

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

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

**FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED
31 DECEMBER 2016**

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT FOR
THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 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 (the "Company") as at 31 December 2016 and the related interim statements of insurance operations' surplus, insurance operations' comprehensive income and shareholders' comprehensive income for the three-month and twelve-month periods then ended; and changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the twelve-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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Registration No. 171

15 January 2017
(17 Rabi Al-Thani 1438H)



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

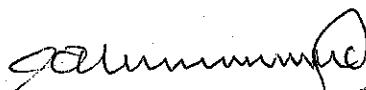
INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 December 2016 (Unaudited)	31 December 2015 (Audited)
Insurance operations' assets			
Property and equipment, net		7,027,868	7,046,323
Reinsurers' share of outstanding claims and reserves		379,753,132	418,265,008
Reinsurers' share of unearned premiums		44,019,014	46,845,626
Deferred policy acquisition costs		19,644,444	22,247,019
Premiums and reinsurance balances receivable	6	154,838,544	132,175,780
Held-to-maturity investment	7	10,000,000	10,000,000
Available-for-sale investment	7	12,943,942	14,162,233
Prepayments and other assets		30,397,387	16,596,270
Due from related parties	8	70,057,529	71,302,320
Time deposits	5	149,800,000	165,000,000
Cash and cash equivalents	4	70,238,851	76,151,599
Total insurance operations' assets		948,720,711	979,792,178
Shareholders' assets			
Statutory deposit		25,000,000	25,000,000
Due from insurance operations		15,514,891	10,383,676
Prepayments and other assets		1,643,112	583,100
Time deposits	5	264,000,000	215,800,000
Accrued income from statutory deposit		974,660	848,893
Cash and cash equivalents	4	1,374,609	359,687
Total shareholders' assets		308,507,272	252,975,356
Total insurance operations' and shareholders' assets		1,257,227,983	1,232,767,534

Continued to p-3

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


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

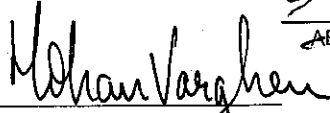

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

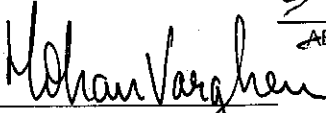
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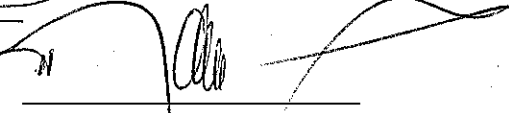
INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2016 (Unaudited)	31 December 2015 (Audited)
Insurance operations' liabilities			
Employees' end-of-service benefits		14,555,491	9,533,899
Due to shareholders' operations		15,514,891	10,383,676
Gross outstanding claims and reserves		554,802,588	600,678,115
Gross unearned premiums		230,953,341	240,004,422
Unearned commission income		11,359,320	12,121,690
Reinsurance balances payable		49,062,978	47,587,888
Accrued expenses and other liabilities		59,474,255	52,005,974
Total insurance operations' liabilities		935,722,864	972,315,664
Insurance operations' surplus			
Insurance operations' surplus distribution payable		12,634,182	8,319,389
Fair value reserve for available-for-sale investment		363,665	(842,875)
Total insurance operations' liabilities and surplus		948,720,711	979,792,178
Shareholders' liabilities			
Provision for zakat		7,685,943	3,258,956
Accounts payable		1,729,500	1,590,000
Return payable on statutory deposit		974,660	848,893
Total shareholders' liabilities		10,390,103	5,697,849
Shareholders' equity			
Share capital	10	250,000,000	250,000,000
Statutory reserve	16	9,623,434	-
Retained earnings / (accumulated losses)		38,493,735	(2,722,493)
Total shareholders' equity		298,117,169	247,277,507
Total shareholders' liabilities and equity		308,507,272	252,975,356
Total insurance operations' liabilities and surplus and shareholders' liabilities and equity		1,257,227,983	1,232,767,534

