

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

**INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND SIX MONTH PERIODS ENDED
30 JUNE 2019**

**METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE
INSURANCE COMPANY**

(A SAUDI JOINT STOCK COMPANY)

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

At 30 JUNE 2019

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

TO THE SHAREHOLDERS OF METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim condensed 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 June 2019 and the related interim condensed statement of income, interim condensed statement of comprehensive income for the three month and six month periods then ended and interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six months period then ended and the related notes which form an integral part of this interim condensed financial information. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting", as endorsed in Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting", as endorsed in Kingdom of Saudi Arabia.

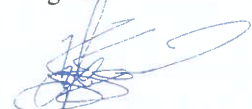
REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION
(Continued)

TO THE SHAREHOLDERS OF METLIFE, AMERICAN INTERNATIONAL GROUP AND
ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

EMPHASIS OF MATTER

We draw attention to Note 2 (b) to the interim condensed financial information, which indicates, among other things, that during 2018, the Company received a final warning letter from SAMA which highlighted various internal controls and risk management deficiencies among other things. However, to resolve all the deficiencies, the Company developed an action plan and as of 30 June 2019, majority of the issues are already addressed by the management, and the remaining are expected to be resolved within due course. Further, on 28 May 2019, the Company announced on Tadawul indicating that its accumulated losses reached 21% of its share capital of SAR 180 million as of 30 April 2019. As of 30 June 2019, the accumulated losses represent 18.79% (31 December 2018: 14.65%) of the Company's share capital. These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern. However, various strategic options are considered by management to ensure the going concern status of the Company. Among such strategic options, the Company signed on 18 June 2019 (corresponding to 15th Shawwal 1440H) a non-binding Memorandum of Understanding with an insurance company ('counter party') to evaluate a potential merger. The proposed merger is subject to the completion of due diligence to the parties' satisfaction, agreement on final terms and conditions of the merger agreement, and the approvals of the respective regulatory authorities along with the general assemblies of the Company and the counter party. The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under normal course of the business. Our conclusion is not qualified in respect of this matter.

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Abdullah M. Al Basri
Certified Public Accountant
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Date: August 05, 2019
Corresponding to: Dhu'l-Hijjah 4, 1440 AH



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT JUNE 30, 2019

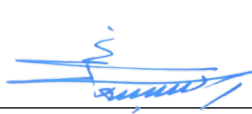
RE AT JUNE 30, 2019

| | | SAR '000 | |
|--|-------|------------------------------|--------------------------------|
| | Notes | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| ASSETS | | | |
| Cash and cash equivalents | 5 | 80,244 | 56,305 |
| Short term deposits | 6 | 3,020 | 35,139 |
| Premiums and re- insurance balances receivable | 7 | 8,154 | 19,253 |
| Re insurance share of unearned premiums | 10.2 | 23,314 | 22,417 |
| Re insurance share of outstanding claims | 10.1 | 19,606 | 19,457 |
| Re-insurers' share of claims incurred but not reported | 10.1 | 22,158 | 24,042 |
| Re-insurance share of mathematical reserves | | 168,175 | 176,787 |
| Deferred policy acquisition costs | 10.3 | 3,185 | 2,584 |
| Investments | 9 | 3,175 | 17,653 |
| Due from related parties | 15 | 246 | 133 |
| Prepaid expenses and other assets | | 9,562 | 10,693 |
| Long term deposits | 6 | 89,000 | 89,000 |
| Property and equipment | | 1,599 | 2,158 |
| Intangible assets | | 629 | 763 |
| Statutory deposit | 8 | 35,000 | 35,000 |
| Accrued commission on statutory deposit | 8 | 2,653 | 1,935 |
| TOTAL ASSETS | | 469,720 | 513,319 |
| LIABILITIES | | | |
| Policyholder claims payable | | 5,607 | 5,148 |
| Payable, accruals and other liabilities | | 20,259 | 15,528 |
| Re-insurance balances payable | | 24,148 | 36,084 |
| Gross unearned premiums | 10.2 | 36,312 | 35,861 |
| Unearned reinsurance commission income | 10.4 | 3,856 | 3,928 |
| Gross outstanding claims | 10.1 | 24,803 | 27,605 |
| Gross claims incurred but not reported | 10.1 | 31,562 | 50,029 |
| Gross mathematical reserves | | 168,175 | 176,787 |
| Due to related parties | 15 | 52 | 56 |
| Provision for zakat and income tax | 12 | 2,082 | 2,593 |
| End of service indemnities | | 3,658 | 3,898 |
| Accrued commission payable to SAMA | 8 | 2,653 | 1,935 |
| TOTAL LIABILITIES | | 323,167 | 359,452 |
| EQUITY | | | |
| Share capital | 13 | 180,000 | 180,000 |
| Accumulated deficit | | (33,822) | (26,382) |
| Remeasurement reserve for end of service indemnities | | 375 | 375 |
| Fair value reserve - Available for sale investments | 9 | - | (126) |
| TOTAL EQUITY | | 146,553 | 153,867 |
| TOTAL LIABILITIES AND EQUITY | | 469,720 | 513,319 |
| COMMITMENTS AND CONTINGENCIES | 11 | | |

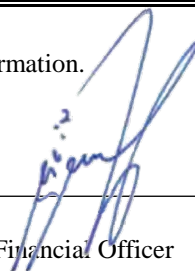
The accompanying notes 1 to 21 form an integral part of this interim condensed financial information.



Chairman of the
Board of Directors



Chief Executive Officer



Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**

| | | SAR '000 | | | |
|---|-------|--|--|--|--|
| | Notes | For the three month ended 30 June 2019 | For the three month ended 30 June 2018 (Restated) | For the six month ended 30 June 2019 | For the six month ended 30 June 2018 (Restated) |
| <u>REVENUES</u> | | | | | |
| Gross written premiums | 10.2 | 17,540 | 25,836 | 45,593 | 126,349 |
| Re-insurance premiums ceded - foreign | 10.2 | (9,539) | (9,836) | (28,955) | (33,661) |
| Excess of loss expenses - foreign | 10.2 | (36) | (3) | (75) | (774) |
| Net written premiums | 10.2 | 7,965 | 15,997 | 16,563 | 91,914 |
| Changes in unearned premiums, net | | (1,636) | 44,196 | 446 | 40,643 |
| Net earned premiums | | 6,329 | 60,193 | 17,009 | 132,557 |
| Re-insurance commissions | 10.4 | 3,566 | 1,838 | 5,071 | 6,406 |
| Other underwriting income | | 1,251 | 1,235 | 2,023 | 2,163 |
| <u>TOTAL REVENUES</u> | | 11,146 | 63,266 | 24,103 | 141,126 |
| <u>UNDERWRITING COSTS AND EXPENSES</u> | | | | | |
| Gross claims paid | | (12,569) | (68,003) | (37,953) | (127,159) |
| Surrenders and maturities | | (5,868) | (11,014) | (12,961) | (24,334) |
| Expenses incurred related to claims | | 109 | (1,625) | (760) | (3,565) |
| Re-insurance share of claims paid | 10.1 | 11,197 | 15,591 | 23,565 | 30,359 |
| Net claims and other benefits paid | | (7,131) | (65,051) | (28,109) | (124,699) |
| Changes in outstanding claims, net | | 2,123 | 471 | 2,951 | (2,908) |
| Changes in incurred but not reported claims, net | | 5,363 | 13,790 | 16,583 | 1,340 |
| Net claims and other benefits incurred | | 355 | (50,790) | (8,575) | (126,267) |
| Change in premium deficiency reserve | | - | 4,267 | - | 3,080 |
| Policy acquisition costs | 10.3 | (1,322) | (5,897) | (2,911) | (13,042) |
| Inspection and supervisory fees | | (185) | (883) | (424) | (1,947) |
| Other underwriting expenses | | (93) | (273) | (172) | (666) |
| <u>TOTAL UNDERWRITING COSTS AND</u> | | (1,245) | (53,576) | (12,082) | (138,842) |
| NET UNDERWRITING INCOME | | 9,901 | 9,690 | 12,021 | 2,284 |
| <u>OTHER OPERATING (EXPENSES)/ INCOME</u> | | | | | |
| Reversal for doubtful debts | 7 | 245 | 1,104 | 2,238 | 1,745 |
| General and administrative expenses | | (11,086) | (14,072) | (23,668) | (24,825) |
| Special commission income on deposits | | 1,354 | 1,991 | 2,623 | 3,920 |
| Gain / (Loss) on investments | | 146 | - | 146 | - |
| <u>TOTAL OTHER OPERATING EXPENSES</u> | | (9,341) | (10,977) | (18,661) | (19,160) |
| Net profit / (loss) for the period before zakat | | 560 | (1,287) | (6,640) | (16,876) |
| Zakat expense for the period | 12 | (400) | (480) | (800) | (960) |
| Net profit / (loss) for the period after zakat | | 160 | (1,767) | (7,440) | (17,836) |
| Net profit for the period attributable to insurance operations | | - | - | - | - |
| Net profit / (loss) for the period attributable to the shareholders operations | | 160 | (1,767) | (7,440) | (17,836) |
| Earning / (loss) per share (expressed in SAR per share) | | | | | |
| Basic earning / (loss) per share | 14 | 0.01 | (0.10) | (0.41) | (0.99) |

The accompanying notes 1 to 21 form an integral part of this interim condensed financial information.

Chairman of the
Board of Directors

Chief Executive Officer

Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**

| | | SAR '000 | | | |
|--|--|--|--|--|--|
| Notes | For the three month ended 30 June 2019 | For the three month ended 30 June 2018 (Restated) | For the six month ended 30 June 2019 | For the six month ended 30 June 2018 (Restated) | |
| Net profit / (loss) for the period after zakat | 160 | (1,767) | (7,440) | (17,836) | |
| Other comprehensive (loss) / income | | | | | |
| Items that will be reclassified to statement of income in subsequent periods | | | | | |
| - Net fair value changes- Available for sale investments | 9 | (16) | - | 126 | |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | | | | |
| | 144 | (1,767) | (7,314) | (17,836) | |
| Total comprehensive income attributed to insurance operations | - | - | - | - | |
| Total comprehensive income / (loss) for the period attributable to the shareholders | 144 | (1,767) | (7,314) | (17,836) | |

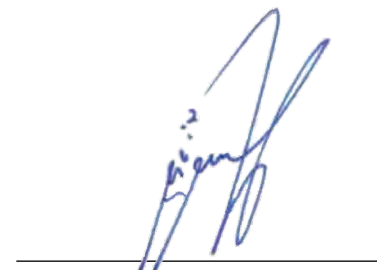
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Chairman of the
Board of Directors



Chief Executive Officer



Chief Financial Officer

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

(SAR in '000')

| | Notes | Share capital | Accumulated deficit | Remeasurement reserve for end of service indemnities | Fair value reserve - Available for sale investments | Total |
|--|-------|------------------|------------------------|---|--|----------------|
| Balance as at January 1, 2019 (Restated) | 13 | 180,000 | (26,382) | 375 | (126) | 153,867 |
| Total comprehensive loss: | | | | | | |
| Net loss for the period after zakat | | - | (7,440) | - | - | (7,440) |
| -Net fair value changes- Available for sale investments | 9 | - | - | - | 126 | 126 |
| Balance as at June 30, 2019 | | 180,000 | (33,822) | 375 | - | 146,553 |

| | Share capital | Accumulated deficit | Remeasurement reserve for end of service indemnities | Fair value reserve -Available for sale investments | Total |
|---|------------------|------------------------|---|--|----------|
| Balance as at January 1, 2018 | 350,000 | (172,221) | | - | 177,779 |
| Total comprehensive loss: | | | | | |
| Capital reduction | (170,000) | 170,000 | - | - | - |
| Transaction cost related to reduction in share capital | | (210) | - | - | (210) |
| Net loss for the period after zakat (Restated) | - | (17,836) | - | - | (17,836) |
| Balance as at June 30, 2018 | 180,000 | (20,267) | - | - | 159,733 |

