Dubai National Insurance & Reinsurance Co. (P.S.C.)

Dubai - United Arab Emirates

Auditor's review report on condensed interim financial information for the nine months period ended September 30, 2020 (unaudited)

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

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Crowe Mak
Level 21, The Prism
Business Bay, Sheikh Zayed Road
P O Box 6747, Dubai, UAE
Main +971 4 447 3951
Fax +971 4 447 3961
uae@crowe.ae
www.crowe.ae

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

To,
The Shareholders
Dubai National Insurance & Reinsurance Co. (P.S.C.)
Dubai - United Arab Emirates

Introduction

We have reviewed the accompanying condensed interim financial statements of **Dubai National Insurance & Reinsurance Co. (P.S.C.), Dubai - United Arab Emirates** (the "Entity") which comprise the condensed interim statement of financial position as at **September 30, 2020** and the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine months period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 - Interim Financial Reporting ("IAS 34"). 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 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 information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

For, Crowe Mak

Dr. Khalid Maniar
Founder & Managing Partner
Registration Number 24
Dubai, U.A.E.
November 09, 2020

P.O.Box: 6747
DUBAI - U.A.E.
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Dubai National Insurance & Reinsurance Co. (P.S.C.)
Dubai - United Arab Emirates

Condensed interim statement of financial position as at September 30, 2020 (unaudited)
In Arab Emirates Dirham (in thousands)

	Notes	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets			
Non-current assets			
Statutory deposits	4	10,000	10,000
Property and equipment		646	564
Investment properties	5	72,666	74,052
Total non-current assets		83,312	84,616
Current assets			
Financial assets at fair value through other comprehensive income (FVTOCI)	6	349,075	502,600
Insurance receivables		81,349	96,988
Other receivables		31,586	29,191
Due from related parties	7	34,423	23,470
Reinsurance contract assets		218,059	229,804
Cash and bank balances	8	152,591	113,931
Total current assets		867,083	995,984
Total assets		950,395	1,080,600
Equity and liabilities			
Equity			
Share capital		115,500	115,500
Legal reserves		57,750	57,750
General reserves		180,000	180,000
Fair value reserves on financial assets at fair value through other comprehensive income (FVTOCI)		59,004	157,857
Retained earnings		75,325	58,336
Total equity		487,579	569,443
Non-current liabilities			
Employees' end of service benefits		7,146	6,479
Total non-current liabilities		7,146	6,479
Current liabilities			
Insurance contract liabilities		330,647	341,957
Insurance payables		83,531	115,648
Other payables		38,449	46,130
Due to related parties	7	3,043	943
Total current liabilities		455,670	504,678
Total liabilities		462,816	511,157
Total equity and liabilities		950,395	1,080,600

The accompanying notes form an integral part of these condensed interim financial information.
The review report of the auditor is set out on page 1.

The condensed interim financial information on pages 2 to 13 were approved on November 09, 2020 by Board of Directors and signed on their behalf by:

Sultan Ahmad Al Habtoor
Vice Chairman

Mohammed Khalaf Al Habtoor
Managing Director

Sunil

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

Condensed interim statement of profit or loss for the nine months period ended September 30, 2020 (unaudited)
In Arab Emirates Dirham (in thousands)

	Note	**Nine months period ended September 30, 2020 (Unaudited)**	Nine months period ended September 30, 2019 (Unaudited)	**Three months period ended September 30, 2020 (Unaudited)**	Three months period ended September 30, 2019 (Unaudited)
Gross premium		**261,468**	293,926	**77,638**	92,626
Reinsurance share of premium		**(175,949)**	(196,489)	**(55,835)**	(62,050)
Net premium		**85,519**	97,437	**21,803**	30,576
Net transferred to unearned premium reserves		**4,386**	(8,488)	**7,393**	(352)
Net premium earned		**89,905**	88,949	**29,196**	30,224
Commission earned		**13,405**	16,096	**4,349**	5,407
Commission paid		**(32,136)**	(31,990)	**(9,884)**	(11,563)
Others		**2,656**	1,846	**2,330**	1,606
Gross underwriting income		**73,830**	74,901	**25,991**	25,674
Gross claims		**267,367**	167,019	**55,911**	60,054
Reinsurance share		**(239,535)**	(138,494)	**(46,114)**	(49,236)
Net claims paid		**27,832**	28,525	**9,797**	10,818
Provisions for outstanding claims and technical provisions		**(333)**	32,015	**(6,767)**	4,373
Reinsurance share of outstanding claims and technical provisions		**5,155**	(26,687)	**7,775**	(4,563)
Net claims incurred		**32,654**	33,853	**10,805**	10,628
Net underwriting income		**41,176**	41,048	**15,186**	15,046
Income from investments - net		**22,610**	21,817	**469**	1,941
Income from investments properties - net		**3,937**	4,725	**868**	1,632
Other income		**-**	30	**-**	15
Total income		**67,723**	67,620	**16,523**	18,634
General and administrative expenses		**(18,447)**	(21,022)	**(5,762)**	(7,232)
Net profit for the period		**49,276**	46,598	**10,761**	11,402
Earnings per share;					
Basic and diluted	9	**0.43**	0.40	**0.09**	0.10

