



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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014**

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

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KPMG Al Fozan & Al Sadhan



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

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at June 30, 2014, and the related interim statement of income - insurance operations and accumulated surplus and interim statement of comprehensive income – shareholders for the three month and six month periods then ended and the interim statement of changes in shareholders' equity and interim statement of cash flows for insurance operations and shareholders for the six month period then ended and notes 1 to 14 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 auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

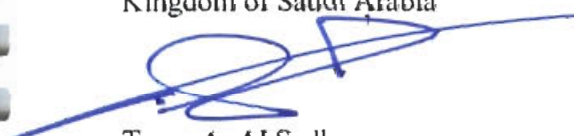
Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

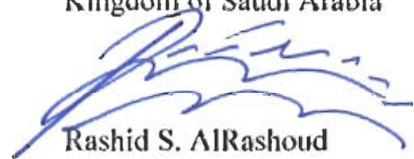
EMPHASIS OF MATTER:

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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July 16, 2014



THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
SR '000			
<u>ASSETS - INSURANCE OPERATIONS</u>			
Due from shareholders operation		435,934	489,625
Property and equipment, net		257,231	265,816
Investment property		9,861	9,861
Investments in associates		7,774	5,377
Available for sale investments	4(i)	2,683,823	1,968,124
Prepaid expenses and other assets		338,631	315,228
Deferred policy acquisition costs		175,513	163,680
Reinsurers' share of outstanding claims	5	1,288,331	1,699,886
Reinsurers' share of unearned premium		593,974	489,328
Receivables, net	3	1,891,122	1,531,469
Cash and cash equivalents		505,511	792,078
Total assets - Insurance operations		8,187,705	7,730,472
<u>ASSETS - SHAREHOLDERS</u>			
Investments in associates		72,646	64,048
Available for sale investments	4(ii)	2,168,747	1,866,910
Accrued investment income		5,642	5,146
Statutory deposit	8	100,000	100,000
Cash and cash equivalents		19,116	198,766
Total assets - Shareholders		2,366,151	2,234,870
TOTAL ASSETS		10,553,856	9,965,342

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.




THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
SR '000			
<u>LIABILITIES AND SURPLUS – INSURANCE OPERATIONS</u>			
Liabilities - Insurance operations:			
Accrued expenses, claims payable and other liabilities		1,246,308	1,288,843
Reserve for takaful activities		14,874	13,642
Reserve for discontinued operations		10,998	11,410
Gross outstanding claims and reserves	5	2,773,880	3,094,127
Unearned commission income		55,160	50,697
Gross unearned premiums		3,025,439	2,847,389
Reinsurers' balances payable		966,753	345,793
Total liabilities - Insurance operations		8,093,412	7,651,901
Surplus - Insurance operations:			
Accumulated surplus		12,018	-
Fair value reserve for available for sale investments		82,275	78,571
Total liabilities and surplus - Insurance operations		8,187,705	7,730,472
<u>LIABILITIES AND EQUITY - SHAREHOLDERS</u>			
Shareholders' liabilities:			
Due to insurance operations		435,934	489,625
Accrued expenses and other liabilities		3,734	1,127
Dividends payable		5,091	5,151
Zakat		100,380	98,399
Total liabilities – Shareholders		545,139	594,302
Shareholders' equity:			
Share capital	6	1,000,000	1,000,000
Legal reserve	9	651,756	651,756
Fair value reserve for available for sale investments		253,253	288,183
Accumulated losses		(83,997)	(299,371)
Total Shareholders' equity		1,821,012	1,640,568
Total Shareholders' liabilities and equity		2,366,151	2,234,870
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		10,553,856	9,965,342

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.




