
**METLIFE, AMERICAN INTERNATIONAL
GROUP AND ARAB NATIONAL BANK
COOPERATIVE INSURANCE COMPANY**
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
AND INDEPENDENT AUDITORS' LIMITED REVIEW
REPORT**

31 December 2015

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
LIMITED REVIEW REPORT (UNAUDITED)
At 31 December 2015

| INDEX | PAGE |
|---|-------------|
| Independent auditors' limited review report | 1 |
| Interim statement of financial position | 2 - 3 |
| Interim statement of insurance operations | 4 |
| Interim statement of shareholders' comprehensive operations | 5 |
| Interim statement of changes in shareholders' equity | 6 |
| Interim statement of insurance operations' cash flows | 7 |
| Interim statement of shareholders' cash flows | 8 |
| Notes to the interim condensed financial statements | 9 – 23 |

**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
METLIFE, AMERICAN INTERNATIONAL GROUP AND
ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Metlife, American International Group and Arab National Bank Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015 and the related interim statements of insurance operations, shareholders' comprehensive operations for the three and the year then ended, the related interim statements of changes in shareholders' equity, insurance operations' and shareholders' cash flows for the year then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS 34) 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 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 generally accepted auditing standards, 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.

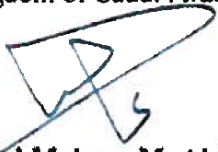
CONCLUSION:

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

EMPHASIS OF A MATTER:


We draw attention to the fact that these interim condensed 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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Abdul Mohsen M. Al Nemer
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Registration No. 171



10 Rabih Al-Thani 1437
(20 January 2016)


MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

| | | 31 December 2015 (Unaudited) SR | 31 December 2014 (Audited) SR |
|---|-------|--|--|
| | Notes | | |
| INSURANCE OPERATIONS' ASSETS | | | |
| Cash and cash equivalents | 4 | 64,689,241 | 2,238,414 |
| Premiums receivable, net | 6 | 35,661,423 | 3,421,552 |
| Reinsurers' share of unearned premiums | | 27,622,732 | 3,251,099 |
| Reinsurers' share of mathematical reserves | 1.1 | 251,654,626 | - |
| Reinsurers' share of outstanding claims | | 19,923,644 | 499,799 |
| Deferred policy acquisition costs | | 4,857,863 | 469,688 |
| Prepaid expenses and other assets | | 13,750,066 | 2,967,767 |
| Due from shareholders operations | | 8,010,111 | - |
| Property and equipment, net | | 5,757,153 | 8,054,849 |
| TOTAL INSURANCE OPERATIONS' ASSETS | | 431,926,859 | 20,903,168 |
| SHAREHOLDERS' ASSETS | | | |
| Cash and cash equivalents | 4 | 66,314,800 | 11,157,980 |
| Held to maturity investment | | 10,000,000 | - |
| Due from insurance operations | | - | 5,028,658 |
| Prepaid expenses and other assets | | 944,930 | 113,623 |
| Time deposits | 5 | - | 85,000,000 |
| Available for sale investments | | 3,175,163 | 3,175,163 |
| Statutory deposit | 8 | 17,674,521 | 17,500,000 |
| TOTAL SHAREHOLDERS' ASSETS | | 98,109,414 | 121,975,424 |
| TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS | | 530,036,273 | 142,878,592 |



Managing Director/
Chief Executive Officer



Chief Financial Officer

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | | 31 December 2015 (Unaudited) SR | 31 December 2014 (Audited) SR |
|---|------|--|--|
| | Note | | |
| INSURANCE OPERATIONS' LIABILITIES | | | |
| Gross unearned premiums | | 92,031,067 | 4,709,142 |
| Gross outstanding claims | | 39,652,073 | 787,530 |
| Gross mathematical reserves | 1.1 | 251,654,626 | - |
| Payables, accruals and others | | 12,871,984 | 4,362,884 |
| Reinsurance balances payable | | 29,875,305 | 2,927,713 |
| Unearned reinsurance commission income | | 3,754,021 | 881,472 |
| Due to related parties | 7 | 1,050,297 | 1,822,887 |
| Due to shareholders' operations | | - | 5,028,658 |
| Employees' terminal benefits | | 1,037,486 | 382,882 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES | | 431,926,859 | 20,903,168 |
| SHAREHOLDERS' LIABILITIES AND EQUITY | | | |
| SHAREHOLDERS' LIABILITIES | | | |
| Zakat | | 615,473 | - |
| Payables, accruals and others | | 907,581 | 1,286,173 |
| Due to insurance operations | | 8,010,111 | - |
| TOTAL SHAREHOLDERS' LIABILITIES | | 9,533,165 | 1,286,173 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 175,000,000 | 175,000,000 |
| Accumulated deficit | | (86,423,751) | (54,310,749) |
| TOTAL SHAREHOLDERS' EQUITY | | 88,576,249 | 120,689,251 |
| TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY | | 98,109,414 | 121,975,424 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY | | 530,036,273 | 142,878,592 |