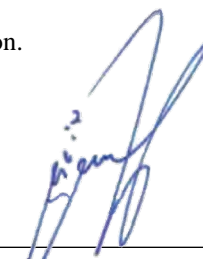
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Chairman of the
Board of Directors



Chief Executive Officer



Chief Financial Officer

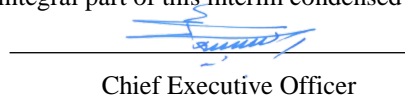
**METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE
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(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

| | | SAR '000 | |
|---|--------------|--------------------------------------|--------------------------------------|
| | Notes | June 30, 2019 (Unaudited) | June 30, 2018 (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net loss for the period before zakat | | (6,640) | (16,876) |
| Adjustments for non-cash items: | | | |
| Depreciation of property and equipment | | 534 | 567 |
| Amortization of intangible assets | | 164 | 133 |
| Reversal of provision for doubtful debts | 7 | (2,237) | (1,745) |
| Amortization of discount / premium on investments | | (25) | (37) |
| Provision for end of service indemnities | | (28) | 555 |
| | | (8,232) | (17,403) |
| Changes in operating assets and liabilities: | | | |
| Premiums and reinsurers' balances receivable | | 13,336 | 25,938 |
| Reinsurers' share of unearned premiums | | (897) | (909) |
| Reinsurers' share of mathematical reserves | | 8,612 | 24,367 |
| Reinsurers' share of outstanding claims | | (149) | (4,432) |
| Reinsurers' share of claims Incurred but not reported | | 1,884 | (2,387) |
| Deferred policy acquisition costs | | (601) | 4,218 |
| Due from related parties | | (113) | (521) |
| Prepaid expenses and other assets | | 1,131 | 7,019 |
| Policyholders claims payable | | 459 | 14,783 |
| Payables, accruals and others | | 4,731 | (399) |
| Reinsurance balances payable | | (11,936) | 13,300 |
| Gross unearned premiums | | 451 | (39,734) |
| Unearned reinsurance commission income | | (72) | (524) |
| Gross outstanding claims | | (2,802) | 7,340 |
| Gross claims incurred but not reported | | (18,467) | 1,047 |
| Premium deficiency reserve | | - | (3,080) |
| Gross mathematical reserves | | (8,612) | (24,367) |
| Due to related parties | | (4) | 120 |
| Net cash (used in) / generated from operating activities | | (21,281) | 4,376 |
| Zakat paid | 12 | (1,311) | - |
| End of service indemnities paid | | (212) | - |
| Net cash (used in) operating activities | | (22,804) | 4,376 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Disposals in short term deposits | | 46,310 | 108,119 |
| Additions in short term deposits | | (14,191) | (56,154) |
| Disposal of Sukuk | | 14,629 | - |
| Disposal / (purchase) of property and equipment | | 25 | (152) |
| Purchase of intangible assets | | (30) | (186) |
| Net cash from investing activities | | 46,743 | 51,627 |
| Net change in cash and cash equivalents | | 23,939 | 54,923 |
| Cash and cash equivalents, beginning of the period | | 56,305 | 59,021 |
| Cash and cash equivalents, end of the period | 5 | 80,244 | 113,944 |
| NON-CASH INFORMATION | | | |
| Unrealized gain / (loss) on available for sale investments | 9 | - | - |

The accompanying notes 1 to 21 form an integral part of this interim condensed financial information.


Chairman of the
Board of Directors


Chief Executive Officer


Chief Financial Officer

METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

1 ORGANIZATION 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).

On February 26, 2014, corresponding to Rabi al Akhar 26, 1424, the Saudi Arabian Monetary Authority (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On April 20, 2004, corresponding to Rabi’ al-awwal 1, 1425, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32).

The Company received the approval letters from the Saudi Arabian Monetary Agency and Ministry of Commerce and Investment regarding the amendment of the Company’s by-laws to be in accordance with the new companies’ regulations.

Based on the above, the Company’s extraordinary general assembly was held on 12 April 2017 corresponding to 15 Rajab 1438 and accordingly the new by-laws were approved.

1.1 METLIFE ALICO PORTFOLIO TRANSFER

The Company entered into an agreement with MetLife ALICO (30% shareholder) by which MetLife ALICO transferred its existing Saudi run-off portfolio to the Company effective 01 April 2015. This portfolio includes long-term life Protection and Savings insurance products and Personal Accident policies. The Company reinsures back to MetLife ALICO 100% of this portfolio under a quota-share reinsurance agreement. Accordingly, the Company has become the owner of the transferred policies and MetLife ALICO has become the reinsurer of this block of business. The transfer of the portfolio was made at book value with no cash payment. Accordingly, the liabilities related to this portfolio were recorded in the Company’s books at book value with offsetting assets representing the reinsurance share of these liabilities. MetLife ALICO paid to the Company a reinsurance commission amounting to SR 887 thousand for the six month period ended 30 June 2019 (SR 1,132 thousand for the six month period ended 30 June 2018) to compensate the cost of capital for this portfolio in addition to reimbursing the Company for all expenses related to the administration of this portfolio by paying an administration fee amounting to SR 804 thousand for the six month period ended 30 June 2019 (SR 722 thousand for the six month period ended 30 June 2018) which is recorded under “Other underwriting income”.

Assets and liabilities of the transferred portfolio as at 30 June 2019 are shown as below:

| Assets | SAR '000' | | Liabilities | SAR '000' | |
|---|-----------------------------|----------------------------------|--------------------------------|-----------------------------|----------------------------------|
| | 30 June 2019 (Unaudited) | 31 December 2018 (Audited) | | 30 June 2019 (Unaudited) | 31 December 2018 (Audited) |
| Cash and Cash equivalents | 4,214 | 3,835 | Gross unearned premiums | 6 | 53 |
| Re-insurers’ share of unearned premiums | 6 | 53 | Gross outstanding claims | 8,466 | 8,641 |
| Re-insurers’ share of mathematical reserves | 168,175 | 176,787 | Gross mathematical reserves | 168,175 | 176,787 |
| Re-insurers’ share of outstanding claims | 8,466 | 8,641 | Due to shareholders operations | 3,168 | 2,627 |
| Re-insurers’ balances receivable | - | 180 | Payable and other liabilities | 2,387 | 2,003 |
| Receiveable & other assets | 1,341 | 615 | | | |
| Total | 182,202 | 190,111 | | 182,202 | 190,111 |

**METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE
INSURANCE COMPANY**

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

1 ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

1.2 MANAFETH AGREEMENT WITH TAWUNIYA

The Company participated in the Manafeth agreement among Tawuniya and the majority of the insurance companies in Saudi Arabia effective 01 January 2015 for co-insuring cars entering into Saudi Arabia from all Saudi borders (except the border with Al-Bahrain). Based on this agreement, all insurance companies participating in this coverage will have an equal share of the net result of this portfolio after allowing for all expenses related to managing this portfolio by Tawuniya. This agreement is set to continue for a period of three years expiring on 31 December 2017 and has been subsequently renewed for two consecutive periods on the same terms and the last one was for one year from 1 January 2019 to 31 December 2019 with other related insurance companies. The income related to this portfolio is included in the statement of income under "Other underwriting income" and is allocated to motor insurance in the segment reporting (Note 17).

2 BASIS OF PREPARATION

a) Basis of presentation and measurement

The interim condensed financial information of the Company as at and for the period ended 30 June 2019 has been prepared in accordance with "International Accounting Standard (IAS) 34 'Interim Financial Reporting', as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements issued by Saudi Organization of Certified Public Accountants (SOCPA)."

On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRSs and their interpretations as issued by the International Accounting Standards Board ("IASB").

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (as disclosed in note 4) and the effects of this change are disclosed in note 12 to the interim condensed financial information).

The interim condensed financial information is prepared under the going concern (Note 2b) basis and the historical cost convention, except for the measurement at fair value of available for sale investments and end of service benefits at present value. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term deposits, premiums and reinsurance balances receivable, reinsurance share of unearned premiums, reinsurance share of outstanding claims, reinsurance share of claims incurred but not reported, deferred policy acquisition costs, due from related parties, prepaid expenses and other assets, policyholders claims payable, accrued and other liabilities, reinsurers' balances payable, unearned premiums, premium deficiency reserve, outstanding claims, claims incurred but not reported, unearned reinsurance commission, due to related parties and zakat. The following balances would generally be classified as non-current: long term deposits, mathematical reserves, investments, statutory deposit, intangible assets, property and equipment and end of service indemnities.

**METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE
INSURANCE COMPANY**

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

2 BASIS OF PREPARATION (Continued)

a) Basis of presentation and measurement (continued)

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 determined by the management and Board of Directors. As per the insurance implementing regulations, 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:

| | |
|----------------|-------------|
| Shareholder's | 90% |
| Policyholder's | 10% |
| | <u>100%</u> |

The interim condensed statement of financial position, interim condensed statements of income, interim condensed statement of comprehensive income and interim condensed cash flows of the insurance operations and shareholders operations which are presented on Note No. 17 of the interim condensed financial information have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level interim condensed financial information in compliance with IFRSs, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. interoperation balances, transactions and unrealised gains or losses, if any are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed statement of financial position, interim condensed statement of income, interim condensed statement of comprehensive income, interim condensed statement of cash flows as well as certain relevant notes to the interim condensed financial information represents additional supplementary information.

The interim condensed financial information are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

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2 BASIS OF PREPARATION (Continued)

b) Going Concern

On 29 March 2018, the Company received a final warning letter from SAMA indicating, among other matters, issues related to delays in medical claims, ineffective risk assessment and weaknesses in internal control environment. Further, based on SAMA instructions, the Company appointed an independent consultant to perform a detailed review and submit final report to SAMA. In case the Company failed to meet the deadlines, SAMA would take necessary regulatory measure against the Company in accordance with article (19) of the Cooperative Insurance Law, which includes forbidding the Company from accepting new clients, investors or subscribers in its insurance activities or part of these activities.

On 28 May 2019, the Company announced on Tadawul indicating that its accumulated losses reached 21% of its share capital of SAR 180 million as of 30 April 2019. As of 30 June 2019, the accumulated losses represent 18.79% of the Company's share capital.

The above events created uncertainty on the Company's ability to continue as a going concern. However, the Company has taken necessary actions to comply with SAMA's warning letter and has received the report from the consultant. Based on the report, the Company developed an action plan and an update on the progress was furnished by the management on 13 September 2018 to SAMA. As of 30 June 2019, the Company has addressed and completed majority of the points covering areas of technical, operations, IT systems controls and overall governance including the activities related to compliance, risk management, internal audit and Board and Board's Committees oversight. Furthermore, the Company has prepared its future projections which reflected the Company's ability to continue as a going concern at least for the next twelve months from the current reporting date. In addition, the Board of Directors has considered various strategic options for the Company over the long term, to ensure going concern status.

