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**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)**

**30 SEPTEMBER 2014**

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

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INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
LIMITED REVIEW REPORT (UNAUDITED)  
For the period from 29 August 2013 to 30 September 2014

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**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 30 September 2014 and the related interim statements of insurance operations and shareholders' comprehensive operations for the three month period ended 30 September 2014 and for the period from 29 August 2013 to 30 September 2014 and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the period from 29 August 2013 to 30 September 2014 and the notes from 1 to 11 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:**

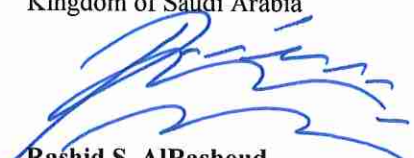
Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

**Emphasis of 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.

**Ernst & Young**

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Kingdom of Saudi Arabia

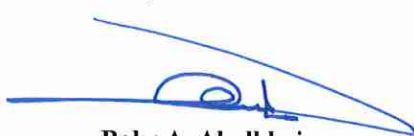


**Rashid S. AlRashoud**  
Certified Public Accountant  
Registration No. 366



3 Muharram 1436H  
(27 October 2014)

**Deloitte & Touche**  
**Bakr Abulkhair & Co.**  
P.O. Box 213  
Riyadh 11411  
Kingdom of Saudi Arabia



**Bakr A. Abulkhair**  
Certified Public Accountant  
Registration No. 101



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

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2014

	<u>Notes</u>	<u>SR</u>
<b>INSURANCE OPERATIONS' ASSETS</b>		
Cash and cash equivalents	6	387,418
Premiums receivable, net		1,319,188
Reinsurers' commission receivable		336,925
Reinsurers' share of unearned premium		1,166,355
Reinsurers' share of outstanding claims		98,173
Deferred policy acquisition cost		178,057
Prepaid expenses and other assets		2,711,401
Property and equipment, net		8,613,065
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>14,810,582</b>
<b>SHAREHOLDERS' ASSETS</b>		
Cash and cash equivalents	6	103,504,359
Due from insurance operations		6,454,155
Prepaid expenses and other assets		150,870
Available for sale investment		3,175,163
Statutory deposit	8	17,500,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>130,784,547</b>
<b>TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS</b>		<b>145,595,129</b>



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 (UNAUDITED) (CONTINUED)

As at 30 September 2014

	<u>Note</u>	<u>SR</u>
<b>INSURANCE OPERATIONS' LIABILITIES</b>		
Gross unearned premium		1,727,434
Outstanding claims		195,593
Payables, accruals and others		3,506,429
Reinsurers' balances payable		1,297,252
Unearned commission income		303,414
Due to related parties	7	1,043,794
Due to shareholders' operations		6,454,155
Employees' terminal benefits		282,511
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>14,810,582</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' LIABILITIES</b>		
Zakat		1,214,236
Payables, accruals and others		1,071,943
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>2,286,179</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		175,000,000
Accumulated deficit		(46,501,632)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>128,498,368</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>130,784,547</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>145,595,129</b>



Managing Director /  
Chief Executive Officer



Chief Financial Officer

MetLife, American International Group and Arab National Bank  
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INTERIM STATEMENT OF INSURANCE OPERATIONS (UNAUDITED)