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


 ABDULAZIZ A. ABUSSUUD
 BOARD MEMBER


 MOHAN VARGHESE
 CHIEF FINANCIAL OFFICER

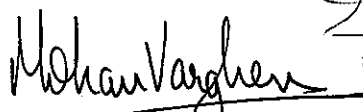

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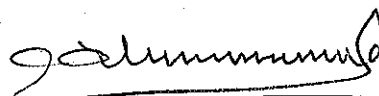
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

	Notes	Three months ended 31 December		Twelve months ended 31 December	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Audited)
Revenues					
Gross written premiums		119,867,237	110,055,673	801,806,183	888,220,440
Reinsurance premiums ceded		(28,091,461)	(19,526,780)	(238,861,549)	(243,062,963)
Excess of loss / stop loss premiums		(16,744,969)	(24,289,659)	(53,815,377)	(84,796,467)
Net written premiums		75,030,807	66,239,234	509,129,257	560,361,010
Movement in unearned premiums, net		54,588,394	65,446,778	6,224,469	42,088,209
Net earned premiums		129,619,201	131,686,012	515,353,726	602,449,219
Commission income		10,916,717	10,590,006	50,939,911	44,594,545
Income from investments		230,295	721,552	1,373,271	3,110,827
Special commission income		1,552,380	512,254	5,481,417	1,313,085
Other income		5,112,284	2,525,155	11,401,513	10,488,512
Total revenues		147,430,877	146,034,979	584,549,838	661,956,188
Costs and expenses					
Gross claims paid		90,931,299	127,919,834	432,177,997	482,346,739
Reinsurers' share of claims paid		(12,357,289)	(21,765,490)	(81,781,962)	(42,151,041)
Net claims paid		78,574,010	106,154,344	350,396,035	440,195,698
Movement in outstanding claims and reserves, net		7,248,575	(11,131,110)	(7,363,650)	19,514,079
Net claims incurred		85,822,585	95,023,234	343,032,385	459,709,777
Policy acquisition costs		17,982,858	16,174,304	71,628,956	65,429,108
General and administration expenses		23,885,723	19,686,023	96,607,698	82,717,193
Provision for doubtful receivables	6	1,349,772	2,795,716	5,136,075	5,518,935
Inspection and supervision fees		1,103,698	846,753	7,025,853	7,743,705
Impairment of available-for-sale investment	7	-	-	2,424,831	-
Total costs and expenses		130,144,636	134,526,030	525,855,798	621,118,718
Net surplus for the period from insurance operations		17,286,241	11,508,949	58,694,040	40,837,470
Shareholders' appropriation from surplus		(15,557,617)	(10,358,055)	(52,824,636)	(36,753,724)
Net surplus for the period from insurance operations after shareholders' appropriation		1,728,624	1,150,894	5,869,404	4,083,746

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


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

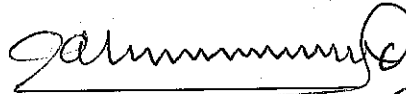
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 31 December		Twelve months ended 31 December	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net surplus for the period from insurance operations after shareholders' appropriation		1,728,624	1,150,894	5,869,404	4,083,746
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 investment	7	1,835,875	(842,875)	1,206,540	(842,875)
Total insurance operations' comprehensive income for the period		3,564,499	308,019	7,075,944	3,240,871