The accompanying notes form an integral part of these condensed interim financial information.
The review report of the auditor is set out on page 1.

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

Condensed interim statement of other comprehensive income for the nine months period ended September 30, 2020 (unaudited)

In Arab Emirates Dirham (in thousands)

	Nine months period ended September 30, 2020 (Unaudited)	Nine months period ended September 30, 2019 (Unaudited)	**Three months period ended September 30, 2020 (Unaudited)**	Three months period ended September 30, 2019 (Unaudited)
Net profit for the period	**49,276**	46,598	**10,761**	11,402
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 (FVTOCI)	**(90,715)**	50,934	**23,399**	24,231
Total comprehensive (loss) / income for the period	**(41,439)**	97,532	**34,160**	35,633

The accompanying notes form an integral part of these condensed interim financial information.
The review report of the auditor is set out on page 1.

Condensed interim statement of changes in shareholders equity for the nine months period ended September 30, 2020 (unaudited)
In Arab Emirates Dirham (in thousands)

	Share capital	Legal reserves	Obligatory reserves	General reserves	Fair value reserves on financial assets at fair value through other comprehensive income (FVTOCI)	Retained earnings	Total shareholders' equity
Balance as at January 1, 2019 (Audited)	115,500	57,750	28,875	180,000	95,110	63,810	541,045
Net profit for the period	-	-	-	-	-	46,598	46,598
Net unrealized profit on financial asset at fair value through other comprehensive income	-	-	-	-	50,934	-	50,934
Other comprehensive income	-	-	-	-	50,934	46,598	97,532
Transferred from obligatory reserves to retained earnings	-	-	(28,875)	-	-	28,875	-
Dividends	-	-	-	-	-	(86,625)	(86,625)
Balance as at September 30, 2019 (Unaudited)	115,500	57,750	-	180,000	146,044	52,658	551,952
Balance as at January 1, 2020 (Audited)	115,500	57,750	-	180,000	157,857	58,336	569,443
Net profit for the period	-	-	-	-	-	49,276	49,276
Net unrealized (loss) on financial asset at fair value through other comprehensive income	-	-	-	-	(90,715)	-	(90,715)
Other comprehensive (loss)	-	-	-	-	(90,715)	49,276	(41,439)
Dividends	-	-	-	-		(40,425)	(40,425)
Transferred to retained earnings on disposal of investments	-	-	-	-	(8,138)	8,138	-
Balance as at september 30, 2020 (Unaudited)	**115,500**	**57,750**	-	**180,000**	**59,004**	**75,325**	**487,579**

The accompanying notes form an integral part of these condensed interim financial information.
The review report of the auditor is set out on page 1.

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

Condensed interim statement of cash flows for the nine months period ended September 30, 2020 (Unaudited)
In Arab Emirates Dirham (in thousands)

