

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013**

INDEX	PAGE
Independent auditors' review report	1
Condensed statement of financial position	2 – 3
Condensed statement of income - Insurance operations and accumulated surplus	4
Condensed statement of comprehensive income – Shareholders	5
Condensed statement of changes in shareholders' equity	6
Condensed statement of cash flows - Insurance operations	7
Condensed statement of cash flows – Shareholders	8
Notes to the condensed interim financial statements	9 – 23



KPMG Al Fozan & Al Sadhan



**INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF
THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying condensed statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at September 30, 2013, and the related condensed statement of income - insurance operations and accumulated surplus and condensed statement of comprehensive income - shareholders, for the three month and nine month periods then ended, and condensed statements of cash flows for insurance operations and shareholders' operations and condensed statement of changes in shareholders' equity for the nine months period then ended and notes 1 to 15 which form an integral part of these condensed interim financial statements. These condensed interim financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Limited Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying condensed interim financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER:

We draw attention to the fact that these condensed interim financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		SR '000	
<u>ASSETS - INSURANCE OPERATIONS</u>			
Property and equipment, net		255,627	235,787
Investment property		9,861	9,861
Investments in associates		5,420	105,487
Available for sale investments	4(i)	1,816,372	1,702,569
Prepaid expenses and other assets		400,934	284,534
Deferred policy acquisition costs		165,370	179,493
Reinsurers' share of outstanding claims	6	964,152	598,050
Reinsurers' share of unearned premium		595,059	524,777
Receivables, net	3	1,508,307	1,863,276
Cash and cash equivalents		555,530	473,239
Asset held for sale	5	102,855	-
Total assets - Insurance operations		6,379,487	5,977,073
<u>ASSETS - SHAREHOLDERS</u>			
Due from insurance operations		31,572	35,597
Accrued investment income		5,246	9,536
Investments in associates		59,777	53,790
Available for sale investments	4(ii)	1,993,006	1,944,067
Statutory deposit	9	100,000	75,000
Cash and cash equivalents		42,138	122,781
Total assets - Shareholders		2,231,739	2,240,771
TOTAL ASSETS		8,611,226	8,217,844

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
SR '000			
<u>LIABILITIES AND SURPLUS – INSURANCE OPERATIONS</u>			
Liabilities - Insurance operations:			
Surplus distribution payable		26,191	27,201
Due to shareholders' operations		31,572	35,597
Accrued expenses and other liabilities		1,281,402	1,241,171
Reserve for takaful activities		13,316	13,730
Reserve for discontinued operations		11,408	11,402
Outstanding claims	6	1,804,758	1,161,282
Unearned commission income		62,993	68,751
Unearned premiums		2,679,790	2,969,711
Reinsurers' balances payable		391,687	381,591
Total liabilities - Insurance operations		6,303,117	5,910,436
Surplus - Insurance operations:			
Fair value reserve on investments		76,370	66,637
Total liabilities and surplus - Insurance operations		6,379,487	5,977,073
<u>LIABILITIES AND EQUITY - SHAREHOLDERS</u>			
Shareholders' liabilities:			
Accrued expenses and other liabilities		1,048	858
Dividends payable		5,160	5,368
Zakat		98,076	91,607
Total liabilities - Shareholders		104,284	97,833
Shareholders' equity:			
Share capital	7	1,000,000	750,000
Legal reserve	10	651,756	651,756
Fair value reserve on investments		241,307	198,418
Retained earnings		234,392	542,764
Total Shareholders' equity		2,127,455	2,142,938
Total Shareholders' liabilities and equity		2,231,739	2,240,771
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		8,611,226	8,217,844

