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**AL ALAMIYA FOR COOPERATIVE INSURANCE  
COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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

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

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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

Unaudited Interim Condensed Financial Statements and Independent Auditors' Review Report  
For the Three and Twelve Month Periods Ended 31 December 2016

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**KPMG Al Fozan & Partners**  
Certified Public Accountants



Audit - Consultants - Zakat & Tax

**Al-Bassam & Al-Nemer**  
**Allied Accountants**  
(Member firm of PKF International)

## **INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

### **SCOPE OF REVIEW**

We have reviewed the accompanying interim statement of financial position of Al Alamiya for Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2016, the related interim statements of comprehensive income - insurance and shareholders' operations for the three and twelve month periods then ended, the related interim statements of changes in shareholders' equity and cash flows - insurance and shareholders' operations for the twelve month period then ended and the related notes 1 through 16 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### **REVIEW CONCLUSION**

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

### **EMPHASIS OF MATTER**

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

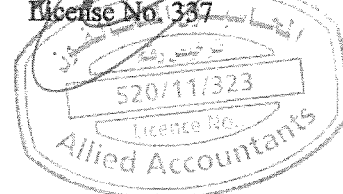
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18 January 2017

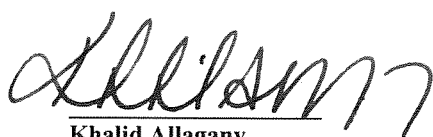


AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December

		<i>31 December 2016 SR (Unaudited)</i>	<i>31 December 2015 SR (Audited)</i>
	<i>Notes</i>		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	25,392,144	27,070,207
Term deposits	6	173,980,565	149,466,089
Investments	7(a)	1,923,079	1,923,079
Premiums and reinsurance balances receivable	9	64,217,031	85,811,649
Due from related parties		3,738,030	3,412,297
Due from shareholders' operations		10,331,206	51,633,383
Reinsurers' share of unearned premiums		65,177,646	56,783,251
Reinsurers' share of outstanding claims		59,932,896	157,125,580
Deferred policy acquisition costs		4,145,586	5,502,871
Prepayments and other assets		2,341,448	2,316,428
Property and equipment		159,872	206,527
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>411,339,503</b>	<b>541,251,361</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	208,948	2,709,224
Term deposits	6	253,669,070	230,543,775
Investments	7(b)	75,877,200	89,586,973
Other assets		1,624,061	1,949,425
Return on investment of statutory deposit	10	1,241,902	966,547
Statutory deposit	10	40,000,000	40,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>372,621,181</b>	<b>365,755,944</b>
<b>TOTAL ASSETS</b>		<b>783,960,684</b>	<b>907,007,305</b>



Khalid Allagany  
Chief Executive Officer



Fadi Aboul Hosn  
Chief Financial Officer

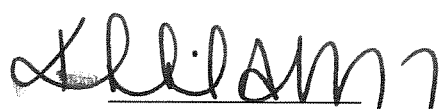
The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.


AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

	<i>31 December 2016 SR (Unaudited)</i>	<i>31 December 2015 SR (Audited)</i>
<i>Notes</i>		
<b>INSURANCE OPERATIONS' LIABILITIES</b>		
Gross outstanding claims	170,703,351	260,154,226
Gross unearned premiums	120,085,145	158,389,000
Accounts payable	9,549,217	3,742,945
Reinsurance balances payable	54,019,105	69,980,765
Due to related parties	854,256	3,486,684
Accrued expenses and other liabilities	31,471,807	25,942,199
Unearned reinsurance commission	6,906,953	7,033,385
Employees' end of service benefits	9,803,018	9,151,478
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	<b>403,392,852</b>	<b>537,880,682</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>		
Accumulated Surplus	7,946,651	3,370,679
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>	<b>411,339,503</b>	<b>541,251,361</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' LIABILITIES</b>		
Due to insurance operations	10,331,205	51,633,383
Due to a related party	1,061,027	1,061,027
Deferred return on investment of statutory deposit	10 1,241,902	966,547
Accrued expenses and other liabilities	29,031,266	19,629,893
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>	<b>41,665,400</b>	<b>73,290,850</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	12 400,000,000	400,000,000
Fair value reserve for available for sale investments	(688,369)	(1,285,861)
Accumulated losses	(68,355,850)	(106,249,045)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>330,955,781</b>	<b>292,465,094</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>	<b>372,621,181</b>	<b>365,755,944</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>783,960,684</b>	<b>907,007,305</b>