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CHIEF FINANCIAL OFFICER



ABDULAZIZ A. ABUSSJUD
BOARD MEMBER



HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

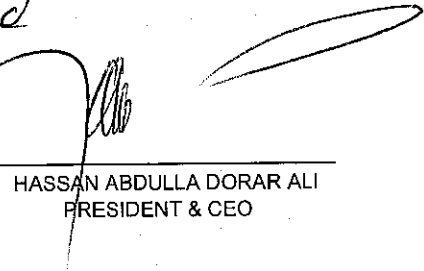
Note	Three months ended 31 December		Twelve months ended 31 December	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Audited)
Appropriation of surplus from insurance operations	15,557,617	10,358,055	52,824,636	36,753,724
Special commission income	2,226,814	777,656	6,558,442	1,247,828
General and administration expenses	(252,719)	(216,558)	(1,211,539)	(1,197,272)
Income before zakat	17,531,712	10,919,153	58,171,539	36,804,280
Provision for zakat	(2,369,858)	(1,357,625)	(7,331,877)	(4,498,734)
Net income for the period	15,161,854	9,561,528	50,839,662	32,305,546
Other comprehensive income				
Items that may be reclassified to shareholders' operations in subsequent period:				
Change in fair value of available-for-sale investment	-	-	-	-
Total comprehensive income for the period	15,161,854	9,561,528	50,839,662	32,305,546
Earnings per share				
Basic and diluted earnings per share (in Saudi Riyals)	11 0.61	0.38	2.03	1.59
Weighted average number of shares in issue throughout the period (in thousands)	11 25,000	25,000	25,000	20,324

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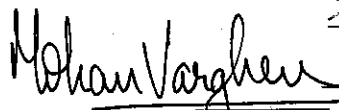

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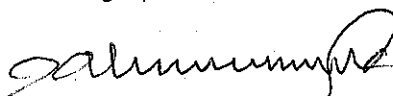
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retained earnings/ (accumulated losses)	Total
Balances as at 1 January 2016		250,000,000	-	(2,722,493)	247,277,507
Total comprehensive income for the period		-	-	50,839,662	50,839,662
Statutory reserve	16	-	9,623,434	(9,623,434)	-
Balances as at 31 December 2016 (Unaudited)		250,000,000	9,623,434	38,493,735	298,117,169
Balances as at 1 January 2015		100,000,000	-	(30,037,449)	69,962,551
Paid in capital from rights issue	10	150,000,000	-	-	150,000,000
Rights issue expenses	10	-	-	(4,990,590)	(4,990,590)
Total comprehensive income for the period		-	-	32,305,546	32,305,546
Balances as at 31 December 2015 (Audited)		250,000,000	-	(2,722,493)	247,277,507

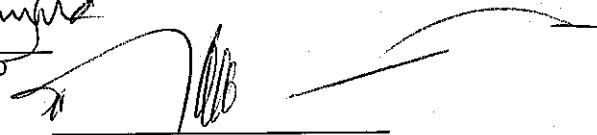
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ABDULAZIZA-ABUSSAUD
BOARD MEMBER



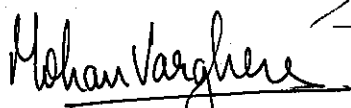
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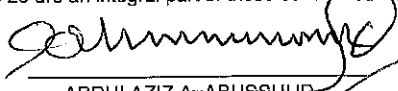
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