	For the three month period ended 30 September 2014 SR	For the period from 29 August 2013 to 30 September 2014 SR
Gross written premiums	959,382	1,988,225
Reinsurance premiums ceded	(436,222)	(1,297,252)
<b>NET WRITTEN PREMIUM</b>	<b>523,160</b>	<b>690,973</b>
Net changes in unearned premium	(401,114)	(561,079)
<b>NET EARNED PREMIUMS</b>	<b>122,046</b>	<b>129,894</b>
Reinsurance commission income	23,844	33,511
<b>UNDERWRITING REVENUE</b>	<b>145,890</b>	<b>163,405</b>
Changes in gross outstanding claims	(195,593)	(195,593)
Reinsurance share of outstanding claims	98,173	98,173
<b>NET CLAIMS INCURRED</b>	<b>(97,420)</b>	<b>(97,420)</b>
Inspection and supervisory fees	(4,797)	(9,941)
Policy acquisition costs	(30,824)	(35,462)
<b>UNDERWRITING EXPENSES</b>	<b>(133,041)</b>	<b>(142,823)</b>
<b>UNDERWRITING RESULTS</b>	<b>12,849</b>	<b>20,582</b>
General and administration expenses	(7,294,682)	(12,627,398)
<b>NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATION</b>	<b>(7,281,833)</b>	<b>(12,606,816)</b>
Shareholders' appropriation from deficit	7,281,833	12,606,816
<b>NET RESULT FOR THE PERIOD</b>	<b>-</b>	<b>-</b>



Managing Director /  
Chief Executive Officer



Chief Financial Officer

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**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS  
(UNAUDITED)**

		<i>For the three month period ended 30 September 2014</i>	<i>For the period from 29 August 2013 to 30 September 2014</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
Appropriation of deficit from insurance operations		<b>(7,281,833)</b>	<b>(12,606,816)</b>
Special commission income from short-term deposits		<b>173,161</b>	<b>613,557</b>
General and administrative expenses		<b>(386,032)</b>	<b>(12,561,577)</b>
<b>LOSSES INCURRED DURING THE PERIOD</b>		<b>(7,494,704)</b>	<b>(24,554,836)</b>
Pre-incorporation expenses, net		<b>-</b>	<b>(11,335,620)</b>
<b>NET LOSS BEFORE ZAKAT FOR THE PERIOD</b>		<b>(7,494,704)</b>	<b>(35,890,456)</b>
Zakat		<b>(55,178)</b>	<b>(1,214,236)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(7,549,882)</b>	<b>(37,104,692)</b>
<b>LOSS PER SHARE:</b>			
Basic and diluted loss per share	9	<b>(0.43)</b>	<b>(2.05)</b>



Managing Director /  
Chief Executive Officer



Chief Financial Officer

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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the period from 29 August 2013 to 30 September 2014

	<i>Saudi and GCC Shareholders</i>		<i>Foreign Shareholders</i>		<i>Total Shareholders</i>		<i>Total</i>
	<i>Share capital</i>	<i>Accumulated deficit</i>	<i>Share capital</i>	<i>Accumulated deficit</i>	<i>Share capital</i>	<i>Accumulated deficit</i>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Issue of share capital	<b>105,000,000</b>	-	<b>70,000,000</b>	-	<b>175,000,000</b>	-	<b>175,000,000</b>
Transaction costs on issue of share capital	-	<b>(5,638,164)</b>	-	<b>(3,758,776)</b>	-	<b>(9,396,940)</b>	<b>(9,396,940)</b>
Net loss for the period	-	<b>(21,534,274)</b>	-	<b>(14,356,182)</b>	-	<b>(35,890,456)</b>	<b>(35,890,456)</b>
Zakat	-	<b>(1,214,236)</b>	-	-	-	<b>(1,214,236)</b>	<b>(1,214,236)</b>
<b>Balance as at 30 September 2014</b>	<b>105,000,000</b>	<b>(28,386,674)</b>	<b>70,000,000</b>	<b>(18,114,958)</b>	<b>175,000,000</b>	<b>(46,501,632)</b>	<b>128,498,368</b>



Managing Director /  
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 11 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**  
**(UNAUDITED)**