Among such strategic options, the Company signed on 18 June 2019 (corresponding to 15th Shawwal 1440H) a non-binding Memorandum of Understanding (MoU) with Walaa Cooperative Insurance Company ('Walaa') to evaluate a potential merger. The proposed merger is subject to the completion of due diligence to the parties' satisfaction, agreement on final terms and conditions of the merger agreement, and the approval of the competent authorities and the general assemblies of the Company and Walaa. In case, the Company and Walaa proceed with the proposed merger, it will be implemented by way of an exchange of shares whereby Walaa shall issue new shares to the Company's shareholders in exchange for total issued shares of the Company. Both companies have mutually agreed that the basis of the valuation of the shares shall be determined using equity book value (after any mutually agreed due diligence adjustments) and the exchange ratio between Walaa and the Company's shareholders shall be calculated using the respective reported book value per share of Walaa based on their most recent financial statements published on or before the date of signing of the merger agreement. The Company has appointed Saudi Kuwaiti Finance House as its financial advisor for the proposed merger.

Meanwhile, the Company intends to continue to conduct business as usual until completion of the proposed merger.

Based on the above, the Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under normal course of business. Accordingly, the financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as a going concern.

c) Fiscal year

The Company follows a fiscal year ending December 31.

d) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates

In preparing these interim condensed financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December, 2018.

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3 STANDARDS AND AMENDMENTS ISSUED

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

Standard/

Interpretation

Description

Effective date

IFRS 16

Leases

1 January 2019

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard regarding lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has performed an assessment of IFRS 16 and determined that the difference as compared to IAS 17 and IFRIC 4 is not material to the Company's financial statements as a whole.

The details of new significant accounting policy and the nature are set out below.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental commission rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

3 STANDARDS AND AMENDMENTS ISSUED (CONTINUED)

Standards issued but not yet effective

IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

The Company is eligible and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both statement of income and statement of financial position. The Company has decided not to early adopt this new standard.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the change in the accounting for zakat and income tax as explained below:

Change in the accounting for zakat and income tax:

As mentioned in note 2, the basis of preparation has been changed as a result of the issuance of latest instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 23 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively (see note 2) and the effects of the above change are disclosed in note 12 to the interim condensed financial information. The change has resulted in reduction of reported income of the Company for the period ended 30 June 2018 by SR 960 thousands. The change has had no impact on the statement of cash flows for the period ended 30 June 2018 and statement of financial position as at 31 December 2018.

Accounting Policy:

Income tax:

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the KSA where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

4 SIGNIFICANT ACCOUNTING POLICIES

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (Continued)

The Company applies significant judgement in identifying uncertainties over income tax treatments. The Interpretation did not have an impact on the financial statements of the Company.

Deferred income tax:

Deferred income tax, if any, is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised

Due to losses and non availability of future taxable profits, the Company has not recognised deferred tax asset.

Zakat:

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

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5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

| | | Insurance operations | |
|--|--|---------------------------------|--------------------------|
| | | June 30, 2019 | December 31, 2018 |
| | | (Unaudited) | (Audited) |
| SAR'000 | | | |
| Bank balances and cash | | 15,722 | 40,620 |
| Deposits maturing within 3 months from the acquisition date | | 42,000 | - |
| Cash and cash equivalents in the statement of cash flow | | 57,722 | 40,620 |
| | | Shareholders' operations | |
| | | June 30, 2019 | December 31, 2018 |
| | | (Unaudited) | (Audited) |
| SAR'000 | | | |
| Bank balances and cash | | 522 | 1,685 |
| Deposits maturing within 3 months from the acquisition date | | 22,000 | 14,000 |
| Cash and cash equivalents in the statement of cash flow | | 22,522 | 15,685 |
| Total | | 80,244 | 56,305 |

6 SHORT-TERM & LONG-TERM DEPOSITS

Short-term & long-term deposits include time deposits which represent deposits with local commercial banks with investment having credit ratings equivalent to ratings under Standard and Poor's, Fitch and Moody's rating methodology. These time deposits have an original maturity of more than three months from date of acquisition. Carrying amount of time deposits reasonably approximate the fair value at the statement of financial position. Time deposits invested for more than three months are set out below:

| | | Insurance operations | |
|--|--|---------------------------------|--------------------------|
| | | June 30, 2019 | December 31, 2018 |
| | | (Unaudited) | (Audited) |
| SAR'000 | | | |
| Short term deposits | | 3,020 | 35,139 |
| Average variable special commission rate | | 2.87% | 2.79% |
| Long term deposits | | - | - |
| Average variable special commission rate | | - | - |
| | | Shareholders' operations | |
| | | June 30, 2019 | December 31, 2018 |
| | | (Unaudited) | (Audited) |
| SAR'000 | | | |
| Short term deposits | | - | - |
| Average variable special commission rate | | - | - |
| Long term deposits | | 89,000 | 89,000 |
| Average variable special commission rate | | 3.36% | 3.56% |
| Total short term deposits | | 3,020 | 35,139 |
| Total long term deposits | | 89,000 | 89,000 |

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7 PREMIUMS AND RE-INSURANCE BALANCES RECEIVABLE

Receivables comprise amounts due from the following:

| SAR'000 | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|--|--|
| Policyholders | 5,691 | 5,836 |
| Brokers and agents | 9,511 | 22,519 |
| Related parties (note 15) | 587 | 770 |
| Receivables from re-insurers | - | - |
| | 15,789 | 29,125 |
| Provision for doubtful receivables | (7,635) | (9,872) |
| Premiums and re-insurance balances receivable – net | 8,154 | 19,253 |

Movement in provision for doubtful debts:

| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---------------------------------|--|--|
| | SAR'000 | |
| Balance beginning of the period | 9,872 | 10,618 |
| Provision during the period | - | - |
| Reversal during the period | (2,237) | (746) |
| Balance at the end of period | 7,635 | 9,872 |

8 STATUTORY DEPOSIT AND ACCRUED COMMISSION

Statutory deposit amounting to SR 35 million (December 2018: SR 35 million) kept with a local bank, 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 Authority (“SAMA”). This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued commission on statutory deposit amounted to SR 2,653 thousand as of 30 June 2019 (SR 1,935 thousand as of 31 December 2018) and was reported separately under Shareholders’ Assets and Shareholders’ Liabilities in accordance with SAMA instructions.

Following the Capital reduction from SAR 350 million to SAR 180 million (refer note 12), the Company has not reduced its Statutory deposit and the amount presented as of 30 June 2019 is still 10% of the old paid-up share capital.

9 INVESTMENTS

Investments are classified as follows:

| SAR'000 | Shareholders’ operations June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|----------------------|---|--|
| - Available for Sale | 3,175 | 17,653 |
| Total | 3,175 | 17,653 |

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9 INVESTMENTS (continued)

9.1 Available for Sale (AFS)

| SAR'000 | Notes | Shareholders' operations | |
|---------------------|---------|------------------------------|--------------------------------|
| | | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| Type of Investments | | | |
| Equity | 9.1 (a) | 3,175 | 3,175 |
| Sukuks unquoted | 9.1 (b) | - | 14,478 |
| | | <u>3,175</u> | <u>17,653</u> |

9.1 (a) Equity unquoted

Movement during the period

| | | | |
|---|--|--------------|--------------|
| Opening balance | | 3,175 | 3,175 |
| Purchase during the period | | - | - |
| Sold during the period | | - | - |
| Net change in fair values during the period | | - | - |
| Closing balance of equity shares portfolio | | <u>3,175</u> | <u>3,175</u> |

The above equity represents investment in Najm.

9.1 (b) Sukuks unquoted

Movement during the period

| | | | |
|---|-----|----------|---------------|
| Opening balance | | 14,478 | - |
| Transfer from HTM* | 9.2 | - | 49,604 |
| Sold during the period | | (15,020) | (35,000) |
| Amortization of discount | | 416 | - |
| Net change in fair values during the period | | 126 | (126) |
| Closing balance of Sukuks unquoted | | <u>-</u> | <u>14,478</u> |

* During the year 2018, the management decided to dispose of Sukuks which were classified as Held to maturity, accordingly the investment has been reclassified to available for sale.

9.2 Held to Maturity (HTM)

| SAR'000 | Shareholders' operations | |
|--|------------------------------|--------------------------------|
| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| Type of Investments | | |
| Sukuk – Private – Floating rate | - | - |
| Sukuk – Governmental – Fixed rate | - | - |
| Amortization of discount on HTM | - | - |
| | <u>-</u> | <u>-</u> |
| Movement during the period | | |
| Opening balance | - | 49,529 |
| Purchase during the period | - | - |
| Transfer to AFS* | - | (49,604) |
| Amortization of discount on HTM | - | 75 |
| Closing balance of equity shares portfolio | <u>-</u> | <u>-</u> |

*During the year 2018, the management decided to dispose-off Sukuks which were classified as held to maturity. Accordingly the investment has been reclassified to available for sale.

All investments above are within KSA.

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10 TECHNICAL RESERVES

10.1 Net outstanding claims and reserves

a) Net outstanding claims and reserves comprise the following:

| SAR'000 | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|--|--|--|
| Outstanding claims | 26,934 | 30,107 |
| Less: Realizable value of salvage and subrogation | (2,131) | (2,502) |
| | 24,803 | 27,605 |
| Claims incurred but not reported | 31,562 | 50,029 |
| | 56,365 | 77,634 |
| Less: | | |
| Re-insurance share of outstanding claims | 19,606 | 19,457 |
| Re-insurance share of claims incurred but not reported | 22,158 | 24,042 |
| | 41,764 | 43,499 |
| Net outstanding claims and reserves | 14,601 | 34,135 |

b) Movement in outstanding claims and reserves:

| | June 30, 2019 (Unaudited) | | | December 31, 2018 (Audited) | | |
|---------------------------------------|--------------------------------------|-------------------------------|---------------|--|-------------------------------|------------|
| SAR'000 | Gross | Re-insurance share | Net | Gross | Re-insurance share | Net |
| <u>End of the period</u> | | | | | | |
| Outstanding claims | 24,803 | (19,606) | 5,197 | 27,605 | (19,457) | 8,148 |
| Claims incurred but not reported | 31,562 | (22,158) | 9,404 | 50,029 | (24,042) | 25,987 |
| | 56,365 | (41,764) | 14,601 | 77,634 | (43,499) | 34,135 |
| Claims paid during the period | 51,674 | (23,565) | 28,109 | 262,309 | (50,446) | 211,863 |
| <u>Beginning of the period</u> | | | | | | |
| Outstanding claims | 27,605 | (19,457) | 8,148 | 34,814 | (21,496) | 13,318 |
| Claims incurred but not reported | 50,029 | (24,042) | 25,987 | 81,981 | (23,682) | 58,299 |
| | 77,634 | (43,499) | 34,135 | 116,795 | (45,178) | 71,617 |
| Claims incurred | 30,405 | (21,830) | 8,575 | 223,148 | (48,767) | 174,381 |

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10 TECHNICAL RESERVES (Continued)

