

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

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

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 June 2017**

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

TO: THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

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 2017 and the related interim statement of insurance operations' surplus, interim statements of comprehensive income - insurance operations and shareholders' operations for the three and six month periods then ended, the interim statement of changes in shareholders' equity and interim statements of cash flows - insurance operations and shareholders' operations for the six month period then ended and the related notes 1 to 17 which form an integral part of this interim condensed financial information. The Company's management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" and Saudi Arabian Monetary Authority's ("SAMLA") guidance for the accounting of zakat and tax. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.


Scope of Review

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

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and SAMLA guidance for the accounting of zakat and tax.

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 Kingdom of Saudi Arabia


Abdullah M. Al Azem
 Certified Public Accountant
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23 Dhu Al Qa'dah 1438
 15 August 2017

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

(All amounts in Saudi Riyals unless otherwise stated)


		30 June 2017 (Unaudited)	31 December 2016 (Audited)
Insurance operations' assets			
Cash and cash equivalents	4	63,727,513	70,238,851
Time deposits	5	179,000,000	149,800,000
Reinsurers' share of outstanding claims and reserves		355,928,758	379,753,132
Reinsurers' share of unearned premiums		115,469,433	44,019,014
Deferred policy acquisition costs		30,045,451	19,644,444
Premiums and reinsurance balances receivable	6	188,555,231	154,838,544
Held-to-maturity investment	7	10,000,000	10,000,000
Available for sale investment	7	12,879,457	12,943,942
Prepayments and other assets		28,736,280	30,397,387
Due from related parties	8	92,642,599	70,057,529
Property and equipment, net		9,274,361	7,027,868
Total insurance operations' assets		1,086,259,083	948,720,711
Shareholders' assets			
Cash and cash equivalents	4	63,938,105	1,374,609
Time deposits	5	196,000,000	264,000,000
Due from insurance operations		34,209,786	15,514,891
Prepayments and other assets		511,913	1,643,112
Statutory deposit		25,000,000	25,000,000
Accrued income from statutory deposit		1,115,151	974,660
Total shareholders' assets		320,774,955	308,507,272
Total insurance operations' and shareholders' assets		1,407,034,038	1,257,227,983

Continued to p-3

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER



HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

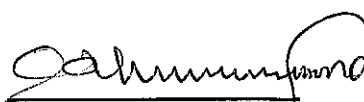
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

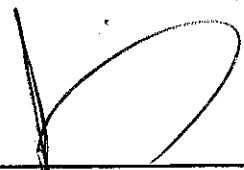
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Insurance operations' liabilities			
Due to shareholders' operations		34,209,786	15,514,891
Gross outstanding claims and reserves		532,680,011	554,802,588
Gross unearned premiums		349,039,667	230,953,341
Unearned commission income		22,145,107	11,359,320
Reinsurance balances payable		36,655,816	49,062,978
Accrued expenses and other liabilities		86,101,449	59,474,255
Employees' end-of-service benefits		14,177,543	14,555,491
Total insurance operations' liabilities		1,075,009,379	935,722,864
Insurance operations' surplus			
Insurance operations' surplus distribution payable		10,950,525	12,634,182
Fair value reserve for available-for-sale investment		299,179	363,665
Total insurance operations' liabilities and surplus		1,086,259,083	948,720,711
Shareholders' liabilities			
Provision for zakat		3,508,258	7,685,943
Accounts payable		381,000	1,729,500
Return payable on statutory deposit		1,115,151	974,660
Total shareholders' liabilities		5,004,409	10,390,103
Shareholders' equity			
Share capital	10	250,000,000	250,000,000
Statutory reserve		9,623,434	9,623,434
Retained earnings		56,147,112	38,493,735
Total shareholders' equity		315,770,546	298,117,169
Total shareholders' liabilities and equity		320,774,955	308,507,272
Total insurance operations' liabilities and surplus and shareholders' liabilities and equity		1,407,034,038	1,257,227,983

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


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ABDULAZIZ A. ABUSSUUD
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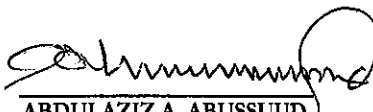

