

**SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2016**

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016**

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

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Saudi Arabian Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2016 and the related interim statements of insurance operations' surplus, insurance operations' comprehensive income, shareholders' comprehensive income for the three-month and six-month periods then ended, and changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six-month period then ended and the related notes which form an integral part of these condensed interim financial statements. These condensed interim financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" ("IAS 34") and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

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

EMPHASIS OF MATTER:

We draw attention to the fact that these condensed interim 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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25 July 2016
(20 Shawwal 1437H)



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

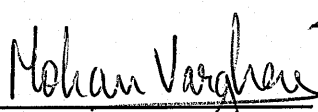
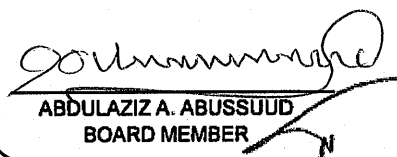
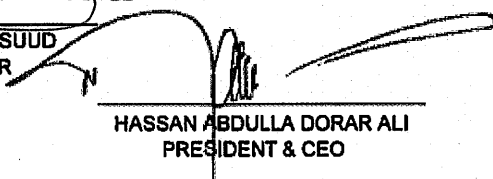
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Insurance operations' assets			
Property and equipment, net		6,854,811	7,046,323
Reinsurers' share of outstanding claims and reserves		374,540,380	418,265,008
Reinsurers' share of unearned premiums		108,913,937	46,845,626
Deferred policy acquisition costs		31,845,709	22,247,019
Premiums and reinsurance balances receivable	6	167,504,572	132,175,780
Held-to-maturity investment	7	10,000,000	10,000,000
Available-for-sale investment	7	12,575,303	14,162,233
Prepayments and other assets		16,616,673	16,596,270
Due from related parties	8	88,026,532	71,302,320
Time deposits	5	206,306,666	165,000,000
Cash and cash equivalents	4	54,255,888	76,151,599
Total insurance operations' assets		1,077,440,471	979,792,178
Shareholders' assets			
Statutory deposit		25,000,000	25,000,000
Due from insurance operations		27,760,209	10,383,676
Prepayments and other assets		2,341,693	1,431,993
Time deposits	5	217,600,000	215,800,000
Cash and cash equivalents	4	484,868	359,687
Total shareholders' assets		273,186,770	252,975,356
Total insurance operations' and shareholders' assets		1,350,627,241	1,232,767,534

Continued to p-3

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.

 MOHAN VARGHESE CHIEF FINANCIAL OFFICER	 ABDULAZIZ A. ABUSSUUD BOARD MEMBER	 HASSAN ABDULLA DORAR ALI PRESIDENT & CEO
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

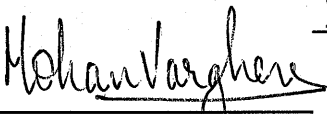
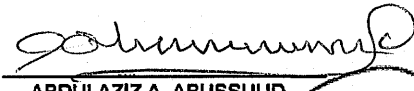
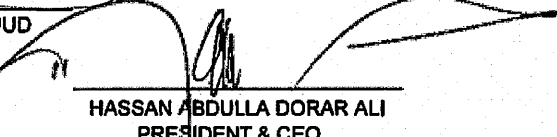
INTERIM STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2016

(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Insurance operations' liabilities			
Employees' end-of-service benefits		10,689,504	9,533,899
Due to shareholders' operations		27,760,209	10,383,676
Gross outstanding claims and reserves		540,077,265	600,678,115
Gross unearned premiums		365,789,654	240,004,422
Unearned commission income		21,195,851	12,121,690
Reinsurance balances payable		42,689,273	47,587,888
Accrued expenses and other liabilities		60,969,602	52,005,974
Total insurance operations' liabilities		1,069,171,358	972,315,664
Insurance operations' surplus			
Insurance operations' surplus distribution payable		10,698,918	8,319,389
Fair value reserve for available-for-sale investments		(2,429,805)	(842,875)
Total insurance operations' liabilities and surplus		1,077,440,471	979,792,178
Shareholders' liabilities			
Provision for zakat		3,404,776	3,258,956
Accounts payable		2,287,554	2,438,893
Total shareholders' liabilities		5,692,330	5,697,849
Shareholders' equity			
Share capital	10	250,000,000	250,000,000
Retained earnings / (Accumulated losses)		17,494,440	(2,722,493)
Total shareholders' equity		267,494,440	247,277,507
Total shareholders' liabilities and equity		273,186,770	252,975,356
Total insurance operations' liabilities and surplus and shareholders' liabilities and equity		1,350,627,241	1,232,767,534

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.