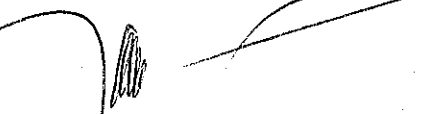
	Notes	Twelve months ended 31 December	
		2016 (Unaudited)	2015 (Audited)
Cash flows from operating activities			
Net surplus from insurance operations after shareholders' appropriation		5,869,404	4,083,746
Adjustments for:			
Depreciation		3,500,857	3,445,473
Provision for doubtful receivables	6	5,136,075	5,518,935
Employees' end-of-service benefits, net		5,021,592	2,225,493
Shareholders' appropriation from surplus		52,824,636	36,753,724
Impairment of available-for-sale investment	7	2,424,831	-
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims and reserves		38,511,876	(52,055,058)
Reinsurers' share of unearned premiums		2,826,612	18,727,517
Deferred policy acquisition costs		2,602,575	1,573,164
Premiums and reinsurance balances receivable		(27,798,839)	31,967,749
Prepayments and other assets		(13,801,117)	(6,279,087)
Due from related parties		1,244,791	(23,316,318)
Gross outstanding claims and reserves		(45,875,527)	71,569,134
Gross unearned premiums		(9,051,081)	(60,815,721)
Unearned commission income		(762,370)	(3,349,310)
Reinsurance balances payable		1,475,090	4,278,089
Accrued expenses and other liabilities		7,468,281	14,584,826
Surplus distribution to policyholders		(1,554,611)	-
Net cash from operating activities		30,063,075	48,912,356
Cash flows from investing activities			
Purchase of property and equipment		(3,482,402)	(3,743,640)
Acquisition of held-to-maturity investment		-	(10,000,000)
Acquisition of available-for-sale investment		-	(13,082,028)
Maturity in time deposits		15,200,000	15,160,386
Net cash from / (used in) investing activities		11,717,598	(11,665,282)
Cash flows from a financing activity			
Due to shareholders' operations, net		(47,693,421)	(30,447,862)
Net cash used in a financing activity		(47,693,421)	(30,447,862)
Net (decrease) / increase in cash and cash equivalents		(5,912,748)	6,799,212
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	70,238,851	76,151,599
Supplemental non-cash information:			
Change in fair value of available-for-sale investment	7	1,206,540	(842,875)

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ABDULAZIZA ABUSSUUD
BOARD MEMBER

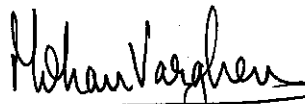

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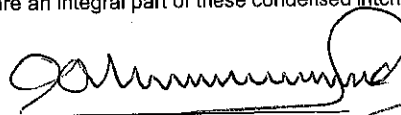
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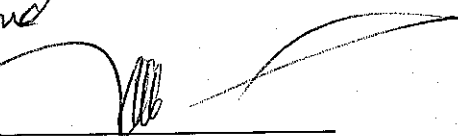
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Twelve months ended 31 December	
		2016 (Unaudited)	2015 (Audited)
Cash flows from operating activities			
Income before zakat		58,171,539	36,804,280
Adjustment for:			
Appropriation of surplus from insurance operations income		(52,824,636)	(36,753,724)
Changes in operating assets and liabilities:			
Prepayments and other assets		(1,060,012)	950,197
Accrued income from statutory deposit		(125,767)	-
Return payable on statutory deposit		125,767	-
Accounts payable		139,500	757,728
Cash from operations		4,426,391	1,758,481
Zakat paid		(2,904,890)	(3,298,936)
Net cash from / (used in) operating activities		1,521,501	(1,540,455)
Cash flows from investing activities			
Statutory deposit		-	(15,000,000)
Increase in time deposits		(48,200,000)	(196,250,000)
Net cash used in investing activities		(48,200,000)	(211,250,000)
Cash flows from financing activities			
Due from insurance operations, net		47,693,421	30,447,862
Net proceeds from share capital increase	10	-	145,009,410
Net cash from financing activities		47,693,421	175,457,272
Net increase / (decrease) in cash and cash equivalents		1,014,922	(37,333,183)
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	1,374,609	359,687

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 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 (corresponding to 21 Shaban 1428H).

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

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

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

2. BASIS OF PREPARATION

The condensed interim financial statements for the three-month and twelve-month periods ended 31 December 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.

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

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATION

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 1 January 2016, which had no financial impact on the condensed interim financial statements of the Company:

- 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

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3. NEW STANDARDS, AMENDMENTS AND INTERPRETATION (continued)

- 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 European Union endorsement.

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

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

4. CASH AND CASH EQUIVALENTS

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

	31 December 2016 (Unaudited)		31 December 2015 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in banks	70,217,401	1,374,609	45,921,325	359,687
Cash on hand	21,450	-	32,136	-
Short-term deposits	-	-	30,198,138	-
	70,238,851	1,374,609	76,151,599	359,687

Cash in banks and short-term deposits 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 December 2016, the Company holds an amount of Saudi Riyals 110,787 (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 3.58% per annum (31 December 2015: 0.80% to 1.10% per annum).