	Nine months period ended September 30, 2020 (Unaudited)	Nine months period ended September 30, 2019 (Unaudited)
Cash flows from operating activities		
Net profit for the period	**49,276**	46,598
Adjustments for:		
Provision for employees' end of service benefits	**754**	898
Depreciation on property and equipment	**241**	261
Depreciation on investment properties	**1,386**	1,384
Income from investments - net	**(22,610)**	(21,817)
(Gain) on disposal of property and equipment	**-**	(30)
Income from investment properties	**(3,937)**	(4,725)
Operating profit before changes in working capital	**25,110**	22,569
Increase / (decrease) in current assets		
Insurance receivables	**15,639**	(13,672)
Reinsurance contract assets	**11,745**	(47,777)
Other receivables	**(2,395)**	(5,846)
Increase / (decrease) in current liabilities		
Insurance contract liabilities	**(11,310)**	61,593
Insurance payables	**(32,117)**	29,761
Other payables	**(7,681)**	(4,819)
Due from / to related parties - net	**(8,853)**	(7,044)
Cash (used in) / generated from operations	**(9,862)**	34,765
Employees' end-of-services benefits paid	**(87)**	(136)
Net cash (used in) / generated from operating activities	**(9,949)**	34,629
Cash flows from investing activities		
Purchase of property and equipment	**(322)**	(422)
Proceeds from disposal of property and equipment	**-**	30
Proceeds from disposal of financial assets at fair value through other comprehensive income (FVTOCI)	**62,809**	-
Income from investments - net	**22,610**	21,817
Income from investment properties	**3,937**	4,725
Net cash from investing activities	**89,034**	26,150
Cash flows from financing activities		
Dividends paid	**(40,425)**	(86,625)
Net cash (used in) financing activities	**(40,425)**	(86,625)
Net increase / (decrease) in cash and cash equivalents	**38,660**	(25,846)
Cash and cash equivalents, beginning of the period	**113,931**	142,544
Cash and cash equivalents, end of the period	**152,591**	116,698
Cash and cash equivalents		
Bank balance and cash in hand	**33,920**	45,849
Short term deposits	**118,671**	70,849
	152,591	116,698

The accompanying notes form an integral part of these condensed interim financial information.
The review report of the auditor is set out on page 1.

1 Legal status and business activities

1.1 **Dubai National Insurance & Reinsurance Co. (P.S.C.), Dubai** (the "Entity") was incorporated as a public shareholding company in Emirates of Dubai - United Arab Emirates established on January 06, 1992. The shares of the Entity are listed on the 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 United Arab Emirates Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of Insurance Operations.

1.3 The registered office of the Entity is located at floor no.7 & 9, Dubai National Insurance Building, Port Saeed, P.O. Box 1806, Dubai - United Arab Emirates.

2 Basis of preparation

2.1 Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and is presented in Arab Emirates Dirham (AED) which is the functional and presentation currency of the Entity and rounded off to nearest thousands.

These condensed interim financial statements have been prepared on the historical cost basis, except for revaluation of certain financial instruments.

The accounting policies and methods of computation adopted in preparing these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended December 31, 2019.

All aspects of the financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended December 31, 2019.

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the audited financial statements for the year ended December 31, 2019.

The interim result for the nine months period ended September 30, 2020 is not necessarily indicative of the result that may be expected for the financial year ending December 31, 2020.

The preparation of these condensed interim financial statements require 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 these condensed interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited financial statements for the year ended December 31, 2019.

3 Significant accounting policies

The accounting policies used in the preparation of condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2019. 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, 2019, are applicable to the Entity but do not have any material impact on these condensed interim financial information.

3 Significant accounting policies (continued)

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.

In Arab Emirates Dirham (in thousands)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
4 Statutory deposits		
Held with local banks	**10,000**	10,000
	10,000	10,000

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

5 Investment properties

Balance at the beginning of the period / year	**105,721**	105,721
Accumulated depreciation for the period / year	**(33,055)**	(31,669)
Balance at the end of the period / year	**72,666**	74,052

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 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 asset or liability that are not based on observable market data (unobservable inputs)

September 30, 2020 (Unaudited)	Level 1	Level 3	Total
Investments in quoted securities **(a)**	**306,079**	-	**306,079**
Investments in unquoted securiti **(b)**	-	**42,996**	**42,996**
	306,079	**42,996**	**349,075**

As at December 31, 2019 (Audited)			
Investments in quoted securities (a)	435,717	-	435,717
Investments in unquoted securit (b)	-	66,883	66,883
	435,717	66,883	502,600

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

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

b- The Company holds investments in unquoted equity securities of two entities as at September 30, 2020 (as at December 31, 2019: three entities). These investments have been fair valued based on an Earnings Multiple and net assets valuation 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, 2019. (December 31, 2019: financial statements for the year ended December 31, 2018).