 MOHAN VARGHESE CHIEF FINANCIAL OFFICER	 ABDULAZIZ A. ABUSSUUD BOARD MEMBER	 HASSAN ABDULLA DORAR ALI PRESIDENT & CEO
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)


INTERIM STATEMENT OF INSURANCE OPERATIONS' SURPLUS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Revenues					
Gross written premiums		179,146,230	168,501,613	521,502,046	623,485,419
Reinsurance premiums ceded		(37,340,198)	(43,243,456)	(181,840,607)	(188,505,405)
Excess of loss / stop loss premiums		(10,942,380)	(7,048,057)	(13,746,471)	(34,405,031)
Net written premiums		130,862,652	118,210,100	325,914,968	400,574,983
Movement in unearned premiums, net		(2,967,002)	53,394,573	(63,716,921)	(73,499,935)
Net earned premiums		127,895,650	171,604,673	262,198,047	327,075,048
 Commission income		 15,140,422	 11,373,867	 25,587,337	 21,935,961
Income from investments		414,616	2,024,524	845,095	2,165,072
Special commission income		1,474,945	198,352	2,421,465	488,011
Other income		2,250,599	5,209,178	4,274,064	6,072,846
Total revenues		147,176,232	190,410,594	295,326,008	357,736,938
 Costs and expenses					
Gross claims paid		112,080,756	132,317,085	249,900,479	250,853,979
Reinsurers' share of claims paid		(17,332,444)	(8,175,535)	(50,368,611)	(17,282,079)
Net claims paid		94,748,312	124,141,550	199,531,868	233,571,900
Movement in outstanding claims, net		(14,735,727)	17,630,462	(16,876,221)	24,751,988
Net claims incurred		80,012,585	141,772,012	182,655,647	258,323,888
 Policy acquisition costs		 21,291,417	 17,070,118	 35,464,379	 32,939,988
General and administration expenses		21,138,998	20,285,817	48,113,060	43,645,536
Provision for doubtful receivables	6	185,974	307,863	1,050,935	284,858
Inspection and supervision fees		1,643,617	1,547,502	4,246,827	5,442,616
Total costs and expenses		124,252,591	180,983,312	271,530,848	340,636,886
 Net surplus for the period from insurance operations		22,923,641	9,427,282	23,795,160	17,100,052
Shareholders' appropriation from surplus		(20,631,277)	(8,484,554)	(21,415,644)	(15,390,047)
Net surplus for the period from insurance operations after shareholders' appropriation		2,292,364	942,728	2,379,516	1,710,005

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

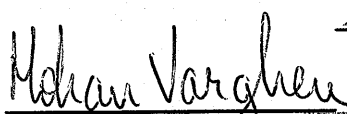
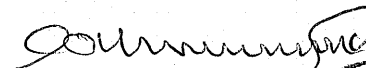
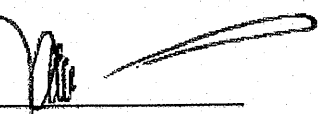

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Net surplus for the period from insurance operations after shareholders' appropriation		2,292,364	942,728	2,379,516	1,710,005
Other comprehensive loss:					
Items that may be reclassified to statement of insurance operations' surplus in subsequent period:					
Change in fair value of available-for-sale investments	7	-	-	(1,586,930)	-
Total insurance operations' comprehensive income for the period		2,292,364	942,728	792,586	1,710,005

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.

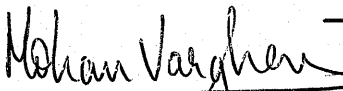


 MOHAN VARGHESE CHIEF FINANCIAL OFFICER	 ABDULAZIZ A. ABUSSAUD BOARD MEMBER	 HASSAN ABDULLA DORAR ALI PRESIDENT & CEO
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

Note	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Appropriation of surplus from Insurance operations	20,631,277	8,484,554	21,415,644	15,390,047
Special commission income	1,459,741	55,892	2,585,811	106,836
General and administration expenses	(490,595)	(366,964)	(733,812)	(764,429)
Income before zakat	21,600,423	8,173,482	23,267,643	14,732,454
Zakat	(1,679,672)	(579,578)	(3,050,710)	(2,348,898)
Net income for the period	19,920,751	7,593,904	20,216,933	12,383,556
Other comprehensive income				
Change in fair value of available for sale investment	-	-	-	-
Total comprehensive income for the period	19,920,751	7,593,904	20,216,933	12,383,556
Earnings per share				
Basic and diluted earnings per share (in Saudi Riyals)	11 0.80	0.49	0.81	0.80
Weighted average number of shares in issue throughout the period (in thousands)	25,000	15,465	25,000	15,465

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.