10.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

| SAR'000 | For the six month period ended June 30, 2019 | | |
|--|--|--------------|----------|
| | (Unaudited) | | |
| | Gross | Re-insurance | Net |
| Balance at the beginning of the period | 35,861 | 22,417 | 13,444 |
| Premium written during the period | 45,593 | 29,030 | 16,563 |
| Premium earned during the period | (45,142) | (28,133) | (17,009) |
| Balance at the end of the period | 36,312 | 23,314 | 12,998 |

| SAR'000 | Year ended Decemebr 31, 2018 | | |
|--------------------------------------|------------------------------|--------------|-----------|
| | (Audited) | | |
| | Gross | Re-insurance | Net |
| Balance at the beginning of the year | 128,277 | 16,028 | 112,249 |
| Premium written during the year | 168,803 | 71,162 | 97,641 |
| Premium earned during the year | (261,219) | (64,773) | (196,446) |
| Balance at the end of the year | 35,861 | 22,417 | 13,444 |

10.3 Movement in deferred policy acquisition costs

| SAR'000 | For the six month period ended June 30, 2019 (Unaudited) | Year ended Decemebr 31, 2018 (Audited) |
|--|---|--|
| | | |
| Balance at the beginning of the period | 2,584 | 11,438 |
| Incurred during the period | 3,512 | 12,133 |
| Amortized during the period | (2,911) | (20,987) |
| Balance at the end of the period | 3,185 | 2,584 |

10.4 Movement in unearned reinsurance commission income

| SAR'000 | For the six month period ended June 30, 2019 (Unaudited) | Year ended Decemebr 31, 2018 (Audited) |
|--|---|--|
| | | |
| Balance at the beginning of the period | 3,928 | 3,699 |
| Incurred during the period | 4,999 | 12,033 |
| Amortized during the period | (5,071) | (11,804) |
| Balance at the end of the period | 3,856 | 3,928 |

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11 COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and contingencies are as follows:

| SAR'000 | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|----------------------|--|--|
| Letters of guarantee | 5,231 | 3,539 |

b) The Company is subject to legal proceedings in the ordinary course of its business. There was no change in the status of legal proceedings as disclosed at 31 December 2018.

12 ZAKAT AND INCOME TAX

The zakat payable by the Company has been calculated based on the best estimate of management.

| | June 30, 2019 (Unaudited) SR'000 | December 31, 2018 (Audited) SR'000 |
|----------------------------------|---|---|
| At the beginning of the period | 2,593 | 2,024 |
| Provided during the period | 800 | 1,649 |
| Payments during the period | (1,311) | (1,080) |
| Balance at the end of the period | 2,082 | 2,593 |

Status of assessments

a) Zakat Charge for the period:

The zakat charge for the six month period ended 30 June 2019 consists of the current period provision amounting to SR 800 thousand (31 December 2018: SR 1,649 thousand). The zakat provision is based on Ultimate Parent Saudi Shareholders' share of capital at 48.02% (31 December 2018: 48.02%).

b) Income tax charge for the period:

There was no income tax charge for the period relating to the Non-Saudi shareholder due to the net adjusted loss (same for 31 December 2018). The Ultimate Parent Non- Saudi Shareholders' share of capital is 51.98% (31 December 2018: 51.98%).

c) Status of zakat and income tax assessments:

Tax/zakat return of the Company for the 12 months ending 31 December 2018 has been filed within the stipulated deadline.

Tax year 2013

During 2018 the Company received Preliminary Committee's letter No. 55/2/1139 dated 16-07-1439H regarding GAZT assessments for the year 2013 to pay Zakat differences of SR 1,470 thousand and the Company filed an appeal during the legal period.

Tax year 2014

During 2016 the Company has received the following assessments related to 2014 Tax and Zakat filling as follows:

-GAZT letter No. 019000006784 dated 03 November 2016 requesting the Company to pay additional zakat of SR 351 thousand for the year 2014 and Company filed an appeal during the legal period.

-GAZT letter No. 024000033080 dated 03 November 2016 requesting the Company to pay additional suppliers' withholding tax of SR 246 thousand for the year 2014 (include SR 58 thousand as delay fines) and Company filed an appeal during the legal period.

During 2018, the Company received Preliminary Committee's decision No. 216/2/1139 dated 14-04-1439H (01 January 2018) regarding GAZT assessments for the year 2014, in which Preliminary Committee rejected the Company's appeal, the Company filed an appeal with Higher Committee during the legal period.

Tax year 2015, 2016 and 2017

The Company has not received yet assessment for the tax years 2015, 2016 and 2017.

The Company's management expects the success in defending all items raised by GAZT.

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12 ZAKAT AND INCOME TAX (Continued)

The change in the accounting treatment for zakat and income tax (as explained in note 2) has the following impact on the line items of the statements of income, statement of financial position and changes in shareholders' equity:

As at and for the six-month period ended 30 June 2018:

| Financial statement impacted | Account | Before the restatement for the six-month period ended 30 June 2018: | Effect of restatement | As restated as at and for the six-month period ended 30 June 2018: |
|---------------------------------|--|---|-----------------------|--|
| Statement of changes in Equity | Provision for zakat and income tax (accumulated deficit) | 960,000 | (960,000) | - |
| Statement of income | Zakat and income tax expenses | - | 960,000 | 960,000 |
| Statement of income | Earnings per share | (0.94) | (0.05) | (0.99) |
| Statement of financial position | Deferred tax asset / liability | - | - | - |

As at and for the three-month period ended 30 June 2018:

| Financial statement impacted | Account | Before the restatement for the three-month period ended 30 June 2018: | Effect of restatement | As restated as at and for the three-month period ended 30 June 2018: |
|---------------------------------|--|---|-----------------------|--|
| Statement of changes in Equity | Provision for zakat and income tax (accumulated deficit) | 480,000 | (480,000) | - |
| Statement of income | Zakat and income tax expenses | | 480,000 | 480,000 |
| Statement of income | Earnings per share | (0.07) | (0.03) | (0.10) |
| Statement of financial position | Deferred tax asset / liability | - | - | - |

As at 31 December 2018

| Financial statement impacted | Account | Before the restatement as at 31 December 2018: | Effect of restatement | As restated as at 31 December 2018: |
|---------------------------------|--------------------------------|--|-----------------------|-------------------------------------|
| Statement of financial position | Deferred tax asset / liability | - | - | - |
| Statement of financial position | Accumulated deficit | - | - | - |

As at 1 January 2018

| Financial statement impacted | Account | Before the restatement as at 1 January 2018: | Effect of restatement | As restated as at 1 January 2018: |
|---------------------------------|--------------------------------|--|-----------------------|-----------------------------------|
| Statement of financial position | Deferred tax asset / liability | - | - | - |
| Statement of financial position | Accumulated deficit | - | - | - |

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13 SHARE CAPITAL

The authorized, issued and paid-up share capital of the Company is SR 180 million divided into 18 million shares of SAR 10 each (31 December 2018: SR 180 million divided into 18 million shares of SR 10 each).

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat.

| | June 30, 2019 | | |
|---|-----------------------|-------------------|----------------|
| | (Unaudited) | | |
| | Authorized and issued | Paid up | |
| | No. of shares | Amount SAR'000 | |
| American Life Insurance Company (MetLife) | 5,400,000 | 54,000 | 54,000 |
| Arab National Bank | 5,389,200 | 53,892 | 53,892 |
| American International Group ("AIG") | 1,800,000 | 18,000 | 18,000 |
| Public shares | 5,410,800 | 54,108 | 54,108 |
| | 18,000,000 | 180,000 | 180,000 |
| | December 31, 2018 | | |
| | (Audited) | | |
| | Authorized and issued | Paid up | |
| | No. of Shares | Amount SAR'000 | |
| American Life Insurance Company (MetLife) | 5,400,000 | 54,000 | 54,000 |
| Arab National Bank | 5,389,200 | 53,892 | 53,892 |
| American International Group ("AIG") | 1,800,000 | 18,000 | 18,000 |
| Public shares | 5,410,800 | 54,108 | 54,108 |
| | 18,000,000 | 180,000 | 180,000 |

The share capital represents foreign shareholders by 40% and Saudi shareholders 60% as at the period end.

The Company in its extra ordinary general meeting held on 18 April 2018 approved the reduction of share capital from Saudi Riyals 350 million to Saudi Riyals 180 million by reducing the number of share from 35 million to 18 million shares of SR 10 each to restructure the Company's capital to offset SAR 170,000,000 of the Company's accumulated losses in line with the new Companies Law.

This resulted in accumulated losses to decline below on half of Company's share capital. The reduction of capital has been approved by the regulatory authorities. During the year ended 31 December 2018 the Company incurred transaction cost of SAR 210 thousand in respect of reduction in share capital, which has been charged directly to the statement of changes in shareholders' equity. There is no effect of the capital reduction on the Company's obligations.

14 BASIC EARNING / (LOSS) PER SHARE

Basic loss per share for the period has been calculated by dividing the net profit / (loss) for the period by the weighted average number of outstanding shares at the end of the period. There is no diluted earning / (loss) per share as at 30 June 2019. The comparatives have been restated, please refer note 12.

The weighted average number of shares has been retrospectively adjusted for all prior years to reflect the capital reduction as required by IAS 33, "Earnings per share" as follows:

| | Three months ended | | Six months ended | |
|---|--------------------|------------------|--------------------|------------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Net profit / (loss) before zakat for the period | 160,000 | (1,767,000) | (7,440,000) | (17,836,000) |
| | | (Restated) | | (Restated) |
| Weighted average number of ordinary shares | 18,000,000 | 18,000,000 | 18,000,000 | 18,000,000 |
| Basic earning / (loss) per share | 0.01 | (0.10) | (0.41) | (0.99) |

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15 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel [Key Management Personnel includes all directors, executive and non-executive, and senior management] of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances.

| | Transactions for the six month period ended | | Balance receivable / (payable) as at | |
|--|--|------------------|--------------------------------------|----------------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | December 31, 2018 |
| | | | Unaudited | Audited |
| <u>Major shareholders</u> | | | | |
| <u>Arab National Bank ("ANB") (Shareholder)</u> | | | | |
| Premiums receivable on policies sold through agency agreement with ANB agency | 568 | 18,623 | - | 770 |
| Commission payable on policies sold through agency agreement with ANB agency | (65) | 1,891 | (473) | (595) |
| Commitments and Contingencies (Letters of Guarantee) | 500 | - | 2,231 | 1,763 |
| Time Deposits | 48,000 | - | 12,000 | - |
| Commission income on deposits | 254 | 1,110 | 85 | - |
| Special commission income on held to maturity | - | 273 | - | - |
| <u>American International Group ("AIG")</u> | | | | |
| Reinsurance premiums payable & XOL | 10,909 | 8,261 | (15,860) | (12,207) |
| Reinsurance commission | (2,431) | (2,086) | - | - |
| Reinsurance share of paid claims | (402) | (17) | - | - |
| General and administrative expenses paid on behalf of the Company and recharged to the Company | (4) | 384 | (52) | (56) |
| <u>MetLife (Shareholder)</u> | | | | |
| General and administrative expenses paid on behalf of the Company and recharged to the Company | - | 150 | 246 | 133 |
| Administration Fees Income (portfolio transfer) | 804 | 722 | - | - |
| <u>Entities controlled, jointly controlled or significantly influenced by related parties</u> | | | | |
| <u>Delaware American Life Insurance Company</u> | | | | |
| Reinsurance premiums payable | 1,346 | 5,793 | (2,827) | (6,588) |
| Reinsurance commission | (947) | (900) | - | - |
| Reinsurance share of paid claims | (3,735) | (4,872) | - | - |
| <u>American Life Insurance Company "ALICO"</u> | | | | |
| <u>(Owned 100% by MetLife)</u> | | | | |
| Reinsurance premiums payable/ receivable | 3,260 | 4,582 | (1,748) | (2,176) |
| Reinsurance commission | (887) | (1,132) | - | - |
| Reinsurance share of paid claims | (12,961) | (24,334) | - | - |

