

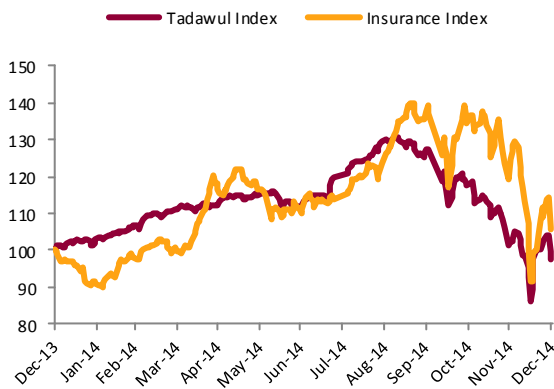
Saudi Insurance Sector Q3 2014

The report depicts the insurance sector's performance in Saudi Arabia during the third quarter of the year 2014. The report also shows the main insurance indicators as gross premium written, net premium earned, claims incurred and net income for the sector and individual companies.

Saudi insurance sector has sustained its growth; fuelled mainly by economic growth and increasing population. The sector is affected by different factors, however the impact relies on the type of insurance. Overall, compulsory insurance dominates in the sector. The range of insurance services is classified into three broad segments including general insurance, medical insurance, as well as preventive and saving insurance. The general insurance segment includes vehicles, marine, aviation, energy, engineering, general accident, responsibilities, property and fire insurance.

The Council of Cooperative Health Insurance approved the modified cooperative medical insurance policy which has been enforced in July 2014. The new policy entailed increasing the credit minimum of insurance policies from SAR 250,000 to SAR500,000 as well as modifying the benefits and prices of the policies to achieve the best benefit for policyholders. Accordingly, insurance companies introduced some price adjustments mid-2014.

Regarding the general insurance, which is highly correlated with economic activities, vehicles insurance is obligatory for the majority of vehicles sold through capital leasing. Accordingly, the growth in vehicles sales has contributed to rising demand for vehicles insurance.



For more information you may contact:

Turki Fadaak
Research & Advisory Manager
tfadaak@albilad-capital.com

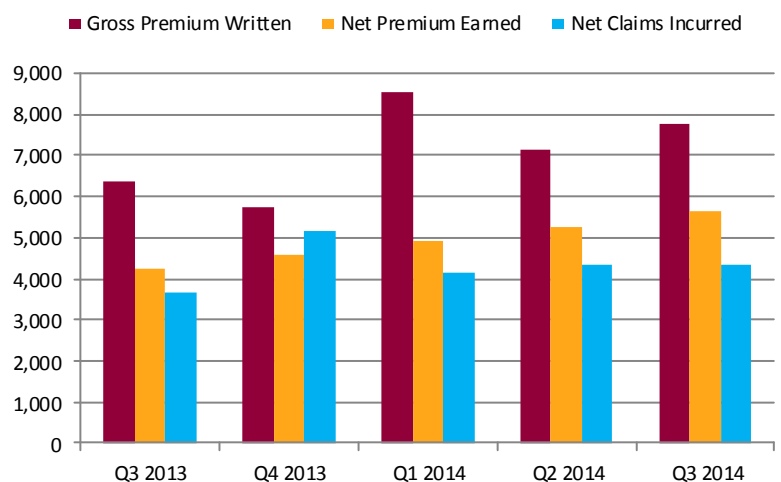
Or Albilad Capital Head Office:

Tel: +966 11 203 9892
Fax: +966 11 479 8453
P.O. Box: 140
Riyadh 11411

Our website:

www.albilad-capital.com/en/research

Insurance Sector Development (SAR Million)



Sector Overview

In 9M 2014, gross premium written increased 23.6% hitting SAR 23,431 million up from SAR 18,952 million in 9M 2013. Medical insurance captured 53.4% of total written premiums during the period up from 51.8% in 9M 2013, as total written premiums of this segment escalated 27% to SAR 12,509 million at the end of September 2014. Vehicles insurance contributed 24.9% of total written premiums registering SAR 5,832 million up 20% YoY. On the other side, gross premium written of savings and preventive insurance reached SAR 701 million, representing 3% of total written premiums. The contribution of marine, engineering and property insurances stood at 1.4%, 2.1% and 4.7%, respectively.

