

Flash Result—1H 2010

National Insurance Company

Company Overview

Ticker	Sector	Trading Currency	ISIN	Current Price	Market Capitalization	52 Week High	52 Week Low
NIC	Insurance	USD	PS3002112921	3.34	33,400,000	5.25	3.14

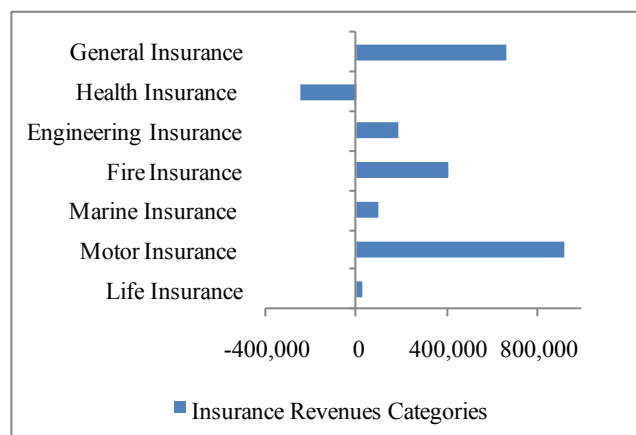
National Insurance Company Ltd. (NIC) is a Palestine-based public shareholding company engaged in the provision of insurance and reinsurance business through nine branches, eleven offices and 41 agencies across the Palestinian Territories. The Company offers its services through six divisions, namely Motor Insurance, which offers third party and completion insurance cover; Property Insurance offers fire and allied perils, and property all risk; Marine Insurance offers marine cargo insurance; Engineering Insurance offers contractors all risk and machinery breakdown; Specialized Insurance offers third party liability and product liability, and professional indemnity policy and Personal Insurance, which provides personal accident insurance, life insurance and travel insurance coupon (safe travel). National Insurance Company Ltd is within a group that includes the subsidiaries: Al Wataniah Towers, Mount David Hospital and Elite Company for Services and Medical Consultations, and its shareholders base as of August 10, 2010 reached 2,614.

Net income drops by 47.44%

- NIC reported a negative change in the company's net insurance revenues which in turn declined by 28.31% to reach \$2.07 million in 1H 2010, and was affected mainly by the realized loss in health insurance of \$ 0.24 million in addition to a noticeable decrease in motors insurance revenues by 34.30%, opposing to an increase in engineering insurance revenues by 45.32%. It should be mentioned that "motors insurance revenues" contributed the largest proportion to the net insurance revenues; standing for 44.82% followed by the "general insurance revenues" by 32.32%. In Aggregate, net insurance revenues constituted 13.21% from NIC's shareholders' equity excluding the minority interests.

Item \$	30 June 2009	30 June 2010	Δ
Net Insurance Revenues	2,883,132	2,066,833	-28.31%
General & Administrative Expenses	782,047	989,201	26.49%
Operating Income	2,101,085	1,077,632	-48.71%
Net Income (Excluding Minority Interests)	2,343,783	1,231,898	-47.44%
EPS (Excluding Minority Interests)	0.293	0.123	-57.95%

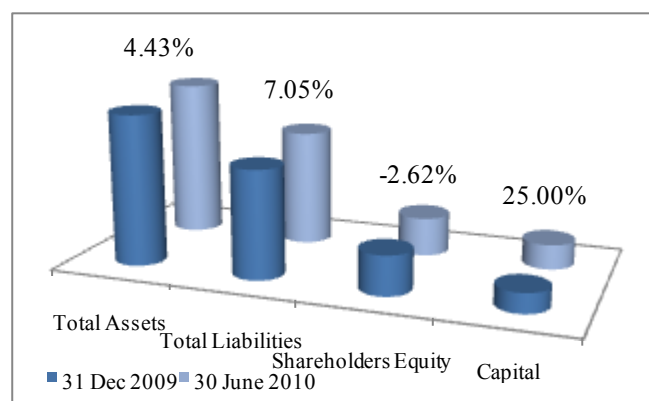
- General & administrative expenses increased in 1H 2010 by 26.49% when hit a figure of \$0.99 million, leading the operating income to settle at \$1.08 million declining by 48.71% compared to 1H 2009; operating margin stood at 52.14%.
- NIC realized investment revenues and other revenues that have added up to the company's net income, but lost by an amount of \$0.44 million in foreign currencies differences, leading the net income for shareholders to stand at \$ 1.23 million in 1H 2010 compared to \$2.34 million in 1H 2009 declining by 47.44% and recording an EPS of \$0.123; profit margin settled at 59.60%.
- NIC reported a lower ROA in 1H 2010 compared to 1H 2009, justified by the net income decline; ROA stood at 1.93%. ROE also dropped to record 7.88% in 1H 2010.