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15 Related party transactions and balances

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the six month period ended June 30, 2019 and 2018:

Six month period ended June 30, 2019 (Unaudited)

| | BOD members (Non-Executive) | Top Executives including the CEO and CFO |
|---|--|---|
| | SAR 000 | |
| Salaries and compensation | - | 2,018 |
| Board of Directors and Committees' fees | 452 | - |
| | 452 | 2,018 |

Six month period ended June 30, 2018 (Unaudited)

| | BOD members (Non-Executive) | Top Executives including the CEO and CFO |
|---|--|---|
| | SAR 000 | |
| Salaries and compensation | - | 3,331 |
| Board of Directors and Committees' fees | 494 | - |
| | 494 | 3,331 |

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16 FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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 takes place either:

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the financial information.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

| SAR'000s | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|--------|
| June 30, 2019 (Unaudited) | | | | |
| Financial assets not measured at fair value (2) (3) | | | | |
| - Available for sale | - | - | 3,175 | 3,175 |
| | - | - | 3,175 | 3,175 |
| SAR'000s | Level 1 | Level 2 | Level 3 | Total |
| December 31, 2018 (Audited) | | | | |
| Financial assets not measured at fair value (2) (3) | | | | |
| - Available for sale | - | 14,478 | 3,175 | 17,653 |
| | - | 14,478 | 3,175 | 17,653 |

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

17 SEGMENT INFORMATION

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

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

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

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

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

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FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

As at June 30, 2019

(Unaudited)

17 Operating segments

Assets

| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Unallocated | Total - Insurance Operations | Shareholders' Operations | Total |
|--|----------------------|------------------|-----------------|-------------------------|---------------|------------------------------|--------------------------|----------------|
| | SAR'000 | | | | | | | |
| Cash and cash equivalents | - | - | - | - | 57,722 | 57,722 | 22,522 | 80,244 |
| Short term deposits | - | - | - | - | 3,020 | 3,020 | - | 3,020 |
| Premiums and re-insurance balances receivable | 1,235 | 108 | 752 | 6,059 | - | 8,154 | - | 8,154 |
| Re-insurance share of unearned Premiums | 343 | 7,921 | - | 15,050 | - | 23,314 | - | 23,314 |
| Re-insurance share of outstanding claims | 15,889 | - | - | 3,717 | - | 19,606 | - | 19,606 |
| Re-insurers' share of claims Incurred but not reported | 707 | 4,422 | - | 17,029 | - | 22,158 | - | 22,158 |
| Re-insurance share of mathematical reserve | 168,175 | - | - | - | - | 168,175 | - | 168,175 |
| Deferred policy acquisition costs | 282 | 1,234 | 194 | 1,475 | - | 3,185 | - | 3,185 |
| Investments | - | - | - | - | - | - | 3,175 | 3,175 |
| Due from related parties | 609 | - | - | - | (363) | 246 | - | 246 |
| Prepaid expenses and other assets | 44 | 913 | 1,117 | 166 | 6,254 | 8,494 | 1,068 | 9,562 |
| Long term/ fixed income deposits | - | - | - | - | - | - | 89,000 | 89,000 |
| Property and equipment | - | - | - | - | 1,599 | 1,599 | - | 1,599 |
| Intangible assets | - | - | - | - | 629 | 629 | - | 629 |
| Statutory deposit | - | - | - | - | - | - | 35,000 | 35,000 |
| Accrued commission on statutory deposit | - | - | - | - | - | - | 2,653 | 2,653 |
| Total assets | 187,284 | 14,598 | 2,063 | 43,496 | 68,861 | 316,302 | 153,418 | 469,720 |

Liabilities

| | | | | | | | | |
|--|----------------|---------------|---------------|---------------|-----------------|----------------|--------------|----------------|
| Policyholders claims payable | - | 6,555 | 80 | - | (1,028) | 5,607 | - | 5,607 |
| Payables, accruals and others | 1,657 | 19,988 | 3,404 | 7,601 | (15,717) | 16,933 | 3,326 | 20,259 |
| Re-insurance balances payable | 1,801 | 3,202 | 30 | 16,589 | 2,526 | 24,148 | - | 24,148 |
| Gross unearned premiums | 2,244 | 16,234 | 2,008 | 15,826 | - | 36,312 | - | 36,312 |
| Unearned reinsurance commission income | 64 | 735 | - | 3,057 | - | 3,856 | - | 3,856 |
| Gross outstanding claims | 18,640 | 75 | 1,623 | 4,465 | - | 24,803 | - | 24,803 |
| Gross claims incurred but not reported | 919 | 7,509 | 4,336 | 18,798 | - | 31,562 | - | 31,562 |
| Gross mathematical reserves | 168,175 | - | - | - | - | 168,175 | - | 168,175 |
| Due to related parties | - | - | - | (23) | 75 | 52 | - | 52 |
| Provision for zakat and income tax | - | - | - | - | - | - | 2,082 | 2,082 |
| End of service indemnities | - | - | - | - | 3,658 | 3,658 | - | 3,658 |
| Accrued commission payable to SAMA | - | - | - | - | - | - | 2,653 | 2,653 |
| Total liabilities | 193,500 | 54,298 | 11,481 | 66,313 | (10,486) | 315,106 | 8,061 | 323,167 |

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As at December 31, 2018

(Audited)

17 Operating segments

| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Unallocated | Total - Insurance Operations | Shareholders' Operations | Total |
|--|----------------------|------------------|-----------------|-------------------------|---------------|------------------------------|--------------------------|----------------|
| | SAR'000 | | | | | | | |
| Assets | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | 40,620 | 40,620 | 15,685 | 56,305 |
| Short term deposits | - | - | - | - | 35,139 | 35,139 | - | 35,139 |
| Premiums and re-insurance balances receivable | (269) | 5,018 | 1,925 | 12,579 | - | 19,253 | - | 19,253 |
| Re-insurance share of unearned Premiums | 161 | 9,408 | - | 12,848 | - | 22,417 | - | 22,417 |
| Re-insurance share of outstanding claims | 15,431 | - | - | 4,026 | - | 19,457 | - | 19,457 |
| Re-insurers' share of claims Incurred but not reported | 548 | 3,253 | - | 20,241 | - | 24,042 | - | 24,042 |
| Re-insurance share of mathematical reserve | 176,787 | - | - | - | - | 176,787 | - | 176,787 |
| Deferred policy acquisition costs | 108 | 931 | 349 | 1,196 | - | 2,584 | - | 2,584 |
| Investments | - | - | - | - | - | - | 17,653 | 17,653 |
| Due from related parties | - | - | - | - | 133 | 133 | - | 133 |
| Prepaid expenses and other assets | 38 | 1,274 | 2,090 | 207 | 6,255 | 9,864 | 829 | 10,693 |
| Long term/ fixed income deposits | - | - | - | - | - | - | 89,000 | 89,000 |
| Property and equipment | - | - | - | - | 2,158 | 2,158 | - | 2,158 |
| Intangible assets | - | - | - | - | 763 | 763 | - | 763 |
| Statutory deposit | - | - | - | - | - | - | 35,000 | 35,000 |
| Accrued commission on statutory deposit | - | - | - | - | - | - | 1,935 | 1,935 |
| Total assets | 192,804 | 19,884 | 4,364 | 51,097 | 85,068 | 353,217 | 160,102 | 513,319 |
| Liabilities | | | | | | | | |
| Policyholders claims payable | - | 5,068 | 80 | - | - | 5,148 | - | 5,148 |
| Payables, accruals and others | 1,229 | 2,541 | 3,569 | 5,991 | 149 | 13,479 | 2,049 | 15,528 |
| Re-insurance balances payable | 6,152 | 13,353 | 15 | 16,564 | - | 36,084 | - | 36,084 |
| Gross unearned premiums | 928 | 17,033 | 2,781 | 15,119 | - | 35,861 | - | 35,861 |
| Unearned reinsurance commission income | 36 | 894 | - | 2,998 | - | 3,928 | - | 3,928 |
| Gross outstanding claims | 18,871 | 177 | 3,761 | 4,796 | - | 27,605 | - | 27,605 |
| Gross claims incurred but not reported | 1,186 | 20,948 | 5,241 | 22,654 | - | 50,029 | - | 50,029 |
| Gross mathematical reserves | 176,787 | - | - | - | - | 176,787 | - | 176,787 |
| Due to related parties | - | - | - | - | 56 | 56 | - | 56 |
| Provision for zakat and income tax | - | - | - | - | - | - | 2,593 | 2,593 |
| End of service indemnities | - | - | - | - | 3,898 | 3,898 | - | 3,898 |
| Accrued commission payable to SAMA | - | - | - | - | - | - | 1,935 | 1,935 |
| Total liabilities | 205,189 | 60,014 | 15,447 | 68,122 | 4,103 | 352,875 | 6,577 | 359,452 |

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FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

For the three month period ended June 30, 2019

(Unaudited)

17 Operating segments

| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Total Insurance Operations | Shareholders' Operations | Total |
|--|-------------------------|---------------------|--------------------|-------------------------------|----------------------------------|-----------------------------|----------------|
| | SAR'000 | | | | | | |
| <u>REVENUES</u> | | | | | | | |
| Gross premiums written | 4,180 | 5,402 | 1,000 | 6,958 | 17,540 | - | 17,540 |
| Re-insurance premiums ceded - foreign | (2,385) | (946) | - | (6,208) | (9,539) | - | (9,539) |
| Excess of loss expenses - foreign | (15) | - | - | (21) | (36) | - | (36) |
| Net written premiums | 1,780 | 4,456 | 1,000 | 729 | 7,965 | - | 7,965 |
| Changes in unearned premiums, net | (937) | (669) | 137 | (167) | (1,636) | - | (1,636) |
| Net earned premiums | 843 | 3,787 | 1,137 | 562 | 6,329 | - | 6,329 |
| Re-insurance commissions | 715 | 1,275 | - | 1,576 | 3,566 | - | 3,566 |
| Other underwriting income | 463 | - | 768 | 20 | 1,251 | - | 1,251 |
| <u>TOTAL REVENUES</u> | 2,021 | 5,062 | 1,905 | 2,158 | 11,146 | - | 11,146 |
| <u>UNDERWRITING COSTS AND EXPENSES</u> | | | | | | | |
| Gross claims paid | (1,049) | (9,958) | (1,181) | (381) | (12,569) | - | (12,569) |
| Surrenders and maturities | (5,868) | - | - | - | (5,868) | - | (5,868) |
| Expenses incurred related to claims | - | 492 | (89) | (294) | 109 | - | 109 |
| Re-insurers' share of claims paid | 6,224 | 4,650 | - | 323 | 11,197 | - | 11,197 |
| Net claims paid | (693) | (4,816) | (1,270) | (352) | (7,131) | - | (7,131) |
| Changes in outstanding claims, net | 443 | 93 | 1,829 | (242) | 2,123 | - | 2,123 |
| Changes in incurred but not reported claims, net | 98 | 5,125 | (493) | 633 | 5,363 | - | 5,363 |
| Net claims incurred | (152) | 402 | 66 | 39 | 355 | - | 355 |
| Changes in premium deficiency reserves | - | - | - | - | - | - | - |
| Policy acquisition costs | (300) | (607) | (135) | (280) | (1,322) | - | (1,322) |
| Inspection and supervisory fees | (14) | (122) | (6) | (43) | (185) | - | (185) |
| Other underwriting expenses | - | (87) | (6) | - | (93) | - | (93) |
| <u>TOTAL UNDERWRITING COSTS AND EXPENSES</u> | (466) | (414) | (81) | (284) | (1,245) | - | (1,245) |
| NET UNDERWRITING INCOME | 1,555 | 4,648 | 1,824 | 1,874 | 9,901 | - | 9,901 |
| <u>OTHER OPERATING (EXPENSES)/ INCOME</u> | | | | | | | |
| Reversal of / (Allowance for) doubtful debt | (187) | (339) | (206) | 977 | 245 | - | 245 |
| General and administrative expenses | - | - | - | - | (10,332) | (754) | (11,086) |
| Special commission income on deposits | - | - | - | - | 265 | 1,089 | 1,354 |
| Gain / (Loss) on Investments | - | - | - | - | - | 146 | 146 |
| <u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u> | | | | | (9,822) | 481 | (9,341) |
| <u>NET SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS</u> | | | | | 79 | 481 | 560 |
| Shareholders' appropriation from deficit | | | | | (79) | 79 | - |
| <u>NET RESULT FOR THE PERIOD AFTER SHAREHOLDER's ATTRIBUTION BEFORE ZAKAT</u> | | | | | - | 560 | 560 |
| Zakat expense for the period | | | | | - | (400) | (400) |
| <u>NET RESULT FOR THE PERIOD AFTER ZAKAT</u> | | | | | - | 160 | 160 |