Managing Director/
Chief Executive Officer

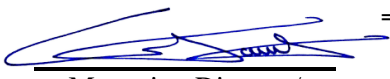


Chief Financial Officer

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS

| | <i>For the three month period ended 31 December 2015 SR (Unaudited)</i> | <i>For the year ended 31 December 2015 SR (Unaudited)</i> | <i>For the three month period ended 31 December 2014 SR (Unaudited)</i> | <i>For the year ended 31 December 2014 SR (Audited)</i> |
|---|---|---|---|---|
| Gross written premiums | 33,632,117 | 144,740,920 | 3,752,913 | 5,741,138 |
| Reinsurance premiums ceded | (5,176,270) | (47,695,383) | (2,620,246) | (3,917,498) |
| Excess of loss premiums | (90,171) | (380,483) | (67,026) | (67,026) |
| NET WRITTEN PREMIUMS | 28,365,676 | 96,665,054 | 1,065,641 | 1,756,614 |
| Net changes in unearned premiums | (5,932,016) | (62,950,291) | (896,964) | (1,458,043) |
| NET EARNED PREMIUMS | 22,433,660 | 33,714,763 | 168,677 | 298,571 |
| Reinsurance commission income | 1,987,844 | 4,650,695 | 138,528 | 172,039 |
| Other underwriting income | 874,584 | 1,933,163 | 500 | 500 |
| UNDERWRITING REVENUE | 25,296,088 | 40,298,621 | 307,705 | 471,110 |
| Gross claims paid | (21,568,630) | (41,389,428) | - | - |
| Reinsurers' share of claims paid | 13,001,661 | 29,865,188 | - | - |
| NET CLAIMS PAID | (8,566,969) | (11,524,240) | - | - |
| Net changes in outstanding claims | (12,971,712) | (19,440,698) | (190,311) | (287,731) |
| NET CLAIMS INCURRED | (21,538,681) | (30,964,938) | (190,311) | (287,731) |
| Commissions incurred | (1,336,265) | (3,284,661) | (101,127) | (136,589) |
| Other direct underwriting expense | (496,735) | (943,238) | (28,508) | (38,449) |
| Reversal of doubtful debt expenses/ doubtful debt expense | 213,834 | (1,232,300) | (13,768) | (90,827) |
| UNDERWRITING EXPENSES | (23,157,847) | (36,425,137) | (333,714) | (553,596) |
| UNDERWRITING RESULTS | 2,138,241 | 3,873,484 | (26,009) | (82,486) |
| General and administration expenses | (10,268,581) | (35,304,973) | (7,652,984) | (20,203,323) |
| Special commission income | 156,164 | 156,164 | - | - |
| NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATIONS | (7,974,176) | (31,275,325) | (7,678,993) | (20,285,809) |
| Shareholders' appropriation from deficit | 7,974,176 | 31,275,325 | 7,678,993 | 20,285,809 |
| NET RESULT FOR THE PERIOD | - | - | - | - |


Managing Director/
Chief Executive Officer


Chief Financial Officer

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

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

| | | <i>For the three month period ended 31 December 2015 SR (Unaudited)</i> | <i>For the year ended 31 December 2015 SR (Unaudited)</i> | <i>For the three month period ended 31 December 2014 SR (Unaudited)</i> | <i>For the year ended 31 December 2014 SR (Audited)</i> |
|--|-------------|---|---|---|---|
| | <i>Note</i> | | | | |
| Appropriation of deficit from insurance operations | | (7,974,176) | (31,275,325) | (7,678,993) | (20,285,809) |
| Special commission income | | 298,511 | 623,569 | 179,321 | 785,579 |
| Dividend income | | - | 339,103 | - | - |
| General and administrative expenses | | (281,218) | (1,184,876) | (281,010) | (6,858,868) |
| LOSS INCURRED DURING THE PERIOD | | (7,956,883) | (31,497,529) | (7,780,682) | (26,359,098) |
| Pre-incorporation expenses, net | | - | - | - | 405,006 |
| NET LOSS BEFORE ZAKAT FOR THE PERIOD | | (7,956,883) | (31,497,529) | (7,780,682) | (25,954,092) |
| Zakat | | (65,703) | (615,473) | (28,435) | (858,560) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (8,022,586) | (32,113,002) | (7,809,117) | (26,812,652) |
| LOSS PER SHARE: | | | | | |
| Basic and diluted loss per share | 9 | (0.45) | (1.80) | (0.44) | (1.48) |


Managing Director/
Chief Executive Officer


Chief Financial Officer

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

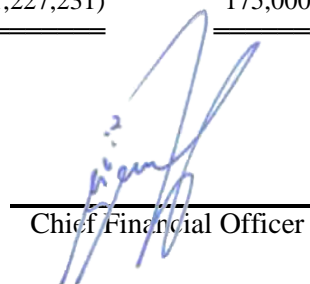
MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | <i>Saudi and GCC Shareholders</i> | <i>Share</i> | <i>Accumulated</i> | <i>Foreign Shareholders</i> | <i>Share</i> | <i>Accumulated</i> | <i>Total Shareholders</i> | <i>Share</i> | <i>Accumulated</i> | <i>Total</i> |
|---|-----------------------------------|---------------------|--------------------|-----------------------------|--------------------|---------------------|---------------------------|----------------|--------------------|--------------|
| | <i>Capital</i> | <i>Deficit</i> | <i>Capital</i> | <i>Capital</i> | <i>deficit</i> | <i>capital</i> | <i>deficit</i> | <i>capital</i> | <i>deficit</i> | <i>SR</i> |
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Balance as at 1 January 2015 (Audited) | 105,000,000 | (33,083,518) | 70,000,000 | (21,227,231) | 175,000,000 | (54,310,749) | 120,689,251 | | | |
| Net loss for the period | - | (18,898,517) | - | (12,599,012) | - | (31,497,529) | (31,497,529) | | | |
| Zakat | - | (615,473) | - | - | - | (615,473) | (615,473) | | | |
| Balance as at 31 December 2015 (Unaudited) | 105,000,000 | (52,597,508) | 70,000,000 | (33,826,243) | 175,000,000 | (86,423,751) | 88,576,249 | | | |
| Balance as at 1 January 2014 (Audited) | 105,000,000 | (16,891,813) | 70,000,000 | (11,005,134) | 175,000,000 | (27,896,947) | 147,103,053 | | | |
| Transaction costs on issue of share capital | - | 239,310 | - | 159,540 | - | 398,850 | 398,850 | | | |
| Net loss for the period | - | (15,572,455) | - | (10,381,637) | - | (25,954,092) | (25,954,092) | | | |
| Zakat | - | (858,560) | - | - | - | (858,560) | (858,560) | | | |
| Balance as at 31 December 2014 (Audited) | 105,000,000 | (33,083,518) | 70,000,000 | (21,227,231) | 175,000,000 | (54,310,749) | 120,689,251 | | | |