For the period from 29 August 2013 to 30 September 2014

	<i>Note</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>		
Net result for the period		-
<i>Adjustments for:</i>		
Shareholders' appropriation from deficit		(12,606,816)
Depreciation		1,342,681
Provision for doubtful receivable		77,059
Employees' terminal benefits		282,511
		(10,904,565)
<i>Changes in operating assets and liabilities:</i>		
Premiums receivable		(1,396,247)
Reinsurers' commission receivable		(336,925)
Reinsurers' share of outstanding claims		(98,173)
Reinsurers' share of unearned premium		(1,166,355)
Deferred policy acquisition cost		(178,057)
Prepaid expenses and other assets		(2,711,401)
Outstanding claims		195,593
Gross unearned premium		1,727,434
Payables, accruals and others		3,506,429
Reinsurers' balances payable		1,297,252
Unearned commission income		303,414
Due to related parties		1,043,794
Due to shareholders' operations		10,297,648
Net cash from operating activities		1,579,841
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment		(1,192,423)
Net cash used in investing activities		(1,192,423)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		387,418
Cash and cash equivalents at the beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	387,418
<i>Non-cash supplemental information:</i>		
Property and equipment transferred from shareholders' operations		(8,763,323)



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Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 11 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' CASH FLOWS (UNAUDITED)**

For the period from 29 August 2013 to 30 September 2014

	<i>Notes</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>		
Net loss before Zakat		(35,890,456)
<i>Adjustments for:</i>		
Appropriation of deficit from insurance operations		12,606,816
Depreciation		2,978,870
Special commission income from short-term deposits		(613,557)
		(20,918,327)
<i>Changes in operating assets and liabilities:</i>		
Statutory deposit		(17,500,000)
Due from insurance operations		(10,297,648)
Prepaid expenses and other assets		(150,870)
Payables, accruals and others		1,071,943
Due to related parties		(5,292,304)
Net cash used in operating activities		(53,087,206)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment		(11,742,193)
Available for sale investment		(3,175,163)
Special commission income from short-term deposits		613,557
Net cash used in investing activities		(14,303,799)
<b>FINANCING ACTIVITIES</b>		
Issue of share capital		175,000,000
Transaction costs on issue of share capital		(4,104,636)
Net cash from financing activities		170,895,364
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		103,504,359
Cash and cash equivalents at the beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	103,504,359
<b><u>Non-cash supplemental information:</u></b>		
Transaction cost on initial public offer paid by shareholders	7	5,292,304
Property and equipment transferred to insurance operations		8,763,323



Managing Director /  
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

At 30 September 2014

**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).

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. Accordingly, these are the first interim condensed financial statements of the Company which cover the period from 29 August 2013 to 30 September 2014 and therefore no comparative information is presented in these interim condensed 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 interim statement of shareholders’ comprehensive operations.

The Saudi Arabian Monetary Agency (“SAMA”) has provided the Company with the final approval to conduct insurance business in the Kingdom of Saudi Arabia on 25 February 2014.

On 23 April 2014, SAMA provided their temporary approval on 22 general insurance products; therefore, the Company launched its insurance operations during April 2014. Accordingly, the insurance operations as set out in these interim condensed financial statements are set out for the period from 1 April 2014 to 30 September 2014.

**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%
	<u>100%</u>

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 September 2014

**2 BASIS OF PREPARATION (continued)**

***Statement of compliance***

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard Numbered 34 “Interim Financial Reporting Standards” (“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 2013, which were prepared for management’s use and to comply with the requirements of the Saudi Arabian Capital Market Authority.

***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 nature and the impact of each new standard or amendment are described below:

***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 amendments have no impact on the Company.

***Novation of derivatives and continuation of hedge accounting – amendments to IAS 39***

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company as the Company has not novated any derivatives during the current or prior periods.

***Recoverable amount disclosures for non-financial assets – amendments to IAS 36***

These amendments remove the unintended consequences of IFRS 13 fair value measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (“CGUs”) for which an impairment loss has been recognised or reversed during the period. The Company has not adopted these disclosure requirements in the financial statements for the period ended 31 December 2013 as there are no impairment related concerns.

**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 interim statement of insurance operations. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the interim statement of insurance 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
Motor Vehicles	5 years

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 September 2014

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property and equipment (continued)***

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 recognised in interim statement of insurance 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 recognised 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 recognised for future operating losses.