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS (UNAUDITED)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
SR' 000				
REVENUES				
Gross premiums written	1,317,543	1,330,234	4,050,512	3,791,990
Less: Reinsurance ceded	(255,014)	(250,897)	(807,112)	(851,658)
Net premiums written	1,062,529	1,079,337	3,243,400	2,940,332
Changes in unearned premiums	64,204	(47,278)	360,203	(63,844)
Net premiums earned	1,126,733	1,032,059	3,603,603	2,876,488
Reinsurance commissions	30,244	131,948	94,963	197,877
Investment income, net	9,561	10,079	59,113	47,473
Other income, net	5,044	9,711	11,457	13,195
Total revenues	1,171,582	1,183,797	3,769,136	3,135,033
COSTS AND EXPENSES				
Gross claims paid	1,131,036	908,351	3,604,238	2,707,158
Less: Reinsurance share	(103,026)	(138,300)	(601,531)	(412,860)
Net claims paid	1,028,010	770,051	3,002,707	2,294,298
Changes in outstanding claims	(24,333)	42,747	277,374	52,891
Net claims incurred	1,003,677	812,798	3,280,081	2,347,189
Policy acquisition costs	96,562	96,525	304,511	284,080
Excess of loss expenses	17,837	28,977	52,664	56,164
Changes in reserves for takaful activities	(308)	(814)	(414)	(1,003)
Other underwriting expenses	14,826	17,110	52,491	55,314
Operating and selling expenses	46,935	20,289	164,239	133,166
Other general and administrative expenses	(19,475)	8,898	25,960	36,111
Total costs and expenses	1,160,054	983,783	3,879,532	2,911,021
Surplus / (deficit) from insurance operations	11,528	200,014	(110,396)	224,012
Shareholders' appropriation from surplus / (deficit)	(11,528)	(180,013)	110,396	(201,611)
Surplus from insurance operations after shareholders' appropriation	-	20,001	-	22,401
Accumulated surplus, beginning of period	-	2,400	-	-
ACCUMULATED SURPLUS, END OF PERIOD	-	22,401	-	22,401

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS (UNAUDITED)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Notes	SR '000			
Appropriation of surplus / (deficit) from insurance operations	11,528	180,013	(110,396)	201,611
Investment income, net	11,570	18,597	79,751	94,340
Other expenses, net	(15)	(150)	(139)	(558)
Income / (loss) from operations before zakat	23,083	198,460	(30,784)	295,393
Zakat	(9,613)	(9,363)	(26,388)	(25,541)
Net income / (loss) for the period	<u>13,470</u>	<u>189,097</u>	<u>(57,172)</u>	<u>269,852</u>
Other comprehensive income:				
This will be reclassified subsequently to profit or loss when specific conditions are met:				
- Change in fair value of investments	<u>39,484</u>	<u>41,286</u>	<u>42,889</u>	<u>21,296</u>
Comprehensive income / (loss) for the period	<u>52,954</u>	<u>230,383</u>	<u>(14,283)</u>	<u>291,148</u>
Earnings / (loss) per share:				
Basic and diluted earnings / (loss) per share (SR)	<u>0.13</u>	<u>1.89</u>	<u>(0.57)</u>	<u>2.70</u>
Weighted average number of shares in issue	7 & 14 <u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Notes	Share capital	Legal reserve	Fair value reserve on investments SR '000	Retained earnings	Total
Balance at January 1, 2012		750,000	587,812	160,159	550,887	2,048,858
Dividends		-	-	-	(262,500)	(262,500)
Board of Directors' remuneration	11	-	-	-	(1,400)	(1,400)
Total comprehensive income for the period		-	-	21,296	269,852	291,148
Balance at September 30, 2012		<u>750,000</u>	<u>587,812</u>	<u>181,455</u>	<u>556,839</u>	<u>2,076,106</u>
Balance at January 1, 2013		750,000	651,756	198,418	542,764	2,142,938
Issuance of bonus shares	7	250,000	-	-	(250,000)	-
Board of Directors' remuneration	11	-	-	-	(1,200)	(1,200)
Other comprehensive loss for the period		-	-	42,889	(57,172)	(14,283)
Balance at September 30, 2013		<u>1,000,000</u>	<u>651,756</u>	<u>241,307</u>	<u>234,392</u>	<u>2,127,455</u>