  
Khalid Allagany  
Chief Executive Officer

  
Fadi Aboul Hosn  
Chief Financial Officer

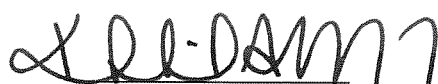
The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.


AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – INSURANCE  
OPERATIONS(UNAUDITED)

For the three and twelve month periods ended 31 December

	<i>For the three month periods ended</i>		<i>For the twelve month periods ended</i>	
<i>Note</i>	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross written premiums	87,680,030	89,459,770	310,750,744	402,031,766
Less: Reinsurance premium ceded	(44,438,188)	(27,117,049)	(142,005,815)	(136,867,211)
Excess of loss premiums	3,224,219	806,507	(8,146,220)	(9,865,493)
<b>NET WRITTEN PREMIUMS</b>	<b>46,466,061</b>	<b>63,149,228</b>	<b>160,598,709</b>	<b>255,299,062</b>
Changes in unearned premiums	(10,620,146)	15,976,000	38,303,855	(7,227,649)
Changes in reinsurance share of unearned premiums	5,316,237	(9,234,378)	8,394,395	(13,221,633)
<b>NET PREMIUMS EARNED</b>	<b>41,162,152</b>	<b>69,890,850</b>	<b>207,296,959</b>	<b>234,849,780</b>
Gross claims paid	(43,649,254)	(332,941,846)	(190,962,395)	(449,590,140)
Reinsurers' share of gross claims paid	25,220,870	292,952,091	97,004,634	336,019,937
Changes in outstanding claims	22,757,730	246,277,792	89,450,875	211,793,328
Changes in reinsurance share of outstanding claims	(26,796,470)	(255,599,885)	(97,192,684)	(238,237,408)
<b>NET CLAIMS INCURRED</b>	<b>(22,467,124)</b>	<b>(49,311,848)</b>	<b>(101,699,570)</b>	<b>(140,014,283)</b>
Policy acquisition costs	(4,111,300)	(7,872,991)	(20,893,080)	(24,199,540)
Reinsurance commission income	3,169,837	8,986,843	16,999,892	23,222,411
Other underwriting expenses	(444,454)	(455,512)	(1,579,504)	(2,049,000)
<b>NET UNDERWRITING SURPLUS</b>	<b>17,309,111</b>	<b>21,237,342</b>	<b>100,124,697</b>	<b>91,809,368</b>
General and administrative expenses	(14,156,125)	(17,485,839)	(57,183,073)	(63,657,495)
Investment income	892,370	187,646	3,063,725	448,575
Other income	--	5,136	421,006	226,337
<b>INSURANCE OPERATIONS' SURPLUS</b>	<b>4,045,356</b>	<b>3,944,285</b>	<b>46,426,355</b>	<b>28,826,785</b>
Shareholders' appropriation from insurance operations' surplus	2 (3,640,821)	(3,549,857)	(41,783,720)	(25,944,107)
<b>NET SURPLUS AT END OF THE PERIOD</b>	<b>404,535</b>	<b>394,428</b>	<b>4,642,635</b>	<b>2,882,678</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD FROM INSURANCE OPERATIONS</b>	<b>404,535</b>	<b>394,428</b>	<b>4,642,635</b>	<b>2,882,678</b>

  
Khalid Allagany  
Chief Executive Officer

  
Fadi Aboul Hosn  
Chief Financial Officer

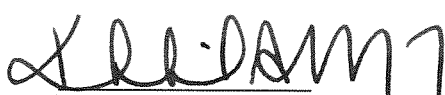
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS’  
OPERATIONS (UNAUDITED)