THE COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

	Three months ended June 30, 2014 (Unaudited)	Three months ended June 30, 2013 (Unaudited)	Six months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
SR '000				
REVENUES				
Gross premiums written	1,478,443	1,521,710	2,972,145	2,732,969
Less: Reinsurance ceded	(349,014)	(377,019)	(584,934)	(552,098)
Net premiums written	1,129,429	1,144,691	2,387,211	2,180,871
Changes in unearned premiums	53,097	200,008	(73,404)	295,999
Net premiums earned	1,182,526	1,344,699	2,313,807	2,476,870
Reinsurance commissions	23,041	31,705	50,758	64,719
Investment income, net	19,841	11,156	26,844	49,552
Other income, net	9,880	3,419	37,831	6,413
Total revenues	1,235,288	1,390,979	2,429,240	2,597,554
COSTS AND EXPENSES				
Gross claims paid	1,326,670	1,286,682	2,482,245	2,473,202
Less: Reinsurance share	(406,174)	(241,821)	(611,225)	(498,505)
Net claims paid	920,496	1,044,861	1,871,020	1,974,697
Changes in outstanding claims and reserves	55,369	148,498	91,308	301,707
Net claims incurred	975,865	1,193,359	1,962,328	2,276,404
Policy acquisition costs	88,315	103,083	184,668	207,949
Excess of loss expenses	1,660	7,927	9,359	34,827
Changes in reserves for takaful activities	1,244	(246)	1,232	(106)
Other underwriting expenses	16,170	19,407	34,130	37,665
Operating and selling expenses	51,365	68,852	97,795	143,264
Other general and administrative expenses	8,154	10,138	19,552	19,475
Total costs and expenses	1,142,773	1,402,520	2,309,064	2,719,478
Surplus / (deficit) from insurance operations	92,515	(11,541)	120,176	(121,924)
Shareholders' appropriation from (surplus) / deficit	(83,263)	11,541	(108,158)	121,924
Surplus from insurance operations after shareholders' appropriation	9,252	-	12,018	-
Accumulated surplus, beginning of period	2,766	-	-	-
ACCUMULATED SURPLUS, END OF PERIOD	12,018	-	12,018	-

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS

	Three months ended June 30, 2014 (Unaudited)	Three months ended June 30, 2013 (Unaudited)	Six months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
	SR '000			
Notes				
Appropriation of surplus / (deficit) from insurance operations	83,263	(11,541)	108,158	(121,924)
Investment income, net	110,103	18,884	124,886	68,181
Other expenses, net	(202)	(574)	(202)	(124)
Income / (loss) from operations before zakat	193,164	6,769	232,842	(53,867)
Zakat	(10,624)	(8,998)	(17,468)	(16,775)
Net income / (loss) for the period	182,540	(2,229)	215,374	(70,642)
Other comprehensive income:				
Will be reclassified subsequently to profit or loss when specific conditions are met:				
- Net change in fair value for available for sale investments	(74,592)	(18,570)	(34,930)	3,405
Comprehensive income / (loss) for the period	107,948	(20,799)	180,444	(67,237)
Earnings / (losses) per share:				
Basic and diluted earnings / (losses) per share (in SR)	1.83	(0.02)	2.15	(0.71)
Weighted average number of shares in issue throughout the period	6 & 13	100,000,000	100,000,000	100,000,000

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.




THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Fair value reserve on investments	Retained earnings / (Accumulated losses)	Total
Unaudited					
Balance at January 1, 2013	750,000	651,756	198,418	542,764	2,142,938
Issuance of bonus shares	250,000	-	-	(250,000)	-
Board of Directors' remuneration	-	-	-	(1,200)	(1,200)
Net loss for the period	-	-	-	(70,642)	(70,642)
Changes in fair value for available for sale investments	-	-	3,405	-	3,405
Total comprehensive loss for the period	-	-	3,405	(70,642)	(67,237)
Balance at June 30, 2013	<u>1,000,000</u>	<u>651,756</u>	<u>201,823</u>	<u>220,922</u>	<u>2,074,501</u>
Unaudited					
Balance at January 1, 2014	1,000,000	651,756	288,183	(299,371)	1,640,568
Net income for the period	-	-	-	215,374	215,374
Changes in fair value for available for sale investments	-	-	(34,930)	-	(34,930)
Total comprehensive income for the period	-	-	(34,930)	215,374	180,444
Balance at June 30, 2014	<u>1,000,000</u>	<u>651,756</u>	<u>253,253</u>	<u>(83,997)</u>	<u>1,821,012</u>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.