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO


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 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Three months period ended		Six months period ended	
	30 June		30 June	
	2017	2016	2017	2016
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues				
Gross written premiums	148,936,500	179,145,230	523,851,458	521,502,046
Reinsurance premiums ceded	(33,158,291)	(37,340,198)	(193,160,971)	(181,840,607)
Excess of loss/ stop loss premiums	(11,080,843)	(10,942,380)	(21,353,427)	(13,746,471)
Net written premiums	104,697,366	130,862,652	309,337,060	325,914,968
Movement in unearned premiums, net	25,086,092	(2,967,002)	(46,635,992)	(63,716,921)
Net earned premiums	129,783,458	127,895,650	262,701,068	262,198,047
Commission income	12,098,992	15,140,422	26,427,706	25,587,337
Income from investments	276,520	414,616	515,045	845,095
Special commission income	299,638	1,474,945	1,436,831	2,421,465
Other underwriting income	1,169,346	920,538	2,123,961	1,521,576
Other (expense) / income	(60,678)	1,330,061	796,758	2,752,488
Total insurance revenues	143,567,276	147,176,232	294,001,369	295,326,008
Costs and expenses				
Gross claims paid	135,443,203	112,080,756	231,790,428	249,900,479
Reinsurers' share of claims paid	(48,812,191)	(17,332,444)	(55,340,592)	(50,368,611)
Net claims paid	86,631,012	94,748,312	176,449,836	199,531,868
Movement in outstanding claims, net	1,092,377	(14,735,727)	1,701,795	(16,876,221)
Net claims incurred	87,723,389	80,012,585	178,151,631	182,655,647
Policy acquisition costs	16,880,455	21,291,417	34,109,281	35,464,379
General and administration expenses	24,040,462	21,138,998	53,987,101	48,113,060
Provision for doubtful receivables	1,183,367	165,974	2,733,692	1,050,935
Inspection and supervision fees	1,335,367	1,643,617	4,233,397	4,246,827
Total costs and expenses	131,163,040	124,252,591	273,215,102	271,530,848
Net surplus for the period from insurance operations	12,404,236	22,923,641	20,786,267	23,795,160
Shareholders' appropriation from surplus	(11,163,812)	(20,631,277)	(18,707,640)	(21,415,644)
Net surplus for the period from insurance operations after shareholders' appropriation	1,240,424	2,292,364	2,078,627	2,379,516

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


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BOARD MEMBER

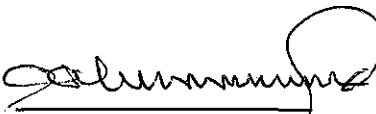

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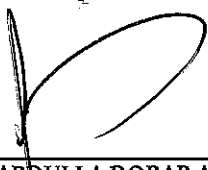
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months period ended 30 June		Six months period ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Net surplus for the period from insurance operations after shareholders' appropriation		1,240,424	2,292,364	2,078,627	2,379,516
Other comprehensive income / (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	877,662	-	(64,485)	(1,586,930)
Total insurance operations' comprehensive income for the period		2,118,086	2,292,364	2,014,142	792,586

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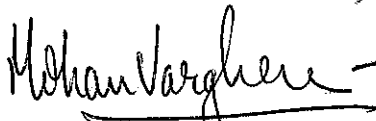

ABDULAZIZ A. ABUSSUUB
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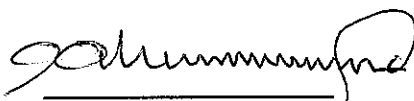

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO


SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Three months period ended 30 June		Six months period ended 30 June	
	2017 (Unaudited)	2016 (Unaudited and restated - Note 16)	2017 (Unaudited)	2016 (Unaudited and restated - Note 16)
Appropriation of surplus from insurance operations	11,163,812	20,631,277	18,707,640	21,415,644
Special commission income	932,803	1,459,741	3,079,095	2,585,811
General and administration expenses	(584,436)	(490,595)	(869,944)	(733,812)
Net income for the period	11,512,179	21,600,423	20,916,791	23,267,643
Other comprehensive income				
Change in fair value of available for sale investment	-	-	-	-
Total comprehensive income for the period	11,512,179	21,600,423	20,916,791	23,267,643
Earnings per share				
Basic and diluted earnings per share (in Saudi Riyals)	11 0.46	0.86	0.84	0.93
Weighted average number of shares in issue throughout the period (in thousands)	11 25,000	25,000	25,000	25,000

