

**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 PERIOD ENDED 31 MARCH 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 PERIOD ENDED 31 MARCH 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 31 March 2016 and the related interim statements of insurance operations' surplus, insurance operations' comprehensive (loss) / income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three-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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17 April 2016
(10 Rajab 1437H)

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

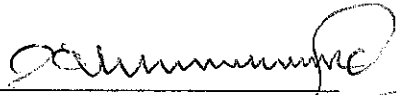

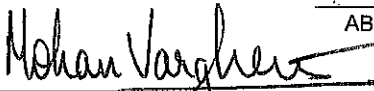
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 March 2016 (Unaudited)	31 December 2015 (Audited)
Insurance operations' assets			
Property and equipment, net		7,122,522	7,046,323
Reinsurers' share of outstanding claims and reserves		383,975,992	418,265,008
Reinsurers' share of unearned premiums		132,461,292	46,845,626
Deferred policy acquisition costs		28,822,782	22,247,019
Premiums and reinsurance balances receivable	6	190,076,321	132,175,780
Held-to-maturity investment	7	10,000,000	10,000,000
Available-for-sale investments	7	12,575,303	14,162,233
Prepayments and other assets		13,337,591	16,596,270
Due from related parties	8	37,899,975	71,302,320
Time deposits	5	205,306,666	165,000,000
Cash and cash equivalents	4	84,772,669	76,151,599
Total insurance operations' assets		1,106,351,113	979,792,178
Shareholders' assets			
Statutory deposit		25,000,000	25,000,000
Due from insurance operations		10,858,822	10,383,676
Prepayments and other assets		2,083,125	1,431,993
Time deposits	5	199,400,000	215,800,000
Cash and cash equivalents	4	17,504,695	359,687
Total shareholders' assets		254,846,642	252,975,356
Total insurance operations' and shareholders' assets		1,361,197,755	1,232,767,534

Continued to p-3

The notes on pages 10 to 20 are an integral part of these condensed interim financial statements.

 _____ ABDULAZIZA ABUSSUUD BOARD MEMBER	 _____ HASSAN ABDULLA DORAR ALI PRESIDENT & CEO
 _____ MOHAN VARGHESE CHIEF FINANCIAL OFFICER	

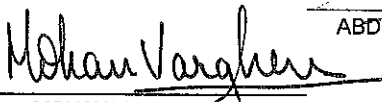
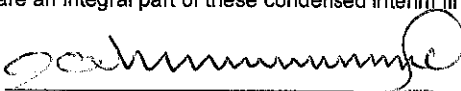

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 MARCH 2016

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2016 (Unaudited)	31 December 2015 (Audited)
Insurance operations' liabilities			
Employees' end-of-service benefits		10,050,088	9,533,899
Due to shareholders' operations		10,858,822	10,383,676
Gross outstanding claims and reserves		564,248,602	600,678,115
Gross unearned premiums		386,370,007	240,004,422
Unearned commission income		18,602,095	12,121,690
Reinsurance balances payable		50,495,935	47,587,888
Accrued expenses and other liabilities		59,748,815	52,005,974
Total insurance operations' liabilities		1,100,374,364	972,315,664
Insurance operations' surplus			
Insurance operations' surplus distribution payable		8,406,554	8,319,389
Fair value reserve for available-for-sale investments		(2,429,805)	(842,875)
Total insurance operations' liabilities and surplus		1,106,351,113	979,792,178
Shareholders' liabilities			
Provision for zakat		4,629,994	3,258,956
Accounts payable		2,642,958	2,438,893
Total shareholders' liabilities		7,272,952	5,697,849
Shareholders' equity			
Share capital	10	250,000,000	250,000,000
Accumulated losses		(2,426,310)	(2,722,493)
Total shareholders' equity		247,573,690	247,277,507
Total shareholders' liabilities and equity		254,846,642	252,975,356
Total insurance operations' liabilities and surplus and shareholders' liabilities and equity		1,361,197,755	1,232,767,534

The notes on pages 9 to 20 are an integral part of these condensed interim financial statements.