Managing Director/
Chief Executive Officer



Chief Financial Officer

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

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

| | <i>For the year ended</i> 31 December 2015 SR <i>(Unaudited)</i> | <i>For the year ended</i> 31 December 2014 SR <i>(Audited)</i> |
|---|--|--|
| OPERATING ACTIVITIES | <i>Note</i> | |
| Net result for the period | - | - |
| <i>Adjustments for:</i> | | |
| Shareholders' appropriation from deficit | (31,275,325) | (20,285,809) |
| Depreciation | 2,734,027 | 2,036,910 |
| Provision for doubtful receivables | 1,232,300 | 90,827 |
| Employees' terminal benefits | 667,249 | 257,021 |
| | (26,641,749) | (17,901,051) |
| <i>Changes in operating assets and liabilities:</i> | | |
| Premiums receivable | (33,472,171) | (3,512,379) |
| Reinsurers' share of outstanding claims | (19,423,845) | (499,799) |
| Reinsurers' share of unearned premiums | (24,371,633) | (3,251,099) |
| Reinsurers' share of mathematical reserves | (251,654,626) | - |
| Deferred policy acquisition costs | (4,388,175) | (469,688) |
| Prepaid expenses and other assets | (10,782,299) | (2,967,767) |
| Gross outstanding claims | 38,864,543 | 787,530 |
| Gross unearned premiums | 87,321,925 | 4,709,142 |
| Gross mathematical reserves | 251,654,626 | - |
| Payables, accruals and others | 8,509,100 | 4,362,884 |
| Reinsurance balances payable | 26,947,592 | 2,927,713 |
| Unearned reinsurance commission income | 2,872,549 | 881,472 |
| Due to related parties | (772,590) | 1,822,887 |
| Due to/from shareholders' operations | 18,236,556 | 15,789,113 |
| Employees' terminal benefits paid | (12,645) | - |
| Net cash from operating activities | 62,887,158 | 2,678,958 |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (436,331) | (440,544) |
| Net cash used in investing activities | (436,331) | (440,544) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 62,450,827 | 2,238,414 |
| Cash and cash equivalents at the beginning of the period | 2,238,414 | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 64,689,241 | 2,238,414 |

4



Managing Director/
Chief Executive Officer

Chief Financial Officer

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

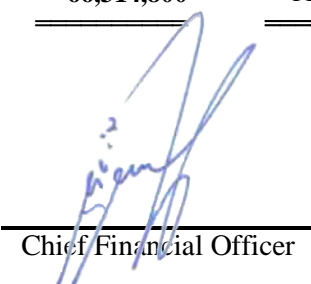
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

| | <i>For the year ended</i> 31 December 2015 | <i>For the year ended</i> 31 December 2014 |
|--|--|--|
| | SR | SR |
| <i>Note</i> | (Unaudited) | (Audited) |
| OPERATING ACTIVITIES | | |
| Net loss before Zakat | (31,497,529) | (25,954,092) |
| <i>Adjustments for:</i> | | |
| Appropriation of deficit from insurance operations | 31,275,325 | 20,285,809 |
| Depreciation | - | 575,609 |
| Special commission income | (623,569) | (785,579) |
| Dividends | (339,103) | - |
| Employees' terminal benefits | - | 57,173 |
| | (1,184,876) | (5,821,080) |
| <i>Changes in operating assets and liabilities:</i> | | |
| Statutory deposit | (174,521) | (17,500,000) |
| Due to/from insurance operations | (18,236,556) | (15,789,113) |
| Prepaid expenses and other assets | (410,896) | 1,465,404 |
| Payables, accruals and others | (378,592) | (970,657) |
| Due to related parties | - | (32,498,949) |
| Zakat paid | - | (1,242,671) |
| Net cash used in operating activities | (20,385,441) | (72,357,066) |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | - | (309,953) |
| Held to maturity investment | (10,000,000) | - |
| Time deposits | 85,000,000 | (85,000,000) |
| Available for sale investments | - | (3,175,163) |
| Special commission income received | 542,261 | 683,248 |
| Net cash from/ (used in) investing activities | 75,542,261 | (87,801,868) |
| FINANCING ACTIVITIES | | |
| Transaction costs on issue of share capital | - | 398,850 |
| Net cash from financing activities | - | 398,850 |
| NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | 55,156,820 | (159,760,084) |
| Cash and cash equivalents at the beginning of the period | 11,157,980 | 170,918,064 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 66,314,800 | 11,157,980 |

4



Managing Director/
Chief Executive Officer



Chief Financial Officer

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

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period and the year ended 31 December 2015

1 ORGANISATION AND PRINCIPAL ACTIVITIES

MetLife, American International Group and Arab National Bank Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 1010391438 dated 22 Dhul-Hijjah 1434H (corresponding to 27 October 2013).

The address of registered office of the Company is as follows:

MetLife, American International Group and Arab National Bank Cooperative Insurance Company
P.O. Box 56437
Riyadh 11554
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia. Its principal lines of business include individual and group life, accident and health and all classes of general insurance. The Company’s shares were listed on the Saudi Arabian Stock Exchange (“Tadawul”) on 23 Muharram 1435H (corresponding to 26 November 2013).

The Company has commenced its insurance operations during April 2014. Accordingly, the interim statements of “insurance operations” and “insurance operations cash flows” include the comparative figures for the period from 01 April 2014 till 31 December 2014.

1.1 METLIFE ALICO PORTFOLIO TRANSFER

The Company has entered into an agreement with MetLife ALICO (30% shareholder) by which MetLife ALICO has transferred its existing Saudi run-off portfolio to the Company effective 01 April 2015. This portfolio includes long-term life Protection and Savings insurance products and Personal Accident policies. The Company reinsures back to MetLife 100% of this portfolio under a quota-share reinsurance agreement. Accordingly, the Company has become the owner of the transferred policies and MetLife has become the reinsurer of this block of business. The transfer of the portfolio was made at book value with no cash payment. Accordingly, the liabilities related to this portfolio were recorded in the Company’s books at book value with an offsetting assets representing the reinsurance share of these liabilities. MetLife paid a reinsurance commission amounting to SR 2,121,942 till 31 December 2015 to the Company to compensate the cost of capital for this portfolio in addition to reimbursing the Company for all expenses related to the administration of this portfolio by paying an administration fee amounting to SR 754,181 till 31 December 2015 which is booked under “Other underwriting income”.

The portfolio transfer has been approved by the Board of Directors on 16 February 2015 and by the shareholders of the Company in their General Assembly meeting on 12 May 2015. Saudi Arabian Monetary Agency (“SAMA”) has also provided their approval on 28/5/1436 H corresponding to 19 March 2015.