 MOHAN VARGHESE CHIEF FINANCIAL OFFICER	 ABDULAZIZ A. ABUSSUUD BOARD MEMBER	 HASSAN ABDULLA DORAR ALI PRESIDENT & CEO
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Additional paid in capital (Note 10)	Retained earnings / (Accumulated losses)	Total
Balances as at 1 January 2016	250,000,000	-	(2,722,493)	247,277,507
Total comprehensive income for the period	-	-	20,216,933	20,216,933
Balances as at 30 June 2016 (Unaudited)	250,000,000	-	17,494,440	267,494,440
Balances as at 1 January 2015	100,000,000	-	(30,037,449)	69,962,551
Paid in capital from rights issue	-	145,286,857	-	145,286,857
Total comprehensive income for the period	-	-	12,383,556	12,383,556
Balances as at 30 June 2015 (Unaudited)	100,000,000	145,286,857	(17,653,893)	227,632,964

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Operating activities			
Net surplus from insurance operations after shareholders' appropriation		2,379,516	1,710,005
Adjustments for:			
Depreciation		1,795,387	1,763,356
Provision for doubtful receivables	6	1,050,935	284,858
Employees' end-of-service benefits, net		1,155,605	1,324,232
Shareholders' appropriation from surplus		21,415,644	15,390,047
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims and reserves		43,724,628	(13,264,590)
Reinsurers' share of unearned premiums		(62,068,311)	(56,822,968)
Deferred policy acquisition costs		(9,598,690)	(7,081,449)
Premiums and reinsurance balances receivable		(36,379,726)	(15,080,712)
Prepayments and other assets		(20,404)	(6,617,664)
Due from related parties		(16,724,212)	(14,835,503)
Gross outstanding claims and reserves		(60,600,850)	38,016,575
Gross unearned premiums		125,785,232	130,322,899
Unearned commission income		9,074,161	3,608,471
Reinsurance balances payable		(4,898,615)	1,342,857
Accrued expenses and other liabilities		8,963,638	17,200,195
Net cash from operating activities		25,053,938	97,260,609
Investing activities			
Purchase of property and equipment		(1,603,872)	(2,282,235)
Acquisition of held-to-maturity investment		-	(10,000,000)
(Increase) / Decrease in time deposits		(41,306,666)	154,401,209
Net cash (used in) / from investing activities		(42,910,538)	142,118,974
Financing activity			
Due to shareholders' operations, net		(4,039,111)	(8,576,618)
Net cash used in a financing activity		(4,039,111)	(8,576,618)
Net (decrease) / Increase in cash and cash equivalents		(21,895,711)	230,802,965
Cash and cash equivalents at the beginning of the period		76,151,599	69,352,387
Cash and cash equivalents at the end of the period	4	54,255,888	300,155,352
Supplemental non-cash information:			
Change in fair value of available-for-sale investments	7	1,586,930	-

The notes on pages 10 to 23 are an integral part of these condensed interim financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

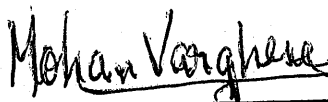

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)


INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Operating activities			
Income before zakat		23,267,644	14,732,454
Adjustment for:			
Appropriation of surplus from insurance operations income		(21,415,644)	(15,390,047)
Changes in operating assets and liabilities:			
Prepayments and other assets		(909,700)	(8,440,496)
Accounts payable		(151,340)	3,212,833
Cash from / (used in) operations		790,960	(5,885,256)
Zakat paid		(2,904,890)	(3,298,936)
Net cash used in operating activities		(2,113,930)	(9,184,192)
Investing activity			
Increase in time deposits		(1,800,000)	(450,000)
Net cash used in an investing activity		(1,800,000)	(450,000)
Financing activities			
Due from insurance operations, net		4,039,111	8,576,618
Paid in capital from rights issue	10	-	145,286,857
Restricted cash		-	(140,082,980)
Net cash from financing activities		4,039,111	13,780,495
Net increase in cash and cash equivalents		125,181	4,146,303
Cash and cash equivalents at beginning of the period		359,687	37,692,870
Cash and cash equivalent at the end of the period	4	484,868	41,839,173

The notes pages 10 to 23 are an integral part of these condensed interim financial statements.


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CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 20 August 2007 (corresponding to 7 Shaban 1428H). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange ("Tadawul") on 3 September 2007.