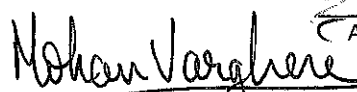
 MOHAN VARGHESE CHIEF FINANCIAL OFFICER	 ABDULAZIZ A. ABUSSUUD BOARD MEMBER	 HASSAN ABDULLA DORAR ALI PRESIDENT & CEO
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' SURPLUS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016
(All amounts in Saudi Riyals unless otherwise stated)


	Notes	Three months ended 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Revenues			
Gross written premiums		342,356,816	454,983,806
Reinsurance premiums ceded		(144,500,409)	(145,261,949)
Excess of loss/ stop loss premiums		(2,804,091)	(27,356,973)
Net written premiums		195,052,316	282,364,884
Movement in unearned premiums, net		(60,749,919)	(126,894,508)
Net earned premiums		134,302,397	155,470,376
Commission income		10,446,915	10,562,094
Income from investments		430,479	-
Special commission income		946,520	289,659
Other income		2,023,465	1,004,216
Total insurance revenues		148,149,776	167,326,345
Costs and expenses			
Gross claims paid		137,819,723	118,536,894
Reinsurers' share of claims paid		(33,036,167)	(9,106,544)
Net claims paid		104,783,556	109,430,350
Movement in outstanding claims, net		(2,140,494)	7,121,526
Net claims incurred		102,643,062	116,551,876
Policy acquisition costs		14,172,962	15,869,870
General and administration expenses		26,974,062	23,359,719
Provision for doubtful receivables	6	884,961	(23,005)
Inspection and supervision fees		2,603,210	3,895,114
Total costs and expenses		147,278,257	159,653,574
Net surplus for the period from insurance operations		871,519	7,672,771
Shareholders' appropriation from surplus		(784,367)	(6,905,494)
Net surplus for the period from insurance operations after shareholders' appropriation		87,152	767,277

The notes on pages 9 to 20 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 (LOSS) / INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Net surplus for the period from insurance operations after shareholders' appropriation		87,152	767,277
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 (loss) / income for the period		(1,499,778)	767,277

The notes on pages 9 to 20 are an integral part of these condensed interim financial statements.



MOHAN VARGHESE
CHIEF FINANCIAL OFFICER



ABDULAZIZA ABUSSUUD
BOARD MEMBER



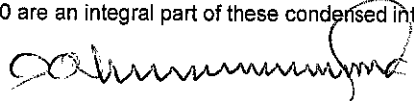
HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

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


INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Appropriation of surplus from insurance operations		784,367	6,905,494
Special commission income		1,126,070	50,944
General and administration expenses		<u>(243,216)</u>	<u>(397,465)</u>
Income before zakat		1,667,221	6,558,973
Zakat		<u>(1,371,038)</u>	<u>(1,769,320)</u>
Net income for the period		296,183	4,789,653
Other comprehensive income			
Change in fair value of available-for-sale investments		-	-
Total comprehensive income for the period		<u>296,183</u>	<u>4,789,653</u>
Earnings per share			
Basic and diluted earnings per share (in Saudi Riyals)	11	<u>0.01</u>	<u>0.31</u>
Weighted average number of shares in issue throughout the period/ year (in thousands)	11	<u>25,000</u>	<u>15,465</u>

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ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

Mohan Varghese
MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

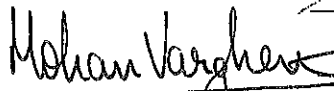
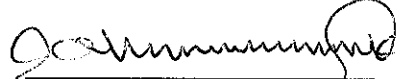


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Accumulated losses	Total
Balance as at 1 January 2016	250,000,000	(2,722,493)	247,277,507
Total comprehensive income for three months	-	296,183	296,183
Balance as at 31 March 2016 (Unaudited)	250,000,000	(2,426,310)	247,573,690
Balance as at 1 January 2015	100,000,000	(30,037,449)	69,962,551
Total comprehensive income for three months	-	4,789,653	4,789,653
Balance as at 31 March 2015 (Unaudited)	100,000,000	(25,247,796)	74,752,204

The notes on pages 9 to 20 are an integral part of these condensed interim financial statements.

