

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

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

SCOPE OF REVIEW

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at 31 March 2016, and the related interim statement of income - insurance operations and accumulated surplus, interim statements of comprehensive income for insurance operations and shareholders, interim statement of changes in shareholders' equity and interim statements of cash flows for insurance operations and shareholders for the three-month period then ended, and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (the "SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

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

EMPHASIS OF MATTER

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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

	Notes	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
SR '000			
<u>ASSETS - INSURANCE OPERATIONS</u>			
Property and equipment, net		311,459	312,251
Investment property		9,861	9,861
Investments in associates		11,437	13,602
Available-for-sale investments	4(i)	3,106,392	3,212,756
Prepaid expenses and other assets		415,517	511,562
Deferred policy acquisition costs		223,291	209,244
Reinsurers' share of outstanding claims	5	1,423,814	1,495,909
Reinsurers' share of unearned premiums		476,016	629,974
Receivables, net	3	1,444,842	1,943,579
Due from Shareholders' operations		144,255	-
Cash and cash equivalents		919,170	761,868
Total assets - Insurance operations		8,486,054	9,100,606
<u>ASSETS - SHAREHOLDERS</u>			
Statutory deposit	8	100,000	100,000
Investments in associates		76,597	80,402
Available-for-sale investments	4(ii)	2,195,601	2,163,964
Accrued investment income		8,101	14,959
Due from Insurance operations		-	46,326
Cash and cash equivalents		185,474	62,855
Total assets - Shareholders		2,565,773	2,468,506
TOTAL ASSETS		11,051,827	11,569,112

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

	Notes	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
SR '000			
<u>LIABILITIES AND SURPLUS - INSURANCE OPERATIONS</u>			
Liabilities - Insurance operations:			
Reserve for discontinued operations		11,211	11,211
Surplus distribution payable		53,281	100,176
Claims payable, accrued expenses and other liabilities		1,366,473	1,394,844
Reserve for takaful activities		13,463	13,467
Gross outstanding claims and reserves	5	2,802,381	2,850,367
Unearned commission income		45,130	51,024
Gross unearned premiums		4,038,101	4,233,561
Reinsurers' balances payable		234,179	502,579
Due to Shareholders' operations		-	46,326
Total liabilities - Insurance operations		8,564,219	9,203,555
Surplus - Insurance operations:			
Accumulated surplus		6,860	-
Fair value reserve for available-for-sale investments		(85,025)	(102,949)
Total liabilities and surplus - Insurance operations		8,486,054	9,100,606
<u>LIABILITIES AND EQUITY - SHAREHOLDERS</u>			
Shareholders' liabilities:			
Accrued expenses and other liabilities		1,480	1,689
Dividends payable		6,089	5,643
Zakat		166,058	152,106
Due to Insurance operations		144,255	-
Total liabilities - Shareholders		317,882	159,438
Shareholders' equity:			
Share capital	6	1,000,000	1,000,000
Legal reserve	9	883,465	883,465
Fair value reserve for available-for-sale investments		(65,246)	(56,861)
Retained earnings		429,672	482,464
Total Shareholders' equity		2,247,891	2,309,068
Total Shareholders' liabilities and equity		2,565,773	2,468,506
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		11,051,827	11,569,112