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

INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS

	Six months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
	SR '000	
Operating activities:		
Surplus from insurance operations after shareholders' appropriation	12,018	-
Adjustments to reconcile surplus from insurance operations to net cash from operating activities:		
Shareholders' appropriation from surplus / (deficit)	108,158	(121,924)
Depreciation	4,745	5,834
Gain on sale of property and equipment	(24,016)	-
Gain on sale of investments available for sale	(18,135)	(32,020)
Share of profit from investments in associates, net	(2,397)	(4,855)
Operating surplus / (deficit) before changes in operating assets and liabilities	80,373	(152,965)
Changes in operating assets and liabilities:		
Prepaid expenses and others assets	(23,403)	(76,700)
Deferred policy acquisition costs	(11,833)	4,412
Reinsurers' share of outstanding claims	411,555	(340,570)
Reinsurers' share of unearned premiums	(104,646)	(69,934)
Receivables, net	(359,653)	63,846
Reinsurers' balances payable	620,960	123,060
Unearned premium income	178,050	(226,065)
Unearned commission income	4,463	(5,013)
Gross outstanding claims and reserves	(320,247)	642,277
Reserve for discontinued operations	(412)	(602)
Reserve for takaful activities	1,232	(106)
Accrued expenses, claims payable and other liabilities	(42,535)	(85,156)
Due to shareholders	(54,467)	99,507
Net cash from / (used in) operating activities	379,437	(24,009)
Investing activities:		
Proceeds from sale of investments	548,288	330,504
Purchase of investments	(1,242,148)	(413,616)
Purchase of property and equipment	(33,316)	(19,043)
Proceeds from sale of property and equipment	61,172	-
Dividends received from investments in associates	-	9,000
Net cash used in investing activities	(666,004)	(93,155)
Financing activities		
Surplus paid to policyholders	-	(1,010)
Net cash used in financing activities	-	(1,010)
Net change in cash and cash equivalents	(286,567)	(118,174)
Cash and cash equivalents, beginning of period	792,078	473,239
Cash and cash equivalents, end of period	505,511	355,065
Non-cash supplemental information:		
Changes in fair value for available for sale investments	3,704	(4,736)

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS

Note	Six months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
SR '000		
Operating activities:		
Net income / (loss) for the period before zakat	232,842	(53,867)
Adjustments to reconcile net income / (loss) to net cash (used in) / from operating activities:		
Appropriation of (surplus) / deficit from insurance operations	(108,158)	121,924
Gain on sale of investments	(106,364)	(36,741)
Share of income from investments in associates, net	(12,326)	(7,948)
Operating profit before changes in operating assets and liabilities	5,994	23,368
Changes in operating assets and liabilities:		
Accrued investment income	(496)	3,395
Due from insurance operations	54,467	(99,507)
Accrued expenses and other liabilities	2,607	114
Zakat paid	(15,487)	(19,919)
Net cash from / (used in) from operating activities	47,085	(92,549)
Investing activities:		
Statutory deposit	-	(25,000)
Proceeds from sale of/and matured investments	597,520	636,359
Purchase of investments	(827,923)	(613,511)
Dividends received from investment in associates	3,728	3,724
Net cash (used in) / from investing activities	(226,675)	1,572
Financing activities:		
Dividends paid	(60)	(186)
Board of Directors' remuneration	-	(1,200)
Net cash used in financing activities	(60)	(1,386)
Net change in cash and cash equivalents	(179,650)	(92,363)
Cash and cash equivalents, beginning of period	198,766	122,781
Cash and cash equivalents, end of period	19,116	30,418
Non-cash supplemental information:		
Changes in fair value for available for sale investments	(34,930)	3,405

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.




THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2014

1. GENERAL

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

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

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

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

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

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements for the six month period ended June 30, 2014 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2013.

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

As required by SAMA implementing regulations, the Company maintains separate accounts for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand (SR '000).

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
JUNE 30, 2014

2. BASIS OF PREPARATION (continued)

(b) Critical accounting judgments, estimates and assumptions

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

Estimation of Insurance contract reserves:

Following are the critical areas of estimation and judgments for medical business for which the Company acquires services of independent actuary to determine such reserves.

i) Incurred but not reported claims

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The claims reserves are sensitive to assumptions made about the number of months used to average the completion factors and the claims trend. Based on the actuary's assessment, the Company believes that reserves for medical business are very sensitive which could be subject to changes in assumptions used.

ii) Premium deficiency reserve

Estimation of the premium deficiency for medical business is highly sensitive to a number of assumption as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to apply on month to month basis. Such analysis is used to project loss ratios.

iii) Stop loss recovery

Estimation of stop loss recovery at the reporting period is highly sensitive to the underlying loss ratios used for the calculations of medical reserves. It is based on the written premium and using an estimate of the monthly loss ratios (taking a 12 month rolling average, using projections of the monthly claims and earned premium on a seasonally adjusted basis).