For the three and twelve month periods ended 31 December

	<i>Notes</i>	<i>For the three month periods ended</i>		<i>For the twelve month periods ended</i>	
		<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>INCOME</b>					
Shareholders’ appropriation from insurance operations’ surplus	2	<b>3,640,821</b>	3,549,857	<b>41,783,720</b>	25,944,107
Investment income		<b>2,010,475</b>	1,029,633	<b>6,297,116</b>	3,104,242
		<b>5,651,296</b>	4,579,490	<b>48,080,836</b>	29,048,349
General and administration expenses		<b>(559,587)</b>	(380,652)	<b>(1,579,299)</b>	(1,772,352)
Realised loss on available for sale investments		<b>(155,072)</b>	--	<b>(155,072)</b>	--
<b>NET INCOME FOR THE PERIOD</b>		<b>4,936,637</b>	4,198,838	<b>46,346,465</b>	27,275,997
<b>OTHER COMPREHENSIVE INCOME</b>					
Change in fair value of available for sale investments	8	<b>(625,827)</b>	(684,064)	<b>597,492</b>	(900,879)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>4,310,810</b>	3,514,774	<b>46,943,957</b>	26,375,118
<b>BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD</b>					
	11	<b>0.12</b>	0.10	<b>1.16</b>	0.69
<b>WEIGHTED AVERAGE NUMBER OF ISSUED SHARES</b>					
	11	<b>40,000,000</b>	40,000,000	<b>40,000,000</b>	39,742,857

  
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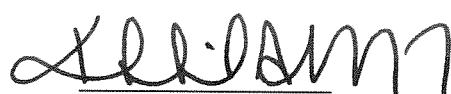
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)

For the twelve month period ended 31 December

	<i>Share Capital SR</i>	<i>Fair value reserve for available for sale investments SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 1 January 2015 (audited)	200,000,000	(384,982)	(116,805,509)	82,809,509
Net income for the period	--	--	27,275,997	27,275,997
<b>Other comprehensive income:</b>				
Change in fair value of available for sale investments	--	(900,879)	--	(900,879)
<b>Total comprehensive income</b>	--	(900,879)	27,275,997	26,375,118
Rights issue	200,000,000	--	--	200,000,000
Rights issue transaction costs	--	--	(9,144,643)	(9,144,643)
Zakat and income tax	--	--	(7,574,890)	(7,574,890)
<b>Balance as at 31 December 2015 (audited)</b>	<b>400,000,000</b>	<b>(1,285,861)</b>	<b>(106,249,045)</b>	<b>292,465,094</b>
<b>Balance at 1 January 2016 (audited)</b>	<b>400,000,000</b>	<b>(1,285,861)</b>	<b>(106,249,045)</b>	<b>292,465,094</b>
Net income for the period	--	--	46,346,465	46,346,465
<b>Other comprehensive income:</b>				
Change in fair value of available for sale investments	--	597,492	--	597,492
<b>Total comprehensive income</b>	--	597,492	46,346,465	46,943,957
Zakat and income tax	--	--	(8,453,270)	(8,453,270)
<b>Balance as at 31 December 2016 (unaudited)</b>	<b>400,000,000</b>	<b>(688,369)</b>	<b>(68,355,850)</b>	<b>330,955,781</b>



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Chief Executive Officer



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Chief Financial Officer

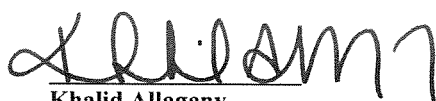
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASHFLOWS – INSURANCE OPERATIONS  
(UNAUDITED)

		For the twelve month periods ended	
		31 December 2016 SR	31 December 2015 SR
Notes			

  
Khalid Allagany  
Chief Executive Officer

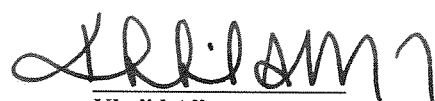
  
Fadi Aboul Hosn  
Chief Financial Officer


The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS’ OPERATIONS  
(UNAUDITED)