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 11 October 2006 (corresponding to 18 Ramadan 1427H), pursuant to the Council of Ministers resolution number 233 dated 9 October 2006 (corresponding to 16 Ramadan 1427H).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry ("MCI") issued a resolution declaring the incorporation of the Company on 5 August 2007 (corresponding to 21 Rajab 1428H).

On 11 September 2007 (corresponding to 29 Shaban 1428H), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business, thus authorizing the Company to commence operations as soon as product approval and related formalities are completed.

2. BASIS OF PREPARATION

The condensed interim financial statements for the three-month and six-month periods ended 30 June 2016 have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS - 34). Accordingly, these condensed interim financial statements are not intended to be a presentation in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e., in accordance with Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

The condensed interim 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 annual financial statements for the year ended 31 December 2015.

In management's opinion, the condensed interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATION

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 1 January 2016, as applicable for period ended 30 June 2016.

The new standard / amendments are summarized as follows:

- a. Annual improvements 2014 – These set of amendments, effective for annual periods beginning on or after January 1, 2016, impacts the following standards:
 - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal
 - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts
 - IAS 19, 'Employee benefits' regarding discount rates
 - IAS 34, 'Interim financial reporting' regarding disclosure of information
- b. Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative - These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement.

In addition to the above, the Company has chosen not to early adopt the following standards:

- IFRS 9 – Financial instruments (effective on or after January 1, 2018)
- IFRS 15 – Revenue from contracts with customers (effective on or after January 1, 2018)
- IFRS 16 – Leases (effective on or after January 1, 2019)

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016
(All amounts in Saudi Riyals unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

For the purpose of the interim statements of insurance operations' cash flows and shareholders' cash flows, cash and cash equivalents comprise of the following:

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in banks	54,233,888	484,868	45,921,325	359,687
Cash on hand	22,000	-	32,136	-
Short-term deposits	-	-	30,198,138	-
	54,255,888	484,868	76,151,599	359,687

Cash in banks are placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company.

As at 30 June 2016, the Company holds an amount of Saudi Riyals 82,419 (31 December 2015: Saudi Riyals 60,518) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these condensed interim financial statements.

5. TIME DEPOSITS

Time deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The deposits earn commission at an effective commission rate of 2.83% per annum (31 December 2015: 0.80% to 1.10% per annum).

Investment income earned upon maturity of the short-term placements under insurance operations' assets recognized during the six-month period ended 30 June 2016 amounted to Saudi Riyals 0.2 million (Twelve-month period ended 31 December 2015: Saudi Riyals 0.6 million).

6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

Insurance operations receivables are comprised of net amounts due from the following:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Premiums receivable	183,119,521	150,542,916
Reinsurers and others	8,355,728	4,552,606
Total premiums and reinsurance balances receivable	191,475,249	155,095,522
Less: Provision for doubtful receivables	(23,970,677)	(22,919,742)
	167,504,572	132,175,780

The movement in the provision for doubtful receivables is as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Beginning balance	22,919,742	17,400,807
Provision made during the period / year	1,050,935	5,518,935
Ending balance	23,970,677	22,919,742

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7. INVESTMENTS

a. Held-to-maturity investment

As at 30 June 2016 and 31 December 2015, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank, amounted to Saudi Riyals 10 million comprising 10 Sukuk denominated at Saudi Riyals 1 million each and a margin equivalent to 6 month SIBOR plus 130 basis points. See also Note 12.

b. Available-for-sale investment

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Beginning balance	14,162,233	1,923,080
Additions	-	13,082,028
Unrealized loss	(1,586,930)	(842,875)
Ending balance	12,575,303	14,162,233

Available for sale investment comprises of Saudi Riyals 1.9 million in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85% equity holding in Najm. In assessing the relationship of unobservable inputs to fair value, management considered the Company's long-term revenue growth rates. As at 30 June 2016 and 31 December 2015, management believes that the carrying amount of the available-for-sale investment is a reasonable estimate of its fair value (Note 12).

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company and companies where they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

a. Transactions with related parties

The following are the details of major related parties' transactions during the three-month and six-month periods ended 30 June:

Related parties	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Saudi Arabian Insurance Company B.S.C. (C) ("SAICO BSC") (Shareholder)	Amounts received / (paid) on behalf of SAICO BSC, net	692,637	(846,200)	(41,482)	(747,249)
ACE Insurance Agents Limited ("ACE Agents") (Affiliate)	Premiums received through Agents	3,852,402	4,574,376	11,267,692	25,161,800
	Claims paid through Agent	1,569	(34)	7,113	9,228
	Commission expense	550,214	578,609	1,606,143	2,477,170
ACE Limited (Affiliate)	Premiums and claims, net	-	(418,890)	(1,443)	(487,027)
	Premiums received through Brokers, net	24,259,119	27,828,878	161,183,604	163,205,038
ACE Insurance and Reinsurance Brokers Limited ("ACE Brokers") (Affiliate)	Commission expense	13,679,116	3,486,970	20,668,964	11,832,846
	Premiums ceded through Brokers	4,821,189	6,700,782	98,353,737	97,341,553
	Commission received	10,511,261	812,109	12,853,859	3,157,204