Assets and liabilities of the transferred portfolio as at 31 December 2015 are shown as below:

| | <u>Assets</u> | | <u>Liabilities</u> |
|--|--------------------|-------------------------------|--------------------|
| Cash and Cash equivalents | 9,448,346 | Gross unearned premiums | 725,003 |
| Reinsurers’ share of unearned premiums | 725,003 | Gross outstanding claims | 12,515,083 |
| Reinsurers’ share of mathematical reserves | 251,654,626 | Gross mathematical reserves | 251,654,626 |
| Reinsurers’ share of outstanding claims | 12,515,083 | Reinsurance balances payable | 7,505,330 |
| Receivable & other assets | 379,409 | Payable and other liabilities | 2,322,425 |
| Total | 274,722,467 | Total | 274,722,467 |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the three month period and the year ended 31 December 2015

1.2 MANAFETH AGREEMENT WITH TAWUNIYA

The Company participated in the Manafeth agreement between Tawuniya and the majority of the insurance companies in Saudi Arabia effective 01 January 2015 for co-insuring cars entering into Saudi Arabia from all Saudi borders (except the border with AL-Bahrain). Based on this agreement, all insurance companies participating in this coverage will have an equal share of the net result of this portfolio after allowing for all expenses related to managing this portfolio by Tawuniya. This deal is for three years starting from 01 January 2015 and is expected to renew at same terms. The income related to this portfolio is included in the interim statement of insurance operations under "Other underwriting income" and is allocated to Motor Insurance in the segment reporting.

2 BASIS OF PREPARATION

Basis of preparation

The interim condensed financial statements have been prepared under the historical cost basis.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors. As per the by-laws of the Company, the deficit arising from the Insurance Operations is allocated fully to Shareholders Operations whereas any surplus arising from the Insurance Operations is distributed as follows:

| | |
|---------------|-------|
| Shareholders | 90% |
| Policyholders | 10% |
| | <hr/> |
| | 100% |

Statement of compliance

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the period from 29 August 2013 to 31 December 2014.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

Functional and presentational currency

The functional and presentation currency of the Company is Saudi Riyals.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the period from 29 August 2013 to 31 December 2014, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 01 January 2015.

The nature and the impact of each new standard / amendment are summarized as follows:

Amendments to IAS 19 applicable for annual periods beginning on or after 01 July 2014 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the three month period and the year ended 31 December 2015

contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

- IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
- IFRS 8 – “operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – “related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

Standards issued but not yet effective

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB’s work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the three month period and the year ended 31 December 2015

4 CASH AND CASH EQUIVALENTS

| | <i>31 December 2015 (Unaudited)</i> | | <i>31 December 2014 (Audited)</i> | |
|---|-------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>Insurance operations</i> | <i>Shareholders' operations</i> |
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Cash at banks and in hand | 14,689,241 | 1,260,553 | 2,238,414 | 5,157,980 |
| Short-term deposit with original maturity of three months or less | 50,000,000 | 65,054,247 | - | 6,000,000 |
| | 64,689,241 | 66,314,800 | 2,238,414 | 11,157,980 |

Cash at banks are placed with local commercial banks with investment grade credit ratings.

5 TIME DEPOSITS

Time deposits represent deposits with local commercial banks with investment grade credit ratings and have an original maturity of more than three months from date of acquisition. There was no Time Deposits invested for more than three months as of 31 December 2015 (31 December 2014 was SR 85,000,000 at an average variable special commission rate of 0.85%).

6 PREMIUMS RECEIVABLE, NET

| | <i>31 December 2015 (Unaudited)</i> | <i>31 December 2014 (Audited)</i> |
|---------------------------------|-------------------------------------|-----------------------------------|
| | <i>SR</i> | <i>SR</i> |
| Premiums receivable | 36,984,550 | 3,512,379 |
| Provision for Doubtful debts | (1,323,127) | (90,827) |
| Premiums receivable, net | 35,661,423 | 3,421,552 |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. Pricing policies and term of settlements with related parties are as per the commercial terms. The significant related party transactions and the related balances at the end of the period are set out below:

| <i>Related party/ Nature of transactions</i> | <i>Amount of transactions</i> | | <i>Balance</i> | <i>Balance</i> |
|--|--|--|-----------------------------|-----------------------------|
| | <i>For the year ended 31 December 2015</i> | <i>For the year ended 31 December 2014</i> | <i>31 December 2015</i> | <i>31 December 2014</i> |
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Premium receivable from a related party | | | | |
| Arab National Bank (“ANB”) (Shareholder) | | | | |
| Premiums receivable (advances) on policies sold through agency agreement with ANB agency | 60,662,974 | 192,094 | 547,723 | (817) |
| Commission payable on policies sold through agency agreement with ANB agency | 1,300,798 | 28,814 | 53,489 | 2,205 |
| | | | | |
| Reinsurance balances payable | | | | |
| American International Group (“AIG”) (Shareholder) | | | | |
| Reinsurance premiums payable + XOL | 12,424,079 | 3,746,991 | 9,128,538 | 2,775,444 |
| Reinsurance commission | (2,814,045) | (971,547) | - | - |
| Reinsurance share of paid claims | (173,277) | - | - | - |
| | | | | |
| Delaware American Life Insurance Company (Owned 100% by MetLife) | | | | |
| Reinsurance premiums payable | 1,831,141 | - | 30,585 | - |
| Reinsurance commission | (286,848) | - | - | - |
| Reinsurance share of paid claims | (826,104) | - | - | - |
| | | | | |
| American Life Insurance Company “ALICO” (Owned 100% by MetLife) | | | | |
| Reinsurance premiums (portfolio transfer) | 11,429,627 | - | - | - |
| Reinsurance commission | (2,121,942) | - | - | - |
| Reinsurance share of claims paid (portfolio transfer) | (28,865,808) | - | 7,505,330 | - |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