***Leases***

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

***Zakat and income tax***

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. Zakat and income tax are accrued and charged to the interim 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 interim 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.

***Revenue Recognition***

***Recognition of premium and commission revenue***

Premiums and commission are taken into "interim statement of insurance operations" over the terms of the policies to which they relate on a pro-rata basis, so that the revenue is recognized over the period of the risk. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the "interim statement of insurance operations", over the period of risk.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the actual number of days for other lines of business.

The underwriting results represents premiums earned, fee and commission income earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses on continuing policies.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 September 2014

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenue Recognition (continued)***

*Special commission income*

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

*Insurance contract*

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

***Claims***

Claims consist of amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to interim statement of insurance operations. Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

*Outstanding claims and other technical reserves*

The Company generally estimates its claims based on previous experience. In addition a provision based on management's judgment is maintained for the cost of settling claims "incurred but not reported" and "unallocated loss adjustment expense reserve" at the reporting date. Any difference between the provisions at the balance sheet date and settlements and provisions for the following period is included in the underwriting account for that period. The Company acquires services of an independent actuary to determine such claims.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of financial reporting period, for which the insured event has occurred prior to the end of the financial reporting period.

***Deferred policy acquisition costs***

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the "interim statement of insurance operations".

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the interim statement of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 September 2014

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Reinsurance***

The Company cedes insurance risk in the normal course of business for all of its businesses under which the Company is compensated for losses on insurance contracts issued. Reinsurance assets represent balances due from Reinsurance Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the “interim statement of insurance operations”.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

***Liability adequacy test***

At each reporting date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in interim statement of insurance operations and an unexpired risk provision is created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

***Expenses***

Expenses are recognised 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.

***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 interim statement of financial position date are retranslated at the rates of exchange ruling at the interim statement of financial position date. All differences are taken to the interim statement of shareholders’ comprehensive operations. Foreign exchange gains or loss on available for sale investments are recognised in interim statement of shareholders’ comprehensive operations.

***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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 September 2014

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 interim 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 interim 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.

***Offsetting***

Financial assets and financial liabilities are offset and the net amount reported in the interim 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 interim statement of insurance 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 interim statement of financial position date. If quoted market prices are not available, reference is also be 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 incur 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.



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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 interim condensed 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 interim condensed 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.

**6 CASH AND CASH EQUIVALENTS**

	<b><i>30 September 2014 (Unaudited)</i></b>	
	<b><i>Insurance operations SR</i></b>	<b><i>Shareholders' operations SR</i></b>
Cash at banks and in hand	<b>387,418</b>	<b>14,504,359</b>
Short-term deposits with original maturity of three months or less	<b>-</b>	<b>89,000,000</b>
	<b>387,418</b>	<b>103,504,359</b>

Short-term deposits are for varying periods ranging 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 30 September 2014 is 0.742 % 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 approximate their fair value at the reporting date.

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(continued)

At 30 September 2014

**7 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders and key management personnel of the Company. The significant related party transactions and the related balances at the end of the period are set out below:

Related party	Nature of transactions	Amount of transactions		
		For the three month period ended 30 September 2014 SR	For the period from 29 August 2013 to 30 September 2014 SR	Balance 30 September 2014 SR
<b>Due from Related Parties</b>				
Arab National Bank (“ANB”) (Shareholder)	Due premiums net of commissions on policies sold through agency agreement with ANB agency	9,180	149,967	1,653
<b>Due to Related Parties</b>				
American International Group (“AIG”) (Shareholder)	Reinsurance payable to AIG net of reinsurance commission	949,043	949,043	949,043
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	-	7,514,895	
	General and administrative expenses paid on behalf of the Company and recharged to the Company	464,400	5,011,333	
	Expenses related to initial public offer paid on behalf of the Company and recharged to the Company	-	61,168	
	Settlement of the balance due for the period from pre-incorporation to 31 March 2014	-	(22,578,900)	817,582
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	-	266,001	
	Settlement of the balance due for the period from pre-incorporation to 31 March 2014	(7,341,100)	(7,341,100)	-