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
JUNE 30, 2014

2. BASIS OF PREPARATION (continued)

(c) Significant accounting policies

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2013, except for the adoption of the following amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company:

Amendments to existing standards

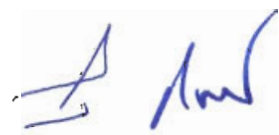
- Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.
- IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed.
- IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.
- IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

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



THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
JUNE 30, 2014

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The interim results are not an indication of the Company's annual results.



THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
JUNE 30, 2014

2. BASIS OF PREPARATION (continued)

(d) Segmental reporting

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

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

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

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

No inter-segment transactions occurred during the period. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the interim condensed financial statements of the Company.

(e) Seasonality of operations

There are no seasonal changes that affect insurance operations.



THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
JUNE 30, 2014

3. RECEIVABLES, NET

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

	June 30, 2014 SR'000 (Unaudited)	December 31, 2013 SR'000 (Audited)
Policyholders	983,579	1,130,339
Agents	456,810	198,855
Related party (Note 10)	6,174	13,542
	<u>1,446,563</u>	<u>1,342,736</u>
Receivable from reinsurers	542,296	271,787
Administrative Service Plan	9,613	23,007
	<u>1,998,472</u>	<u>1,637,530</u>
Provision for doubtful receivables	<u>(107,350)</u>	<u>(106,061)</u>
Receivables, net	<u><u>1,891,122</u></u>	<u><u>1,531,469</u></u>

4. AVAILABLE FOR SALE INVESTMENTS

i) Insurance operations:

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

	June 30, 2014 SR'000 (Unaudited)	December 31, 2013 SR'000 (Audited)
Local / regional money market and fixed income investments	2,438,143	1,729,639
Local / regional equity and equity funds	149,390	148,421
Foreign equity and equity funds	96,290	90,064
Total	<u><u>2,683,823</u></u>	<u><u>1,968,124</u></u>

ii) Shareholders:

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

	June 30, 2014 SR'000 (Unaudited)	December 31, 2013 SR'000 (Audited)
Local / regional money market and fixed income investments	1,234,001	853,503
Local / regional equity and equity funds	256,602	263,220
Foreign money market and fixed income investments	357,632	296,321
Foreign equity and equity funds	320,512	453,866
Total	<u><u>2,168,747</u></u>	<u><u>1,866,910</u></u>

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5. OUTSTANDING CLAIMS AND RESERVES, NET

Outstanding claims and reserves, net are comprised of the following:

	June 30, 2014 SR'000 (Unaudited)	December 31, 2013 SR'000 (Audited)
Gross outstanding claims	1,741,604	2,118,797
Less: Realizable value of salvage and subrogation	(73,128)	(77,995)
Add: Incurred but not reported claims	831,438	779,359
Add: Premium deficiency reserve	273,966	273,966
Outstanding claims and reserves	2,773,880	3,094,127
Less: Reinsurers' share of outstanding claims	(1,288,331)	(1,699,886)
Net outstanding claims and reserves	1,485,549	1,394,241

At 31 December 2013, the Company has created a provision in respect of premium deficiency for medical business of SR 274 million. The Company created this provision as it believes that the unearned premiums for medical business will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of the policies in force at the balance sheet date.

6. SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SR 1 billion at June 30, 2014 (December 31, 2013: SR 1 billion) consisting of 100 million shares of SR 10 each (December 31, 2013: 100 million shares).

7. CONTINGENT LIABILITIES

At June 30, 2014, the Company was contingently liable for letters of credit and guarantees amounting to SR 139 million (December 31, 2013: SR 141 million) occurring in the normal course of business.

8. STATUTORY DEPOSIT

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

9. LEGAL RESERVE

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




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10. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Transactions for the six months ended		Balance receivable / (payable) as at	
	June 30, 2014	June 30, 2013	June 30, 2014	December 31, 2013
	SR'000	SR'000	SR'000	SR'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	SR'000	SR'000	SR'000	SR'000
<u>Major shareholders</u>				
Amount of claims pertaining to owned hospitals	15,877	27,926	(896)	-
Medical insurance premiums	10,977	7,612	3,805	1,376
Rent expenses paid	-	2,301	-	-
Stationary	-	675	-	(38)
<u>Associates</u>				
Insurance premiums	22,787	24,921	2,369	90
Rent expenses paid	2,526	2,245	-	12,076

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

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11. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair value of derivatives held by the Company as of June 30, 2014 and December 31, 2013 is immaterial to the Company's financial statements.

Determination of fair value and fair value hierarchy

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

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).