Investment income earned upon maturity of the short-term placements under insurance operations' assets recognized during the twelve-month period ended 31 December 2016 amounted to Saudi Riyals 0.3 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 December 2016 (Unaudited)	31 December 2015 (Audited)
Premiums receivable	173,413,991	150,542,916
Reinsurers and others	9,480,370	4,552,606
Total premiums and reinsurance balances receivable	182,894,361	155,095,522
Less: Provision for doubtful receivables	(28,055,817)	(22,919,742)
	154,838,544	132,175,780

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6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE (continued)

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

	31 December 2016 (Unaudited)	31 December 2015 (Audited)
Beginning balance	22,919,742	17,400,807
Provision made during the period / year	5,136,075	5,518,935
Ending balance	<u>28,055,817</u>	<u>22,919,742</u>

7. INVESTMENTS

a. Held-to-maturity investment

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

b. Available-for-sale investment

	31 December 2016 (Unaudited)	31 December 2015 (Audited)
Beginning balance	14,162,233	1,923,080
Additions	-	13,082,028
Unrealized gain / (loss) from change in fair value	1,206,540	(842,875)
Impairment loss	<u>(2,424,831)</u>	-
Ending balance	<u>12,943,942</u>	<u>14,162,233</u>

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

During the twelve-month period ended 31 December 2016, the Company recognized an impairment loss amounting to Saudi Riyals 2.4 million, charged to insurance operations' surplus, due to significant decline in the value of available-for-sale investment below cost under insurance operations' assets.

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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 three-month and twelve-month periods ended 31 December:

Related parties	Nature of transactions	Three months ended 31 December		Twelve months ended 31 December	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Audited)
Saudi Arabian Insurance Company B.S.C. (C) ("SAICO BSC") (Shareholder)	Amounts received / (paid) on behalf of SAICO BSC, net	(2,028,145)	10,050	(1,607,158)	(1,205,135)
	Premiums received	21,999	(2,843)	3,717,339	3,539,304
	Commission expense	7,866	(640)	830,585	788,615
ACE Insurance Agents Limited ("ACE Agents") (Affiliate)	Premiums received through Agents	3,416,154	12,157,231	22,218,948	46,722,458
	Claims paid through Agent	-	(1,642)	9,191	3,150
	Commission expense	497,776	1,228,686	3,220,840	5,049,724
ACE Limited (Affiliate)	Premiums and claims, net	-	-	(1,443)	-
	Premiums received through Brokers, net	26,291,889	24,162,478	203,448,099	204,013,168
ACE Insurance and Reinsurance Brokers Limited ("ACE Brokers") (Affiliate)	Commission expense	3,845,426	3,449,009	27,152,453	17,195,903
	Premiums ceded through Brokers	2,980,325	1,022,203	102,171,798	99,692,396
	Commission received	413,221	226,117	13,377,587	3,659,769

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	31 December 2016	31 December 2015
		(Unaudited)	(Audited)
ACE Brokers	Insurance operations	57,186,835	53,394,202
ACE Agents	Insurance operations	11,672,591	15,412,992
SAICO BSC	Insurance operations	887,968	2,495,126
ACE Limited	Insurance operations	310,135	-
		70,057,529	71,302,320

c. Compensation of key management personnel

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the three-month and twelve-month periods ended 31 December is as follows:

	Three months ended 31 December		Twelve months ended 31 December	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Short-term benefits	1,523,862	2,040,032	7,401,514	6,857,915
Bonuses	-	-	1,375,920	479,250
Employees' end-of-service benefits	84,135	59,616	336,538	238,464
	1,607,997	2,099,648	9,113,972	7,575,629

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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.