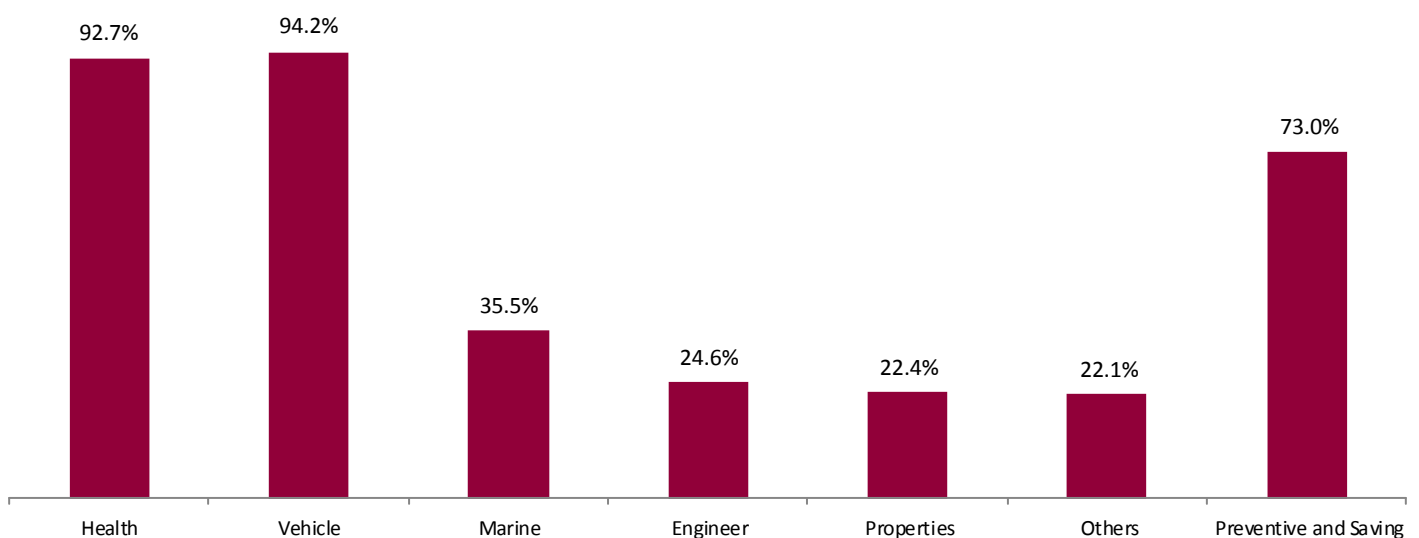
Net premiums written soared 29% to SAR 18,628 million at the end of September 2014 up from SAR 14,448 million in 9M 2013. The contribution of medical insurance surged from 59.9% to 62.2% at the end of September 2014 fueled by a 34% increase in net written medical premiums. Meanwhile, net written premiums for vehicles insurance increased at a lower rate of 21%, thus cutting its contribution to 29.5% down from 31.4% in 9M 2013. As for other segments, the rate of growth stood at 17% for marine insurance as well as engineering insurance, 32% for property insurance, and 57% in the case of saving and preventive insurance.

Sector retention rate surged from 76.23% at the end of September 2013 to 79.5% in 9M 2014 as the ratio reached 92.6% and 94.2% for medical and vehicles insurance, which seized 78.3% of gross written premiums. The retention rate for other main activities stood at 36%, 25% and 23% for marine, engineering and property insurance, respectively.

Gross paid claims soared 23% in 9M 2014 coming in at SAR 14,204 million, while net incurred claims increased 20% to SAR 12,814 million. Medical insurance captured 61% of total incurred claims versus 34% for vehicles insurance.

The sector also manifested a 24.1% increase in net earned premiums to SAR 15,826 million up from SAR 12,750 million in 9M 2013. The contribution of medical insurance reached 61% of net earned premiums in comparison with 31% for vehicle insurance.

Retention Ratio per Segment - 9M 2014



Financial Assessment

During the first nine months of 2014, gross premium written in the sector grew by 23.6% reaching SAR 23,431 million motivated by a 27% increase in medical insurance raising its contribution to 53% of the total amount. Retention ratio increased to 79.5% up from 76.25% in 9M 2013.

The claims ratio* decreased from 81% as of the end of September 2013 to 77.7% in 9M 2014 as the increase in gross premiums written outpaced the 20% increase in net incurred claims. In addition, the expense ratio* sustained its downtrend to 21.6% down from 23.5% in 9M 2013 leading to an improvement in the combined ratio* to 99% down from 104.5% in 9M 2013 which indicates the sector returned to make profits from insurance operations. It is noteworthy that the improvement in the combined ratio has been driven by a relatively lower rate of growth in medical incurred claims (18%) versus the growth in total claims (20%), thus decreasing the contribution of medical insurance in total claims incurred increased from 62.1% in 9M 2013 to 60.8% .