| <i>Related party/ Nature of transactions</i> | <i>Amount of transactions</i> | | <i>Balance</i> | <i>Balance</i> |
|--|---|---|--|--|
| | <i>For the year ended 31 December 2015 SR (Unaudited)</i> | <i>For the year ended 31 December 2014 SR (Audited)</i> | <i>31 December 2015 SR (Unaudited)</i> | <i>31 December 2014 SR (Audited)</i> |
| Due to related parties | | | | |
| MetLife (Shareholder) | | | | |
| General and administrative expenses paid on behalf of the Company and recharged to the Company | 1,134,576 | 1,741,591 | (624,740) | 1,403,719 |
| Administration Fees Income (portfolio transfer) | 754,182 | - | - | - |
| Arab National Bank (“ANB”) (Shareholder) | | | | |
| General and administrative expenses paid on behalf of the Company and recharged to the Company | - | 558 | - | - |
| American International Group (“AIG”) (Shareholder) | | | | |
| General and administrative expenses paid on behalf of the Company and recharged to the Company | 1,255,868 | 942,560 | 1,675,036 | 419,168 |
| Total amounts due to related parties | | | <u>1,050,297</u> | <u>1,822,887</u> |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

| <i>Related party/ Nature of transactions</i> | <i>Amount of transactions</i> | | <i>Balance</i> | <i>Balance</i> |
|---|---|---|--|--|
| | <i>For the year ended 31 December 2015 SR (Unaudited)</i> | <i>For the year ended 31 December 2014 SR (Audited)</i> | <i>31 December 2015 SR (Unaudited)</i> | <i>31 December 2014 SR (Audited)</i> |
| Commitments and Contingencies | | | | |
| Arab National Bank (“ANB”) (Shareholder) | | | | |
| Letter of Guarantees | <u>2,995,097</u> | <u>-</u> | <u>3,538,097</u> | <u>550,000</u> |
| Investment activities | | | | |
| Arab National Bank (“ANB”) (Shareholder) | | | | |
| Time Deposits | - | - | 42,062,500 | 56,000,000 |
| Special commission income on deposits | 263,857 | 549,675 | 72,695 | 46,630 |
| Held to Maturity Investment (investment in ANB Sukuk) | - | - | 10,000,000 | - |
| Special commission income on held to maturity investments | <u>70,649</u> | <u>-</u> | <u>70,649</u> | <u>-</u> |
| Key management personnel | | | | |
| Salaries and other benefits | <u>7,668,858</u> | <u>8,589,057</u> | <u>-</u> | <u>-</u> |
| Board of Directors and Executive Committees’ fees | <u>787,000</u> | <u>999,000</u> | <u>718,500</u> | <u>999,000</u> |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the three month period and the year ended 31 December 2015

8 STATUTORY DEPOSIT

| | <i>31 December 2015 (Unaudited) SR</i> | <i>31 December 2014 (Audited) SR</i> |
|--|--|---|
| Statutory Deposit (10% of paid-up share capital) | 17,500,000 | 17,500,000 |
| Income credited to the Statutory Deposit | 174,521 | - |
| | <u>17,674,521</u> | <u>17,500,000</u> |

Statutory deposit represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Agency ("SAMA"). SAMA is entitled for its income and the deposits cannot be withdrawn without the consent of SAMA.

9 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share for the period has been calculated by dividing the net loss before Zakat for the period by the ordinary, issued and outstanding shares at the period end of 17.5 million shares.

10 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include general and administration expenses.

Segment assets do not include cash and cash equivalents, prepayments and other assets, due from shareholders' operations and property and equipment. Accordingly they are included in unallocated assets.

Segment liabilities do not include part of end-of-service indemnities, accrued expenses and other liabilities and due to related parties. Accordingly they are included in unallocated liabilities.

All unallocated assets and liabilities are reported to chief operating decision maker as unallocated assets and liabilities and are monitored on a centralized basis.

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

10 SEGMENT INFORMATION (continued)

a) Interim statement of insurance operations

For the three month period ended 31 December 2015 (Unaudited)

| | <i>Accident and Liability SR</i> | <i>Motor SR</i> | <i>Property SR</i> | <i>Marine SR</i> | <i>Engineering SR</i> | <i>Other General SR</i> | <i>Health SR</i> | <i>Protection & Savings SR</i> | <i>Total SR</i> |
|---|--|---------------------|------------------------|----------------------|---------------------------|-----------------------------|----------------------|--|---------------------|
| Gross written premiums | 798,492 | 190,439 | 186,681 | 885,484 | 140,669 | 481,826 | 28,056,689 | 2,891,837 | 33,632,117 |
| Reinsurance premiums ceded | (723,856) | - | (146,831) | (833,990) | (139,966) | (385,461) | (34,041) | (2,912,125) | (5,176,270) |
| Excess of loss premiums | (9,289) | (1,684) | (4,134) | (3,038) | - | (68,372) | - | (3,654) | (90,171) |
| Net written premiums | 65,347 | 188,755 | 35,716 | 48,456 | 703 | 27,993 | 28,022,648 | (23,942) | 28,365,676 |
| Net changes in unearned premiums | 211,079 | (168,962) | (26,002) | 25,245 | 1,902 | 121,139 | (7,346,641) | 1,250,224 | (5,932,016) |
| Net earned premiums | 276,426 | 19,793 | 9,714 | 73,701 | 2,605 | 149,132 | 20,676,007 | 1,226,282 | 22,433,660 |
| Reinsurance commission income | 106,841 | - | 184,619 | 92,949 | 205,493 | 27,725 | 78,893 | 1,291,324 | 1,987,844 |
| Other underwriting income | - | 585,316 | - | - | - | - | - | 289,268 | 874,584 |
| Underwriting revenue | 383,267 | 605,109 | 194,333 | 166,650 | 208,098 | 176,857 | 20,754,900 | 2,806,874 | 25,296,088 |
| Gross claims paid | (1,069) | (880) | (151,780) | - | - | - | (8,634,778) | (12,780,123) | (21,568,630) |
| Reinsurers' share of claims paid | 535 | - | 151,188 | - | - | - | 337,419 | 12,512,519 | 13,001,661 |
| Net claims paid | (534) | (880) | (592) | - | - | - | (8,297,359) | (267,604) | (8,566,969) |
| Changes in outstanding claims | (160,999) | (173,114) | (23,540) | (51,533) | (24,567) | (55,207) | (11,470,463) | (1,012,289) | (12,971,712) |
| Net claims incurred | (161,533) | (173,994) | (24,132) | (51,533) | (24,567) | (55,207) | (19,767,822) | (1,279,893) | (21,538,681) |
| Commissions incurred | (77,115) | (1,625) | (83,890) | (76,738) | (145,160) | (34,050) | (711,603) | (206,084) | (1,336,265) |
| Other direct underwriting expense | (5,417) | (131) | (3,845) | (2,557) | (7,308) | (1,603) | (454,063) | (21,811) | (496,735) |
| Doubtful debt expense | 132,617 | (1,292) | 55,259 | (850) | (8,277) | (181,756) | 200,968 | 17,167 | 213,834 |
| Underwriting expenses | (111,448) | (177,042) | (56,608) | (131,678) | (185,312) | (272,616) | (20,732,520) | (1,490,623) | (23,157,847) |
| Underwriting result | 271,819 | 428,067 | 137,725 | 34,972 | 22,786 | (95,759) | 22,380 | 1,316,251 | 2,138,241 |
| Unallocated expenses | | | | | | | | | (10,268,581) |
| Unallocated special commission income | | | | | | | | | 156,164 |
| Net deficit for the period from insurance operations | | | | | | | | | (7,974,176) |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