 <hr/> MOHAN VARGHESE CHIEF FINANCIAL OFFICER	 <hr/> ABDULAZIZ A. ABUSSUUD BOARD MEMBER	 <hr/> 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' CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Three months ended 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Operating activities			
Net surplus from insurance operations after shareholders' appropriation		87,152	767,277
Adjustments for:			
Depreciation		885,847	848,091
Provision (reversal) for doubtful receivables	6	884,961	(23,005)
Employees' end-of-service benefits, net		516,189	849,260
Shareholders' appropriation from surplus		784,367	6,905,494
		<u>3,158,516</u>	<u>9,347,117</u>
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims and reserves		34,289,016	(8,908,065)
Reinsurers' share of unearned premiums		(85,615,666)	(82,209,789)
Deferred policy acquisition costs		(6,575,763)	(8,679,074)
Premiums and reinsurance balances receivable		(58,785,490)	(40,861,788)
Prepayments and other assets		3,258,679	2,610,076
Due from related parties		33,402,345	(34,823,419)
Gross outstanding claims and reserves		(36,429,513)	16,029,587
Gross unearned premiums		146,365,585	209,104,293
Unearned commission income		6,480,405	6,181,084
Reinsurance balances payable		2,908,048	18,295,817
Accrued expenses and other liabilities		7,742,841	12,688,425
Net cash from operating activities		<u>50,199,003</u>	<u>98,774,264</u>
Investing activities			
Purchase of property and equipment		(962,046)	(991,301)
(Increase) / Decrease in time deposits		(40,306,666)	15,000,000
Net cash (used in) / from investing activities		<u>(41,268,712)</u>	<u>14,008,699</u>
Financing activity			
Due to shareholders' operations, net		(309,221)	(5,587,774)
Net cash used in a financing activity		<u>(309,221)</u>	<u>(5,587,774)</u>
Net increase in cash and cash equivalents		8,621,070	107,195,189
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	<u>84,772,669</u>	<u>176,547,576</u>
Supplemental non-cash information:			
Change in fair value of available-for-sale investments	7	<u>1,586,930</u>	-

The notes on pages 9 to 20 are an integral part of these condensed interim financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

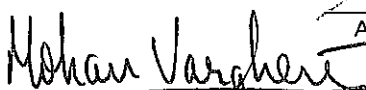
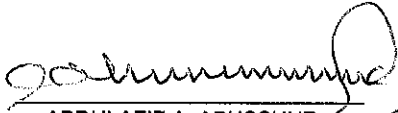


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Operating activities			
Income before zakat		1,667,221	6,558,973
Adjustment for:			
Appropriation of surplus from insurance operations income		(784,367)	(6,905,494)
Changes in operating assets and liabilities:			
Prepayments and other assets		(651,132)	(132,160)
Accounts payable		204,065	205,466
Cash from / (used in) operations		435,787	(273,215)
Zakat paid		-	(1,175,309)
Net cash from / (used in) operating activities		435,787	(1,448,524)
Investing activities			
Decrease in time deposits		16,400,000	19,550,000
Net cash from an investing activity		16,400,000	19,550,000
Financing activities			
Due from insurance operations, net		309,221	5,587,774
Net cash from a financing activity		309,221	5,587,774
Net increase in cash and cash equivalents		17,145,008	23,689,250
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	17,504,695	61,382,120

The notes on pages 9 to 20 are an integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 period ended 31 March 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 interpretations

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 31 March 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 IFRS 9 (2010) – Financial instruments which will not be effective until January 1, 2018.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 the following:

	31 March 2016 (Unaudited)		31 December 2015 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in banks	54,740,669	17,504,695	45,921,327	359,687
Cash on hand	32,000	-	32,136	-
Short-term deposits	30,000,000	-	30,198,136	-
	84,772,669	17,504,695	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 31 March 2016, the Company holds an amount of Saudi Riyals 246,996 (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 2.11% 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' and shareholders' assets recognized during the three-month period ended 31 March 2016 amounted to Saudi Riyals 0.1 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:

	31 March 2016 (Unaudited)	31 December 2015 (Audited)
Premiums receivable	184,339,830	150,542,916
Reinsurers and others	29,541,194	4,552,606
Total premiums and reinsurance balances receivable	213,881,024	155,095,522
Less: Provision for doubtful receivables	(23,804,703)	(22,919,742)
	190,076,321	132,175,780

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

	31 March 2016 (Unaudited)	31 December 2015 (Audited)
Beginning balance	22,919,742	17,400,807
Provision made during the period	884,961	5,518,935
Ending balance	23,804,703	22,919,742

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016
(All amounts in Saudi Riyals unless otherwise stated)

7. INVESTMENTS

a. Held-to-maturity investment

As at 31 March 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 of 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 investments

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

Available-for-sale investment comprises 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 31 March 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 period ended 31 March:

Related parties	Nature of transactions	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
Saudi Arabian Insurance Company B.S.C (C) ("SAICO BSC") (Shareholder)	Amounts paid on behalf of SAICO BSC, net	(734,119)	98,951
ACE Insurance Agents Limited ("ACE Agents") (Affiliate)	Premiums received through Agent	7,415,290	20,587,424
	Claims paid through Agent	5,544	9,262
	Commission expense	1,055,929	1,898,561
ACE Limited (Affiliate)	Premiums and claims, net	(1,443)	(68,137)
ACE Insurance and Reinsurance Brokers Limited ("ACE Brokers") (Affiliate)	Premiums received through Broker, net	136,924,485	135,376,160
	Commission expense	6,989,848	8,345,876
	Premiums ceded through Broker	93,532,548	90,640,771
	Commission received	2,342,598	2,345,095

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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	31 March 2016 (Unaudited)	31 December 2015 (Audited)
ACE Brokers	Insurance operations	17,686,236	53,394,202
ACE Agents	Insurance operations	17,366,702	15,412,992
SAICO BSC	Insurance operations	2,867,191	2,495,126
ACE Limited	Insurance operations	(20,154)	-
		37,899,975	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 period ended 31 March is as follows:

	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
Short-term benefits	2,759,427	1,414,640
Bonus	1,375,920	479,250
Employees' end-of-service benefits	84,134	59,616
	4,219,481	1,953,506

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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 (continued)

Operating segment	Three months ended 31 March 2016 (Unaudited)							Total
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	
Revenues								
Gross written premiums	98,216	89,222	118,788	6,261	4,310	6,649	14,161	342,357
Reinsurance premiums ceded	-	(287)	(114,844)	(5,338)	(3,889)	(4,817)	(13,262)	(144,501)
Excess of loss premiums	(422)	(922)	(1,102)	(212)	(117)	(20)	-	(2,804)
Net written premiums	97,794	88,013	2,842	711	304	1,812	899	195,052
Movement in unearned premiums, net	(27,896)	(28,936)	(2,321)	(188)	33	(448)	(492)	(60,750)
Net earned premiums	69,898	59,077	521	523	337	1,364	407	134,302
Commission income	-	38	2,800	1,838	1,759	451	1,826	10,477
Total allocated revenue	69,898	59,115	3,321	2,361	2,096	1,815	2,233	144,749
Unallocated revenue								3,401
Total insurance revenues								148,150
Cost and expenses								
Gross claims paid	51,366	51,770	12,106	3,455	3,357	30	15,330	137,820
Reinsurers' share of claims paid	-	(5)	(11,018)	(3,070)	(3,297)	(18)	(15,296)	(33,036)
Net claims paid	51,366	51,765	1,088	385	60	12	34	104,784
Movement in outstanding claims, net	(1,492)	159	950	(230)	404	(637)	(1,009)	(286)
Net claims incurred	49,874	51,924	2,038	155	464	(625)	(975)	102,643
Policy acquisition costs	3,425	6,487	1,544	873	851	265	167	14,173
Total allocated costs and expenses	53,299	58,411	3,582	1,028	1,315	(360)	(808)	116,816
Unallocated expenses								30,462
Total costs and expenses								147,278
Net surplus from insurance operations								872

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9. SEGMENT INFORMATION (continued)

Operating segment	Three months ended 31 March 2015 (Unaudited)							Total
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	
Revenues								
Gross written premiums	174,794	122,584	118,532	6,031	8,587	8,274	8,495	454,984
Reinsurance premiums ceded	-	(221)	(114,198)	(5,228)	(8,120)	(5,372)	(8,051)	(145,262)
Excess of loss premiums	(22,596)	(2,732)	(1,569)	(211)	(156)	(65)	-	(27,357)
Net written premiums	152,198	119,631	2,765	592	311	2,837	444	282,365
Movement in unearned premiums, net	(72,271)	(49,935)	(2,461)	(62)	167	(1,415)	13	(126,895)
Net earned premiums	79,927	69,696	304	530	478	1,422	457	155,470
Commission income	(49)	36	3,422	1,806	2,665	522	1,670	10,562
Total allocated revenue	79,878	69,732	3,726	2,336	3,143	1,944	2,127	166,032
Unallocated revenue								1,294
Total insurance revenues								167,326
Cost and expenses								
Gross claims paid	57,413	49,548	6,374	1,828	2,238	-	302	118,537
Reinsurers' share of claims paid	(7)	(22)	(4,609)	(1,631)	(2,090)	-	(188)	(9,107)
Net claims paid	57,406	49,526	1,765	197	148	-	114	109,430
Movement in outstanding claims, net	764	6,434	(703)	206	(139)	350	162	7,122
Net claims incurred	58,170	55,960	1,062	403	9	350	276	116,552
Policy acquisition costs	3,816	6,507	1,811	809	1,456	467	251	15,870
Total allocated costs and expenses	61,986	62,467	2,873	1,212	1,465	817	527	132,422
Unallocated expenses								27,232
Total costs and expenses								159,654
Net surplus from insurance operations								7,672

