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

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**31 DECEMBER 2013**

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

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
For the period from 29 August 2013 to 31 December 2013

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**Deloitte & Touche**  
**Bakr Abulkhair & Co.**  
**Deloitte.**

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

**Scope of audit:**

We have audited the accompanying 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 2013 and the related statement of shareholders' comprehensive operations, statement of changes in shareholders' equity and statement of shareholders' cash flows for the period from 29 August 2013 to 31 December 2013 (the "period") and the notes from 1 to 20 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified opinion:**

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

**Emphasis of matters:**

We draw attention to the following:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.
- As disclosed in note 1, per the Company's by-laws, the Company's first fiscal year shall commence on the issuance date of the Ministerial Resolution announcing the incorporation of the Company, which was dated 29 August 2013 and will end on the following year, being 31 December 2014. These financial statements cover the period from 29 August 2013 to 31 December 2013 ("the period"), and have been prepared to comply with the requirements of the Capital Market Authority.

**Ernst & Young**

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**Fahad M. Al-Toaimi**  
Certified Public Accountant  
Registration No. 354



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Riyadh 11411  
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**Al-Mutahhar Bin Yahia Hameeduddin**  
Certified Public Accountant  
Registration No. 296

18 Rabi Al-Thani 1435H  
(18 February 2014)

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 SR
<b>SHAREHOLDERS' ASSETS</b>		
Cash and cash equivalents	6	170,918,064
Prepaid expenses and other assets	7	1,476,696
Property and equipment, net	8	9,916,871
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>182,311,631</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' LIABILITIES</b>		
Zakat	9	384,111
Payables, accruals and others	10	2,256,830
Due to shareholders	11	32,498,949
Employees' terminal benefits		68,688
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>35,208,578</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	12	175,000,000
Accumulated losses		(27,896,947)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>147,103,053</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>182,311,631</b>

MD/CEO

On behalf of the CFO

The accompanying notes 1 to 20 form an integral part of these financial statements.

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

**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS**

For the period from 29 August 2013 to 31 December 2013

	<u>Notes</u>	<u>SR</u>
<b>INCOME</b>		
Special commission income from short-term deposits		<u>7,299</u>
<b>EXPENSES</b>		
General and administrative expenses	14	<u>5,983,719</u>
<b>LOSSES INCURRED DURING THE PERIOD</b>		<u>(5,976,420)</u>
Pre-incorporation expenses, net	13	<u>(11,740,626)</u>
<b>NET LOSS BEFORE ZAKAT</b>		<u>(17,717,046)</u>
Zakat	9	<u>(384,111)</u>
<b>TOTAL COMPREHENSIVE LOSS</b>		<u><u>(18,101,157)</u></u>
 Basic and diluted loss per share	 15	 <u>1.03</u>
<b>Weighted average number of shares in issue</b>		<u><u>17,500,000</u></u>

MD/CEO



on behalf of the CFO



The accompanying notes 1 to 20 form an integral part of these financial statements.



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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
For the period from 29 August 2013 to 31 December 2013

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Issue of share capital (note 12)	175,000,000	-	175,000,000
Transaction costs on issue of share capital		(9,795,790)	(9,795,790)
Total comprehensive loss	-	(18,101,157)	(18,101,157)
<b>Balance as at 31 December 2013</b>	<b>175,000,000</b>	<b>(27,896,947)</b>	<b>147,103,053</b>

MD / CEO



on behalf of The CFO



The accompanying notes 1 to 20 form an integral part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS  
For the period from 29 August 2013 to 31 December 2013

	<u>Notes</u>	<u>SR</u>
<b>OPERATING ACTIVITIES</b>		
Net loss before Zakat		(17,717,046)
<i>Adjustments for:</i>		
Depreciation	8	2,403,262
Employees' terminal benefits		68,688
Special commission income from short-term deposits		(7,299)
		<u>(15,252,395)</u>
<i>Changes in operating assets and liabilities:</i>		
Prepaid expenses and other assets		(1,476,696)
Payables, accruals and others		2,256,830
Due to shareholders		15,315,700
		<u>843,439</u>
Net cash from operating activities		
<b>INVESTING ACTIVITIES</b>		
Special commission income from short-term deposits		7,299
Purchase of property and equipment		(490,356)
		<u>(483,057)</u>
Net cash used in investing activities		
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	12	175,000,000
Transaction costs on issue of share capital		(4,442,318)
		<u>170,557,682</u>
Net cash from financing activities		
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	<u><u>170,918,064</u></u>
<u><i>Non-cash supplemental information:</i></u>		
Property and equipment purchased by the shareholders (note 11)		11,829,777
Transaction cost on initial public offer paid by the shareholders (note 11)		5,353,472

MD/ CEO

on behalf of the CFO

The accompanying notes 1 to 20 form an integral part of these financial statements.