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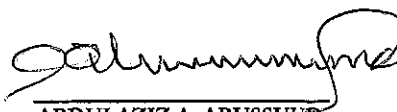
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings / (accumulated losses)	Total
Balance as at 1 January 2017		250,000,000	9,623,434	38,493,735	298,117,169
Total comprehensive income for the period		-	-	20,916,791	20,916,791
Provision for zakat		-	-	(3,263,414)	(3,263,414)
Balance as at 30 June 2017 (Unaudited)		250,000,000	9,623,434	56,147,112	315,770,546
Balance as at 1 January 2016		250,000,000	-	(2,722,493)	247,277,507
Total comprehensive income for the period - restated	16	-	-	23,267,643	23,267,643
Provision for zakat	16	-	-	(3,050,710)	(3,050,710)
Balance as at 30 June 2016 (Unaudited)		250,000,000	-	17,494,440	267,494,440

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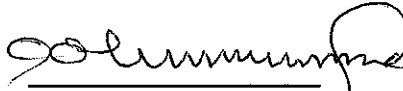
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017


(All amounts in Saudi Riyals unless otherwise stated)

	Note	Six months period ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations after shareholders' appropriation		2,078,627	2,379,516
Adjustments for:			
Depreciation		1,695,444	1,795,387
Provision for doubtful receivables	6	2,733,692	1,050,935
Provision for Employees' end-of-service benefits		1,293,909	1,351,982
Shareholders' appropriation from surplus		18,707,640	21,415,644
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims and reserves		23,824,374	43,724,628
Reinsurers' share of unearned premiums		(71,450,419)	(62,068,311)
Deferred policy acquisition costs		(10,401,007)	(9,598,690)
Premiums and reinsurance balances receivable		(36,450,379)	(36,379,726)
Prepayments and other assets		1,661,107	(20,404)
Due from related parties		(22,585,070)	(16,724,212)
Gross outstanding claims and reserves		(22,122,577)	(60,600,850)
Gross unearned premiums		118,086,326	125,785,232
Unearned commission income		10,785,787	9,074,161
Reinsurance balances payable		(12,407,162)	(4,898,615)
Accrued expenses and other liabilities		26,627,194	8,963,638
Cash from operating activities		32,077,486	25,250,315
Policyholders surplus paid		(3,762,284)	-
Employees' end-of-service benefits paid		(1,671,857)	(196,377)
Net cash from operating activities		26,643,345	25,053,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3,941,938)	(1,603,872)
Increase in time deposits		(29,200,000)	(41,306,666)
Net cash used in investing activities		(33,141,938)	(42,910,538)
CASH FLOWS FROM FINANCING ACTIVITY			
Due to shareholders' operations, net		(12,745)	(4,039,111)
Net cash used in financing activity		(12,745)	(4,039,111)
Net decrease in cash and cash equivalents		(6,511,338)	(21,895,711)
Cash and cash equivalents at the beginning of the period		70,238,851	76,151,599
Cash and cash equivalents at the end of the period	4	63,727,513	54,255,888
Supplemental non-cash information:			
Change in fair value of available-for-sale investments	7	(64,485)	(1,586,930)

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

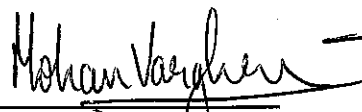

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

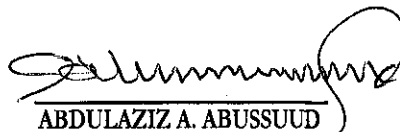

HASSAN ABDULLA DORAR ALI
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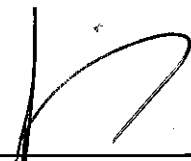
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Six months period ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat		20,916,791	23,267,643
Adjustments for:			
Appropriation of surplus from insurance operations income		(18,707,640)	(21,415,644)
Changes in operating assets and liabilities:			
Prepayments and other assets		1,131,199	(909,700)
Accounts payable		(1,348,500)	(151,340)
Cash generated from operations		<u>1,991,850</u>	<u>790,959</u>
Zakat paid		(7,441,099)	(2,904,890)
Net cash used in operating activities		<u>(5,449,249)</u>	<u>(2,113,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/ (increase) in time deposits		<u>68,000,000</u>	<u>(1,800,000)</u>
Net cash from/ (used in) investing activity		<u>68,000,000</u>	<u>(1,800,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Due from insurance operations, net		<u>12,745</u>	<u>4,039,111</u>
Net cash from financing activities		<u>12,745</u>	<u>4,039,111</u>
Net increase in cash and cash equivalents		<u>62,563,496</u>	<u>125,180</u>
Cash and cash equivalents at beginning of the period	4	<u>1,374,609</u>	<u>359,687</u>
Cash and cash equivalent at the end of the period		<u><u>63,938,105</u></u>	<u><u>484,867</u></u>