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9. SEGMENT INFORMATION (continued)

	As at 31 March 2016 (Unaudited)								
	(Amounts in Saudi Riyals thousands)								
Assets	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Reinsurers' share of outstanding claims and reserves	-	6,463	172,768	18,120	92,093	412	92,720	1,400	383,976
Reinsurers' share of unearned premiums	-	256	89,074	7,128	12,923	7,146	14,963	971	132,461
Deferred policy acquisition costs	5,272	16,067	3,151	966	1,664	962	399	342	28,823
Segment assets	5,272	22,786	264,993	26,214	106,680	8,520	108,082	2,713	545,260
Unallocated assets									561,091
Total assets									1,106,351
Liabilities									
Gross outstanding claims and reserves	96,126	66,048	184,358	20,883	96,376	909	96,772	2,777	564,249
Gross unearned premiums	122,411	120,388	92,699	8,054	13,641	10,832	15,776	2,569	386,370
Unearned commission income	-	73	6,686	2,326	3,241	1,701	4,527	48	18,602
Segment liabilities	218,537	186,509	283,743	31,263	113,258	13,442	117,075	5,394	969,221
Unallocated liabilities									137,130
Total liabilities									1,106,351

Unallocated assets at 31 March 2016 consists mainly of premiums and reinsurance balances receivable of Saudi Riyals 190.1 million, due from related parties of Saudi Riyals 37.9 million, time deposits of Saudi Riyals 205.3 million, cash and cash equivalents of Saudi Riyals 84.7 million, and other insurance operations' assets of Saudi Riyals 43 million.

At 31 March 2016, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 190.1 million comprised mainly premiums receivable from Medical clients of Saudi Riyals 62 million while the remaining balance of Saudi Riyals 128.1 million consisted mainly of receivables from top 10 policyholders from the line 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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9. SEGMENT INFORMATION (continued)

As at 31 December 2015 (Audited)
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Assets									
Reinsurers' share of outstanding claims and reserves	-	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 and reserves	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 consists 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 premiums receivable from Medical clients of Saudi Riyals 39.3 million while the remaining balance of Saudi Riyals 92.8 million is consisting 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

During 2015, 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. All legal formalities have been completed during the three-month period ended 30 September 2015.

As at 31 March 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). The related rights issue expenses amounting to Saudi Riyals 4.9 million were charged and presented in 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 31 March	
		2016 (Unaudited)	2015 (Unaudited)
Weighted average number of shares outstanding before rights issue (in thousands)		10,000	10,000
Effects of rights issued (in thousands)		15,000	5,465
Weighted average number of shares outstanding after rights issue (in thousands)	10	<u>25,000</u>	<u>15,465</u>

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 period ended 31 March 2016 (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.

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

As at 31 March 2016 (Unaudited)	Insurance operations' assets			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Held-to-maturity investment	-	10,000,000	-	10,000,000
Available-for-sale investments	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			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Held-to-maturity investment	-	10,000,000	-	10,000,000
Available-for-sale investments	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 and amounted to Saudi Riyals 0.6 million for the three-month period ended 31 March 2016 (Three-month period ended 31 March 2015: Saudi Riyals 0.6 million) are recognized in the interim statement of insurance operations' surplus.

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

<u>Years</u>	31 March 2016 (Unaudited)	31 December 2015 (Audited)
2016	1,771,084	2,411,547
2017	616,747	619,150
	2,387,831	3,030,697

14. NET UNDERWRITING SURPLUS

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

	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
Net earned premiums	134,302,397	155,470,376
Commission income	10,446,915	10,562,094
Other underwriting income	601,039	-
Policy acquisition costs	(14,172,962)	(15,869,870)
Net claims incurred	(102,643,062)	(116,551,876)
Net underwriting surplus	28,534,327	33,610,724

15. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Board of Directors on 17 April 2016 (corresponding to 10 Rajab 1437H), as authorized for issue by SAMA.