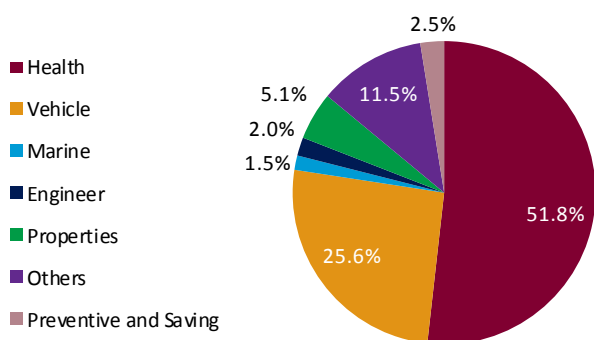
Incurred claims from medical and vehicle insurance operations represented 95% of total claims in 9M 2014.

Regarding insurance operations, the balance sheet of the sector for 9M 2014 showed that total investments as well as cash at banks increased 37.2% and 36.6%, respectively to SAR 7,709 million and SAR 4,816 million. The two items represented 36.8% of total insurance assets. In addition, accounts receivable increased by 23% to reach SAR 8,845 million - constituting 26% of total assets, as of September 2014. as for shareholder assets, total investments and cash at banks grew by 6% and 19% hitting SAR 8,408 and SAR 2,274 respectively. The two assets represented 88% of total assets in September 2014 up from 85.8% in September 2013.

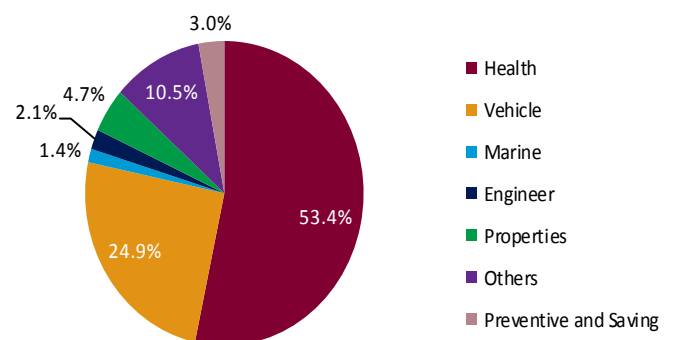
Total liabilities increased 17% as of Septembers 2014 hitting SAR 46,094, of which insurance operations liabilities represented 74%, while shareholders liabilities contributed 26% of total liabilities.

Technical reserves also increased by 24.4% and reached SAR 28,028 million, accounting for 82% of insurance liabilities. Shareholders' equity increased 6% to SAR12,093 at the end of September 2014.