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(continued)

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

		<i>Amount of transactions</i>		
		<i>For the three month period ended 30 September 2014 SR</i>	<i>For the period from 29 August 2013 to 30 September 2014 SR</i>	<i>Balance 30 September 2014 SR</i>
<i>Related party</i>	<i>Nature of transactions</i>			
American International Group ("AIG") (Shareholder)	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	-	1,694,730	
	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	-	871,243	
	Settlement of the balance due for the period from pre-incorporation to 31 March 2014	-	(3,360,453)	226,212
	<b>Total amounts due to related parties</b>			<b>1,043,794</b>
Arab National Bank ("ANB") (Shareholder)	Short-term deposits at an average commission rate of 0.692% per annum	*10,000,000	*373,500,000	-
	Special commission income earned from short-term deposits up to the date of incorporation.		111,441	-
	Special commission income on short-term deposits	167,912	508,131	95,871
Key management personnel	Salaries and other benefits	1,669,454	6,951,483	-
Board of Directors and Executive Committees' fees		188,000	811,000	811,000

\* Transactions under Short-term deposits include the sum of all new short-term deposits (including renewals) placed with ANB during the period.

**8 STATUTORY DEPOSIT**

Statutory deposit amounting to SR 17,500,000 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"). This statutory deposit cannot be withdrawn without the consent of SAMA.

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At 30 September 2014

**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 and other income.

Segment assets do not include property and equipment, prepayments and other assets, premiums receivable, reinsurances' balance receivables and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include due to shareholders operations, end-of-service indemnities, reinsurers' balances payable, accrued expenses and other 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.

**a) Interim statement of insurance operations**

	<i>For the three month ended 30 September 2014</i>				
	<i>Accident and Liability</i>	<i>Property</i>	<i>Engineering</i>	<i>Other General Insurance</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross written premiums	256,478	170,916	35,000	496,988	959,382
Reinsurance premiums ceded	(200,710)	(170,061)	(34,738)	(30,713)	(436,222)
<b>Net written premiums</b>	<b>55,768</b>	<b>855</b>	<b>262</b>	<b>466,275</b>	<b>523,160</b>
Net changes in unearned premiums	(41,785)	(381)	(247)	(358,701)	(401,114)
<b>Net earned premiums</b>	<b>13,983</b>	<b>474</b>	<b>15</b>	<b>107,574</b>	<b>122,046</b>
Reinsurance commission income	25,278	4,995	602	(7,031)	23,844
<b>Total underwriting revenue</b>	<b>39,261</b>	<b>5,469</b>	<b>617</b>	<b>100,543</b>	<b>145,890</b>
Changes in outstanding claims	(93,323)	(14,949)	(1,569)	(85,752)	(195,593)
Reinsurance share of outstanding claims	82,207	14,408	1,558	-	98,173
<b>Net claims incurred</b>	<b>(11,116)</b>	<b>(541)</b>	<b>(11)</b>	<b>(85,752)</b>	<b>(97,420)</b>
Inspection and supervisory fees	(1,283)	(854)	(175)	(2,485)	(4,797)
Policy acquisition costs	(13,747)	(2,896)	(314)	(13,867)	(30,824)
<b>Total underwriting expenses</b>	<b>(26,146)</b>	<b>(4,291)</b>	<b>(500)</b>	<b>(102,104)</b>	<b>(133,041)</b>
<b>Underwriting result</b>	<b>13,115</b>	<b>1,178</b>	<b>117</b>	<b>(1,561)</b>	<b>12,849</b>
Unallocated expenses					(7,294,682)
<b>Net deficit for the period from insurance operations</b>					<b>(7,281,833)</b>