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

	Three months ended March 31, 2016 (Unaudited)	Three months ended March 31, 2015 (Unaudited)
Notes	SR '000	
REVENUES		
Gross premiums written	1,701,342	1,505,504
Less: Reinsurance ceded	(120,314)	(258,034)
Net premiums written	1,581,028	1,247,470
Changes in unearned premiums	41,502	38,003
Net premiums earned	1,622,530	1,285,473
Reinsurance commissions	25,023	23,882
Other income, net	11,424	9,566
Total revenues	1,658,977	1,318,921
COSTS AND EXPENSES		
Gross claims paid	1,323,655	1,235,290
Less: Reinsurance share	(80,132)	(215,070)
Net claims paid	1,243,523	1,020,220
Changes in outstanding claims and reserves	24,109	(35,995)
Net claims incurred	1,267,632	984,225
Policy acquisition costs	124,668	100,175
Excess of loss expenses	6,331	7,312
Changes in reserve for takaful activities	(4)	(208)
Other underwriting expenses	36,020	33,854
Manafeth insurance share distribution	23,014	8,280
Operating and selling expenses	95,159	109,848
Other general and administrative expenses	11,572	14,463
Total costs and expenses	1,564,392	1,257,949
Operating surplus	94,585	60,972
Investment income, net	24,047	26,770
Impairment of available-for-sale investments	(50,036)	-
Surplus from Insurance operations	68,596	87,742
Shareholders' appropriation from surplus	(61,736)	(78,968)
Surplus from Insurance operations after Shareholders' appropriation	6,860	8,774
ACCUMULATED SURPLUS AT END OF THE PERIOD	6,860	8,774

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

	Three months ended March 31, 2016 (Unaudited)	Three months ended March 31, 2015 (Unaudited)
	SR '000	
Surplus from Insurance operations after Shareholders' appropriation	6,860	8,774
Other comprehensive income:		
To be recycled back to statement of income in subsequent periods:		
Changes in fair value of available-for-sale investments	17,924	6,222
Total comprehensive income for the period	24,784	14,996

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

	Three months ended March 31, 2016 (Unaudited)	Three months ended March 31, 2015 (Unaudited)
Notes	SR '000	
Appropriation of surplus from Insurance operations	61,736	78,968
Investment income, net	21,926	17,274
Impairment of available-for-sale investments	(22,034)	-
Other expenses, net	(100)	(1)
Income from operations before zakat	61,528	96,241
Zakat	(14,320)	(8,454)
Net income for the period	47,208	87,787
Other comprehensive income:		
To be recycled back to statement of income in subsequent periods:		
Changes in fair value of available-for-sale investments	(8,385)	(9,214)
Total comprehensive income for the period	38,823	78,573
Earnings per share:		
Basic and diluted earnings per share (in SR)	0.47	0.88
Weighted average number of shares in issue	6 & 14 100,000,000	100,000,000

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

	Share capital	Legal reserve	Fair value reserve for available-for-sale investments	Retained earnings	Total
	SR'000				
Unaudited					
Balance at January 1, 2015	1,000,000	763,779	163,874	148,722	2,076,375
Comprehensive income:					
Net income for the period	-	-	-	87,787	87,787
Changes in fair value of available-for-sale investments	-	-	(9,214)	-	(9,214)
Total comprehensive income for the period	-	-	(9,214)	87,787	78,573
Dividend distribution	-	-	-	(145,000)	(145,000)
Balance at March 31, 2015	1,000,000	763,779	154,660	91,509	2,009,948
Unaudited					
Balance at January 1, 2016	1,000,000	883,465	(56,861)	482,464	2,309,068
Comprehensive income:					
Net income for the period	-	-	-	47,208	47,208
Changes in fair value of available-for-sale investments	-	-	(8,385)	-	(8,385)
Total comprehensive income for the period	-	-	(8,385)	47,208	38,823
Dividend distribution	-	-	-	(100,000)	(100,000)
Balance at March 31, 2016	1,000,000	883,465	(65,246)	429,672	2,247,891