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For the six month period ended June 30, 2019

(Unaudited)

17 Operating segments

| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Total Insurance Operations | Shareholders' Operations | Total |
|--|-------------------------|---------------------|--------------------|-------------------------------|----------------------------------|-----------------------------|-----------------|
| | SAR'000 | | | | | | |
| <u>REVENUES</u> | | | | | | | |
| Gross premiums written | 6,611 | 17,981 | 2,000 | 19,001 | 45,593 | - | 45,593 |
| Re-insurance premiums ceded - foreign | (3,777) | (7,399) | - | (17,779) | (28,955) | - | (28,955) |
| Excess of loss expenses - foreign | (15) | - | (15) | (45) | (75) | - | (75) |
| Net written premiums | 2,819 | 10,582 | 1,985 | 1,177 | 16,563 | - | 16,563 |
| Changes in unearned premiums, net | (1,133) | (687) | 773 | 1,493 | 446 | - | 446 |
| Net earned premiums | 1,686 | 9,895 | 2,758 | 2,670 | 17,009 | - | 17,009 |
| Re-insurance commissions | 570 | 1,107 | - | 3,394 | 5,071 | - | 5,071 |
| Other underwriting income | 804 | - | 1,193 | 26 | 2,023 | - | 2,023 |
| <u>TOTAL REVENUES</u> | 3,060 | 11,002 | 3,951 | 6,090 | 24,103 | - | 24,103 |
| <u>UNDERWRITING COSTS AND EXPENSES</u> | | | | | | | |
| Gross claims paid | (2,216) | (31,113) | (3,094) | (1,530) | (37,953) | - | (37,953) |
| Surrenders and maturities | (12,961) | - | - | - | (12,961) | - | (12,961) |
| Expenses incurred related to claims | - | (671) | (89) | - | (760) | - | (760) |
| Re-insurers' share of claims paid | 14,750 | 7,385 | - | 1,430 | 23,565 | - | 23,565 |
| Net claims paid | (427) | (24,399) | (3,183) | (100) | (28,109) | - | (28,109) |
| Changes in outstanding claims, net | 689 | 102 | 2,137 | 23 | 2,951 | - | 2,951 |
| Changes in incurred but not reported claims, net | 426 | 14,607 | 905 | 645 | 16,583 | - | 16,583 |
| Net claims incurred | 688 | (9,690) | (141) | 568 | (8,575) | - | (8,575) |
| Changes in premium deficiency reserves | - | - | - | - | - | - | - |
| Policy acquisition costs | (421) | (1,323) | (327) | (840) | (2,911) | - | (2,911) |
| Inspection and supervisory fees | (26) | (284) | (14) | (100) | (424) | - | (424) |
| Other underwriting expenses | - | (164) | (8) | - | (172) | - | (172) |
| <u>TOTAL UNDERWRITING COSTS AND EXPENSES</u> | 241 | (11,461) | (490) | (372) | (12,082) | - | (12,082) |
| NET UNDERWRITING INCOME / (LOSS) | 3,301 | (459) | 3,461 | 5,718 | 12,021 | - | 12,021 |
| <u>OTHER OPERATING (EXPENSES)/ INCOME</u> | | | | | | | |
| Reversal of / (Allowance for) doubtful debt | (152) | (651) | 30 | 3,011 | 2,238 | - | 2,238 |
| General and administrative expenses | - | - | - | - | (22,424) | (1,244) | (23,668) |
| Special commission income on deposits | - | - | - | - | 546 | 2,077 | 2,623 |
| Gain / (Loss) on Investments | - | - | - | - | - | 146 | 146 |
| <u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u> | | | | | (19,640) | 979 | (18,661) |
| <u>NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATIONS</u> | | | | | (7,619) | 979 | (6,640) |
| Shareholders' appropriation from deficit | | | | | 7,619 | (7,619) | - |
| <u>NET RESULT FOR THE PERIOD AFTER SHAREHOLDER's ATTRIBUTION BEFORE ZAKAT</u> | | | | | - | (6,640) | (6,640) |
| Zakat expense for the period | | | | | | (800) | (800) |
| <u>NET RESULT FOR THE PERIOD AFTER ZAKAT</u> | | | | | - | (7,440) | (7,440) |

METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

For the three month period ended June 30, 2018

17 Operating segments

| | (Unaudited) | | | | | |
|---|-------------------------|---------------------|--------------------|-------------------------------|----------------------------------|-----------------------------|
| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Total Insurance Operations | Shareholders' operations |
| | (Restated) | | | | | |
| | SAR'000 | | | | | |
| REVENUES | | | | | | |
| Gross premiums written | 6,488 | 12,413 | 944 | 5,991 | 25,836 | - |
| Re-insurance premiums ceded - foreign | (4,623) | 357 | - | (5,570) | (9,836) | - |
| Excess of loss expenses - foreign | - | - | (2) | (1) | (3) | - |
| Net written premiums | 1,865 | 12,770 | 942 | 420 | 15,997 | - |
| Changes in unearned premiums, net | 1,192 | 37,686 | 5,027 | 291 | 44,196 | - |
| Net earned premiums | 3,057 | 50,456 | 5,969 | 711 | 60,193 | - |
| Re-insurance commissions | 454 | 174 | - | 1,210 | 1,838 | - |
| Other underwriting income | 351 | - | 851 | 33 | 1,235 | - |
| TOTAL REVENUES | 3,862 | 50,630 | 6,820 | 1,954 | 63,266 | - |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (5,559) | (57,539) | (4,851) | (54) | (68,003) | - |
| Surrenders and maturities | (11,014) | - | - | - | (11,014) | - |
| Expenses incurred related to claims | - | (1,625) | - | - | (1,625) | - |
| Re-insurers' share of claims paid | 13,512 | 2,053 | - | 26 | 15,591 | - |
| Net claims paid | (3,061) | (57,111) | (4,851) | (28) | (65,051) | - |
| Changes in outstanding claims, net | 411 | 329 | (230) | (39) | 471 | - |
| Changes in incurred but not reported claims, net | 92 | 13,099 | 593 | 6 | 13,790 | - |
| Net claims incurred | (2,558) | (43,683) | (4,488) | (61) | (50,790) | - |
| Changes in premium deficiency reserves | - | 4,267 | - | - | 4,267 | - |
| Policy acquisition costs | (533) | (4,129) | (617) | (618) | (5,897) | - |
| Inspection and supervisory fees | (36) | (771) | (30) | (46) | (883) | - |
| Other underwriting expenses | - | (252) | (21) | - | (273) | - |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (3,127) | (44,568) | (5,156) | (725) | (53,576) | - |
| NET UNDERWRITING INCOME/ (LOSS) | 735 | 6,062 | 1,664 | 1,229 | 9,690 | - |
| OTHER OPERATING EXPENSES | | | | | | |
| Reversal of / (Allowance for) doubtful debt | (264) | 1,207 | 144 | 17 | 1,104 | - |
| General and administrative expenses | - | - | - | - | (13,541) | (531) |
| Special commission income on deposits | - | - | - | - | 898 | 1,093 |
| TOTAL OTHER OPERATING (EXPENSES)/ INCOME | | | | | (11,539) | 562 |
| NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATIONS | | | | | (1,849) | 562 |
| Shareholders' appropriation from deficit | | | | | 1,849 | (1,849) |
| NET RESULT FOR THE PERIOD AFTER SHAREHOLDER's ATTRIBUTION BEFORE ZAKAT | | | | | - | (1,287) |
| Zakat expense for the period | | | | | - | (480) |
| NET RESULT FOR THE PERIOD AFTER ZAKAT | | | | | - | (1,767) |

METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

For the six month period ended June 30, 2018

17 Operating segments

| | (Unaudited) | | | | | | |
|--|-------------------------|---------------------|--------------------|-------------------------------|----------------------------------|-----------------------------|------------------|
| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Total Insurance Operations | Shareholders' operations | Total |
| | (Restated) | | | | | | |
| | SAR'000 | | | | | | |
| <u>REVENUES</u> | | | | | | | |
| Gross premiums written | 15,845 | 78,923 | 9,428 | 22,153 | 126,349 | - | 126,349 |
| Re-insurance premiums ceded - foreign | (9,772) | (5,375) | - | (18,514) | (33,661) | - | (33,661) |
| Excess of loss expenses - foreign | - | - | (376) | (398) | (774) | - | (774) |
| Net written premiums | 6,073 | 73,548 | 9,052 | 3,241 | 91,914 | - | 91,914 |
| Changes in unearned premiums, net | (776) | 35,809 | 5,186 | 424 | 40,643 | - | 40,643 |
| Net earned premiums | 5,297 | 109,357 | 14,238 | 3,665 | 132,557 | - | 132,557 |
| Re-insurance commissions | 1,596 | 584 | - | 4,226 | 6,406 | - | 6,406 |
| Other underwriting income | 722 | - | 1,375 | 66 | 2,163 | - | 2,163 |
| <u>TOTAL REVENUES</u> | 7,615 | 109,941 | 15,613 | 7,957 | 141,126 | - | 141,126 |
| <u>UNDERWRITING COSTS AND EXPENSES</u> | | | | | | | |
| Gross claims paid | (7,842) | (108,337) | (10,820) | (160) | (127,159) | - | (127,159) |
| Surrenders and maturities | (24,334) | - | - | - | (24,334) | - | (24,334) |
| Expenses incurred related to claims | - | (3,565) | - | - | (3,565) | - | (3,565) |
| Re-insurers' share of claims paid | 27,439 | 2,808 | - | 112 | 30,359 | - | 30,359 |
| Net claims paid | (4,737) | (109,094) | (10,820) | (48) | (124,699) | - | (124,699) |
| Changes in outstanding claims, net | (498) | 478 | (2,798) | (90) | (2,908) | - | (2,908) |
| Changes in incurred but not reported claims, net | 112 | 796 | 1,201 | (769) | 1,340 | - | 1,340 |
| Net claims incurred | (5,123) | (107,820) | (12,417) | (907) | (126,267) | - | (126,267) |
| Changes in premium deficiency reserves | - | 3,080 | - | - | 3,080 | - | 3,080 |
| Policy acquisition costs | (909) | (8,649) | (1,521) | (1,963) | (13,042) | - | (13,042) |
| Inspection and supervisory fees | (72) | (1,682) | (73) | (120) | (1,947) | - | (1,947) |
| Other underwriting expenses | - | (607) | (59) | - | (666) | - | (666) |
| <u>TOTAL UNDERWRITING COSTS AND EXPENSES</u> | (6,104) | (115,678) | (14,070) | (2,990) | (138,842) | - | (138,842) |
| NET UNDERWRITING INCOME/ (LOSS) | 1,511 | (5,737) | 1,543 | 4,967 | 2,284 | - | 2,284 |
| <u>OTHER OPERATING EXPENSES</u> | | | | | | | |
| Reversal of / (Allowance for) doubtful debt | (185) | 1,413 | 91 | 426 | 1,745 | - | 1,745 |
| General and administrative expenses | - | - | - | - | (23,896) | (929) | (24,825) |
| Special commission income on deposits | - | - | - | - | 1,665 | 2,255 | 3,920 |
| <u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u> | | | | | (20,486) | 1,326 | (19,160) |
| <u>NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATIONS</u> | | | | | (18,202) | 1,326 | (16,876) |
| Shareholders' appropriation from deficit | | | | | 18,202 | (18,202) | - |
| <u>NET RESULT FOR THE PERIOD AFTER SHAREHOLDER's ATTRIBUTION BEFORE ZAKAT</u> | | | | | - | (16,876) | (16,876) |
| Zakat expense for the period | | | | | - | (960) | (960) |
| <u>NET RESULT FOR THE PERIOD AFTER ZAKAT</u> | | | | | - | (17,836) | (17,836) |

**METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE
INSURANCE COMPANY**

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

| 17 Operating segments | For the three month period ended June 30, 2019 | | | | |
|--|--|---------------------|---------------------|-------------------------------|----------------------------------|
| | (Unaudited) | | | | |
| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Total Insurance Operations |
| | SAR'000 | | | | |
| <u>Gross premiums written</u> | | | | | |
| Individual | 1,849 | - | 3 | (83) | 1,769 |
| Small | 57 | 1,001 | 114 | 27 | 1,199 |
| Extremely small | - | (10) | (2) | - | (12) |
| Medium | 656 | 5,305 | 259 | 8 | 6,228 |
| Corporate | 1,618 | (894) | 626 | 7,006 | 8,356 |
| <u>TOTAL GROSS PREMIUMS WRITTEN</u> | <u>4,180</u> | <u>5,402</u> | <u>1,000</u> | <u>6,958</u> | <u>17,540</u> |

| Operating segments | For the six month period ended June 30, 2019 | | | | |
|--|--|----------------------|---------------------|-------------------------------|----------------------------------|
| | (Unaudited) | | | | |
| | Protection & Savings | Health Insurance | Motor Insurance | Other General Insurance | Total Insurance Operations |
| | SAR'000 | | | | |
| <u>Gross premiums written</u> | | | | | |
| Individual | 3,082 | - | 5 | - | 3,087 |
| Small | 60 | 1,313 | 163 | 42 | 1,578 |
| Extremely small | - | (5) | 3 | - | (2) |
| Medium | 656 | 5,305 | 259 | 8 | 6,228 |
| Corporate | 2,813 | 11,368 | 1,570 | 18,951 | 34,702 |
| <u>TOTAL GROSS PREMIUMS WRITTEN</u> | <u>6,611</u> | <u>17,981</u> | <u>2,000</u> | <u>19,001</u> | <u>45,593</u> |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

18 SUPPLEMENTARY INFORMATION

STATEMENT OF FINANCIAL POSITION

| | SAR '000 | | | | | |
|--|----------------------|--------------------------|----------------|----------------------|--------------------------|----------------|
| | June 30, 2019 | | | December 31, 2018 | | |
| | (Unaudited) | | | (Audited) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| ASSETS | | | | | | |
| Cash and cash equivalents | 57,722 | 22,522 | 80,244 | 40,620 | 15,685 | 56,305 |
| Short term deposits | 3,020 | - | 3,020 | 35,139 | - | 35,139 |
| Premiums and re-insurance balances receivable | 8,154 | - | 8,154 | 19,253 | - | 19,253 |
| Re-insurance share of unearned premiums | 23,314 | - | 23,314 | 22,417 | - | 22,417 |
| Re-insurance share of outstanding claims | 19,606 | - | 19,606 | 19,457 | - | 19,457 |
| Re-insurers' share of claims Incurred but not reported | 22,158 | - | 22,158 | 24,042 | - | 24,042 |
| Re-insurance share of mathematical reserve | 168,175 | - | 168,175 | 176,787 | - | 176,787 |
| Deferred policy acquisition costs | 3,185 | - | 3,185 | 2,584 | - | 2,584 |
| Investments | - | 3,175 | 3,175 | - | 17,653 | 17,653 |
| Due (to)/ from shareholders' / insurance operations | - | 821 | 821 | 33 | - | 33 |
| Due from related parties | 246 | - | 246 | 133 | - | 133 |
| Prepaid expenses and other assets | 8,494 | 1,068 | 9,562 | 9,864 | 829 | 10,693 |
| Long term/ fixed income deposits | - | 89,000 | 89,000 | - | 89,000 | 89,000 |
| Property and equipment | 1,599 | - | 1,599 | 2,158 | - | 2,158 |
| Intangible assets | 629 | - | 629 | 763 | - | 763 |
| Statutory deposit | - | 35,000 | 35,000 | - | 35,000 | 35,000 |
| Accrued commission on statutory deposit | - | 2,653 | 2,653 | - | 1,935 | 1,935 |
| TOTAL ASSETS | 316,302 | 154,239 | 470,541 | 353,250 | 160,102 | 513,352 |
| LIABILITIES | | | | | | |
| Policyholders claims payable | 5,607 | - | 5,607 | 5,148 | - | 5,148 |
| Payables, accruals and others | 16,933 | 3,326 | 20,259 | 13,479 | 2,049 | 15,528 |
| Re-insurance balances payable | 24,148 | - | 24,148 | 36,084 | - | 36,084 |
| Gross unearned premiums | 36,312 | - | 36,312 | 35,861 | - | 35,861 |
| Unearned reinsurance commission income | 3,856 | - | 3,856 | 3,928 | - | 3,928 |
| Gross outstanding claims | 24,803 | - | 24,803 | 27,605 | - | 27,605 |
| Gross claims incurred but not reported | 31,562 | - | 31,562 | 50,029 | - | 50,029 |
| Gross mathematical reserves | 168,175 | - | 168,175 | 176,787 | - | 176,787 |
| Due to related parties | 52 | - | 52 | 56 | - | 56 |
| Due to/from insurance/shareholders operations | 821 | - | 821 | - | 33 | 33 |
| Provision for zakat and income tax | - | 2,082 | 2,082 | - | 2,593 | 2,593 |
| End of service indemnities | 3,658 | - | 3,658 | 3,898 | - | 3,898 |
| Accrued commission payable to SAMA | - | 2,653 | 2,653 | - | 1,935 | 1,935 |
| TOTAL LIABILITIES | 315,927 | 8,061 | 323,988 | 352,875 | 6,610 | 359,485 |
| EQUITY | | | | | | |
| Share capital | - | 180,000 | 180,000 | - | 180,000 | 180,000 |
| Statutory reserve | - | - | - | - | - | - |
| Accumulated deficit | - | (33,822) | (33,822) | - | (26,382) | (26,382) |
| Remeasurement reserve for end of service indemnities | 375 | - | 375 | 375 | - | 375 |
| Fair value reserve -Available for investments | - | - | - | - | (126) | (126) |
| TOTAL EQUITY | 375 | 146,178 | 146,553 | 375 | 153,492 | 153,867 |
| TOTAL LIABILITIES AND EQUITY | 316,302 | 154,239 | 470,541 | 353,250 | 160,102 | 513,352 |

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**

**18 SUPPLEMENTARY INFORMATION
STATEMENT OF INCOME**

| | For the three month period ended June 30 | | | | | |
|---|--|--------------------------|----------------|----------------------|--------------------------|-----------------|
| | SAR '000 | | | | | |
| | 2019 | | | 2018 | | |
| | (Unaudited) | | | (Unaudited) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| REVENUES | | | | | | |
| Gross written premiums | 17,540 | - | 17,540 | 25,836 | - | 25,836 |
| Re-insurance premiums ceded - foreign | (9,539) | - | (9,539) | (9,836) | - | (9,836) |
| Excess of loss expenses – foreign | (36) | - | (36) | (3) | - | (3) |
| Net written premiums | 7,965 | - | 7,965 | 15,997 | - | 15,997 |
| Changes in unearned premiums, net | (1,636) | - | (1,636) | 44,196 | - | 44,196 |
| Net premiums earned | 6,329 | - | 6,329 | 60,193 | - | 60,193 |
| Re-insurance commissions | 3,566 | - | 3,566 | 1,838 | - | 1,838 |
| Other underwriting income | 1,251 | - | 1,251 | 1,235 | - | 1,235 |
| TOTAL REVENUES | 11,146 | - | 11,146 | 63,266 | - | 63,266 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (12,569) | - | (12,569) | (68,003) | - | (68,003) |
| Surrenders and maturities | (5,868) | - | (5,868) | (11,014) | - | (11,014) |
| Expenses incurred related to claims | 109 | - | 109 | (1,625) | - | (1,625) |
| Reinsurers' share of claims paid | 11,197 | - | 11,197 | 15,591 | - | 15,591 |
| Net claims and other benefits paid | (7,131) | - | (7,131) | (65,051) | - | (65,051) |
| Changes in outstanding claims, net | 2,123 | - | 2,123 | 471 | - | 471 |
| Changes in incurred but not reported claims, net | 5,363 | - | 5,363 | 13,790 | - | 13,790 |
| Net claims and other benefits incurred | 355 | - | 355 | (50,790) | - | (50,790) |
| Change in premium deficiency reserve | - | - | - | 4,267 | - | 4,267 |
| Policy acquisition costs | (1,322) | - | (1,322) | (5,897) | - | (5,897) |
| Inspection and supervisory fees | (185) | - | (185) | (883) | - | (883) |
| Other underwriting expenses | (93) | - | (93) | (273) | - | (273) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (1,245) | - | (1,245) | (53,576) | - | (53,576) |
| NET UNDERWRITING INCOME/ (LOSS) | 9,901 | - | 9,901 | 9,690 | - | 9,690 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | |
| Reversal of / (Allowance for) doubtful debt | 245 | - | 245 | 1,104 | - | 1,104 |
| General and administrative expenses | (10,332) | (754) | (11,086) | (13,541) | (531) | (14,072) |
| Special commission income on deposits | 265 | 1,089 | 1,354 | 898 | 1,093 | 1,991 |
| Gain / (Loss) on Investments | - | 146 | 146 | - | - | - |
| TOTAL OTHER OPERATING (EXPENSES)/ INCOME | (9,822) | 481 | (9,341) | (11,539) | 562 | (10,977) |
| NET SURPLUS / (DEFICIT) FOR THE PERIOD FROM INSURANCE OPERATIONS | 79 | 481 | 560 | (1,849) | 562 | (1,287) |
| Shareholders' appropriation from deficit | (79) | 79 | - | 1,849 | (1,849) | - |
| NET RESULT FOR THE PERIOD AFTER SHAREHOLDER's ATTRIBUTION BEFORE ZAKAT | - | 560 | 560 | - | (1,287) | (1,287) |
| Zakat expense for the period | - | (400) | (400) | - | (480) | (480) |
| NET RESULT FOR THE PERIOD AFTER ZAKAT | - | 160 | 160 | - | (1,767) | (1,767) |