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THE COMPANY FOR COOPERATIVE INSURANCE
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CONDENSED STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS (UNAUDITED)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	SR '000	
Cash flows from operating activities:		
Surplus from insurance operations after shareholders' appropriation	-	22,401
Adjustments to reconcile surplus from insurance operations to net cash from / (used in) operating activities:		
Shareholders' appropriation from (deficit) / surplus	(110,396)	201,611
Depreciation	8,428	11,042
Gain on sale of investments	(33,341)	(14,207)
Share of profit from investments in associates, net	(7,634)	(6,248)
Operating deficit / (surplus) before changes in operating assets and liabilities	(142,943)	214,599
Changes in operating assets and liabilities:		
Receivables, net	354,969	(426,605)
Reinsurers' share of outstanding claims	(366,102)	118,222
Reinsurers' share of unearned premiums	(70,282)	55,490
Deferred policy acquisition costs	14,123	(5,805)
Prepaid expenses and others assets	(116,400)	(185,058)
Reinsurers' balances payable	10,096	49,659
Unearned premium income	(289,921)	8,354
Unearned commission income	(5,758)	(9,300)
Outstanding claims	643,476	(65,331)
Reserve for discontinued operations	6	519
Reserve for takaful activities	(414)	(1,003)
Accrued expenses and other liabilities	40,231	330,996
Due to shareholders	106,371	(165,760)
Net cash from / (used in) operating activities	177,452	(81,023)
Cash flows from investing activities:		
Proceeds from sale of and matured investments	515,930	850,395
Purchase of investments	(590,813)	(537,220)
Property and equipment, net	(28,268)	(60,189)
Dividends received from investments in associates	9,000	9,000
Net cash (used in) / from investing activities	(94,151)	261,986
Cash flows from financing activities		
Surplus paid to policyholders	(1,010)	(731)
Net cash used in financing activities	(1,010)	(731)
Net change in cash and cash equivalents	82,291	180,232
Cash and cash equivalents, beginning of period	473,239	143,231
Cash and cash equivalents, end of period	555,530	323,463
Non-cash supplemental information:		
Changes in fair value of investments	9,733	21,866

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THE COMPANY FOR COOPERATIVE INSURANCE
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CONDENSED STATEMENT OF CASH FLOWS - SHAREHOLDERS (UNAUDITED)

	Note	Nine months ended September 30, 2013	Nine months ended September 30, 2012
		SR '000	
Cash flows from operating activities:			
Net (loss) / income for the period		(57,172)	269,852
Adjustments to reconcile net (loss) / income to net cash (used in) provided by operating activities:			
Appropriation of deficit / (surplus) from insurance operations		110,396	(201,611)
Gain on sale of investments		(39,151)	(63,369)
Share of profit from investments in associates, net		(11,249)	(9,312)
Operating profit / (loss) before changes in operating assets and liabilities		2,824	(4,440)
Changes in operating assets and liabilities:			
Accrued investment income		4,290	(2,372)
Due from insurance operations		(106,371)	165,760
Accrued expenses and other liabilities		190	172
Zakat, net		6,469	7,147
Net cash (used in) / from operating activities		(92,598)	166,267
Cash flows from investing activities:			
Statutory deposit		(25,000)	--
Proceeds from sale and matured investments		777,107	872,597
Purchase of investments		(746,196)	(835,587)
Dividends received from investment in associates		7,452	7,455
Net cash from investing activities		13,363	44,465
Cash flows from financing activities:			
Dividends paid		(208)	(261,572)
Board of Directors' remuneration	11	(1,200)	(1,400)
Net cash used in financing activities		(1,408)	(262,972)
Net change in cash and cash equivalents		(80,643)	(52,240)
Cash and cash equivalents, beginning of period		122,781	110,524
Cash and cash equivalents, end of period		42,138	58,284
Non-cash supplemental information:			
Changes in fair value of investments		42,889	21,296

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumad Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on King Fahad Road, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003 corresponding to Jumad Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Agency ("SAMA") as the principal agency responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the disposition of the surplus from insurance operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%.