Capital raise by 25% & assets growth by 4.43%

- Total assets aggregated at \$63.94 million in 1H 2010 growing by 4.43% compared to \$61.23 million at the end of 2009; attributed to similar increase in current & non-current assets. Current assets settled at \$40.04 million in 1H 2010 rising by 5.31%, stimulated mainly by a growth in reinsurance contracts by 49.42% and in cash & cash equivalents by 34.83% in addition to an increase in accounts receivables of 23.20%, opposing to a negative change of 13.49% in currencies deposits. Also, non-current assets grew by 3.00% to amount \$23.90 million in 1H 2010, enhanced by the growth in real estate investments by 6.19%.
- Total liabilities showed an increase in 1H 2010 by 7.05% to amount \$47.07 million compared to \$43.97 million in 2009, affected by a growth in the company's current liabilities which in turn settled at \$10.66 million rising by 13.39% compared to 2009 and affected mainly by an increase in the payable balances to other insurance & reinsurance companies by 78.34% and in other payable balances by 25.59%.
- Shareholders' equity excluding the minority interests dropped by 2.62% in 1H 2010 compared to the end of 2009 to settle at \$15.64 million, affected mainly by a decline in the retained earnings which in turn amounted \$2.57 million in 1H 2010 compared to \$5.13 million in 2009 in which was affected by the cash dividends distribution of 20% from the paid up capital that was approved in the general assembly of NIC held on 25/03/2010. It should be mentioned also that the company raised its capital by 25% (2 million shares/\$) through capitalizing a portion of 2009 income.

Item \$	31 Dec 2009	30 June 2010	Δ
Current Assets	38,023,398	40,042,132	5.31%
Non-current assets	23,205,579	23,901,329	3.00%
Total Assets	61,228,977	63,943,461	4.43%
Current Liabilities	9,403,764	10,662,772	13.39%
Non-current liabilities	34,565,334	36,404,758	5.32%
Total Liabilities	43,969,098	47,067,530	7.05%
Shareholders' Equity (Excluding Minority Interests)	16,063,198	15,641,612	-2.62%
Capital	8,000,000	10,000,000	25.00%



Financial Ratios

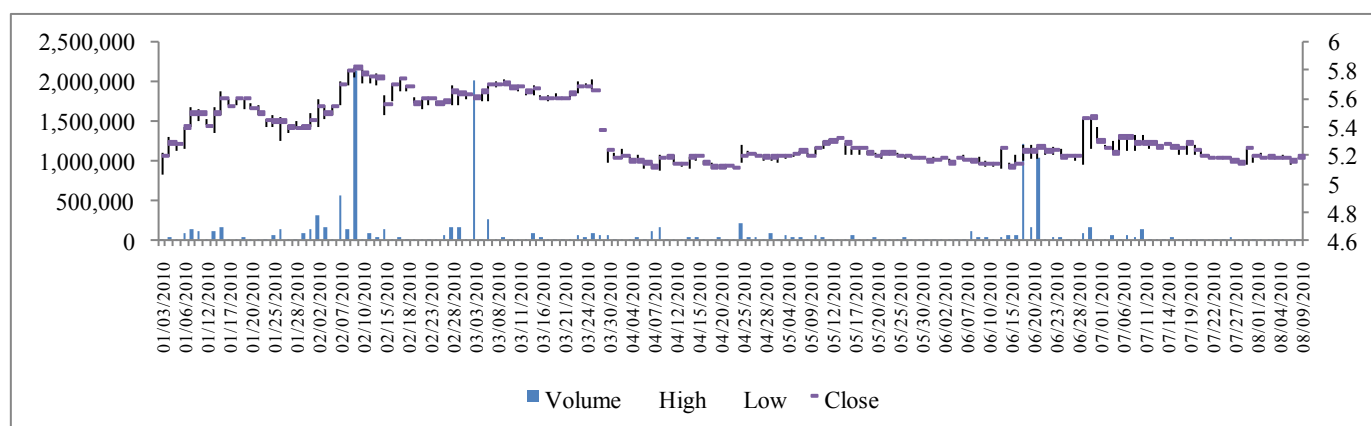
- NIC's book value reached \$ 1.56 in 1H 2010 based on the shareholders' equity excluding minority interests as of the end of the period, declining by \$ 0.44 compared to the end of 2009 in which was affected by the capital raise.
- The company reported a high leverage ratio in 1H 2010, standing at 73.61% as commonly reported by insurance companies.
- Assets turnover declined compared to 1H 2009 and 4Q 2009 due to the drop in revenues.
- Liquidity ratio declined compared the previous three quarters to report a current ratio of 3.76 times in 1H 2010.

Item	30 June 2010
ROA	1.93%
ROE	7.88%
Current Ratio	3.76
Total assets turnover	3.23%
Working Capital	29,379,360
Book value	1.56
Net working ratio	45.95%
Debt Ratio	73.61%
Insurance Revenues to Equity	13.21%
Operating Margin	52.14%
Income Margin	59.60%

Market Indicators

- NIC's share is currently trading over its book value, and recording a higher forward PE compared to the overall market's PE.
- The company's market cap stood at \$ 33.90 million at the end of 1H 2010 declining by 3.91% compared to the settled value at Dec 31, 2009.
- Trading volume of NIC reached 0.27 million shares for the period between Jan 1—June 30, 2010

Item	31 Dec 2009	30 June 2010
Price	4.41	3.39
Price/book value	220.50%	216.73%
PE	9.00	13.76
Market Capitalization	35,280,000	33,900,000
Turnover	5.28%	2.76%



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