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


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ABDULAZIZ A. ABUSSUUD
BOARD-MEMBER


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PRESIDENT & CEO

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

(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 7 Shaban 1428H, (corresponding to 20 August 2007). 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 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

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

On 29 Shaban 1428H (corresponding to 11 September 2007), 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

Statement of compliance

During 2017, SAMA issued a circular number 381000074519 dated 11 April 2017 (corresponding to 14 Rajab 1438H) (the "Circular") and subsequent amendments through certain clarifications relating to the accounting for zakat and income taxes. The impact of these amendments is that zakat and tax will be recognized in the interim statement of changes in shareholders' equity with a corresponding liability in the interim statement of financial position.

Applying the above framework, the interim condensed financial information of the Company as at and for the three and six month period ended 30 June 2017 have been prepared using the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance for the accounting of zakat and income taxes.

Until 2016, the interim condensed financial information of the Company were prepared in accordance with the IAS 34. This change in framework resulted in a change in the presentation of zakat and income tax as disclosed in Note 16 to the interim condensed financial information.

Basis of measurement

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

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

These interim condensed financial information have been presented in Saudi Riyals being the functional and presentation currency of the Company.

These interim condensed financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016.

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

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017**

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3 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**Accounting and risk management policies**

The accounting and risk management policies adopted in the preparation of these interim condensed financial information are consistent with the Company's audited financial statements for the year ended December 31, 2016, except for the change in the accounting policy in relation to accounting for zakat and income tax as per SAMA guidance effective 1 January 2017 (see Note 16) and adoption of the amendments to an existing standard mentioned below which has had no material impact on the financial statements of the Company:

Amendments to IAS 7 - "Statement of Cash Flows", applicable for the annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting years beginning on or after 1 January 2017 and is currently assessing their impact. Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after January 1, 2017:

- a. IFRS 9 - "Financial instruments", applicable for the annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. The new standard presents revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. IASB had allowed temporary exemption for companies issuing insurance contracts until 2021 or until the new insurance contracts standard is applied, if that is earlier.
- b. IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2021. The new standard introduces revised insurance contract measurements principles replacing IFRS 4 "Insurance Contracts".
- c. IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

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:

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in banks	63,684,516	63,938,105	70,217,401	1,374,609
Cash on hand	42,997	-	21,450	-
	<u>63,727,513</u>	<u>63,938,105</u>	<u>70,238,851</u>	<u>1,374,609</u>

Cash in banks are placed with counterparties who have investment grade credit ratings. As at 30 June 2017, the Company holds an amount of SR 334,287 (31 December 2016: SR 110,787), 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 interim condensed financial statements.

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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 rate ranging from 1.35% to 3.10% per annum (31 December 2016: 2.7% to 3.95% per annum).

Investment income earned upon maturity of the short-term placements under insurance operations' and shareholders' assets recognized during the six-month period ended 30 June 2017 amounted to SR 0.3 million (six-month period ended 30 June 2016: SR 0.4 million).

6 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

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

	<u>30 June</u> 2017 (Unaudited)	31 December 2016 (Audited)
Premiums receivable	211,092,428	173,413,991
Insurance companies and others	<u>8,252,312</u>	<u>9,480,370</u>
Total premiums and reinsurance balances receivable	219,344,740	182,894,361
Less: Provision for doubtful receivables	<u>(30,789,509)</u>	<u>(28,055,817)</u>
	<u>188,555,231</u>	<u>154,838,544</u>

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

	<u>30 June</u> 2017 (Unaudited)	31 December 2016 (Audited)
Beginning balance	28,055,817	22,919,742
Provision made during the period / year	<u>2,733,692</u>	<u>5,136,075</u>
Ending balance	<u>30,789,509</u>	<u>28,055,817</u>

7 INVESTMENTS

Insurance operations

a. Held-to-maturity investment

As at 30 June 2017 and 31 December 2016, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank, amounted to SR 10 million comprising of 10 Sukuk denominated at SR 1 million each and a margin equivalent to 6 month SIBOR plus 130 basis points, having maturity date of 28 November 2017. See also note 12

b. Available-for-sale investment

	<u>30 June</u> 2017 (Unaudited)	31 December 2016 (Audited)
Beginning balance	12,943,942	14,162,233
Unrealized (loss) / gain from change in fair value	(64,485)	1,206,540
Impairment loss	-	(2,424,831)
Ending balance	<u>12,879,457</u>	<u>12,943,942</u>

Available-for-sale investment included SR 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 2017 and 31 December 2016, management believes that the carrying amount of the available-for-sale investment is a reasonable estimate of its fair value (Note 12).