Shareholders' Funds is a non-operating segment. Income earned from time deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance income' is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

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9. SEGMENT INFORMATION (continued)

Three months ended 31 December 2016 (Unaudited)
(Amounts in Saudi Riyals thousands)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	51,500	35,437	3,939	8,413	4,994	5,022	6,763	3,799	119,867
Reinsurance premiums ceded	-	(130)	(3,365)	(7,684)	(4,853)	(3,932)	(6,565)	(1,562)	(28,091)
Excess of loss premiums	(15,973)	(406)	(131)	(185)	(32)	(13)	-	(5)	(16,745)
Net written premiums	35,527	34,901	443	544	109	1,077	198	2,232	75,031
Movement in unearned premiums, net	30,866	21,608	1,455	(310)	31	307	236	395	54,588
Net earned premiums	66,393	56,509	1,898	234	140	1,384	434	2,627	129,619
Commission income	-	33	5,557	1,097	1,643	685	1,881	21	10,917
Total allocated revenue	66,393	56,542	7,455	1,331	1,783	2,069	2,315	2,648	140,536
Unallocated revenue									6,895
Total revenues									147,431
Cost and expenses									
Gross claims paid	52,404	24,980	5,767	2,237	4,403	3	740	397	90,931
Reinsurers' share of claims paid	-	6	(5,212)	(1,998)	(4,196)	-	(682)	(275)	(12,357)
Net claims paid	52,404	24,986	555	239	207	3	58	122	78,574
Movement in outstanding claims and reserves, net	3,745	2,719	1,049	(130)	(87)	269	(281)	(35)	7,249
Net claims incurred	56,149	27,705	1,604	109	120	272	(223)	87	85,823
Policy acquisition costs	3,570	7,282	4,275	509	1,036	395	260	656	17,983
Total allocated costs and expenses	59,719	34,987	5,879	618	1,156	667	37	743	103,806
Unallocated expenses									26,339
Total costs and expenses									130,145
Net surplus from insurance operations									17,286

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9. SEGMENT INFORMATION (continued)

Three months ended 31 December 2015 (Unaudited)
(Amounts in Saudi Riyals thousands)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	35,994	49,517	5,083	5,968	3,927	3,054	2,742	3,771	110,056
Reinsurance premiums ceded	-	(31)	(4,213)	(5,238)	(3,656)	(1,878)	(2,644)	(1,867)	(19,527)
Excess of loss premiums	(23,277)	(516)	(244)	(162)	(76)	(12)	-	(3)	(24,290)
Net written premiums	12,717	48,970	626	568	195	1,164	98	1,901	66,239
Movement in unearned premiums, net	44,439	18,049	1,330	49	140	459	251	730	65,447
Net earned premiums	57,156	67,019	1,956	617	335	1,623	349	2,631	131,686
Commission income	-	33	3,720	2,123	2,089	676	1,900	49	10,590
Total allocated revenue	57,156	67,052	5,676	2,740	2,424	2,299	2,249	2,680	142,276
Unallocated revenue									3,759
Total revenues									146,035
Cost and expenses									
Gross claims paid	59,240	47,826	3,430	2,276	9,816	4	4,141	1,187	127,920
Reinsurers' share of claims paid	(1,770)	2	(3,290)	(2,031)	(9,642)	-	(4,071)	(964)	(21,766)
Net claims paid	57,470	47,828	140	245	174	4	70	223	106,154
Movement in outstanding claims and reserves, net	(14,929)	1,052	635	(104)	291	(6)	1,694	236	(11,131)
Net claims incurred	42,541	48,880	775	141	465	(2)	1,764	459	95,023
Policy acquisition costs	3,364	7,495	1,968	904	1,131	377	215	720	16,174
Total allocated costs and expenses	45,905	56,375	2,743	1,045	1,596	375	1,979	1,179	111,197
Unallocated expenses									23,329
Total costs and expenses									134,526
Net surplus from insurance operations									11,509

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9. SEGMENT INFORMATION (continued)