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**

**18 SUPPLEMENTARY INFORMATION
STATEMENT OF INCOME**

| | For the six month period ended June 30 | | | | | |
|---|--|--------------------------|----------|----------------------|--------------------------|-----------|
| | SAR '000 | | | | | |
| | 2019 | | | 2018 | | |
| | (Unaudited) | | | (Unaudited) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| REVENUES | | | | | | |
| Gross written premiums | 45,593 | - | 45,593 | 126,349 | - | 126,349 |
| Re-insurance premiums ceded - foreign | (28,955) | - | (28,955) | (33,661) | - | (33,661) |
| Excess of loss expenses – foreign | (75) | - | (75) | (774) | - | (774) |
| Net written premiums | 16,563 | - | 16,563 | 91,914 | - | 91,914 |
| Changes in unearned premiums, net | 446 | - | 446 | 40,643 | - | 40,643 |
| Net premiums earned | 17,009 | - | 17,009 | 132,557 | - | 132,557 |
| Re-insurance commissions | 5,071 | - | 5,071 | 6,406 | - | 6,406 |
| Other underwriting income | 2,023 | - | 2,023 | 2,163 | - | 2,163 |
| TOTAL REVENUES | 24,103 | - | 24,103 | 141,126 | - | 141,126 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (37,953) | - | (37,953) | (127,159) | - | (127,159) |
| Surrenders and maturities | (12,961) | - | (12,961) | (24,334) | - | (24,334) |
| Expenses incurred related to claims | (760) | - | (760) | (3,565) | - | (3,565) |
| Reinsurers' share of claims paid | 23,565 | - | 23,565 | 30,359 | - | 30,359 |
| Net claims and other benefits paid | (28,109) | - | (28,109) | (124,699) | - | (124,699) |
| Changes in outstanding claims, net | 2,951 | - | 2,951 | (2,908) | - | (2,908) |
| Changes in incurred but not reported claims, net | 16,583 | - | 16,583 | 1,340 | - | 1,340 |
| Net claims and other benefits incurred | (8,575) | - | (8,575) | (126,267) | - | (126,267) |
| Change in premium deficiency reserve | - | - | - | 3,080 | - | 3,080 |
| Policy acquisition costs | (2,911) | - | (2,911) | (13,042) | - | (13,042) |
| Inspection and supervisory fees | (424) | - | (424) | (1,947) | - | (1,947) |
| Other underwriting expenses | (172) | - | (172) | (666) | - | (666) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (12,082) | - | (12,082) | (138,842) | - | (138,842) |
| NET UNDERWRITING INCOME/ (LOSS) | 12,021 | - | 12,021 | 2,284 | - | 2,284 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | |
| Reversal of / (Allowance for) doubtful debt | 2,238 | - | 2,238 | 1,745 | - | 1,745 |
| General and administrative expenses | (22,424) | (1,244) | (23,668) | (23,896) | (929) | (24,825) |
| Special commission income on deposits | 546 | 2,077 | 2,623 | 1,665 | 2,255 | 3,920 |
| Gain / (Loss) on Investments | - | 146 | 146 | - | - | - |
| TOTAL OTHER OPERATING (EXPENSES)/ INCOME | (19,640) | 979 | (18,661) | (20,486) | 1,326 | (19,160) |
| NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATIONS | (7,619) | 979 | (6,640) | (18,202) | 1,326 | (16,876) |
| Shareholders' appropriation from deficit | 7,619 | (7,619) | - | 18,202 | (18,202) | - |
| NET RESULT FOR THE PERIOD AFTER SHAREHOLDER's ATTRIBUTION BEFORE ZAKAT | - | (6,640) | (6,640) | - | (16,876) | (16,876) |
| Zakat expense for the period | - | (800) | (800) | - | (960) | (960) |
| NET RESULT FOR THE PERIOD AFTER ZAKAT | - | (7,440) | (7,440) | - | (17,836) | (17,836) |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

18 SUPPLEMENTARY INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

| FOR THE THREE PERIOD ENDED JUNE 30, | | | | | |
|---|---------------------------------|--------------|-----------------------------|---------------------------------|----------------|
| SAR '000 | | | | | |
| 2019 | 2018 | | | | |
| (Unaudited) | (Unaudited) | | | | |
| Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| | | | | | |
| Net result for the period after zakat | - | 160 | 160 | - | (1,767) |
| | | | | | |
| Other comprehensive income / (loss) | | | | | |
| | | | | | |
| Items that will be reclassified to statement of income in subsequent periods | | | | | |
| | | | | | |
| - Net change in fair value- Available for sale investments | - | (16) | (16) | - | - |
| | | | | | |
| <u>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</u> | - | 144 | 144 | - | (1,767) |

**METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

18 SUPPLEMENTARY INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

| FOR THE SIX PERIOD ENDED JUNE 30, | | | | | |
|---|---------------------------------|--------------|-----------------------------|---------------------------------|--------------|
| SAR '000 | | | | | |
| 2019 | | | 2018 | | |
| (Unaudited) | | | (Unaudited) | | |
| Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| | | | | | |
| | | | | (Restated) | |
| Net result for the period after zakat | - | (7,440) | (7,440) | - | (17,836) |
| | | | | | |
| Other comprehensive income / (loss) | | | | | |
| | | | | | |
| Items that will be reclassified to statement of income in subsequent periods | | | | | |
| | | | | | |
| - Net change in fair value- Available for sale investments | - | 126 | 126 | - | - |
| | | | | | |
| <u>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</u> | | | - | (7,314) | (7,314) |
| | | | - | (17,836) | (17,836) |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30

18 SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS

| | For the six month period ended June 30 | | | | | |
|---|--|--------------------------|-----------------|----------------------|--------------------------|----------------|
| | SAR '000 | | | | | |
| | 2019 | | | 2018 | | |
| | (Unaudited) | | | (Unaudited) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Net result for the period before zakat | - | (6,640) | (6,640) | - | (16,876) | (16,876) |
| Adjustments for non-cash items: | | | | | | |
| Shareholders' appropriation from deficit | (7,619) | 7,619 | - | (18,202) | 18,202 | - |
| Depreciation of property and equipment | 534 | - | 534 | 567 | - | 567 |
| Amortization of intangible assets | 164 | - | 164 | 133 | - | 133 |
| Provision for doubtful debts | (2,237) | - | (2,237) | (1,745) | - | (1,745) |
| Amortization of discount / premium on investments | - | (25) | (25) | - | (37) | (37) |
| Provision for end of service indemnities | (28) | - | (28) | 555 | - | 555 |
| | (9,186) | 954 | (8,232) | (18,692) | 1,289 | (17,403) |
| Changes in operating assets and liabilities: | | | | | | |
| Premiums and reinsurers' balances receivable | 13,336 | - | 13,336 | 25,938 | - | 25,938 |
| Reinsurers' share of unearned premiums | (897) | - | (897) | (909) | - | (909) |
| Reinsurers' share of mathematical reserves | 8,612 | - | 8,612 | 24,367 | - | 24,367 |
| Reinsurers' share of outstanding claims | (149) | - | (149) | (4,432) | - | (4,432) |
| Reinsurers' share of claims Incurred but not reported | 1,884 | - | 1,884 | (2,387) | - | (2,387) |
| Deferred policy acquisition costs | (601) | - | (601) | 4,218 | - | 4,218 |
| Deferred excess of loss premiums | - | - | - | - | - | - |
| Due from related parties | (113) | - | (113) | (521) | - | (521) |
| Prepaid expenses and other assets | 1,370 | (239) | 1,131 | 6,848 | 171 | 7,019 |
| Due to/from insurance/shareholders operations | - | (8,473) | (8,473) | - | (17,588) | (17,588) |
| Policyholders claims payable | 459 | - | 459 | 14,783 | - | 14,783 |
| Payables, accruals and others | 3,454 | 1,277 | 4,731 | (1,222) | 823 | (399) |
| Reinsurance balances payable | (11,936) | - | (11,936) | 13,300 | - | 13,300 |
| Gross unearned premiums | 451 | - | 451 | (39,734) | - | (39,734) |
| Unearned reinsurance commission income | (72) | - | (72) | (524) | - | (524) |
| Gross outstanding claims | (2,802) | - | (2,802) | 7,340 | - | 7,340 |
| Gross claims incurred but not reported | (18,467) | - | (18,467) | 1,047 | - | 1,047 |
| Premium deficiency reserve | - | - | - | (3,080) | - | (3,080) |
| Gross mathematical reserves | (8,612) | - | (8,612) | (24,367) | - | (24,367) |
| Due to related parties | (4) | - | (4) | 120 | - | 120 |
| Due to/from shareholders' operations | 8,473 | - | 8,473 | 17,588 | (1,080) | 16,508 |
| | (14,800) | (6,481) | (21,281) | 19,681 | (16,385) | 3,296 |
| Zakat paid | - | (1,311) | (1,311) | - | - | - |
| End of service indemnities paid | (212) | - | (212) | - | - | - |
| Net cash (used in) / generated from operating activities | (15,012) | (7,792) | (22,804) | 19,681 | (16,385) | 3,296 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Disposals in short term deposits | 46,310 | - | 46,310 | 68,119 | 40,000 | 108,119 |
| Additions in short term deposits | (14,191) | - | (14,191) | (44,154) | (12,000) | (56,154) |
| Disposal of Sukuk | - | 14,629 | 14,629 | - | - | - |
| Disposal / (purchase) of property and equipment | 25 | - | 25 | (152) | - | (152) |
| Purchase of intangible assets | (30) | - | (30) | (186) | - | (186) |
| Net cash generated / (used in) from investing activities | 32,114 | 14,629 | 46,743 | 23,627 | 28,000 | 51,627 |
| Net change in cash and cash equivalents | 17,102 | 6,837 | 23,939 | 43,308 | 11,615 | 54,923 |
| Cash and cash equivalents, beginning of the period | 40,620 | 15,685 | 56,305 | 54,284 | 4,737 | 59,021 |
| Cash and cash equivalents, end of the period | 57,722 | 22,522 | 80,244 | 97,592 | 16,352 | 113,944 |
| NON-CASH INFORMATION | | | | | | |
| Unrealized gain / (loss) on available for sale investments | - | 126 | - | - | - | - |

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019**

19 CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize 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.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

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

20 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

21 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company, on 27 Dhul-Qa'dah 1440 H, corresponding to 30 July 2019 G.



Chairman of the
Board of Directors



Chief Executive Officer



Chief Financial Officer