10 SEGMENT INFORMATION (continued)

a) Interim statement of insurance operations (continued)

| <i>For the year ended 31 December 2015 (Unaudited)</i> | | | | | | | | | |
|---|--|---------------------|------------------------|----------------------|---------------------------|-----------------------------|----------------------|--|---------------------|
| | <i>Accident and Liability SR</i> | <i>Motor SR</i> | <i>Property SR</i> | <i>Marine SR</i> | <i>Engineering SR</i> | <i>Other General SR</i> | <i>Health SR</i> | <i>Protection & Savings SR</i> | <i>Total SR</i> |
| Gross written premiums | 5,928,563 | 190,439 | 3,475,068 | 2,082,743 | 24,014,593 | 1,401,942 | 90,989,100 | 16,658,472 | 144,740,920 |
| Reinsurance premiums ceded | (4,413,367) | - | (3,407,803) | (1,851,661) | (23,994,721) | (485,133) | (1,858,145) | (11,684,553) | (47,695,383) |
| Excess of loss premiums | (110,642) | (1,684) | (7,239) | (7,414) | - | (249,850) | - | (3,654) | (380,483) |
| Net written premiums | 1,404,554 | 188,755 | 60,026 | 223,668 | 19,872 | 666,959 | 89,130,955 | 4,970,265 | 96,665,054 |
| Net changes in unearned premiums | (389,831) | (168,962) | (36,913) | (51,494) | (14,128) | (149,991) | (61,259,999) | (878,973) | (62,950,291) |
| Net earned premiums | 1,014,723 | 19,793 | 23,113 | 172,174 | 5,744 | 516,968 | 27,870,956 | 4,091,292 | 33,714,763 |
| Reinsurance commission income | 637,366 | - | 744,686 | 217,527 | 457,917 | 68,325 | 274,211 | 2,250,663 | 4,650,695 |
| Other underwriting income | - | 1,178,982 | - | - | - | - | - | 754,181 | 1,933,163 |
| Underwriting revenue | 1,652,089 | 1,198,775 | 767,799 | 389,701 | 463,661 | 585,293 | 28,145,167 | 7,096,136 | 40,298,621 |
| Gross claims paid | (301,807) | (880) | (173,072) | - | - | - | (10,703,298) | (30,210,371) | (41,389,428) |
| Reinsurers' share of claims paid | 300,904 | - | 172,373 | - | - | - | 826,104 | 28,565,807 | 29,865,188 |
| Net claims paid | (903) | (880) | (699) | - | - | - | (9,877,194) | (1,644,564) | (11,524,240) |
| Changes in outstanding claims | (787,477) | (173,114) | (35,430) | (131,220) | (26,845) | (446,882) | (15,876,199) | (1,963,531) | (19,440,698) |
| Net claims incurred | (788,380) | (173,994) | (36,129) | (131,220) | (26,845) | (446,882) | (25,753,393) | (3,608,095) | (30,964,938) |
| Commissions incurred | (503,380) | (1,625) | (362,865) | (179,589) | (320,557) | (120,914) | (1,114,641) | (681,090) | (3,284,661) |
| Other direct underwriting expense | (27,677) | (131) | (25,101) | (5,985) | (14,639) | 660 | (792,299) | (78,066) | (943,238) |
| Doubtful debt expense | (288,881) | (1,292) | (249,594) | (3,991) | (60,351) | (129,883) | (469,936) | (28,372) | (1,232,300) |
| Underwriting expenses | (1,608,318) | (177,042) | (673,689) | (320,785) | (422,392) | (697,019) | (28,130,269) | (4,395,623) | (36,425,137) |
| Underwriting result | 43,771 | 1,021,733 | 94,110 | 68,916 | 41,269 | (111,726) | 14,898 | 2,700,513 | 3,873,484 |
| Unallocated expenses | | | | | | | | | (35,304,973) |
| Unallocated special commission income | | | | | | | | | 156,164 |
| Net deficit for the period from insurance operations | | | | | | | | | (31,275,325) |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

10 SEGMENT INFORMATION (continued)

a) Interim statement of insurance operations (continued)

For the three month period ended 31 December 2014 (Unaudited)