2. BASIS OF PREPARATION

(a) Basis of presentation

The condensed interim financial statements for the nine months period ended September 30, 2013 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The condensed interim financial statements are prepared under the going concern basis and the historical cost convention except for the measurement at fair value of available for sale investments.

The Company's Articles of Association require that separate accounts be maintained for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions

The preparation of the condensed interim financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial reporting period. Estimates and judgments 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.

The estimate and judgments used by management in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2012.

(c) Significant accounting policies

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2012, except for the adoption of the following new standards and other amendments to existing standards mentioned below which has an insignificant effect / no financial impact on the condensed interim financial statements of the Company on the current period or prior period and is expected to have an insignificant effect in future periods:

i) *New standards*

IFRS 13 Fair value measurements: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. As a result, the Company has adopted a new definition of fair value, as set out in Note 12. However, IFRS 13 has no impact on the measurement of Company's assets and liabilities. The Company has included new disclosures in the financial statements which are required under IFRS 13.

ii) *Amendments to existing standards*

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.

THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

(c) Significant accounting policies (continued)

- IAS 19 Employee Benefits – Amendments: The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income.
- The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:
 - IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
 - IAS 16 – Property, plant and equipment: Classification of servicing equipment;
 - IAS 34 – Interim Financial Reporting: Segment assets and liabilities.

The Company has not early adopted any other standard, interpretation or amendment that has been issued for early adoption but is not yet effective.

These condensed interim financial statements for the nine month period ended September 30, 2013 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012. In management's opinion, the condensed interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the nine month period presented.

(d) Assets held for sale

Assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Immediately before classification as held-for-sale, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale any equity-accounted investee is no longer equity accounted.

(e) Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has three reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.

**THE COMPANY FOR COOPERATIVE INSURANCE
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

2. BASIS OF PREPARATION (continued)

(e) Segmental reporting (continued)

Operating segments do not include shareholders' operations of the Company.

Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the condensed interim financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the condensed interim financial statements of the Company.

(e) Seasonality of operations

There are no seasonal changes that affect insurance operations.

3. RECEIVABLES, NET

Receivables of insurance operations are comprised of net amounts due from the following:

	September 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Policyholders	1,069,032	1,579,286
Agents	212,998	275,178
Related party (Note 11)	7,842	2,258
	<u>1,289,872</u>	<u>1,856,722</u>
Receivable from reinsurers	308,575	85,597
Administrative Service Plan	13,297	24,184
	<u>1,611,744</u>	<u>1,966,503</u>
Provision for doubtful receivables	(103,437)	(103,227)
Net receivables	<u>1,508,307</u>	<u>1,863,276</u>

THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

4. AVAILABLE FOR SALE INVESTMENTS

i) Insurance operations:

Available for sale investments of the insurance operations are comprised of following:

	September 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Local / regional money market and fixed income investments	1,598,241	1,409,674
Local / regional equity and equity funds	135,960	220,249
Foreign equity and equity funds	82,171	72,646
Total	<u>1,816,372</u>	<u>1,702,569</u>

ii) Shareholders:

Shareholders' available for sale investments are comprised of the following:

	September 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Local / regional money market and fixed income investments	892,420	884,256
Local / regional equity and equity funds	240,115	213,008
Foreign money market and fixed income investments	371,954	329,116
Foreign equity and equity funds	488,517	517,687
Total	<u>1,993,006</u>	<u>1,944,067</u>

5. ASSET HELD FOR SALE

Investment in associate - Cooperate Real Estate and Investment Company (previously equity accounted under International Accounting Standard 28 – Investments in Associates) is classified as held for sale under International Financial Reporting Standard 5 – Non-current Assets Held for Sale and Discontinued Operations, following the agreement of the Company to sell the entire stake in it to Public Pension Agency and General Organization for Social Insurance at a price of SR 172,741,727. Efforts to sell the shares have commenced, and the sale is expected in the next quarter. This transaction has been announced on Tadawul on September 26, 2013.