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
	SR '000	
Operating activities:		
Surplus from Insurance operations after Shareholders' appropriation	6,860	8,774
<u>Adjustments to reconcile surplus from Insurance operations to net cash from operating activities:</u>		
Shareholders' appropriation from surplus	61,736	78,968
Depreciation	3,574	2,749
Gain on sale of available-for-sale investments	(15,257)	(25,391)
Impairment on available-for-sale investments	50,036	-
Share from investments in associates, net	2,165	(1,379)
Operating surplus before changes in operating assets and liabilities	109,114	63,721
<u>Changes in operating assets and liabilities:</u>		
Prepaid expenses and others assets	96,045	79,786
Deferred policy acquisition costs	(14,047)	(13,655)
Reinsurers' share of outstanding claims	72,095	142,861
Reinsurers' share of unearned premiums	153,958	(24,092)
Receivables, net	498,737	137,774
Reinsurers' balances payable	(268,400)	(110,020)
Gross unearned premiums	(195,460)	(13,911)
Unearned commission income	(5,894)	6,530
Gross outstanding claims and reserves	(47,986)	(178,856)
Reserve for discontinued operations	-	(388)
Reserve for takaful activities	(4)	(210)
Accrued expenses and other liabilities	(28,371)	62,465
Due to Shareholders	(252,317)	(15,849)
Cash from operating activities	117,470	136,156
Surplus paid to policyholders during the period	(46,895)	-
Net cash from operating activities	70,575	136,156
Investing activities:		
Proceeds from sale of available-for-sale investments	373,652	938,547
Purchase of available-for-sale investments	(284,143)	(1,180,889)
Purchase of property and equipment	(2,782)	(16,350)
Net cash from/(used in) investing activities	86,727	(258,692)
Net change in cash and cash equivalents	157,302	(122,536)
Cash and cash equivalents at the beginning of the period	761,868	700,550
Cash and cash equivalents at the end of the period	919,170	578,014
Non-cash supplemental information:		
Changes in fair value of available-for-sale investments	17,924	6,222

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
	SR '000	
Operating activities:		
Net income for the period before zakat	61,528	96,241
<u>Adjustments to reconcile net income before zakat to net cash from operating activities:</u>		
Appropriation of surplus from Insurance operations	(61,736)	(78,968)
Impairment on available-for-sale investments	22,034	-
Loss/(gain) on sale of available-for-sale investments	18,501	(17,274)
Share of profit from investments in associates, net	(2,408)	(4,182)
Operating profit/(loss) before changes in operating assets and liabilities	37,919	(4,183)
<u>Changes in operating assets and liabilities:</u>		
Accrued investment income	6,858	2,378
Due from Insurance operations	252,317	15,849
Accrued expenses and other liabilities	(209)	64
Zakat	(368)	(20)
Net cash from operating activities	296,517	14,088
Investing activities:		
Proceeds from sale and maturity of available-for-sale investments	969,862	552,231
Purchase of available-for-sale investments	(1,050,419)	(420,052)
Dividends received from investment in associates	6,213	-
Net cash (used in)/from investing activities	(74,344)	132,179
Financing activities:		
Dividends paid	(99,554)	(144,263)
Net cash used in financing activities	(99,554)	(144,263)
Net change in cash and cash equivalents	122,619	2,004
Cash and cash equivalents at the beginning of the period	62,855	20,583
Cash and cash equivalents at the end of the period	185,474	22,587
Non-cash supplemental information:		
Changes in fair value of available-for-sale investments	(8,385)	(9,214)

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2016

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986, corresponding to Jumad Awal 8, 1406H, under Commercial Registration No. 1010061695. The Company's Head Office is located on Thumamah Road (at Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

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

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

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

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the Shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the Policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the Shareholders' operations in full.

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements for the three month period ended March 31, 2016 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015.

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments. The Company presents its statement of financial position in order of liquidity.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
MARCH 31, 2016

2. BASIS OF PREPARATION (continued)

(a) Basis of presentation (continued)

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

(b) Critical accounting judgments, estimates and assumptions

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

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

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

Estimation of insurance contract reserves:

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

i) Incurred but not reported claims ("IBNR")

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The claims reserves are sensitive to assumptions made about the number of months used to average the completion factors and the claims trend.

ii) Premium deficiency reserve ("PDR")

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

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
MARCH 31, 2016

2. BASIS OF PREPARATION (continued)

(c) Significant accounting policies

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2015, except for the adoption of the following amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company:

- Amendments to IAS 1 - "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:
 - The materiality requirements in IAS 1;
 - That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
 - That entities have flexibility as to the order in which they present the notes to financial statements; and
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

- Amendments to IAS 16 - "Property, Plant and Equipment" and IAS 38 - "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments are as follows:

- IFRS 5 - "Non-current Assets Held for Sale and Discontinued Operations", amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
- IFRS 7 - "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
MARCH 31, 2016

2. BASIS OF PREPARATION (continued)

(c) Significant accounting policies (continued)

- IAS 19 - "Employee Benefits" - amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 - "Interim Financial Reporting" - amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

(d) Segmental reporting

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

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Manafeth - third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.

Operating segments do not include Shareholders' operations of the Company. No inter-segment transactions occurred during the period. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the interim condensed financial statements of the Company.

(e) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
MARCH 31, 2016

3. RECEIVABLES, NET

Receivables of insurance operations comprise balances from the following:

	March 31, 2016 SR'000 (Unaudited)	December 31, 2015 SR'000 (Audited)
Policyholders	1,229,760	1,425,578
Brokers and agents	288,124	293,446
Related parties (note 11)	58,274	171,996
	<u>1,576,158</u>	<u>1,891,020</u>
Receivables from reinsurers	14,621	202,269
Administrative service plan	19,738	18,436
	<u>1,610,517</u>	<u>2,111,725</u>
Provision for doubtful receivables	(165,675)	(168,146)
Receivables, net	<u>1,444,842</u>	<u>1,943,579</u>

4. AVAILABLE-FOR-SALE INVESTMENTS

i) Insurance operations:

Available-for-sale investments of insurance operations comprise of the following:

	March 31, 2016 SR'000 (Unaudited)	December 31, 2015 SR'000 (Audited)
Local / regional money market and fixed income investments	2,472,135	2,251,025
Local / regional equity and equity funds	246,785	582,916
Foreign money market and fixed income investments	387,472	378,815
Total	<u>3,106,392</u>	<u>3,212,756</u>

ii) Shareholders:

Shareholders' available-for-sale investments comprise of the following:

	March 31, 2016 SR'000 (Unaudited)	December 31, 2015 SR'000 (Audited)
Local / regional money market and fixed income investments	2,029,700	1,875,194
Local / regional equity and equity funds	137,186	246,636
Foreign equities and equity funds	28,715	42,134
Total	<u>2,195,601</u>	<u>2,163,964</u>

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 (continued)
 MARCH 31, 2016

5. GROSS OUTSTANDING CLAIMS AND RESERVES, NET

Gross outstanding claims and reserves, net comprise of the following:

	March 31, 2016 (SR'000) (Unaudited)	December 31, 2015 (SR'000) (Audited)
Gross outstanding claims	1,807,464	1,860,957
Less: Realizable value of salvage and subrogation	(93,596)	(88,643)
Add: Incurred but not reported claims	1,088,513	1,078,053
Gross outstanding claims and reserves	2,802,381	2,850,367
Less: Reinsurers' share of outstanding claims	(1,423,814)	(1,495,909)
Net outstanding claims and reserves	1,378,567	1,354,458

6. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SR 1 billion at March 31, 2016 and December 31, 2015, consisting of 100 million shares of SR 10 each.

7. CONTINGENT LIABILITIES

As at March 31, 2016, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SR 171 million (December 31, 2015: SR 163 million) occurring in the normal course of business.

8. STATUTORY DEPOSIT

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

9. LEGAL RESERVE

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

10. MANAFETH SHARED AGREEMENT

On 13 January 2015 together with 25 related insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia.