Twelve months ended 31 December 2016 (Unaudited)
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	320,945	216,372	147,406	26,238	26,763	16,382	32,902	14,798	801,806
Reinsurance premiums ceded	-	(462)	(140,073)	(23,645)	(25,272)	(11,363)	(31,234)	(6,813)	(238,862)
Excess of loss premiums	(48,417)	(2,332)	(1,985)	(616)	(389)	(57)	-	(19)	(53,815)
Net written premiums	272,528	213,578	5,348	1,977	1,102	4,962	1,668	7,966	509,129
Movement in unearned premiums, net	(15,503)	20,369	224	6	252	674	(93)	296	6,225
Net earned premiums	257,025	233,947	5,572	1,983	1,354	5,636	1,575	8,262	515,354
Commission income	-	102	22,357	8,092	7,376	2,846	8,360	1,807	50,940
Total allocated revenues	257,025	234,049	27,929	10,075	8,730	8,482	9,935	10,069	566,294
Unallocated revenue									18,256
Total revenues									584,550
Costs and expenses									
Gross claims paid	202,695	144,081	36,196	8,447	15,342	37	24,143	1,237	432,178
Reinsurers' share of claims paid	-	(860)	(34,075)	(7,411)	(14,892)	(18)	(23,646)	(880)	(81,782)
Net claims paid	202,695	143,221	2,121	1,036	450	19	497	357	350,396
Movement in outstanding claims and reserves, net	(12,900)	6,181	1,591	(361)	192	(255)	(1,661)	(151)	(7,364)
Net claims incurred	189,795	149,402	3,712	675	642	(236)	(1,164)	206	343,032
Policy acquisition cost	13,612	29,560	16,849	2,928	3,976	1,633	898	2,173	71,629
Total allocated costs and expenses	203,407	178,962	20,561	3,603	4,618	1,397	(266)	2,379	414,661
Unallocated expenses									111,195
Total costs and expenses									525,856
Net surplus from insurance operations									58,694

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9. SEGMENT INFORMATION (continued)

Twelve months ended 31 December 2015 (Audited)
(Amounts in Saudi Riyals thousands)

	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	350,545	265,596	142,322	35,853	33,823	16,130	25,594	18,357	888,220
Reinsurance premiums ceded	-	(407)	(134,479)	(32,951)	(31,852)	(10,128)	(24,224)	(9,022)	(243,063)
Excess of loss premiums	(77,504)	(3,148)	(2,685)	(654)	(644)	(113)	-	(48)	(84,796)
Net written premiums	273,041	262,041	5,158	2,248	1,327	5,889	1,370	9,287	560,361
Movement in unearned premiums, net	17,959	22,080	420	7	578	328	449	267	42,088
Net earned premiums	291,000	284,121	5,578	2,255	1,905	6,217	1,819	9,554	602,449
Commission income	(49)	112	14,829	8,728	10,449	2,554	7,454	518	44,595
Total allocated revenues	290,951	284,233	20,407	10,983	12,354	8,771	9,273	10,072	647,044
Unallocated revenue									14,912
Total revenues									661,956
Costs and expenses									
Gross claims paid	231,032	207,056	13,090	5,146	15,179	17	6,834	3,993	482,347
Reinsurers' share of claims paid	(1,848)	(385)	(10,824)	(4,598)	(14,681)	(7)	(6,592)	(3,216)	(42,151)
Net claims paid	229,184	206,671	2,266	548	498	10	242	777	440,196
Movement in outstanding claims and reserves, net	(1,975)	16,861	1,009	143	490	195	2,940	(149)	19,514
Net claims incurred	227,209	223,532	3,275	691	988	205	3,182	628	459,710
Policy acquisition cost	14,846	28,767	7,643	3,461	5,552	1,669	926	2,565	65,429
Total allocated costs and expenses	242,055	252,299	10,918	4,152	6,540	1,874	4,108	3,193	525,139
Unallocated expenses									95,980
Total costs and expenses									621,119
Net surplus from insurance operations									40,837

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9. SEGMENT INFORMATION (continued)

As at 31 December 2016 (Unaudited)
(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	-	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 and reserves	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 and surplus									151,606
Total liabilities and surplus									948,721

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

At 31 December 2016, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 155 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 64 million while the remaining balance of Saudi Riyals 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 (e) General Accident and (f) Others.