**THE COMPANY FOR COOPERATIVE INSURANCE
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

6. OUTSTANDING CLAIMS, NET

Outstanding claims, net are comprised of the following:

	September 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)
Gross outstanding claims	1,397,158	982,033
Less: realizable value of salvage and subrogation	(129,606)	(164,857)
Add: Incurred but not reported	537,206	344,106
Outstanding claims	1,804,758	1,161,282
Less: reinsurers' share of outstanding claims	(964,152)	(598,050)
Net outstanding claims	<u>840,606</u>	<u>563,232</u>

7. SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SR 1 billion at September 30, 2013 (December 31, 2012: SR 750 million) consisting of 100 million shares of SR 10 each (December 31, 2012: 75 million shares).

A bonus issue of one share for every three shares held was approved by the shareholders in their general assembly meeting held on April 22, 2013. The bonus shares have been issued to the shareholders effective from April 22, 2013. As a result of bonus issue, the share capital of the Company has increased to SR 1 billion comprising of 100 million issued and paid up shares.

8. CONTINGENT LIABILITIES

As at September 30, 2013, the Company was contingently liable for letters of credit and guarantees amounting to SR 144 million (December 31, 2012 - SR 144 million) occurring in the normal course of business.

9. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of the SAMA, the Company has deposited 10 percent of its share capital, amounting to SR 100 million in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

10. LEGAL RESERVE

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the legal reserve until it equals to the share capital. The legal reserve is not available for distribution to shareholders until liquidation of the Company.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

11. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of the major related party transactions during the period and the related balances:

	Transactions for the nine months ended		Balance receivable / (payable) as at	
	September 30, 2013 SR'000 (Unaudited) SR'000	September 30, 2012 SR'000 (Unaudited) SR'000	September 30, 2013 SR'000 (Unaudited) SR'000	December 31, 2012 SR'000 (Audited) SR'000
Major shareholders				
Amount of claims pertaining to owned hospitals	41,166	36,221	(163)	(2,497)
Medical insurance premiums	32,837	29,791	655	2,015
Rent expenses	2,677	6,709	-	(855)
Stationery	851	850	-	-
Associates				
Insurance premiums	35,012	205	7,187	243
Rent expenses paid	9,571	7,409	-	-

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from shareholders' operations, as defined, based on a decision by the General Assembly. Such remuneration is reflected in the statement of changes in shareholders' equity when approved by the General Assembly.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates. The Company's financial assets consist of cash and cash equivalents, receivables, reinsurers' share of outstanding claims, other assets, investments, statutory deposits and accrued income and its financial liabilities consist of outstanding claims, reinsurance balance payable and accrued expenses and other liabilities.

The fair values of financial assets that are traded in active market are based on quoted market prices or dealer price quotations. For all other financial instruments the fair value is based on other valuation techniques. These are not materially different from their carrying values at the financial position date.

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The fair value of derivatives held by the Company as of September 30, 2013 and December 31, 2012 is immaterial to the Company's financial statements.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy method for determining and disclosing the fair value of financial instruments at the reporting period end.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using 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: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial instruments measured at fair value at the end of the reporting period September 30, 2013 and December 31, 2012 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
	Level 1	Level 2	Level 3	Total
September 30, 2013				
Available for sale financial assets				
- Insurance operations	1,425,748	-	390,624	1,816,372
- Shareholders	1,710,536	-	282,470	1,993,006
Total	3,136,284	-	673,094	3,809,378
December 31, 2012				
Available for sale financial assets				
- Insurance operations	1,361,944	-	340,625	1,702,569
- Shareholders	1,662,012	-	282,055	1,944,067
Total	3,023,956	-	622,680	3,646,636

There were no transfers between the levels of fair value hierarchies during the period.