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b. Balances with related parties

The above transactions with the related parties resulted in the following balances as at the financial reporting date:

Due from related parties	Nature of transactions	30 June 2016	31 December 2015
		(Unaudited)	(Audited)
ACE Brokers	Insurance operations	68,213,227	53,394,202
ACE Agents	Insurance operations	16,948,927	15,412,992
SAICO BSC	Insurance operations	2,911,531	2,495,126
ACE Limited	Insurance operations	(47,153)	-
		88,026,532	71,302,320

c. Compensation of key management personnel

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the three-month and six-month periods ended 30 June is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Short-term benefits	1,594,362	1,589,889	4,353,789	3,004,529
Bonus	-	-	1,375,920	479,250
Employees' end-of-service benefits	84,135	59,616	168,269	119,232
	1,678,497	1,649,505	5,897,978	3,603,011

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9. SEGMENT INFORMATION

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 as stated below. Segment results do not include general and administration expenses, provision for doubtful receivables, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and reinsurance balances receivable, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include insurance operations' due to shareholders' operations, due to related parties, employees' end-of-service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly, they are included in unallocated liabilities.

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

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9. SEGMENT INFORMATION

Three months ended 30 June 2016 (Unaudited)
(Amounts in Saudi Riyals thousands)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	82,638	52,850	16,954	8,894	8,125	2,946	3,956	2,782	179,145
Reinsurance premiums ceded	-	(28)	(14,815)	(8,372)	(7,586)	(1,661)	(3,589)	(1,289)	(37,340)
Excess of loss premiums	(9,509)	(552)	(597)	(117)	(151)	(14)	-	(2)	(10,942)
Net written premiums	73,129	52,270	1,542	405	388	1,271	367	1,491	130,863
Movement in unearned premiums, net	(10,094)	6,322	(141)	401	104	183	(41)	299	(2,967)
Net earned premiums	63,035	58,592	1,401	806	492	1,454	326	1,790	127,896
Commission income	-	4	8,039	2,262	1,831	856	2,136	12	15,140
Total allocated revenue	63,035	58,596	9,440	3,068	2,323	2,310	2,462	1,802	143,036
Unallocated revenue									4,140
Total revenues									147,176
Cost and expenses									
Gross claims paid	56,881	37,656	1,077	2,143	7,030	4	7,288	1	112,080
Reinsurers' share of claims paid	-	(858)	(849)	(1,822)	(6,884)	-	(6,994)	75	(17,332)
Net claims paid	56,881	36,798	228	321	146	4	294	76	94,748
Movement in outstanding claims, net	(12,050)	(2,077)	(48)	(163)	(242)	(24)	121	(252)	(14,735)
Net claims incurred	44,831	34,721	180	158	(96)	(20)	415	(176)	80,013
Policy acquisition costs	3,154	8,281	6,669	931	1,009	535	259	453	21,291
Total allocated costs and expenses	47,985	43,002	6,849	1,089	913	515	674	277	101,304
Unallocated expenses									22,948
Total costs and expenses									124,252
Net surplus from insurance operations									22,924

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9. SEGMENT INFORMATION (continued)

Three months ended 30 June 2015 (Unaudited)
(Amounts in Saudi Riyals thousands)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	71,464	47,454	12,553	13,686	15,140	2,620	2,690	2,895	168,502
Reinsurance premiums ceded	-	(118)	(11,006)	(13,092)	(14,158)	(1,408)	(2,308)	(1,153)	(43,243)
Excess of loss premiums	(6,704)	652	(514)	(114)	(327)	(27)	-	(14)	(7,048)
Net written premiums	64,760	47,988	1,033	480	655	1,185	382	1,728	118,211
Movement in unearned premiums, net	25,435	26,087	467	213	265	408	59	461	53,395
Net earned premiums	90,195	74,075	1,500	693	920	1,593	441	2,189	171,606
Commission income	-	341	3,657	2,060	3,030	810	1,542	(66)	11,374
Total allocated revenue	90,195	74,416	5,157	2,753	3,950	2,403	1,983	2,123	182,980
Unallocated revenue									7,431
Total revenues									190,411
Cost and expenses									
Gross claims paid	59,842	63,769	2,603	467	2,901	12	1,379	1,344	132,317
Reinsurers' share of claims paid	(71)	(25)	(2,374)	(424)	(2,738)	(7)	(1,345)	(1,191)	(8,175)
Net claims paid	59,771	63,744	229	43	163	5	34	153	124,142
Movement in outstanding claims, net	16,181	728	530	(251)	(67)	(210)	915	(196)	17,630
Net claims incurred	75,952	64,472	759	(208)	96	(205)	949	(43)	141,772
Policy acquisition costs	3,975	7,101	1,896	955	1,930	454	237	522	17,070
Total allocated costs and expenses	79,927	71,573	2,655	747	2,026	249	1,186	479	158,842
Unallocated expenses									22,142
Total costs and expenses									180,984
Net surplus from insurance operations									9,427