Insurance Market Share per Segment - 9M 2013



Insurance Market Share per Segment - 9M 2014

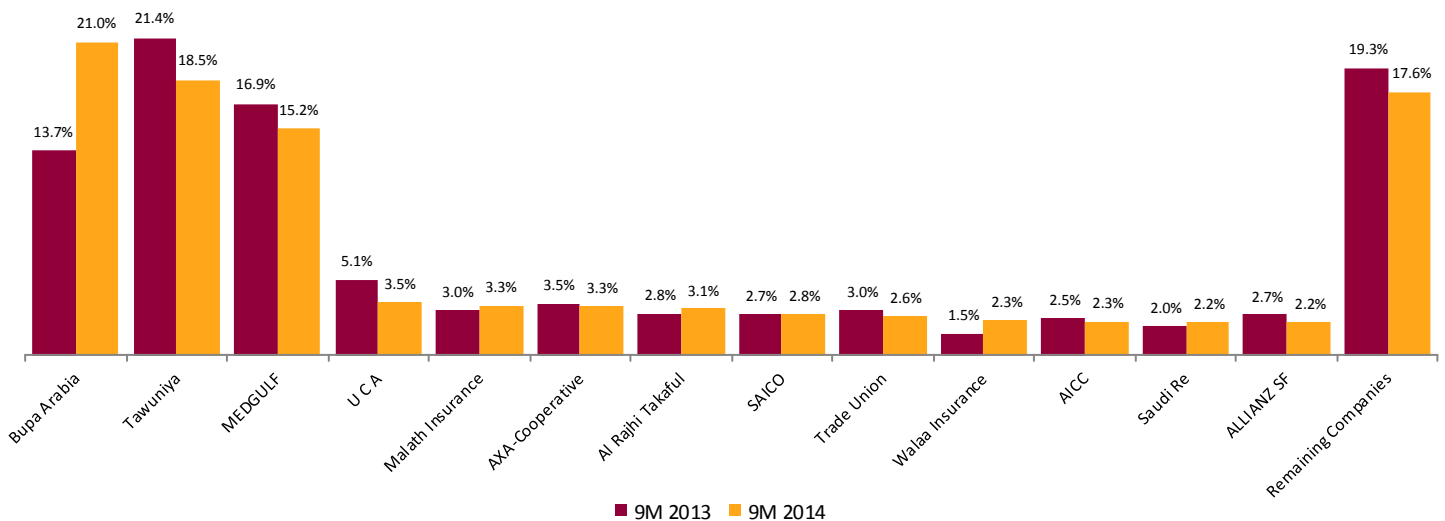


Market Structure

Three insurance companies hold a consolidated market share of 55% in the sector, and for the first time Bupa's market share surpassed Tawuniya with Bupa increasing its share in the market by 7.3% to 21%, the contribution of Tawuniya slipped by 2.8% to 18.2%. Medgulf's market share dropped to 15.2%.

Market Share	9M 2013	9M 2014
Bupa Arabia	13.7%	21.0%
Tawuniya	21.4%	18.5%
MEDGULF	16.9%	15.2%
U C A	5.1%	3.5%
Malath Insurance	3.0%	3.3%
AXA-Cooperative	3.5%	3.3%
Al Rajhi Takaful	2.8%	3.1%
SAICO	2.7%	2.8%
Trade Union	3.0%	2.6%
Walaa Insurance	1.5%	2.3%
AICC	2.5%	2.3%
Saudi Re	2.0%	2.2%
ALLIANZ SF	2.7%	2.2%
Arabian Shield	1.4%	1.6%
Wataniya	2.2%	1.5%
Amana Insurance	0.3%	1.5%
Buruj	1.2%	1.4%
Gulf General	1.7%	1.3%
Gulf Union	1.7%	1.2%
SALAMA	0.9%	1.1%
Al Alamiya	1.3%	1.0%
ATC	0.6%	0.9%
Al-Ahlia	0.8%	0.8%
ACE	1.2%	0.8%
Sagr Insurance	1.2%	0.8%
ACIG	1.4%	0.8%
SABB Takaful	0.7%	0.6%
Wafa Insurance	0.7%	0.6%
Solidarity	0.8%	0.6%
SANAD	0.9%	0.5%
Alinma Tokio M	0.2%	0.3%
Enaya	0.2%	0.1%
Jazira Takaful	0.0%	0.1%
ANB Insurance	0.0%	0.0%
Weqaya Takaful	0.0%	0.0%

Market Share of Insurance Companies



Financial Indicators

Company	Issued Shares (MN)	Free Floating Shares (MN)	Net Income LTM (MN)	Shareholders Equity (MN)	Market Cap.	12M EPS	PE	P/BV	Equity to Capital Paid
Tawuniya	100	53	(123.0)	2,031	4,990	(1.23)	N/A	2.45	2.03
ANB Insurance	18	5	(23.2)	129	961	(1.33)	N/A	7.48	0.73
Jazira Takaful	35	11	7.5	354	2,479	0.21	332.36	6.99	1.01