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

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

**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 1435 H (corresponding to 26 November 2013).

As per the Company's by-laws, the Company's first fiscal year commence on the date of the Ministerial Resolution declaring the incorporation of the Company, which was on 22 Shawwal 1434H (corresponding to 29 August 2013) and will end on 31 December 2014. However, these financial statements have been prepared for the Company's management use and to comply with the requirements of the Saudi Arabian Capital Market Authority and cover the period from 29 August 2013 to 31 December 2013 ("the period"). Accordingly, these are the first financial statements of the Company and therefore no comparative information is presented in these financial statements.

The Company completed the legal formalities for incorporation on 29 August 2013. The founding shareholders commenced the pre-incorporation activities from 18 January 2012. All related income and expenses for the period from 18 January 2012 to 28 August 2013 are classified as "pre-incorporation expenses, net" in the statement of shareholders' comprehensive income.

The Company has not yet commenced its insurance operations. Accordingly, the statements of "insurance operations" and "insurance operations' cash flows" have not been prepared.

**2 BASIS OF PREPARATION**

*Basis of measurement*

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

*Statement of compliance*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly these 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").

*Functional and presentational currency*

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

**3 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following standards and interpretations have been issued by the International Accounting Standards Board ("IASB") but are not yet effective up to the date of issuance of the Company's financial statements. 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 IFRS which have been published and are mandatory for compliance for the Company with effect from future dates:



MetLife, American International Group and Arab National Bank  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**3 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

*IFRS 9 Financial Instruments*

On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2013) which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The standard does not have a mandatory effective date, but it is available for application now. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial statements. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of IFRS 9 at the same time. An accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 is available for of their hedging relationships. They may later change that policy and apply the hedge accounting requirements in IFRS 9 before they eventually become mandatory. This choice is intended to be removed when the IASB completes its project on accounting for macro hedging.

*IAS 32 Offsetting Financial Assets and Financial Liabilities --- Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

**4 SIGNIFICANT ACCOUNTING POLICIES**

*Property and equipment*

Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to statement of shareholders' comprehensive operations. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of shareholders' comprehensive operations on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	7 years
Furniture and fixtures	7 years
Office equipment	5 years
Computer hardware	5 years
Computer software	3 years

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in statement of shareholders' comprehensive operations.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

*Accounts payable and accruals*

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

*Provisions*

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Leases***

Operating lease payments are recognised as an expense in the statement of shareholders' comprehensive operations on a straight-line basis over the lease term.

***Zakat and income tax***

Zakat and income tax is provided for in accordance with Saudi Arabian fiscal regulations. Zakat and income tax are accrued and charged to the statement of shareholders' comprehensive operations.

***Employees' terminal benefits***

Employees' terminal benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labour Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at reporting date. Terminal benefits payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by Saudi Arabian Labour Law.

***Cash and cash equivalents***

Cash and cash equivalents for the purposes of statement of shareholders' cash flows comprise of cash at banks and short-term deposits, if any, with an original maturity of ninety days from the date of acquisition.

***Special commission income***

Special commission income on time deposits is accrued on an effective yield basis.

***Expenses***

Expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

As the Company is yet to commence insurance operations, all expenses incurred are considered to be either general and administration expenses or pre-incorporation expenses, and are classified as such in the statement of comprehensive shareholders' operations.

***Foreign currencies***

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the rates of exchange ruling at the statement of financial position date. All differences are taken to the statement of shareholders' comprehensive operations. Foreign exchange gains or loss on available for sale investments are recognised in comprehensive income.

***Statutory reserve***

In accordance with its Articles of Association, the Company shall allocate 20% of its net income of each year to a statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the period ended 31 December 2013.

***Impairment and uncollectibility of financial assets***

An assessment is made at each financial reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statements of shareholders' comprehensive operations. When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of shareholders' comprehensive operations.
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of income or shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

**Derecognition of financial instruments**

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**Fair values**

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the statement of financial position date. If quoted market prices are not available, reference is also made to broker or dealer price quotations.

For financial assets where there is no active market, fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

**Segment reporting**

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

**Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Additionally, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**5 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

**Judgements**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Key estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the significant accounting policies in note 4.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**6 CASH AND CASH EQUIVALENTS**

	2013 SR
Cash at banks and in hand	5,918,064
Short-term deposits with original maturities of three months or less	165,000,000
	<u>170,918,064</u>

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The average variable special commission rate on time deposits as at 31 December 2013 is 0.375 % per annum.