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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 six-month period ended 30 June:

Related parties	Nature of transactions	30 June	30 June
		2017	2016
		(Unaudited)	(Unaudited)
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Amounts received / (paid) on behalf of SAICO B.S.C (C), net	18,430	(41,482)
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	11,683,591	11,267,692
	Claims paid through Agent	20,934	7,113
	Commission expense	1,597,471	1,606,143
ACE Limited (Affiliate)	Premiums and claims, net	-	(1,443)
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums received through Broker, net	164,012,499	161,183,604
	Commission expense	20,729,408	20,668,964
	Premiums ceded through Broker	112,288,453	98,353,737
	Commission received	14,522,356	12,853,859
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Premiums ceded	4,262,339	3,652,661
	Commission received	948,499	813,116

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 / (to) related parties	Nature of transactions	30 June	31 December
		2017	2016
		(Unaudited)	(Audited)
ACE Insurance and Reinsurance Brokers Limited ("Broker") affiliate	Insurance operations	77,941,561	57,186,835
ACE Insurance Agents Limited ("Agent") (Affiliate)	Insurance operations	13,484,505	11,672,591
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Insurance operations	906,398	887,968
ACE Limited (Affiliate)	Insurance operations	310,135	310,135
		92,642,599	70,057,529
Due to related parties			
Employees' end-of-service benefits	Insurance operations	3,459,986	3,280,841

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 six-month period ended 30 June is as follows:

	30 June	30 June
	2017	2016
	(Unaudited)	(Unaudited)
Short-term benefits	6,787,884	4,353,789
Bonus	2,000,160	1,375,920
Employees' end-of-service benefits	179,145	168,269
	8,967,189	5,897,978

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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. Accordingly, they are included in unallocated revenue and expense.

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.

Three months ended 30 June 2017 (Unaudited)

Operating segment	Fire &							Total
	Medical	Motor	burglary	Marine	Engineering liability	Public liability	General accident	
Revenues								
Gross written premiums	60,509	48,628	14,062	9,754	3,337	2,621	7,357	148,936
Reinsurance premiums ceded	-	(123)	(12,096)	(9,132)	(3,076)	(975)	(6,515)	(33,158)
Excess of loss premiums	(9,815)	(568)	(449)	(159)	(64)	(19)	-	(1,081)
Net written premiums	50,694	47,937	1,517	463	197	1,627	842	104,697
Movement in unearned premiums, net	21,195	3,999	440	292	279	(648)	(261)	25,086
Net earned premiums	71,889	51,936	1,957	755	476	979	581	129,783
Commission income	-	(20)	6,215	2,096	687	471	2,623	12,099
Other Underwriting Income	-	1,170	-	-	-	-	-	1,170
Total allocated revenue	71,889	53,086	8,172	2,851	1,163	1,450	3,204	143,052
Cost and expenses								
Gross claims paid	(53,087)	(31,106)	(40,578)	(1,116)	(1,306)	-	(6,041)	(135,443)
Reinsurers' share of claims paid	-	16	38,752	975	1,219	-	5,977	48,813
Net claims paid	(53,087)	(31,090)	(1,826)	(141)	(87)	-	(64)	(86,630)
Movement in outstanding claims, net	(6,201)	5,844	125	(9)	(89)	(95)	(629)	(1,092)
Net claims incurred	(59,289)	(25,246)	(1,701)	(150)	(176)	(95)	(693)	(87,723)
Policy acquisition costs	(3,731)	(6,574)	(4,454)	(789)	(315)	(405)	(269)	(16,881)
Total allocated costs and expenses	(63,020)	(31,820)	(6,155)	(939)	(491)	(500)	(962)	(104,604)
Net underwriting surplus	8,869	21,266	2,017	1,912	672	950	2,242	38,448
Unallocated revenue								515
Unallocated expenses								(26,559)
Net surplus from insurance operations								12,404