Malath Insurance	30	30	(26.8)	292	885	(0.89)	N/A	3.02	0.97
MEDGULF	100	37	(102.9)	1,131	4,630	(1.03)	N/A	4.09	1.13
ALLIANZ SF	20	7	6.1	175	718	0.31	117.87	4.09	0.88
SALAMA	10	7	(19.6)	32	293	(1.96)	N	9.20	0.32
Walaa Insurance	20	18	26.3	204	454	1.32	17.23	2.22	1.02
Arabian Shield	20	11	8.6	239	731	0.43	85.35	3.06	1.19
SABB Takaful	34	12	16.2	352	1,119	0.48	69.18	3.18	1.03
SANAD	20	14	-	-	305	-	-	-	-
SAICO	10	7	7.8	68	340	0.78	43.60	5.00	0.68
Wafa	10	7	(8.2)	27	298	(0.82)	N/A	11.15	0.27
Gulf Union	22	15	(21.7)	119	404	(0.99)	N/A	3.40	0.54
ATC	17	7	21.4	157	716	1.28	33.53	4.57	0.94
Al-Ahlia	32	30	(50.8)	205	468	(1.59)	N	2.28	0.64
ACIG	20	12	12.0	108	430	0.60	35.97	3.96	0.54
AICC	20	12	(24.5)	52	339	(1.22)	N/A	6.53	0.26
Trade Union	28	18	(74.4)	255	961	(2.71)	N/A	3.76	0.93
Sagr Insurance	25	17	16.9	327	703	0.67	41.67	2.14	1.31
U C A	28	18	(98.3)	239	598	(3.51)	N/A	2.49	0.85
Saudi Re	100	90	(73.8)	828	912	(0.74)	N/A	1.10	0.83
Bupa Arabia	40	21	268.9	901	6,720	6.72	24.99	7.46	2.25
Weqayah	20	14	-	-	-	-	-	-	-m
Al Rajhi Takaful	20	8	7.7	105	754	0.39	97.64	7.16	0.53
ACE	10	6	12.4	177	558	1.24	44.92	3.15	1.77
AXA-Cooperative	20	9	13.4	208	691	0.67	51.71	3.31	1.04
Gulf General	20	13	12.0	190	561	0.60	46.58	2.95	0.95
Buruj	13	6	12.0	83	446	0.92	37.19	5.40	0.63
Al Alamiya	20	6	(38.8)	82	2,214	(1.94)	N/A	26.94	0.41
Solidarity	56	39	(102.7)	315	1,117	(1.85)	N/A	3.55	0.57
Wataniya	10	3	(23.9)	59	652	(2.39)	N/A	11.03	0.59
Amana Insurance	32	25	(69.4)	114	522	(2.17)	N/A	4.59	0.35
Enaya	40	16	(49.6)	269	1,082	(1.24)	N/A	4.02	0.67
Alinma Tokio M	20	6	(26.7)	100	757	(1.34)	N/A	7.53	0.50
Sector	1,038	611	(509.4)	9,926	40,197	(0.49)	38.79	4.05	0.96