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11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

The table below analyses the financial instruments measured at fair value at the end of the reporting period June 30, 2014 and December 31, 2013 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
June 30, 2014	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
- Insurance operations	1,671,490	-	1,012,333	2,683,823
- Shareholders	1,752,734	-	416,013	2,168,747
Total	3,424,224	-	1,428,346	4,852,570
December 31, 2013				
Available for sale financial assets				
- Insurance operations	1,602,500	-	365,624	1,968,124
- Shareholders	1,621,489	-	245,421	1,866,910
Total	3,223,989	-	611,045	3,835,034

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

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

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

	(SR'000)						
June 30, 2014	Balance				Total gain or loss		
	January 1	Purchases	Sales	in profit	in other		
				or loss	comprehensive	Balance	
					income		
Insurance operations	365,624	1,116,709	(470,000)	-	-	1,012,333	
Shareholders	245,421	365,054	(196,458)	3,358	(1,362)	416,013	
Total	611,045	1,481,763	(666,458)	3,358	(1,362)	1,428,346	
December 31, 2013							
Insurance operations	340,625	200,000	(175,001)	-	-	365,624	
Shareholders	282,055	33,237	(81,256)	6,334	5,051	245,421	
Total	622,680	233,237	(256,257)	6,334	5,051	611,045	

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12. OPERATING SEGMENTS

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

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

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

Operating Segments	For the three month period ended June 30, 2014 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	676,717			
Non- Compulsory	164,397			
Total Gross premiums written	841,114	260,480	376,849	1,478,443
Net premiums written	828,172	260,502	40,755	1,129,429
Net premiums earned	891,567	257,733	33,226	1,182,526
Reinsurance commissions	190	570	22,281	23,041
Net claims incurred	(785,334)	(173,173)	(17,358)	(975,865)
Policy acquisition costs	(44,058)	(35,582)	(8,675)	(88,315)
Excess of loss expenses	2,761	(2,454)	(1,967)	(1,660)
Changes in reserve for takaful activities	(1,244)	-	-	(1,244)
Other underwriting expenses	(12,527)	(1,327)	(2,316)	(16,170)
General, administrative, selling and marketing expenses	(29,930)	(15,617)	(13,972)	(59,519)
Profit from Insurance Operations	21,425	30,150	11,219	62,794
Investment income, net				19,841
Other income, net				9,880
Surplus from Insurance Operations				92,515

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For the three-month period ended June 30, 2013
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Operating Segments	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	725,612	-	-	-
Non- Compulsory	188,672	-	-	-
Total Gross premiums written	<u>914,284</u>	<u>264,991</u>	<u>342,435</u>	<u>1,521,710</u>
Net premiums written	<u>856,299</u>	<u>245,291</u>	<u>43,101</u>	<u>1,144,691</u>
Net premiums earned	1,035,333	276,592	32,774	1,344,699
Reinsurance commissions	4,551	5,496	21,658	31,705
Net claims incurred	(933,086)	(223,518)	(36,755)	(1,193,359)
Policy acquisition costs	(50,206)	(42,072)	(10,805)	(103,083)
Excess of loss expenses	(4,635)	(4,630)	1,338	(7,927)
Changes in reserve for takaful activities	246	-	-	246
Other underwriting expenses	(14,843)	(2,332)	(2,232)	(19,407)
General, administrative, selling and marketing expenses	<u>(40,446)</u>	<u>(20,833)</u>	<u>(17,711)</u>	<u>(78,990)</u>
Loss from Insurance Operations	<u>(3,086)</u>	<u>(11,297)</u>	<u>(11,733)</u>	<u>(26,116)</u>
Investment income, net				11,156
Other income, net				3,419
Deficit from Insurance Operations				<u>(11,541)</u>