Short-term deposits and cash at banks are placed with local commercial banks with investment grade credit ratings.

The carrying values of short-term deposits and cash at banks approximates their fair value at the reporting date.

**7 PREPAID EXPENSES AND OTHER ASSETS**

	2013 SR
Employees' receivable	831,265
Prepaid office rent	502,632
Security deposits	135,500
Accrued special commission income on short-term deposits	7,299
	<u>1,476,696</u>

**8 PROPERTY AND EQUIPMENT, NET**

	<i>Leasehold improvements</i> SR	<i>Furniture and fixtures</i> SR	<i>Office equipment</i> SR	<i>Computer hardware</i> SR	<i>Computer Software</i> SR	<i>Total 2013</i> SR
<i>Cost:</i>						
Additions	3,405,604	972,139	419,296	4,600,438	2,922,656	12,320,133
<i>Depreciation:</i>						
Charge	420,055	133,931	72,442	1,198,950	577,884	2,403,262
<i>Net book value:</i>						
As at 31 December 2013	<u>2,985,549</u>	<u>838,208</u>	<u>346,854</u>	<u>3,401,488</u>	<u>2,344,772</u>	<u>9,916,871</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**8 PROPERTY AND EQUIPMENT, NET (continued)**

The depreciation charge is allocated between pre-incorporation expenses and general and administrative expenses as follows:

	2013 SR
Pre-incorporation expenses (note 13)	1,636,415
General and administration expenses (note 14)	766,847
	<u>2,403,262</u>

**9 ZAKAT AND INCOME TAX**

*(a) Zakat charge for the period*

The Company is not liable to pay zakat as one full financial year from the date of incorporation has not elapsed as at 31 December 2013.

The Company will be liable to pay Zakat based on its financial position and results of operations for its first fiscal year (long period) which commenced on 29 August 2013 to 31 December 2014. The zakat charge for the period consists of the current period's provision, computed on proportionate basis, amounting to SR 384,111. The zakat provision is based on Saudi shareholders' share of capital of 60%:

	<i>For the period from 29 August 2013 to 31 December 2013</i> SR
Saudi shareholders' capital (60%)	105,000,000
Book value of long term assets	(6,665,068)
Total	<u>98,334,932</u>
Apportioned for the period	25,178,501
Adjusted net loss for the period	(9,814,070)
Saudi shareholders' share of zakat base computed at 60%	<u>15,364,431</u>

*b) Income tax charge for the period*

There was no income tax charge relating to the non-Saudi shareholders for the period ended 31 December 2013 due to the net adjusted loss for the period. The Company will file its first tax declaration and pay tax due thereon, if any on or before 26 December 2014 based on results of its operations for the 12 month period from 29 August 2013 to 28 August 2014.

*c) Movement in the provision for zakat during the period*

The movement in the provision for Zakat for the period comprises of only the charge for the period.

*d) Status of zakat and income tax assessments*

The Company has not filed Zakat and income tax declaration for the period as the first fiscal year in accordance with the Company's by-laws will end on 31 December 2014.



MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**10 PAYABLES, ACCRUALS AND OTHERS**

	<u>2013</u> <u>SR</u>
Accounts payable and others	1,881,830
Accrued expenses	375,000
	<u>2,256,830</u>

**11 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders and key management personnel of the Company. The significant related party transactions from 18 January 2012 (date of commencement of pre-incorporation activities) to 31 December 2013 and the related balances at the end of the period are set out below:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction SR</i>	<i>Balance 31 December 2013 SR</i>
MetLife ALICO (Shareholder)	Property and equipment purchased on behalf of the Company	10,809,086	
	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	7,781,334	
	General and administrative expenses paid on behalf of the Company and recharged to the Company	3,589,440	
	Expenses related to initial public offer paid on behalf of the Company and recharged to the Company	<u>61,168</u>	<u>22,241,028</u>
Arab National Bank (ANB) (Shareholder)	Expenses related to initial public offer paid on behalf of the Company and recharged to the Company	5,292,304	
	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	1,782,795	
	General and administrative expenses paid on behalf of the Company and recharged to the Company	<u>265,443</u>	<u>7,340,542</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction SR</i>	<i>Balance 31 December 2013 SR</i>
American International Group (AIG) (Shareholder)	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	1,775,048	
	Property and equipment purchased on behalf of the Company	1,020,692	
	General and administrative expenses paid on behalf of the Company and recharged to the Company	121,639	2,917,379
	<i>Total due to shareholder</i>		<u>32,498,949</u>
Arab National Bank (ANB) (Shareholder)	Short-term deposit at a special commission rate of 0.5% per annum (note 6)	122,000,000	122,000,000
	Special commission income	116,650	116,650
Key management personnel	Salaries and other benefits	729,440	-