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9 SEGMENT INFORMATION (Continued)

Three months ended 30 June 2016 (Unaudited)

Operating segment	Three months ended 30 June 2016 (Unaudited)							Total	
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident		Others
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
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	12,950	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)
Net underwriting surplus	15,050	15,594	2,591	1,979	1,410	1,795	1,788	1,525	41,732
Unallocated revenue									4,140
Unallocated expenses									(22,948)
Net surplus from insurance operations									22,924

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9 SEGMENT INFORMATION (Continued)

Operating segment	Six months ended 30 June 2016 (Unaudited)								Total
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	
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 revenue	132,933	117,711	12,761	5,429	4,419	4,125	4,695	5,712	287,785
Cost 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	-	863	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 costs	(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)
Net underwriting surplus	31,649	16,298	2,330	3,312	2,191	3,970	4,829	5,086	69,665
Unallocated revenue									7,541
Unallocated expenses									(53,411)
Net surplus from insurance operations									23,795

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9 SEGMENT INFORMATION (Continued)

As at 30 June 2017 (Unaudited)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Assets									
Reinsurers' share of outstanding claims	-	14,416	144,966	15,310	78,383	15,708	85,294	1,852	355,929
Reinsurers' share of unearned premiums	-	231	78,160	8,571	8,529	5,823	13,425	730	115,469
Deferred policy acquisition costs	5,473	11,771	9,289	664	1,085	770	708	285	30,045
Segment assets	5,473	26,418	232,415	24,545	87,997	22,301	99,427	2,867	501,443
Unallocated assets									584,816
Total assets									1,086,259
Liabilities									
Gross outstanding claims	99,925	66,027	156,766	17,724	82,163	16,766	89,825	3,483	532,679
Gross unearned premiums	124,042	99,801	81,110	9,138	8,717	9,458	14,782	1,991	349,039
Unearned commission income	-	69	12,608	1,907	2,113	1,215	4,191	42	22,145
Segment liabilities	223,967	165,897	250,484	28,769	92,993	27,439	108,798	5,516	903,863
Unallocated liabilities									182,396
Total liabilities									1,086,259

Unallocated assets at 30 June 2017 consists mainly of premiums and reinsurance balances receivable of Saudi Riyals 188 million, due from related parties of SR 93 million, time deposits of SR 179 million, cash and cash equivalents of SR 64 million, and other insurance operations' assets of SR 61 million.

At 30 June 2017, the total premiums and reinsurance balances receivable amounting to SR 188 million comprised mainly net premiums receivable from Medical clients of SR 86 million while the remaining balance of SR 102 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 2016 (Audited)

Operating segment	Fire &					Public liability	General accident	Others	Total
	Medical	Motor	burglary	Marine	Engineering				
Assets									
Reinsurers' share of outstanding claims	-	13,829	163,680	17,644	82,932	13,876	85,918	1,874	379,753
Reinsurers' share of unearned premiums	-	133	8,579	8,841	9,596	4,937	11,434	499	44,019
Deferred policy acquisition costs	6,196	9,019	1,150	897	1,160	705	340	177	19,644
Segment assets	6,196	22,981	173,409	27,382	93,688	19,518	97,692	2,550	443,416
Unallocated assets									505,305
Total assets									948,721
Liabilities									
Gross outstanding claims	84,718	79,435	175,911	20,275	87,003	14,756	89,319	3,386	554,803
Gross unearned premiums	110,018	70,960	9,659	9,572	10,095	7,501	11,848	1,300	230,953
Unearned commission income	-	39	1,927	2,365	2,260	994	3,764	10	11,359
Segment liabilities	194,736	150,434	187,497	32,212	99,358	23,251	104,931	4,696	797,115
Unallocated liabilities									151,606
Total liabilities									948,721

Unallocated assets at 31 December 2016 consist mainly of premiums and reinsurance balances receivable of SR 155 million, due from related parties of SR 70 million, time deposits of SR 150 million, cash and cash equivalents of SR 70 million, and other insurance operations' assets of SR 60 million.

At 31 December 2016, the total premiums and reinsurance balances receivable amounting to SR 155 million comprised mainly of premiums receivable from Medical clients of SR 64 million while the remaining balance of SR 91 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 30 June 2017 and 31 December 2016, the authorized, issued and paid up share capital of the Company amounted to SR 250 million divided into 25 million shares of SR 10 each.