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10. MANAFETH SHARED AGREEMENT (continued)

The main terms of the above mentioned agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- = The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Transactions for the period ended		Balance receivable / (payable) as at	
	March 31, 2016 (SR'000) (Unaudited)	March 31, 2015 (SR'000) (Unaudited)	March 31, 2016 (SR'000) (Unaudited)	December 31, 2015 (SR'000) (Audited)
<u>Major shareholders</u>				
Amount of claims paid to hospitals owned by major shareholders	13,968	14,917	(2,909)	(4,259)
Medical insurance premium written	3,921	13,490	18,763	3,277
<u>Associates</u>				
Insurance premium	12,458	293	29,137	520
Rent expenses paid	457	-	-	-
Najm fees	420	6,693	(15,016)	4,252
United Insurance Company fees and claims, net	1,992	2,238	18,190	3,663
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Medical insurance premium written	8,537	4,384	10,374	168,199

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

The compensation of key management personnel during the period is as follows:

	March 31, 2016 (SR'000) (Unaudited)	March 31, 2015 (SR'000) (Unaudited)
Salaries and other allowances	2,063	1,763
End of service indemnities	148	122

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for that asset or liability, or in its absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates.

The fair values of financial assets that are traded in an active market are based on quoted market prices or dealer price quotations. For all other financial instruments, the fair value is based on other valuation techniques.

Determination of fair value and fair value hierarchy

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

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

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

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

The table below analyses the financial instruments measured at fair value at the end of the reporting period March 31, 2016 and December 31, 2015 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
March 31, 2016 (Unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Insurance operations	1,491,154	-	1,615,238	3,106,392
- Shareholders	1,381,534	-	814,067	2,195,601
Total	2,872,688	-	2,429,305	5,301,993
December 31, 2015 (Audited)				
Available-for-sale financial assets				
- Insurance operations	1,655,211	-	1,557,545	3,212,756
- Shareholders	1,396,448	-	767,516	2,163,964
Total	3,051,659	-	2,325,061	5,376,720

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

Level 3 investments comprise investments in Private Equity Funds and debt instruments. The valuation technique used to measure Private Equity Funds is NAV (net assets value). The fair value of Private Equity Funds is based on the latest reported net assets value as at the financial position date. Further, the debt instruments are measured at the fair value based on the discounted cash flow technique, which, as per the management, is the best estimate of the exit price i.e. fair value. Management tests all such investments for impairment annually.

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13. OPERATING SEGMENTS

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

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

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

For the three month period ended March 31, 2016
(Unaudited)

Operating Segments	Medical	Motor	Manafeth SR' 000	Property & casualty	Total
Gross premiums written:					
Compulsory	1,029,623	-	-	-	-
Non - compulsory	33,101	-	-	-	-
Total gross premiums written	<u>1,062,724</u>	<u>432,019</u>	<u>56,073</u>	<u>150,526</u>	<u>1,701,342</u>
Net premiums written	<u>1,054,040</u>	<u>432,019</u>	<u>56,073</u>	<u>38,896</u>	<u>1,581,028</u>
Net premiums earned	1,189,924	345,117	54,962	32,527	1,622,530
Reinsurance commissions	612	6	-	24,405	25,023
Net claims incurred	(1,014,770)	(234,123)	(11,821)	(6,918)	(1,267,632)
Policy acquisition costs	(60,102)	(43,479)	(8,697)	(12,390)	(124,668)
Excess of loss expenses	-	(2,715)	(1,219)	(2,397)	(6,331)
Changes in reserve for takaful activities	4	-	-	-	4
Other underwriting expenses	(21,167)	(4,859)	(4,504)	(5,490)	(36,020)
Income from Insurance operations	<u>94,501</u>	<u>59,947</u>	<u>28,721</u>	<u>29,737</u>	<u>212,906</u>
General, administrative, operating and selling expenses					(106,731)
Investment income, net					24,047
Impairment on available-for-sale investments					(50,036)
Other income, net					11,424
Manafeth insurance share distribution					(23,014)
Surplus from Insurance operations					<u>68,596</u>

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13. OPERATING SEGMENTS (continued)

For the three-month period ended March 31, 2015
(Unaudited)