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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									<u>979,792</u>
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 and surplus									126,988
Total liabilities and surplus									<u>979,792</u>

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

At 31 December 2015, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 132 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 39 million while the remaining balance of Saudi Riyals 93 million consisted mainly of receivables from top 10 policyholders from the following lines of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine Hull (e) General Accident (f) Public Liability and (g) Engineering.

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10. SHARE CAPITAL

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

As at 31 December 2016 and 2015, 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. The related rights issue expenses amounting to Saudi Riyals 4.9 million were charged to accumulated losses account in the shareholders' equity during the three-month period ended 31 December 2015.

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		Twelve months ended	
		31 December	31 December	31 December	31 December
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of shares outstanding before rights issue (in thousands)		10,000	10,000	10,000	10,000
Effects of rights issued (in thousands)		15,000	15,000	15,000	10,324
Weighted average number of shares outstanding after rights issue (in thousands)	10	25,000	25,000	25,000	20,324

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).

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

As at 31 December 2016 (Unaudited)	Insurance operations' assets			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale investment	11,020,862	-	1,923,080	12,943,942
As at 31 December 2015 (Audited)				
	Insurance operations' assets			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investment	-	10,000,000	-	10,000,000
Available-for-sale investment	12,239,153	-	1,923,080	14,162,233
	12,239,153	10,000,000	1,923,080	24,162,233

The fair values of other financial assets and liabilities, not included in the table above, are not materially different from the carrying values included in the condensed interim financial statements.

13. CONTINGENCIES AND COMMITMENTS

a. Legal proceedings and regulations

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

b. Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations for the three-month and twelve-month periods ended 31 December 2016, amounted to Saudi Riyals 0.7 million and Saudi Riyals 2.5 million, respectively, (Three-month and twelve-month periods ended 31 December 2015: Saudi Riyals nil and Saudi Riyals 1.8 million, respectively) 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 December 2016 (Unaudited)	31 December 2015 (Audited)
2016	-	2,411,547
2017	845,738	619,150
	845,738	3,030,697

14. NET UNDERWRITING SURPLUS

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

	Three months ended 31 December		Twelve months ended 31 December	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Audited)
Net earned premiums	129,619,201	131,686,012	515,353,726	602,449,219
Commission income	10,916,717	10,590,006	50,939,911	44,594,545
Other underwriting income	1,293,616	745,885	3,913,388	1,362,385
Net claims incurred	(85,822,585)	(95,023,234)	(343,032,385)	(459,709,777)
Policy acquisition costs	(17,982,858)	(16,174,304)	(71,628,956)	(65,429,108)
Net underwriting surplus	38,024,091	31,824,365	155,545,684	123,267,264

15. RECLASSIFICATIONS

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The following reclassifications have been made to the comparative figures to confirm with the current period presentation:

- a. Accrued income from statutory deposit, previously included in prepayments and other asset under shareholders' assets, amounting to Saudi Riyals 848,893, has been presented as a separate line item in the shareholders' assets; and,
- b. Return payable on statutory deposit, previously included in accounts payable under shareholders' liabilities, amounting to Saudi Riyals 848,893, has been presented as a separate line item in the shareholders' liabilities.

16. STATUTORY RESERVE

In accordance with its by-laws, the Company shall allocate 20% of its net income each year, after absorption of accumulated losses, to a statutory reserve until it has built up a reserve equal to the share capital.

During the twelve-month period ended 31 December 2016, the Company transferred Saudi Riyals 9.6 million. This reserve is currently not available for distribution to the shareholders of the Company.

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 15 January 2017 (corresponding to 17 Rabi Al-Thani 1438H), as authorized for issue by SAMA.