Level 3 investments comprise investment in Private Equity Funds and Debt Instruments. The fair value of Private Equity Funds computed is based on the funds latest reported net assets as at the financial position date. Further, the Debt Instruments are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

(SR'000)

September 30, 2013	Balance January 1	Purchases	Sales	Total gain or loss		Balance September 30
				in profit or loss	in other comprehensive income	
Insurance operations	340,625	200,000	(150,001)	-	-	390,624
Shareholders	282,055	6,747	(14,125)	1,070	6,723	282,470
Total	622,680	206,747	(164,126)	1,070	6,723	673,094
December 31, 2012						
Insurance operations	375,300	66,000	(107,715)	7,715	(675)	340,625
Shareholders	287,726	89,770	(118,251)	5,937	16,873	282,055
Total	663,026	155,770	(225,966)	13,652	16,198	622,680

13. OPERATING SEGMENTS

Consistent with the Company's internal reporting process; operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include due to shareholders' operations, reinsurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premium receivable and depreciation on the property and equipments) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

13. OPERATING SEGMENTS (continued)

Operating Segments	For the three-month period ended September 30, 2013			Total
	Medical	Motor	Property & casualty	
SR' 000				
Gross premiums written:				
Compulsory	723,225			
Non- Compulsory	83,031			
Total Gross premiums written	806,256	249,586	261,701	1,317,543
Net premiums written	778,064	248,703	35,762	1,062,529
Net premiums earned	807,156	283,126	36,451	1,126,733
Reinsurance commissions	1,339	4,696	24,209	30,244
Net claims incurred	(774,071)	(212,709)	(16,897)	(1,003,677)
Policy acquisition costs	(46,968)	(38,807)	(10,787)	(96,562)
Excess of loss expenses	(14,652)	(2,506)	(679)	(17,837)
Changes in reserve for takaful activities	308	-	-	308
Other underwriting expenses	(13,038)	(1,318)	(470)	(14,826)
General, administrative, selling and marketing expenses	(1,060)	(14,640)	(11,760)	(27,460)
(Loss) / profit from Insurance Operations	(40,986)	17,842	20,067	(3,077)
Investment income, net				9,561
Other income, net				5,044
Surplus from Insurance Operations				11,528

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

13. OPERATING SEGMENTS (continued)

Operating Segments	For the three-month period ended September 30, 2012			Total
	Medical	Motor	Property & casualty	
SR' 000				
Gross premiums written				
Compulsory	654,474			
Non- Compulsory	189,295			
Total Gross premiums written	<u>843,769</u>	<u>236,601</u>	<u>249,864</u>	<u>1,330,234</u>
Net premiums written	<u>804,456</u>	<u>219,080</u>	<u>55,801</u>	<u>1,079,337</u>
Net premiums earned	714,000	261,464	56,595	1,032,059
Reinsurance commissions	102,287	5,005	24,656	131,948
Net claims incurred	(626,949)	(173,060)	(12,789)	(812,798)
Policy acquisition cost	(47,835)	(36,092)	(12,598)	(96,525)
Excess of loss expenses	(18,507)	(4,027)	(6,443)	(28,977)
Changes in reserve for takaful activities	814	-	-	814
Other underwriting expenses	(14,141)	(2,082)	(887)	(17,110)
General, administrative, selling and marketing expenses	1,393	(17,054)	(13,526)	(29,187)
Profit from Insurance Operations	<u>111,062</u>	<u>34,154</u>	<u>35,008</u>	<u>180,224</u>
Investment income, net				10,079
Other income, net				9,711
Surplus from Insurance Operations				<u>200,014</u>

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

13. OPERATING SEGMENTS (continued)

Operating Segments	For the nine-month ended September 30, 2013			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	2,155,826			
Non- Compulsory	319,254			
Total Gross premiums written	<u>2,475,080</u>	<u>820,817</u>	<u>754,615</u>	<u>4,050,512</u>
Net premiums written	<u>2,345,751</u>	<u>777,511</u>	<u>120,138</u>	<u>3,243,400</u>
Net premiums earned	2,667,057	831,800	104,746	3,603,603
Reinsurance commissions	4,916	15,527	74,520	94,963
Net claims incurred	(2,499,169)	(713,607)	(67,305)	(3,280,081)
Policy acquisition costs	(146,105)	(124,400)	(34,006)	(304,511)
Excess of loss expenses	(26,596)	(18,182)	(7,886)	(52,664)
Changes in reserve for takaful activities	414	-	-	414
Other underwriting expenses	(41,281)	(6,343)	(4,867)	(52,491)
General, administrative, selling and marketing expenses	<u>(93,190)</u>	<u>(54,094)</u>	<u>(42,915)</u>	<u>(190,199)</u>
(Loss) / profit from Insurance Operations	<u>(133,954)</u>	<u>(69,299)</u>	<u>22,287</u>	<u>(180,966)</u>
Investment income, net				59,113
Other income, net				<u>11,457</u>
Deficit from Insurance Operations				<u>(110,396)</u>