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For the six month period ended June 30, 2014
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Operating Segments	Medical	Motor	Property &	Total
			casualty	
SR' 000				
Gross premiums written:				
Compulsory	1,598,451			
Non- Compulsory	200,594			
Total Gross premiums written	<u>1,799,045</u>	<u>538,216</u>	<u>634,884</u>	<u>2,972,145</u>
Net premiums written	<u>1,775,983</u>	<u>538,159</u>	<u>73,069</u>	<u>2,387,211</u>
Net premiums earned	1,737,260	509,715	66,832	2,313,807
Reinsurance commissions	1,130	2,330	47,298	50,758
Net claims incurred	(1,584,274)	(345,420)	(32,634)	(1,962,328)
Policy acquisition costs	(94,664)	(71,531)	(18,473)	(184,668)
Excess of loss expenses	-	(6,387)	(2,972)	(9,359)
Changes in reserve for takaful activities	(1,232)			(1,232)
Other underwriting expenses	(27,186)	(2,846)	(4,098)	(34,130)
General, administrative, selling and marketing expenses	<u>(55,769)</u>	<u>(30,010)</u>	<u>(31,568)</u>	<u>(117,347)</u>
Profit from Insurance Operations	<u>(24,735)</u>	<u>55,851</u>	<u>24,385</u>	<u>55,501</u>
Investment income, net				26,844
Other income, net				<u>37,831</u>
Surplus from Insurance Operations				<u>120,176</u>

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12. OPERATING SEGMENTS (continued)

For the six-month period ended June 30, 2013
(Unaudited)

Operating Segments	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	1,432,601	-	-	-
Non- Compulsory	236,223	-	-	-
Total Gross premiums written	<u>1,668,824</u>	<u>571,231</u>	<u>492,914</u>	<u>2,732,969</u>
Net premiums written	<u>1,567,688</u>	<u>528,808</u>	<u>84,375</u>	<u>2,180,871</u>
Net premiums earned	1,859,901	548,674	68,295	2,476,870
Reinsurance commissions	3,577	10,831	50,311	64,719
Net claims incurred	(1,725,098)	(500,898)	(50,408)	(2,276,404)
Policy acquisition costs	(99,137)	(85,593)	(23,219)	(207,949)
Excess of loss expenses	(11,944)	(15,676)	(7,207)	(34,827)
Changes in reserve for takaful activities	106	-	-	106
Other underwriting expenses	(28,243)	(5,025)	(4,397)	(37,665)
General, administrative, selling and marketing expenses	<u>(92,130)</u>	<u>(39,454)</u>	<u>(31,155)</u>	<u>(162,739)</u>
(Loss) / profit from Insurance Operations	<u>(92,968)</u>	<u>(87,141)</u>	<u>2,220</u>	<u>(177,889)</u>
Investment income, net				49,552
Other income, net				6,413
Deficit from Insurance Operations				<u>(121,924)</u>

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12. OPERATING SEGMENTS (continued)

	As at June 30, 2014 (Unaudited)			Total
	Medical	Motor	Property & casualty	
	SR '000			
Assets - Insurance operations				
Reinsurers' share of unearned premium	4,910	2,923	586,141	593,974
Reinsurers' share of outstanding claims, net	1,658	32,996	1,253,677	1,288,331
Deferred policy acquisition costs	102,799	50,945	21,769	175,513
Investments				2,701,458
Receivables, net				1,891,122
Unallocated assets				1,537,307
Total assets				8,187,705
Liabilities and surplus - Insurance operations				
Unearned premiums	1,831,933	479,923	713,583	3,025,439
Outstanding claims and reserves	1,166,307	199,600	1,407,973	2,773,880
Unearned commission income	8,779	107	46,274	55,160
Reserve for takaful activities	14,874	-	-	14,874
Unallocated liabilities and surplus				2,318,352
Total liabilities and surplus				8,187,705

	As at December 31, 2013 (Audited)			Total
	Medical	Motor	Property & casualty	
	SR '000			
Assets - Insurance operations				
Reinsurers' share of unearned premium	34,749	12,754	441,825	489,328
Reinsurers' share of outstanding claims, net	3,061	30,449	1,666,376	1,699,886
Deferred policy acquisition costs	69,777	74,019	19,884	163,680
Investments				1,983,362
Receivables, net				1,531,469
Unallocated assets				1,862,747
Total assets				7,730,472
Liabilities and surplus - Insurance operations				
Unearned premium income	1,823,072	461,310	563,007	2,847,389
Outstanding claims and reserves	1,062,244	223,232	1,808,651	3,094,127
Unearned commission income	7,000	2,993	40,704	50,697
Reserve for takaful activities	13,642	-	-	13,642
Unallocated liabilities and surplus				1,724,617
Total liabilities and surplus				7,730,472

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13. EARNINGS PER SHARE

Earnings (losses) per share have been calculated by dividing the net income / loss for the periods ended June 30, 2014 and June 30, 2013 by 100 million shares.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Audit Committee on behalf of the Board of Directors on Ramadan 19, 1435H, corresponding to July 16, 2014.