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9. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2016 (Unaudited)
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	180,854	142,072	135,742	15,155	12,435	9,595	18,117	7,532	521,502
Reinsurance premiums ceded	-	(315)	(129,659)	(13,710)	(11,475)	(6,478)	(16,851)	(3,353)	(181,841)
Excess of loss premiums	(9,931)	(1,474)	(1,699)	(329)	(268)	(34)	-	(11)	(13,746)
Net written premiums	170,923	140,283	4,384	1,116	692	3,083	1,266	4,168	325,915
Movement in unearned premiums, net	(37,990)	(22,614)	(2,462)	213	137	(265)	(533)	(203)	(63,717)
Net earned premiums	132,933	117,669	1,922	1,329	829	2,818	733	3,965	262,198
Commission income	-	42	10,839	4,100	3,590	1,307	3,962	1,747	25,587
Total allocated revenues	132,933	117,711	12,761	5,429	4,419	4,125	4,695	5,712	287,785
Unallocated revenue									7,541
Total revenues									295,326
Costs and expenses									
Gross claims paid	108,247	89,426	13,183	5,598	10,387	34	22,618	407	249,900
Reinsurers' share of claims paid	-	(893)	(11,867)	(4,892)	(10,181)	(18)	(22,290)	(257)	(50,368)
Net claims paid	108,247	88,563	1,316	706	206	16	328	150	199,532
Movement in outstanding claims, net	(13,542)	(1,918)	902	(393)	162	(661)	(888)	(538)	(16,876)
Net claims incurred	94,705	86,645	2,218	313	368	(645)	(560)	(388)	182,656
Policy acquisition cost	6,579	14,768	8,213	1,804	1,860	800	426	1,014	35,464
Total allocated costs and expenses	101,284	101,413	10,431	2,117	2,228	155	(134)	626	218,120
Unallocated expenses									53,411
Total costs and expenses									271,531
Net surplus from insurance operations									23,795

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9. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2015 (Unaudited)
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	246,258	170,038	131,085	19,717	23,728	10,893	11,185	10,581	623,485
Reinsurance premiums ceded	-	(339)	(125,203)	(18,320)	(22,278)	(6,780)	(10,359)	(5,226)	(188,505)
Excess of loss premiums	(29,300)	(2,080)	(2,084)	(325)	(483)	(91)	-	(42)	(34,405)
Net written premiums	216,958	167,619	3,798	1,072	967	4,022	826	5,313	400,575
Movement in unearned premiums, net	(46,837)	(23,848)	(1,994)	152	432	(1,007)	72	(470)	(73,500)
Net earned premiums	170,121	143,771	1,804	1,224	1,399	3,015	898	4,843	327,075
Commission income	(49)	378	7,079	3,866	6,025	1,332	3,212	424	22,267
Total allocated revenues	170,072	144,149	8,883	5,090	7,424	4,347	4,110	5,267	349,342
Unallocated revenue									8,395
Total revenues									357,737
Costs and expenses									
Gross claims paid	117,254	113,317	8,977	2,295	5,139	12	1,681	2,179	250,854
Reinsurers' share of claims paid	(78)	(47)	(6,982)	(2,055)	(4,827)	(7)	(1,534)	(1,752)	(17,282)
Net claims paid	117,176	113,270	1,995	240	312	5	147	427	233,572
Movement in outstanding claims, net	16,946	7,162	(174)	(45)	(206)	140	1,077	(148)	24,752
Net claims incurred	134,122	120,432	1,821	195	106	145	1,224	279	258,324
Policy acquisition cost	7,791	13,608	3,707	1,764	3,386	920	488	1,276	32,940
Total allocated costs and expenses	141,913	134,040	5,528	1,959	3,492	1,065	1,712	1,555	291,264
Unallocated expenses									49,373
Total costs and expenses									340,637
Net surplus from insurance operations									17,100