**12 SHARE CAPITAL**

The issued and paid up share capital of the Company is SR 175,000,000 divided into 17,500,000 shares of SR 10 each. The share capital is distributed as follows:

<i>Shareholders</i>	<i>Percentage</i>	<i>SR</i>
Founding shareholders	70%	122,500,000
General public	30%	52,500,000
Share capital		<u>175,000,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**13 PRE-INCORPORATION EXPENSES, NET**

	<i>For the period from 18 January 2012 to 28 August 2013 SR</i>
Professional services rendered by shareholders' employees	3,911,693
Depreciation (Note 8)	1,636,415
Legal and professional fees	1,463,305
Travel and lodging expenses	1,238,208
Information technology expenses	1,179,675
Rent	661,759
Employees' costs	661,644
Others	1,099,368
<b>Total pre-incorporation expenses incurred</b>	<b>11,852,067</b>
Less: Special commission income earned from short-term deposits up to the date of the Ministerial Resolution (29 August 2013)	(111,441)
<b>Total pre-incorporation expenses, net</b>	<b>11,740,626</b>

**14 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>For the period from 29 August 2013 to 31 December 2013 SR</i>
Legal and professional fees	1,989,472
Employee costs	1,824,178
Depreciation (Note 8)	766,847
Rent	525,641
Information technology expenses	389,179
Travel and lodging expenses	346,480
Others	141,922
	<b>5,983,719</b>

**15 LOSS PER SHARE**

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**16 RISK MANAGEMENT**

*Risk governance*

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board of Directors. The Company is exposed to commission rate, credit, and liquidity and currency risks.

*Risk management structure*

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

*Board of directors*

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

*Senior management*

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

*a) Special commission rate risk*

Special commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant exposure to special commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the special commission rates, with all other variable held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2013. As at period end, the Company do not have any floating rate financial instruments.

*b) Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

Cash at banks and short term deposits are maintained with local commercial banks approved by the management. Accordingly, as a pre-requisite, banks with whom cash and bank balances are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	31 December 2013 SR
Cash and cash equivalents	170,913,064
Employees receivable	831,265
Security deposits	135,500
Accrued special commission income	7,299
	<u>171,887,128</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

**16 RISK MANAGEMENT (continued)**

**c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All liabilities on the Company's statement of financial position, other than employees' terminal benefits, are contractually payable on a current basis.

*Maturity Profiles*

The table below summarises the maturity profile of the assets and liabilities of the Company based on expected maturities:

	<i>Current SR</i>	<i>Non-current SR</i>	<i>Total SR</i>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	170,918,064	-	170,918,064
Prepaid expenses and other assets	1,341,196	135,500	1,476,696
Property and equipment	-	9,916,871	9,916,871
<b>TOTAL SHAREHOLDERS' ASSETS</b>	<b>172,259,260</b>	<b>10,052,371</b>	<b>182,311,631</b>
<b>SHAREHOLDERS' LIABILITIES</b>			
Zakat and income tax	384,111	-	384,111
Payables, accruals and others	2,256,830	-	2,256,830
Due to related parties	32,498,949	-	32,498,949
Employees' terminal benefits	-	68,688	68,688
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>	<b>35,139,890</b>	<b>68,688</b>	<b>35,208,578</b>

**d) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyals.

**e) Capital management**

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

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**16 RISK MANAGEMENT (continued)**

*f) Regulatory framework risk*

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

*g) Fair values of financial instruments*

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents and receivables. Its financial liabilities consist of accrued expenses and other liabilities.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of the Company's cash and cash equivalents and accrued expenses and other payables are not materially different from their carrying values.

**17 OPERATING LEASE**

The minimum future lease payment for the use of the Company's premises aggregates to SR 502,632 payable during 2014.

**18 OPERATING SEGMENTS**

As the Company has not yet started its insurance operations. Accordingly, there are no reportable segments to be presented.

**19 CONTINGENT LIABILITY**

The Company may be liable for potential liabilities in respect of the period prior to incorporation. The Company believes that it is unlikely that any such liability will arise.

**20 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the management on 18 February 2014, corresponding to 18 Rabi Al-Thani 1435H.