Management believes the fair value of these unquoted investments would not be significantly different if financial data of these non public investees as at September 30, 2020 could be used based on its availability. All unquoted securities fall under level 3 of fair value hierarchy, therefore use of estimates is significant.

In Arab Emirates Dirham (in thousands)

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.

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
a) Due from related parties		
(Under common directorship)		
Diamondlease LLC	**7,583**	4,235
Al Habtoor Theatre LLC	**11,292**	7,851
Dubai National Investment Company	**2,336**	1,854
North Hotel LLC	**970**	990
Other Habtoor Group companies	**12,242**	8,540
	34,423	23,470
b) Due to related parties		
(Under common ownership)		
Al Habtoor Motor Co. LLC	**3,043**	-
Other Habtoor Group companies	**-**	943
	3,043	943

c) Transactions with related parties

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

	Nine months period ended September 30, 2020 (Unaudited)	Nine months period ended September 30, 2019 (Unaudited)	**Three months period ended September 30, 2020 (Unaudited)**	Three months period ended September 30, 2019 (Unaudited)
Premium written	**62,499**	50,610	**27,903**	15,243
Claims	**118,249**	14,861	**2,946**	9,608
Agency / non-agency repairs	**11,919**	17,581	**5,014**	6,081
Commission paid	**1,609**	2,383	**369**	830

d) Key management personnel compensation

The compensation of key management personnel is as follows:

- Short term benefits	**2,104**	2,483	**515**	678
- Post employment benefits	**168**	350	**25**	32
	2,272	2,833	**540**	710

In Arab Emirates Dirham (in thousands)

8 Cash and bank balances	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in hand and at banks	152,591	113,931
	152,591	113,931

Cash in hand and at banks includes short term deposits (1-12 months) with local banks carrying interest ranging from 0.9% to 2.30% (2019: 2.15% to 2.95%) per annum.

9 Earnings per share	Nine months period ended September 30, 2020 (Unaudited)	Nine months period ended September 30, 2019 (Unaudited)
Net profit for the period (AED)	49,276	46,598
Weighted average number of ordinary shares	115,500,000	115,500,000
Earnings per share (AED)		
Basic and diluted	0.43	0.40

The Entity does not have potentially diluted shares and accordingly diluted earnings per share is equal to basic earnings per share.

In Arab Emirates Dirham (in thousands)

10 Segment information

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

Underwriting segment is further classified into General Insurance and Life Insurance. Investments segment comprises Investment Property and Financial Assets. The life insurance provided by the Entity is for a period of 12 months and does not include any investment portion.

	Nine months period ended September 30, 2020 (unaudited)			Nine months period ended September 30, 2019 (unaudited)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**261,468**	**31,811**	**293,279**	293,926	31,496	325,422
Segment results	**41,176**	**26,547**	**67,723**	41,048	26,542	67,590
Unallocated:						
Other income	-	-	-	-	-	30
General and administrative expenses	-	-	**(18,447)**	-	-	(21,022)
Net profit for the period			**49,276**			46,598

	As at September 30, 2020 (Unaudited)			As at December 31, 2019 (Audited)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	**366,063**	**421,741**	**787,804**	380,017	576,652	956,669
Unallocated assets	-	-	**162,591**	-	-	123,931
Total assets			**950,395**			1,080,600
Segment total liabilities	**457,657**	**5,159**	**462,816**	505,739	5,418	511,157

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 0.975 million (December 31, 2019: AED 0.175 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 Dividends

The Board proposed cash dividend of AED 40.425 million (AED 0.35 per share) representing 35% of the paid up capital as at December 31, 2019. This was approved at the Annual General Meeting held on March 08, 2020 and distributed on March 25, 2020.

During the comparative period, the Board proposed cash dividend of AED 86.625 million (AED 0.75 per share) representing 75% of the paid up capital as at December 31, 2018. This was approved at the Annual General Meeting held on March 31, 2019 and distributed on April 17, 2019.

13 Events effecting the operations

The Entity does not anticipate any major impact in relation to the Covid-19 situation due to its lower retention levels and the reinsurance being placed with internationally reputed "A" rated reinsurers. The Entity continues to maintain a strong liquidity position and robust solvency margins that remain significantly higher than the mandated requirement. The Entity's investment portfolio comprises long positions taken on large and financially stable corporations that generate consistent yearly cash dividends.