Outstanding shares of insurance sector reached 1.04 billion shares making 2.2% of total outstanding shares in the Saudi Market.

Market Cap.* reached SR 40 billion making 2.3% of total market cap. of Saudi Market.

The sector's aggregate net Income of 9M ending 2014 amounted to SR 580 million with negative 12M EPS of SR (-0.49). *(The table above shows the net income for the last 12 months ending September 2014).*

By the end of June 2014, the equity-to-capital ratio went below 1.00x for 10 companies where the equity-to-capital ratio reached 0.96x for the total sector.

10 Saudi Banks are main shareholders of 10 insurance companies.

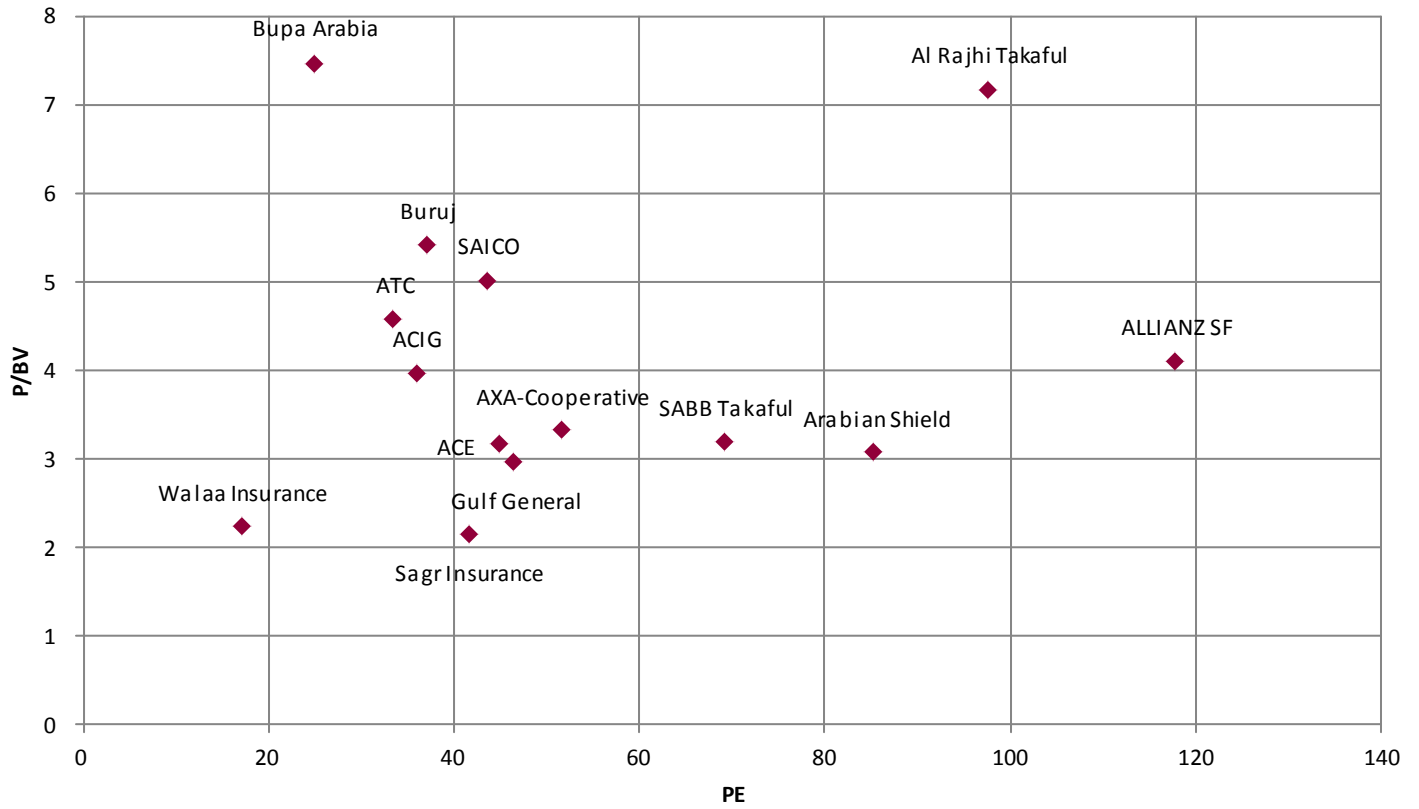
Company	Associate Bank	Ownership
ANB Insurance	Arab National Bank	29.90%
Alinma Tokio M	Alinma Bank	28.70%
Jazira Takaful	Aljazira Bank	30.00%
Wataniya	Saudi Hollandi Bank	20.00%
MEDGULF	Saudi Investment Bank	19.00%
ALLIANZ SF	Banque Saudi Fransi	32.50%
SABB Takaful	Saudi British Bank	32.50%
ATC	National Commercial Bank	29.90%
Al Rajhi Takaful	Al Rajhi Bank	22.50%
Al Alamiya	Riyad Bank	19.90%