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9. SEGMENT INFORMATION (Continued)

As at 30 June 2016 (Unaudited)
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	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Assets									
Reinsurers' share of outstanding claims	-	10,908	167,729	17,926	89,091	13,902	73,772	1,212	374,540
Reinsurers' share of unearned premiums	-	194	69,197	8,284	12,823	5,923	11,721	772	108,914
Deferred policy acquisition costs	5,425	14,219	8,374	650	1,645	824	425	284	31,846
Segment assets	5,425	25,321	245,300	26,860	103,559	20,649	85,918	2,268	515,300
Unallocated assets									562,140
Total assets									1,077,440
Liabilities									
Gross outstanding claims	84,076	68,415	179,271	20,524	93,133	14,376	77,945	2,337	540,077
Gross unearned premiums	132,505	114,004	72,962	8,808	13,438	9,426	12,575	2,072	365,790
Unearned commission income	-	58	11,402	1,593	3,160	1,402	3,553	28	21,196
Segment liabilities	216,581	182,477	263,635	30,925	109,731	25,204	94,073	4,437	927,063
Unallocated liabilities									150,377
Total liabilities									1,077,440

Unallocated assets at 30 June 2016 consists mainly of premiums and reinsurance balances receivable of Saudi Riyals 167.5 million, due from related parties of Saudi Riyals 88 million, cash and cash equivalents of Saudi Riyals 260.5 million, and other insurance operations' assets of Saudi Riyals 46 million.

At 30 June 2016, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 167.5 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 64.5 million while the remaining balance of Saudi Riyals 103 million consisted mainly of receivables from top 10 policyholders from the following lines of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine Hull (e) General Accident (f) Public Liability and (g) Engineering.

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As at 31 December 2015 (Audited)
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	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Assets									
Reinsurers' share of outstanding claims	-	1,086	165,086	20,924	81,894	945	145,957	2,373	418,265
Reinsurers' share of unearned premiums	-	85	6,913	9,327	16,223	4,942	8,538	818	46,846
Deferred policy acquisition costs	5,594	11,026	1,046	1,092	2,248	838	196	207	22,247
Segment assets	5,594	12,197	173,045	31,343	100,365	6,725	154,691	3,398	487,358
Unallocated assets									492,434
Total assets									979,792
Liabilities									
Gross outstanding claims	97,618	60,511	175,726	23,916	85,773	2,079	151,018	4,037	600,678
Gross unearned premiums	94,515	91,281	8,218	10,064	16,975	8,179	8,858	1,914	240,004
Unearned commission income	-	25	1,650	2,280	4,047	1,126	2,950	44	12,122
Segment liabilities	192,133	151,817	185,594	36,260	106,795	11,384	162,826	5,995	852,804
Unallocated liabilities									126,988
Total liabilities									979,792

Unallocated assets at 31 December 2015 consist mainly of premiums and reinsurance balances receivable of Saudi Riyals 132 million, due from related parties of Saudi Riyals 71 million, time deposits of Saudi Riyals 165 million, cash and cash equivalents of Saudi Riyals 76 million, and other insurance operations' assets of Saudi Riyals 48 million.

At 31 December 2015, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 132 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 39.3 million while the remaining balance of Saudi Riyals 92.8 million consisted mainly of receivables from top 10 policyholders from the following lines of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine Hull (e) General Accident (f) Public Liability and (g) Engineering.

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10. SHARE CAPITAL

The Company held an extraordinary general assembly meeting of its shareholders on 31 May 2015 (corresponding to 13 Shaban 1436H) at which the shareholders approved an increase in the authorized share capital of the Company from Saudi Riyals 100 million to Saudi Riyals 250 million through a rights issue of Saudi Riyals 150 million via a three stage process between 9 June 2015 (corresponding to 22 Shaban 1436H) and 29 June 2015 (corresponding to 12 Ramadan 1436H), which included bidding for shares left unsubscribed by rights' holders (the "Rump Shares") by certain Institutional Investors through a process outlined in the rights issue prospectus as approved by the Capital Market Authority.

Of the Saudi Riyals 150 million proceeds from the subscription that was payable to the Company, Saudi Riyals 140,082,980 comprising sale of shares to rights holders was held in an escrow account with the lead manager of the rights issue as at 30 June 2015. The remaining Saudi Riyals 9,917,020 comprising the proceeds from the sale of Rump Shares was yet to be paid by the Institutional Investors to the said escrow account as of 30 June 2015 since the settlement for the sale of Rump Shares was scheduled for after that date.