Operating Segments	Medical	Motor	Manafeth	Property & casualty	Total
				SR' 000	
Gross premiums written:					
Compulsory	839,720	-	-	-	-
Non - compulsory	23,771	-	-	-	-
Total gross premiums written	863,491	302,325	51,772	287,916	1,505,504
Net premiums written	862,312	302,325	51,772	31,061	1,247,470
Net premiums earned	980,364	242,883	29,828	32,398	1,285,473
Reinsurance commissions	(210)	15	-	24,077	23,882
Net claims incurred	(794,115)	(171,881)	(7,775)	(10,454)	(984,225)
Policy acquisition costs	(51,806)	(31,528)	(7,036)	(9,805)	(100,175)
Excess of loss expenses	-	(4,384)	(583)	(2,345)	(7,312)
Changes in reserve for takaful activities	208	-	-	-	208
Other underwriting expenses	(18,526)	(5,542)	(1,778)	(8,008)	(33,854)
Income from Insurance operations	115,915	29,563	12,656	25,863	183,997
General, administrative, operating and selling expenses					(124,311)
Investment income, net					26,770
Other income					9,566
Manafeth insurance share distribution					(8,280)
Surplus from Insurance operations					87,742

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13. OPERATING SEGMENTS (continued)

Operating Segments	As at March 31, 2016 (Unaudited)				Total
	Medical	Motor	Manafeth	Property & casualty	
SR' 000					
Assets - Insurance operations					
Reinsurer's share of unearned premium	60,938	1,890	-	413,188	476,016
Reinsurer's share of outstanding claims	355	12,511	-	1,410,948	1,423,814
Deferred policy acquisition costs	118,745	81,662	1,836	21,048	223,291
Investments (including investment property)					3,127,690
Receivables, net					1,444,842
Unallocated assets					1,790,401
Total assets					8,486,054
Liabilities and surplus - Insurance operations					
Gross unearned premiums	2,695,838	773,045	38,913	530,305	4,038,101
Gross outstanding claims and reserves	926,930	277,964	24,967	1,572,520	2,802,381
Unearned commission income	5,768	19	-	39,343	45,130
Reserve for takaful activities	13,463	-	-	-	13,463
Unallocated liabilities and surplus					1,586,979
Total liabilities and surplus					8,486,054
Operating Segments	As at December 31, 2015 (Audited)				Total
	Medical	Motor	Manafeth	Property & casualty	
SR' 000					
Assets - Insurance operations					
Reinsurer's share of unearned premium	89,377	11,329	-	529,268	629,974
Reinsurer's share of outstanding claims	224	16,082	-	1,479,603	1,495,909
Deferred policy acquisition costs	120,725	64,964	1,600	21,955	209,244
Investments (including investment property)					3,236,219
Receivables, net					1,943,579
Unallocated assets					1,585,681
Total assets					9,100,606
Liabilities and surplus - Insurance operations					
Gross unearned premiums	2,860,161	695,582	37,802	640,016	4,233,561
Gross outstanding claims and reserves	906,262	278,952	24,542	1,640,611	2,850,367
Unearned commission income	6,241	24	-	44,759	51,024
Reserve for takaful activities	13,467	-	-	-	13,467
Unallocated liabilities and surplus					1,952,187
Total liabilities and surplus					9,100,606

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14. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated by dividing the net income for the period ended March 31, 2016 and March 31, 2015 by 100 million shares.

15. ZAKAT

Status of Assessment

The Company has filed Zakat returns with the Department of Zakat and Income tax (DZIT) for the years from 2005 to 2014 but the final assessments have not been raised yet.

Status of Appeal

The Company has filed an appeal against the assessment of DZIT for the year 2005-2006 which is raised to Board of Grievances.

16. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial statements of the Company.

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Audit Committee on behalf of the Board of Directors, on Rajab 9, 1437H, corresponding to April 16, 2016G.