 (Audited) (AED '000)
4 Statutory deposits		
Held with a local bank	**10,000**	10,000

Statutory deposits held with a local bank in Dubai, United Arab Emirates represent deposits held under a lien in favour of the Ministry of Economy and Planning, Dubai - United Arab Emirates in accordance with Article 42 of Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations. The deposits cannot be withdrawn without prior approval from the Ministry of Economy and Planning, Dubai - United Arab Emirates.

	Mar 31, 2019 (Unaudited) (AED '000)	Dec 31, 2018 (Audited) (AED '000)
5 Investment properties		
Balance at the beginning of the period/year	**105,721**	105,721
Accumulated depreciation	**(30,282)**	(29,822)
Balance at the end of period/year	**75,439**	75,899

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

Financials assets measured at fair value in the condensed interim 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 3 - Inputs for the assets or liability that are not based on observable market data (Unobservable inputs)

March 31, 2019 (Unaudited)		Level 1 (AED '000)	Level 3	**Total (AED '000)**
Investment in quoted securities	(a)	394,860	-	**394,860**
Investment in unquoted securities	(b)*	-	68,400	**68,400**
Net fair value		**394,860**	**68,400**	**463,260**

December 31, 2018 (Audited)		Level 1 (AED '000)	Level 3	**Total (AED '000)**
Investment in quoted securities	(a)	371,453	-	**371,453**
Investment in unquoted securities	(b)*	-	68,400	**68,400**
Net fair value		371,453	68,400	**439,853**

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

(b) The Entity holds investments in unquoted securities of three entities as at March 31, 2019 (as at December 31, 2018: three entities). These investments are fair valued based on Earnings Multiples and Net Assets Value Technique using observable market data of comparable public entities, certain discount factors and unobservable 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, 2017 (December 31, 2018: financial statements for the year ended December 31, 2017).

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

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, 2019 could be used based on its availability. All the unquoted securities fall under Level 3 of fair value hierarchy therefore, use of estimates is significant.

*The titles of unquoted securities are held by related parties for the beneficial interest of the Entity.

7 Related party transactions

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related Party Disclosures. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

	Mar 31, 2019 (Unaudited) (AED '000)	Dec 31, 2018 (Audited) (AED '000)
a) Due from related parties		
Entities under common management and control		
M/s. Diamond Lease LLC	**2,540**	3,419
M/s. Al Habtoor Theatre LLC	**8,079**	6,636
M/s. Dubai National Investment Company	**2,098**	2,965
M/s. North Hotel LLC	**1,156**	1,160
Other Habtoor Group Companies	**9,626**	3,635
	23,499	17,815
b) Due to related parties		
Entities under common ownership and control		
M/s. Al Habtoor Motor Companies LLC	**1**	7,009
Other Habtoor Group Companies	**701**	514
	702	7,523

c) Transactions with related parties

The nature of significant related party transactions and the amounts involved were as follows:

	Three months period ended	
	Mar 31, 2019 (Unaudited) (AED '000)	Mar 31, 2018 (Unaudited) (AED '000)
Premiums written	**20,615**	19,529
Claims	**3,087**	2,455
Agency/non agency repairs	**6,343**	11,736
Commission paid	**750**	490

7 Related party transactions (continued)

d) Key management personnel compensations

The compensation of key management personnel is as follows:

	Three months period ended	
	Mar 31, 2019	Mar 31, 2018
	(Unaudited)	(Unaudited)
	(AED '000)	(AED '000)
Short term benefits	**1,088**	910
Post employments benefits	**286**	445

8 Cash and bank balances

	Mar 31, 2019	Dec 31, 2018
	(Unaudited)	(Audited)
	(AED '000)	(AED '000)
Bank balances and cash in hand	**61,075**	30,372
Short term deposits	**97,256**	112,172
	158,331	142,544

Short term deposits include deposits with local banks carrying interest rates ranging from 2.25% to 3.5% (Dec 31, 2018: 1.95% to 3.50%).

9 Earnings per share

	Three months period ended	
	Mar 31, 2019	Mar 31, 2018
	(Unaudited)	(Unaudited)
	(AED '000)	(AED '000)
Net profit for the period (AED)	**26,013**	24,150
Weighted average number of ordinary shares	**115,500,000**	115,500,000
Earnings per share (AED):		
Basic and diluted	**0.23**	0.21

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

10 Segment information

The Entity operates under two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance, Life Insurance, Health Insurance and Motor Insurance. Investments segment comprises investment properties and financial assets. The Life Insurance provided by the Entity is for the period of 12 months and does not include any investment portion.

10 Segment information (continued)

	Three months period ended Mar 31, 2019 (Unaudited)			Three months period ended Mar 31, 2018 (Unaudited)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
	(AED '000)	**(AED '000)**	**(AED '000)**	(AED'000)	(AED'000)	(AED'000)
Segment revenue	**93,782**	**21,449**	**115,231**	98,789	19,736	118,525
Segment result	**12,995**	**19,985**	**32,980**	13,281	18,347	31,628
Unallocated:						
Other income	-	-	-	-	-	9
General and administrative expenses	-	-	**(6,967)**	-	-	(7,487)
Net profit for the period			**26,013**			24,150

	As at Mar 31, 2019 (Unaudited)			As at Dec 31, 2018 (Audited)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
	(AED '000)	**(AED '000)**	**(AED '000)**	(AED'000)	(AED'000)	(AED'000)
Segment assets	**354,340**	**538,699**	**893,039**	315,798	515,752	831,550
Unallocated assets	-	-	**168,331**	-	-	152,544
Total assets	-	-	**1,061,370**	-	-	984,094
Segment/ total liabilities	**549,988**	**7,542**	**557,530**	437,150	5,899	443,049

11 Commitments and contingencies

In the normal course of business, the Entity's bankers have issued guarantees in favour of third parties amounting to AED 0.3 million (Dec 31, 2018: AED 0.3 million).

The Entity 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 75% of paid up capital amounting to AED 86.625 million, i.e. AED 0.75 per share, for the year ended December 31, 2018 which was approved at the Annual General Meeting held on March 31, 2019 and distributed on April 17, 2019.

12 Dividend (continued)

During the comparative period, the Board proposed cash dividend of 30% of paid up capital amounting to AED 34.650 million i.e. AED 0.30 per share, for the year ended December 31, 2017 which was approved at the Annual General Meeting held on March 07, 2018 and distributed in March 2018.

13 Comparative amounts

Certain amounts for the prior year were reclassified to conform to current year's presentation. However, such reclassifications do not have any impact on previously reported interim financial result or shareholders' equity.