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**10 SEGMENT INFORMATION (continued)**

**a) Interim statement of insurance operations (continued)**

	<i>For the period from 29 August 2013 to 30 September 2014</i>				
	<i>Accident and Liability SR</i>	<i>Property SR</i>	<i>Engineering SR</i>	<i>Other General Insurance SR</i>	<i>Total SR</i>
Gross written premiums	553,133	172,416	35,000	1,227,676	1,988,225
Reinsurance premiums ceded	(477,190)	(170,061)	(34,738)	(615,263)	(1,297,252)
<b>Net written premiums</b>	<b>75,943</b>	<b>2,355</b>	<b>262</b>	<b>612,413</b>	<b>690,973</b>
Net changes in unearned premiums	(61,121)	(1,633)	(247)	(498,078)	(561,079)
<b>Net earned premiums</b>	<b>14,822</b>	<b>722</b>	<b>15</b>	<b>114,335</b>	<b>129,894</b>
Reinsurance commission income	27,914	4,995	602	-	33,511
<b>Total underwriting revenue</b>	<b>42,736</b>	<b>5,717</b>	<b>617</b>	<b>114,335</b>	<b>163,405</b>
Changes in outstanding claims	(93,323)	(14,949)	(1,569)	(85,752)	(195,593)
Reinsurance share of outstanding claims	82,207	14,408	1,558	-	98,173
<b>Net claims incurred</b>	<b>(11,116)</b>	<b>(541)</b>	<b>(11)</b>	<b>(85,752)</b>	<b>(97,420)</b>
Inspection and supervisory fees	(2,766)	(862)	(175)	(6,138)	(9,941)
Policy acquisition costs	(15,102)	(2,896)	(314)	(17,150)	(35,462)
<b>Total underwriting expenses</b>	<b>(28,984)</b>	<b>(4,299)</b>	<b>(500)</b>	<b>(109,040)</b>	<b>(142,823)</b>
<b>Underwriting result</b>	<b>13,752</b>	<b>1,418</b>	<b>117</b>	<b>5,295</b>	<b>20,582</b>
Unallocated expenses					(12,627,398)
<b>Net deficit for the period from insurance operations</b>					<b>(12,606,816)</b>

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(continued)

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**10 SEGMENT INFORMATION (continued)**

**b) Insurance operations' assets and liabilities**

	<i>30 September 2014</i>				
	<i>Accident and Liability</i>	<i>Property</i>	<i>Engineering</i>	<i>Other General Insurance</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Insurance operations' assets</b>					
Premiums receivable, net	240,712	170,916	35,000	872,560	1,319,188
Reinsurer's commissions receivable	122,667	44,216	10,074	159,968	336,925
Reinsurers' share of outstanding claims	82,207	14,408	1,558	-	98,173
Reinsurers' share of unearned premium	367,581	150,850	32,661	615,263	1,166,355
Deferred policy acquisition cost	56,430	22,741	4,936	93,950	178,057
Allocated assets	<b>869,597</b>	<b>403,131</b>	<b>84,229</b>	<b>1,741,741</b>	<b>3,098,698</b>
Unallocated assets					<b>11,711,884</b>
Total insurance operations' assets					<b>14,810,582</b>
<b>Insurance operations' liabilities</b>					
Gross unearned premium	428,702	152,484	32,907	1,113,341	1,727,434
Outstanding claims	93,323	14,949	1,569	85,752	195,593
Reinsurance balances payable	477,190	170,061	34,738	615,263	1,297,252
Unearned commission income	94,753	39,221	9,472	159,968	303,414
Allocated liabilities	<b>1,093,968</b>	<b>376,715</b>	<b>78,686</b>	<b>1,974,324</b>	<b>3,523,693</b>
Unallocated liabilities					<b>11,286,889</b>
Total insurance operations' liabilities					<b>14,810,582</b>

**11 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the management on 27 October 2014, corresponding to 3 Muharram 1436H.