LTM: Last Twelve Months

Market Cap., PE and P/BV as of 30 December 2014

Valuation

The majority of insurance companies have accumulated losses, so only 14 companies have meaningful price-to-book ratio and PE ratio.



Insurance Premiums Breakdown - 9M

SAR MN Company	GPW 9M			NPW 9M			NPE 9M			Net Claims Incurred 9M			Retention Ratio		Claims Ratio	
	2013	2014	G	2013	2014	G	2013	2014	G	2013	2014	G	2013	2014	2013	2014
Tawuniya	4,050.5	4,345.6	7%	3,243.4	3,550.4	9%	3,603.6	3,542.4	(2%)	3,280.1	2,860.8	(13%)	80%	82%	91%	81%
ANB Insurance	-	2.0	-	-	0.7	-	-	0.1	-	-	0.1	-	-	35%	-	75%
Jazira Takaful	-	25.3	-	-	19.1	-	-	18.1	-	-	1.4	-	-	75%	-	8%
Malath Insurance	573.6	777.8	36%	471.8	656.6	39%	484.6	632.9	31%	398.0	559.8	41%	0%	84%	82%	88%
MEDGULF	3,203.1	3,565.6	11%	2,445.3	2,709.2	11%	1,884.1	2,364.7	26%	1,679.3	1,981.3	18%	76%	76%	89%	84%
ALLIANZ SF	513.7	518.3	1%	301.2	318.3	6%	261.1	323.4	24%	172.0	252.5	47%	59%	61%	66%	78%
SALAMA	172.3	256.8	49%	159.0	239.4	51%	130.5	184.3	41%	124.3	149.5	20%	92%	93%	95%	81%
Walaa Insurance	276.7	547.5	98%	139.6	250.2	79%	113.5	185.4	63%	77.0	151.5	97%	50%	46%	68%	82%
Arabian Shield	263.6	376.9	43%	160.7	242.2	51%	160.2	199.6	25%	135.7	159.9	18%	61%	64%	85%	80%
SABB Takaful	134.3	142.0	6%	114.0	125.5	10%	179.7	173.1	(4%)	6.5	10.1	56%	85%	88%	4%	6%
SANAD	168.5	121.5	(28%)	129.9	71.7	(45%)	102.4	113.9	11%	75.1	79.8	6%	77%	59%	73%	70%
SAICO	517.2	646.7	25%	309.0	427.8	38%	260.1	317.5	22%	227.6	241.5	6%	60%	66%	88%	76%
Wafa	136.0	140.1	3%	84.8	91.4	8%	84.5	96.0	14%	55.0	60.8	11%	62%	65%	65%	63%
Gulf Union	322.5	289.4	(10%)	177.8	161.9	(9%)	139.1	156.2	12%	121.0	132.0	9%	55%	56%	87%	84%
ATC	109.1	203.1	86%	38.9	124.3	220%	23.9	60.2	153%	0.4	5.9	1204%	36%	61%	2%	10%
Al-Ahlia	156.3	196.8	26%	127.9	177.5	39%	109.2	178.9	64%	59.9	142.0	137%	82%	90%	55%	79%
ACIG	260.9	182.6	(30%)	172.9	132.0	(24%)	137.8	160.1	16%	90.6	113.1	25%	66%	72%	66%	71%
AICC	465.9	527.7	13%	305.6	366.2	20%	346.1	308.0	(11%)	369.3	258.7	(30%)	66%	69%	107%	84%
Trade Union	575.1	608.4	6%	395.8	417.4	5%	306.1	510.0	67%	228.4	448.9	97%	69%	69%	75%	88%
Sagr Insurance	228.6	186.7	(18%)	172.6	135.2	(22%)	213.8	124.9	(42%)	119.5	95.0	(20%)	76%	72%	56%	76%
U C A	961.2	828.1	(14%)	726.7	590.4	(19%)	633.9	570.4	(10%)	552.7	506.4	(8%)	76%	71%	87%	89%
Saudi Re	371.9	522.3	40%	342.9	493.3	44%	212.3	373.5	76%	178.9	318.0	78%	92%	94%	84%	85%
Bupa Arabia	2,603.0	4,919.1	89%	2,530.3	4,838.7	91%	1,829.3	3,193.3	75%	1,461.3	2,564.3	75%	97%	98%	80%	80%
Weqayah	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Al Rajhi Takaful	527.8	727.3	38%	421.9	653.9	55%	370.6	507.6	37%	307.7	408.8	33%	80%	90%	83%	81%
ACE	222.1	190.6	(14%)	97.8	82.1	(16%)	87.4	70.7	(19%)	50.3	41.1	(18%)	44%	43%	58%	58%
AXA-Cooperative	658.2	761.7	16%	575.9	667.9	16%	471.6	575.4	22%	388.7	476.2	23%	87%	88%	82%	83%
Gulf General	313.0	311.7	(0%)	147.1	159.0	8%	120.9	140.7	16%	99.1	103.1	4%	47%	51%	82%	73%
Buruj	218.5	319.7	46%	148.0	273.4	85%	126.0	190.6	51%	81.6	136.7	67%	68%	86%	65%	72%
Al Alamiya	251.2	244.7	(3%)	121.0	122.9	2%	111.4	118.2	6%	89.4	111.6	25%	48%	50%	80%	94%
Solidarity	149.3	135.7	(9%)	101.9	96.1	(6%)	32.0	139.0	335%	33.8	136.8	305%	68%	71%	106%	98%
Wataniya	419.5	362.1	(14%)	217.3	140.8	(35%)	172.4	148.9	(14%)	149.1	118.3	(21%)	52%	39%	86%	79%
Amana Insurance	55.8	343.6	515%	32.8	251.0	664%	32.6	98.5	202%	25.2	142.6	467%	59%	73%	77%	145%
Enaya	39.9	28.3	(29%)	22.4	16.9	(25%)	5.9	25.0	321%	6.2	22.2	257%	56%	60%	105%	89%
Alinma Tokio M	33.0	75.5	129%	11.6	24.8	114%	3.4	24.4	623%	6.0	23.0	286%	35%	33%	177%	94%
Sector	18,952.3	23,431.1	24%	14,448.0	18,628.1	29%	12,749.9	15,826.2	24%	10,649.5	12,813.6	20%	76%	80%	84%	81%