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. Also refer note 16.

12 FAIR VALUE 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 interim condensed 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 six-month period ended 30 June 2017 (for the year ended 31 December, 2016) 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 2017 (Unaudited)

	Insurance operations' assets			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity investments	-	10,000,000	-	10,000,000
Available-for-sale investments	10,956,377	-	1,923,080	12,879,457
	<u>10,956,377</u>	<u>10,000,000</u>	<u>1,923,080</u>	<u>22,879,457</u>

As at 31 December 2016 Audited)

	Insurance operations' assets			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity investments	-	10,000,000	-	10,000,000
Available-for-sale investments	11,020,862	-	1,923,080	12,943,942
	<u>11,020,862</u>	<u>10,000,000</u>	<u>1,923,080</u>	<u>22,943,942</u>

The fair value of the other financial assets and liabilities, not included in the table above, were not materially different from their carrying values included in the financial statements.

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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 amounted to SR 1.3 million for the three months period ended 30 June 2017 (30 June 2016: SR 0.6 million) and SR 2.6 million for the six months period ended 30 June 2017 (30 June 2016: SR 1.2 million) are recognised in the in the interim statement of income - insurance operations.

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

<u>Years</u>	<u>30 June</u>	<u>31 December</u>
	2017	2016
	(Unaudited)	(Audited)
2017	837,240	845,738
2018	603,506	-
2019	540,855	-
2020	540,855	-
2021	71,126	-
	<u>2,593,582</u>	<u>845,738</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 period ended</u>		<u>Six months period ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net earned premiums	129,783,458	127,895,650	262,701,068	262,198,047
Commission income	12,098,992	15,140,422	26,427,706	25,587,337
Other underwriting income	1,169,346	920,538	2,123,961	1,521,576
Policy acquisition costs	(16,880,455)	(21,291,417)	(34,109,281)	(35,464,379)
Net claims incurred	(87,723,389)	(80,012,585)	(178,151,631)	(182,655,647)
Net underwriting surplus	<u>38,447,952</u>	<u>42,652,608</u>	<u>78,991,823</u>	<u>71,186,934</u>

15 STATUTORY RESERVE

In accordance with the Company's By-Laws and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital and such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

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 2017***(All amounts in Saudi Riyals unless otherwise stated)***16 CHANGE IN ACCOUNTING POLICY**

Effective 1 January 2017 following the Circular issued by SAMA in relation to the accounting of zakat and income tax, the Company amended its accounting policy to charge zakat into retained earnings instead of income from operations within interim statement of comprehensive income - shareholders' operations.

The Company used to charge zakat and income tax through the interim statement of shareholder's comprehensive income. As a result of the Circular, the Company has changed its presentation relating to zakat and income tax and now has started to charge zakat and income tax directly to the interim statement of changes in shareholders' equity. The Company has accounted for this change retrospectively which resulted in the increase in total comprehensive income by Saudi Riyals 1.7 million and 3 million for the three-month and six month periods ended 30 June 2016.

The effect of change in accounting policy on the comparative for three month and six month periods ended on 30 June 2016 financial information is summarized in the table below:

	Three month period ended June 30, 2016		
	Balances, as previously reported	Effect of restatement	Balances, as restated
Total comprehensive income for the period from shareholders' operations within interim statements of comprehensive income - shareholders' operations; and, changes in shareholders' equity	19,920,751	1,679,672	21,600,423
Provision for zakat presented within interim statement of changes in shareholders' equity	-	(1,679,672)	(1,679,672)
Basic and diluted earnings per share in the statement of comprehensive income -shareholders' operations(in Saudi Riyals)	0.80	0.067	0.86
	Six month period ended June 30, 2016		
	Balances, as previously reported	Effect of restatement	Balances, as restated
Total comprehensive income for the period from shareholders' operations within interim statements of comprehensive income - shareholders' operations; and, changes in shareholders' equity	20,216,933	3,050,710	23,267,643
Provision for zakat presented within interim statement of changes in shareholders' equity	-	(3,050,710)	(3,050,710)
Basic and diluted earnings per share in the statement of comprehensive income -shareholders' operations(in Saudi Riyals)	0.81	0.12	0.93

The above change in accounting policy did not have an impact on interim statements of financial position and cash flows for any of the year/period presented.

17 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 11 Dhul-Qa'dah 1438 H (corresponding to 3 August 2017).