| | Accident and Liability SR | Motor SR | Property SR | Marine SR | Engineering SR | Other General SR | Health SR | Protection & Savings SR | Total SR |
|---|---------------------------------|-------------|-----------------|--------------|-------------------|---------------------|-----------------|-------------------------------|--------------------|
| Gross written premiums | 1,789,994 | - | 547,044 | - | 281,350 | 160,258 | 974,267 | - | 3,752,913 |
| Reinsurance premiums ceded | (1,650,908) | - | (546,023) | - | (279,239) | (128,207) | (15,869) | - | (2,620,246) |
| Excess of loss premiums | (9,294) | - | (251) | - | - | (57,481) | - | - | (67,026) |
| Net written premiums | 129,792 | - | 770 | - | 2,111 | (25,430) | 958,398 | - | 1,065,641 |
| Net changes in unearned premiums | (98,568) | - | (195) | - | (2,115) | 83,540 | (879,626) | - | (896,964) |
| Net earned premiums | 31,224 | - | 575 | - | (4) | 58,110 | 78,772 | - | 168,677 |
| Reinsurance commission income | 95,147 | - | 42,892 | - | (163) | - | 652 | - | 138,528 |
| Other underwriting income | - | - | 500 | - | - | - | - | - | 500 |
| Underwriting revenue | 126,371 | - | 43,967 | - | (167) | 58,110 | 79,424 | - | 307,705 |
| Gross claims paid | - | - | - | - | - | - | - | - | - |
| Reinsurers' share of claims paid | - | - | - | - | - | - | - | - | - |
| Net claims paid | - | - | - | - | - | - | - | - | - |
| Changes in outstanding claims | (32,464) | - | (677) | - | 2 | (95,315) | (61,857) | - | (190,311) |
| Net claims incurred | (32,464) | - | (677) | - | 2 | (95,315) | (61,857) | - | (190,311) |
| Commissions incurred | (58,739) | - | (25,135) | - | 86 | (17,339) | - | - | (101,127) |
| Other direct underwriting expense | (8,950) | - | (2,735) | - | (1,407) | (802) | (14,614) | - | (28,508) |
| Doubtful debt expense | - | - | - | - | - | (13,768) | - | - | (13,768) |
| Underwriting expenses | (100,153) | - | (28,547) | - | (1,319) | (127,224) | (76,471) | - | (333,714) |
| Underwriting result | 26,218 | - | 15,420 | - | (1,486) | (69,114) | 2,953 | - | (26,009) |
| Unallocated expenses | | | | | | | | | (7,652,984) |
| Net deficit for the period from insurance operations | | | | | | | | | (7,678,993) |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

10 SEGMENT INFORMATION (continued)

b) Interim statement of insurance operations (continued)

For the year ended 31 December 2014(Audited)

| | <i>Accident and Liability SR</i> | <i>Motor SR</i> | <i>Property SR</i> | <i>Marine SR</i> | <i>Engineering SR</i> | <i>Other General SR</i> | <i>Health SR</i> | <i>Protection & Savings SR</i> | <i>Total SR</i> |
|---|--|---------------------|------------------------|----------------------|---------------------------|-----------------------------|----------------------|--|---------------------|
| Gross written premiums | 2,343,127 | - | 719,460 | - | 316,350 | 1,387,934 | 974,267 | - | 5,741,138 |
| Reinsurance premiums ceded | (2,128,098) | - | (716,084) | - | (313,977) | (743,470) | (15,869) | - | (3,917,498) |
| Excess of loss premiums | (9,294) | - | (251) | - | - | (57,481) | - | - | (67,026) |
| Net written premiums | 205,735 | - | 3,125 | - | 2,373 | 586,983 | 958,398 | - | 1,756,614 |
| Net changes in unearned premiums | (159,689) | - | (1,828) | - | (2,362) | (414,538) | (879,626) | - | (1,458,043) |
| Net earned premiums | 46,046 | - | 1,297 | - | 11 | 172,445 | 78,772 | - | 298,571 |
| Reinsurance commission income | 123,061 | - | 47,887 | - | 439 | - | 652 | - | 172,039 |
| Other underwriting income | - | - | 500 | - | - | - | - | - | 500 |
| Underwriting revenue | 169,107 | - | 49,684 | - | 450 | 172,445 | 79,424 | - | 471,110 |
| Gross claims paid | - | - | - | - | - | - | - | - | - |
| Reinsurers' share of claims paid | - | - | - | - | - | - | - | - | - |
| Net claims paid | - | - | - | - | - | - | - | - | - |
| Changes in outstanding claims | (43,580) | - | (1,218) | - | (9) | (181,067) | (61,857) | - | (287,731) |
| Net claims incurred | (43,580) | - | (1,218) | - | (9) | (181,067) | (61,857) | - | (287,731) |
| Commissions incurred | (73,841) | - | (28,031) | - | (228) | (34,489) | - | - | (136,589) |
| Other direct underwriting expense | (11,716) | - | (3,597) | - | (1,582) | (6,940) | (14,614) | - | (38,449) |
| Doubtful debt expense | - | - | - | - | - | (90,827) | - | - | (90,827) |
| Underwriting expenses | (129,137) | - | (32,846) | - | (1,819) | (313,323) | (76,471) | - | (553,596) |
| Underwriting result | 39,970 | - | 16,838 | - | (1,369) | (140,878) | 2,953 | - | (82,486) |
| Unallocated expenses | | | | | | | | | (20,203,323) |
| Net deficit for the period from insurance operations | | | | | | | | | (20,285,809) |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