GPW: Gross Premium Written

NPW: Net Premium Written

NPE: Net Premium Earned

Aggregate Financial Statement for all Insurance Companies*

Balance Sheet (SAR MN)	September 2013	September 2014	Growth
Policyholders (Ph) Assets:			
Investments	5,632	7,709	37%
Cash at Banks	3,526	4,816	37%
Receivables, Net	7,208	8,845	23%
Other Assets	11,466	12,630	10%
Total Ph Assets	27,832	34,001	22%
Shareholders (Sh) Assets:			
Investments	7,914	8,408	6%
Cash at Banks	1,903	2,274	19%
Other Assets SH	1,604	1,411	-12%
Total Sh Assets	11,421	12,093	6%
Total Assets	39,253	46,094	17%
Ph Liabilities :			
Reinsurers Balances Payable	1,571	2,147	37%
Technical Reserves	22,691	28,028	24%
Other Liabilities	3,571	3,826	7%
Total Ph Liabilities	27,832	34,001	22%
Sh Liabilities and Equity:			
Sh Liabilities	1,425	2,116	48%
Capital Paid	8,332	8,882	7%
Sh Equity	9,996	9,978	0%
Total Sh Liabilities and Equity	11,421	12,093	6%
Total Liabilities	39,253	46,094	17%
Income Statement (SAR MN)	9M 2013	9M 2014	Growth
St. of Ins. Operation and Surplus:			
Gross Premium Written	19,179	23,521	23%
Net Premium Written	14,545	18,625	28%
Net Premium Earned	12,765	15,908	25%
Reinsurance Commission	594	578	(3%)
Other Underwriting Income	50	99	99%
Investment Income and Other Income	144	164	14%
Total Revenues	13,563	16,749	23%
Gross Claim Paid	11,736	14,291	22%
Net Claim Incurred	10,855	12,902	19%
Policy Acquisition Costs	1,011	1,135	12%
Excess of Loss Expenses	104	54	(49%)
Other Expenses	2,011	2,295	14%
Total Costs and Expenses	13,987	16,386	17%
Net Surplus after Sh. Appropriation	42	98	132%
Accum. Ph.Surplus End of Period	216	211	(3%)
St. of Sh Operations:			
Investment and Management Fee Income	370	505	36%
Other Income	10	48	397%
Sh. Appropriation From Net Surplus	(242)	239	
General and Administrative Expenses	233	212	(9%)
Net Income (Loss) for the Period	(89)	580	-

* Includes all listed insurance companies except Weqayah.

* ANB Insurance and Aljazira Takaful started in 2014 so they no comparable numbers in 2013.

* Premiums may double count due to reinsured premiums accepted by other insurers or reinsurers.

Definitions

Gross Premium written:

The total premiums on policies issued by an insurance company during a specific period of time regardless of what portions have been earned. Written premiums are the amount of premium charged for a policy that has already become effective.

Net Premium written:

it is equal to gross premium written minus the amount the company allocated for reinsurance, as well as premium losses surplus.

Net Premium Earned:

The amount of total premiums collected by an insurance company over a period that have been earned based on the ratio of the time passed on the policies to their effective life and adjusted to reinsurance. This pro-rated amount of paid-in-advance premiums have been "earned" and now belong to the insurer. It can be calculated as net premiums written minus changes in net premiums unearned.

Claims Incurred:

An estimate of the amount of outstanding liabilities for a policy over a given valuation period. It includes all paid claims during the period plus a reasonable estimate of unpaid liabilities. It is calculated by adding paid claims and unpaid claims minus the estimate of unpaid claims at the end of the prior valuation period.

Retention Ratio

Percentage of net premium written to gross premium written.

Claims Ratio:

Claims owed as a percentage of net premium earned.

Earnings Per Share

The portion of a company's profit allocated to each outstanding share of common stock.

Albilad Capital

Client Services

E-mail: clientservices@albilad-capital.com
Tel: +966-11-203-9888
Toll-free: 800-116-0001

Asset Management

E-mail: falqutub@albilad-capital.com
Tel: +966-11-203-9870

Research & Advisory

E-mail: research@albilad-capital.com
Tel: +966-11-203-9892
Website: www.albilad-capital.com/en/research

Brokerage

E-mail: myabes@albilad-capital.com
Tel: +966-11-203-9840

Investment Banking

E-mail: mmandil@albilad-capital.com
Tel: +966-11-203-9830

Disclaimer

AlBilad Capital exerted utmost efforts to ensure that the information included in this report is accurate and correct. However, AlBilad Investment Co., its managers, and staff bear no liability whether explicitly or implicitly for the content of the report and no legal responsibility, whether directly or indirectly, for any results based on it.

This report should not be reproduced, redistributed, or sent directly or indirectly to any other party or published in full or in part for any purpose whatsoever without a prior written permission from AlBilad Capital.

We would also like to note that this information in no way constitutes a recommendation to buy or sell banknotes or make any investment decisions.

Any investment act taken by an investor based fully or partially on this report is the complete responsibility of the investor.

This report is not meant to be used or seen as advice or an option or any other measure to be taken in the future. We recommend consulting a qualified investment advisor before investing in these investment tools.

AlBilad Capital preserves all rights associated with this report.

CMA Authorization Number 08100-37