Since the shares had not been registered and issued as at 30 June 2015, the total contribution of Saudi Riyals 150 million, less related rights issue expenses, has been presented as additional paid in capital in the shareholders' equity. The Saudi Riyals 150 million, less deductible expenses related to the rights issue, had been paid to the Company on 8 July 2015 (corresponding to 21 Ramadan 1436H).

As at 30 June 2016, the authorized, issued and paid up share capital of the Company amounted to Saudi Riyals 250 million divided into 25 million shares of Saudi Riyals 10 each (31 December 2015: Saudi Riyals 250 million divided into 25 million shares of Saudi Riyals 10 each). At December 31, 2015, the related rights issue expenses amounting to Saudi Riyals 4.9 million were charged to accumulated losses account in the shareholders' equity.

See also Note 11 for the weighted average number of shares, as adjusted after taking into effect the rights issued during the year, used in the calculation of basic and diluted earnings per share.

11. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period have been calculated by dividing the total comprehensive income for the period by the weighted average number of shares in issue throughout the period.

The weighted average number of ordinary shares have been retrospectively adjusted due to the rights issue of 15 million shares during 2015 and has been calculated using an adjustment factor of 1.55. The adjustment factor was determined using the following:

- Theoretical ex-right price of Saudi Riyals 15.73 per share; and,
- The closing price per share of Saudi Riyals 24.33 per share at 28 June, 2015, which is the last trading date before the rights issue.

The weighted average number of shares is calculated as follows:

Note	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Weighted average number of shares outstanding before rights issue (in thousands)	10,000	10,000	10,000	10,000
Effects of rights issued (in thousands)	15,000	5,465	15,000	5,465
Weighted average number of shares outstanding after rights issue (in thousands)	25,000	15,465	25,000	15,465

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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 in the principal (or the most advantageous) market between market participants at the measurement date, under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of the Company's recognized financial instruments are not significantly different from the carrying values included in the condensed interim financial statements.

Determination of fair value and fair value hierarchy

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

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable); and,
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

During the three-month and six-month periods ended 30 June 2016 and twelve-month period ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table summarizes the financial assets recorded at fair value by level of the fair value hierarchy.

As at 30 June 2016 (Unaudited)	Insurance operations' assets			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investment	-	10,000,000	-	10,000,000
Available-for-sale investment	10,652,223	-	1,923,080	12,575,303
	10,652,223	10,000,000	1,923,080	22,575,303

As at 31 December 2015 (Audited)	Insurance operations' assets			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investment	-	10,000,000	-	10,000,000
Available-for-sale investment	12,239,153	-	1,923,080	14,162,233
	12,239,153	10,000,000	1,923,080	24,162,233

13. CONTINGENCIES AND COMMITMENTS

a. Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b. Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations for the three-month and six-month periods ended 30 June 2016, amounted to Saudi Riyals 0.6 million and Saudi Riyals 1.2 million, respectively, (Three-month and six-month periods ended 30 June 2015: Saudi Riyals 0.6 million and Saudi Riyals 1.2 million, respectively) are recognized in the interim statement of insurance operations' surplus.

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(All amounts in Saudi Riyals unless otherwise stated)

13. CONTINGENCIES AND COMMITMENTS (continued)

b. Operating lease commitments (continued)

Future minimum lease payments under the operating lease arrangements as at the financial reporting date are as follows:

<u>Years</u>	<u>30 June 2016 (Unaudited)</u>	<u>31 December 2015 (Audited)</u>
2016	1,159,990	2,411,547
2017	616,747	619,150
	<u>1,776,737</u>	<u>3,030,697</u>

14. NET UNDERWRITING SURPLUS

Net underwriting surplus as defined by the management of the Company for the period is as follows:

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	<u>2016 (Unaudited)</u>	<u>2015 (Unaudited)</u>	<u>2016 (Unaudited)</u>	<u>2015 (Unaudited)</u>
Net earned premiums	127,895,650	171,604,673	262,198,047	327,075,048
Commission income	15,140,422	11,373,867	25,587,337	21,935,961
Other underwriting income	920,538	331,192	1,521,576	331,192
Policy acquisition costs	(21,291,417)	(17,070,118)	(35,464,379)	(32,939,988)
Net claims incurred	(80,012,585)	(141,772,012)	(182,655,647)	(258,323,888)
Net underwriting surplus	<u>42,652,608</u>	<u>24,467,602</u>	<u>71,186,934</u>	<u>58,078,325</u>

15. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 25 July 2016 (corresponding to 20 Shawwal 1437H), as authorized for issue by SAMA.