10 SEGMENT INFORMATION (continued)

c) Insurance operations' assets and liabilities

| | December 31, 2015 (Unaudited) | | | | | | | | | |
|--|---------------------------------|------------------|------------------|------------------|-------------------|------------------------|-------------------|-------------------------------|-------------------|--------------------|
| | Accident and Liability SR | Motor SR | Property SR | Marine SR | Engineering SR | Other General SR | Health SR | Protection & Savings SR | Unallocated SR | Total SR |
| Insurance operations' assets | | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - | 64,689,241 | 64,689,241 |
| Premiums receivable, net | 1,511,438 | 85,666 | 749,874 | 589,682 | 14,498,208 | 887,981 | 17,020,050 | 318,524 | - | 35,661,423 |
| Reinsurers' share of unearned premiums | 3,462,221 | - | 962,928 | 833,990 | 21,071,653 | 965,812 | 147,265 | 178,863 | - | 27,622,732 |
| Reinsurers' share of mathematical reserves | - | - | - | - | - | - | - | 251,654,626 | - | 251,654,626 |
| Reinsurers' share of outstanding claims | 2,221,955 | - | 2,042,999 | 712,369 | 2,265,932 | 157,674 | 300,053 | 12,222,662 | - | 19,923,644 |
| Deferred policy acquisition costs | 402,930 | 13,983 | 111,117 | 49,242 | 1,731,058 | 76,281 | 2,320,193 | 153,062 | - | 4,857,866 |
| Prepaid expenses and other assets | 51,610 | 1,180,364 | 10,722 | 8,568 | 105,434 | 75,298 | 3,603,685 | 17,742 | 8,696,640 | 13,750,063 |
| Due from shareholders operations | - | - | - | - | - | - | - | - | 8,010,111 | 8,010,111 |
| Property and equipment, net | - | - | - | - | - | - | - | - | 5,757,153 | 5,757,153 |
| TOTAL INSURANCE OPERATIONS' ASSETS | 7,650,154 | 1,280,013 | 3,877,640 | 2,193,851 | 39,672,285 | 2,163,046 | 73,391,246 | 264,545,479 | 37,153,145 | 431,926,859 |
| Insurance operations' liabilities | | | | | | | | | | |
| Gross unearned premiums | 4,011,741 | 168,962 | 1,001,669 | 885,484 | 21,088,143 | 1,530,341 | 62,286,890 | 1,057,837 | - | 92,031,067 |
| Gross outstanding claims | 3,053,012 | 173,114 | 2,079,646 | 843,589 | 2,292,785 | 785,623 | 16,238,108 | 14,186,196 | - | 39,652,073 |
| Gross mathematical reserves | - | - | - | - | - | - | - | 251,654,626 | - | 251,654,626 |
| Payables, accruals and others | 173,382 | 7,010 | 156,312 | 37,432 | 1,132,506 | 90,616 | 3,584,400 | (7,474) | 7,697,800 | 12,871,984 |
| Reinsurance balances payable | 2,996,789 | 4,856 | 2,151,342 | 1,547,513 | 14,485,485 | 582,136 | (50,935) | 8,158,119 | - | 29,875,305 |
| Unearned reinsurance commission income | 624,212 | - | 244,227 | 98,175 | 2,455,028 | 251,112 | 36,828 | 44,439 | - | 3,754,021 |
| Due to related parties | - | - | - | - | - | - | - | - | 1,050,297 | 1,050,297 |
| Employees' terminal benefits | - | - | - | - | - | - | - | - | 1,037,486 | 1,037,486 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES | 10,859,136 | 353,942 | 5,633,196 | 3,412,193 | 41,453,947 | 3,239,828 | 82,095,291 | 275,093,743 | 9,785,583 | 431,926,859 |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the three month period and the year ended 31 December 2015

10 SEGMENT INFORMATION (continued)

b) Insurance operations' assets and liabilities (continued)

| | <i>December 31, 2014 (Audited)</i> | | | | | | | | | |
|--|--|---------------------|------------------------|----------------------|---------------------------|-----------------------------|----------------------|--|---------------------------|---------------------|
| | <i>Accident and Liability SR</i> | <i>Motor SR</i> | <i>Property SR</i> | <i>Marine SR</i> | <i>Engineering SR</i> | <i>Other General SR</i> | <i>Health SR</i> | <i>Protection & Savings SR</i> | <i>Unallocated SR</i> | <i>Total SR</i> |
| Insurance operations' assets | | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - | 2,238,414 | 2,238,414 |
| Premiums receivable, net | 1,343,890 | - | 174,915 | - | 281,350 | 864,628 | 756,769 | - | - | 3,421,552 |
| Reinsurers' share of unearned premiums | 1,650,841 | - | 529,758 | - | 312,466 | 743,469 | 14,565 | - | - | 3,251,099 |
| Reinsurers' share of outstanding claims | 357,943 | - | 139,745 | - | 1,133 | - | 978 | - | - | 499,799 |
| Deferred policy acquisition costs | 266,190 | - | 79,663 | - | 47,224 | 76,611 | - | - | - | 469,688 |
| Prepaid expenses and other assets | 29,016 | - | 124 | - | - | 94,341 | - | - | 2,844,286 | 2,967,767 |
| Property and equipment, net | - | - | - | - | - | - | - | - | 8,054,849 | 8,054,849 |
| TOTAL INSURANCE OPERATIONS' ASSETS | 3,647,880 | - | 924,205 | - | 642,173 | 1,779,049 | 772,312 | - | 13,137,549 | 20,903,168 |
| Insurance operations' liabilities | | | | | | | | | | |
| Gross unearned premiums | 1,810,530 | - | 531,586 | - | 314,828 | 1,158,007 | 894,191 | - | - | 4,709,142 |
| Gross outstanding claims | 401,523 | - | 140,963 | - | 1,142 | 181,067 | 62,835 | - | - | 787,530 |
| Payables, accruals and others | 206,801 | - | 25,900 | - | 42,203 | 68,790 | - | - | 4,019,190 | 4,362,884 |
| Reinsurance balances payable | 1,588,918 | - | 405,950 | - | 222,924 | 701,989 | 7,932 | - | - | 2,927,713 |
| Unearned reinsurance commission income | 454,429 | - | 135,841 | - | 90,615 | 193,302 | 7,285 | - | - | 881,472 |
| Due to related parties | - | - | - | - | - | - | - | - | 1,822,887 | 1,822,887 |
| Due from shareholders operations | - | - | - | - | - | - | - | - | 5,028,658 | 5,028,658 |
| Employees' terminal benefits | - | - | - | - | - | - | - | - | 382,882 | 382,882 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES | 4,462,201 | - | 1,240,240 | - | 671,712 | 2,303,155 | 972,243 | - | 11,253,617 | 20,903,168 |

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the three month period and the year ended 31 December 2015

11 PROPOSED CAPITAL INCREASE

On 27 April 2015, the Company's Board of directors has recommended increasing the Company's capital from SR 175 million to SR 350 million through a rights issue. In this connection, the Company submitted its business plan along with related documents to SAMA on 07 June 2015 for approval and SAMA has approved the capital increase in their letter no. 361000144425 dated 16/11/1436 H (corresponding to 31 August 2015 G). The Company has appointed Saudi Hollandi Capital as a Financial Advisor for this transaction and has submitted its capital increase documents to the Capital Market Authority ("CMA") on 15 November 2015 and has received CMA's approval on 19 January 2016.

12 COMMITMENTS AND CONTINGENCIES

At 31 December 2015, Letters of Guarantee amounting to SR 3,538,097 were outstanding in favour of medical providers and general insurance tenders (SR 550,000 as at 31 December 2014). These letters of guarantee were issued against cash margin amounting to SR 3,538,097 and SR 550,000 as at 31 December 2015 and 31 December 2014 respectively which is classified under prepaid expenses and other assets in the statement of financial position. There were no other commitments, contingencies, or outstanding legal proceedings or disputes of material nature.

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the management on 10/04/1437 H corresponding to (20/01/2016 G).



Managing Director/
Chief Executive Officer



Chief Financial Officer