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

13. OPERATING SEGMENTS (continued)

Operating Segments	For the nine-month ended September 30, 2012			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written				
Compulsory	1,875,968			
Non- Compulsory	382,642			
Total Gross premiums written	2,258,610	796,187	737,193	3,791,990
Net premiums written	2,064,575	746,290	129,467	2,940,332
Net premiums earned	1,927,707	810,054	138,727	2,876,488
Reinsurance commissions	109,778	14,110	73,989	197,877
Net claims incurred	(1,768,932)	(542,619)	(35,638)	(2,347,189)
Policy acquisition costs	(123,133)	(123,484)	(37,463)	(284,080)
Excess of loss expenses	(37,207)	(7,023)	(11,934)	(56,164)
Changes in reserve for takaful activities	1,003	-	-	1,003
Other underwriting expenses	(42,961)	(6,520)	(5,833)	(55,314)
General, administrative, selling and marketing expenses	(65,786)	(53,804)	(49,687)	(169,277)
Profit from Insurance Operations	469	90,714	72,161	163,344
Investment income, net				47,473
Other income, net				13,195
Surplus from Insurance Operations				224,012

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)

13. OPERATING SEGMENTS (continued)

	As at September 30, 2013			Total
	Medical	Motor	Property & casualty	
	SR '000			
Assets - Insurance operations				
Reinsurers' share of unearned premium	64,288	25,782	504,989	595,059
Reinsurers' share of outstanding claims, net	4,602	26,584	932,966	964,152
Deferred policy acquisition costs	66,670	74,705	23,995	165,370
Investments				1,934,508
Receivables, net				1,508,307
Unallocated assets				1,212,091
Total assets				6,379,487
Liabilities and surplus - Insurance operations				
Unearned premiums	1,558,119	494,262	627,409	2,679,790
Outstanding claims	644,182	91,643	1,068,933	1,804,758
Unearned commission income	6,307	6,225	50,461	62,993
Reserve for takaful activities	13,316	-	-	13,316
Unallocated liabilities and surplus				1,818,630
Total liabilities and surplus				6,379,487

	As at December 31, 2012 (Audited)			Total
	Medical	Motor	Property & casualty	
	SR '000			
Assets - Insurance operations				
Reinsurers' share of unearned premium	132,158	37,475	355,144	524,777
Reinsurers' share of outstanding claims, net	10,671	13,237	574,142	598,050
Deferred policy acquisition costs	71,560	83,984	23,949	179,493
Investments				1,817,917
Receivables, net				1,863,276
Unallocated assets				993,560
Total assets				5,977,073
Liabilities and surplus - Insurance operations				
Unearned premium income	1,947,081	560,458	462,172	2,969,711
Outstanding claims	471,118	19,795	670,369	1,161,282
Unearned commission income	8,602	10,939	49,210	68,751
Reserve for takaful activities	13,730	-	-	13,730
Unallocated liabilities and surplus				1,763,599
Total liabilities and surplus				5,977,073

**THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

14. EARNINGS PER SHARE

Earnings per share has been calculated by dividing the net income / loss for the periods ended September 30, 2013 and 2012 by 100 million shares to give retroactive effect of change in share capital as a result of bonus share issue.

15. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Audit Committee on behalf of Board of Directors on Dhu Al-Hijjah 19, 1434H, corresponding to October 24, 2013.