	<i>Note</i>	<i>For the twelve month periods ended</i>	
		<i>31 December 2016</i>	<i>31 December 2015</i>
		<i>SR</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>			
Net income for the period		46,346,465	27,275,997
Operating cash flows before changes in operating assets and liabilities			
<i>Changes in operating assets and liabilities:</i>			
Other assets		325,364	(1,525,154)
Due to insurance operations		(41,302,178)	(25,944,107)
Due to related parties		--	2,673
Accrued expenses and other liabilities		948,103	721,859
Statutory deposit		--	(20,966,547)
<b>Net cash from/(used in) operating activities</b>		<b>6,317,754</b>	<b>(20,435,279)</b>
<b>INVESTING ACTIVITIES</b>			
Term deposits		(23,125,295)	(130,323,700)
Investments		14,307,265	(49,863,729)
<b>Net cash used in investing activities</b>		<b>(8,818,030)</b>	<b>(180,187,429)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from rights issue		--	200,000,000
Transactions costs relating to rights issues		--	(9,144,643)
<b>Net cash from financing activities</b>		<b>--</b>	<b>190,855,357</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,500,276)</b>	<b>(9,767,351)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>2,709,224</b>	<b>12,476,575</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	5	<b>208,948</b>	<b>2,709,224</b>
<b><u>Non-cash transactions:</u></b>			
Net change in fair value of available for sale investments		597,492	(900,879)

  
Khalid Allagany  
Chief Executive Officer

  
Fadi Aboul Hosn  
Chief Financial Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

# AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) For the twelve month periods ended 31 December 2016

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### 1 ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company ("the Company") is a Saudi joint stock company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939).

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

The registered office address of the Company is at Prince Mohammed bin Abdul Aziz Road, Home Centre Building, P.O. Box: 6393, Riyadh 11442, Kingdom of Saudi Arabia.

The Company operates in an industry where significant seasonal or cyclical variations in operating income are experienced during the financial year.

### 2 BASIS OF PREPARATION

#### *Basis of measurement*

The interim condensed financial statements have been prepared under the historical cost basis except for the measurement at fair value of available for sale investments.

#### *Statement of compliance*

The accompanying interim condensed financial statements for the twelve month period ended 31 December 2016 ("the period") are prepared in accordance with IAS 34 – Interim Financial Reporting, as such these 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 as at 31 December 2015.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders operations in full.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. Certain comparative amounts have been reclassified to conform to the current period presentation. The interim results may not be indicative of the Company's annual results.

### 3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the unaudited interim condensed financial statements of the Company on the current period or prior period and is expected to have no significant effect in future periods. Certain figures for the prior year have been reclassified to conform to the presentation made in the current period:

#### *Annual improvements to IFRSs 2012 – 2014*

Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)

For the twelve month periods ended 31 December 2016

**3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)**

*Disclosure initiative (Amendments to IAS 1)*

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.

*Standards issued but not yet effective*

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

*IFRS 9 Financial Instruments*

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. The Company continues to monitor the IASB progress on amendments to IFRS 4 which also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021.

*Disclosure initiative (Amendments to IAS 7)*

IAS 7 Statement of Cash flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. It is effective for annual periods beginning on or after 1 January 2017.

The following new or amended standards are not expected to have significant impact on the financial statements.

*IFRS 15 Revenue from contracts with customers*

*IFRS 16 Leases*

**4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY**

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation of uncertainty were the same as those that were applied to the issued financial statements as at and for the year ended 31 December 2015.

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For the twelve month periods ended 31 December 2016

5 CASH AND CASH EQUIVALENTS

	<i>31 December 2016 (Unaudited)</i>		<i>31 December 2015 (Audited)</i>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cash in hand	33,616	--	38,157	--
Cash at banks - Current accounts	25,358,528	208,948	10,532,050	2,709,224
Cash at banks - Time deposits	--	--	16,500,000	--
	<u>25,392,144</u>	<u>208,948</u>	<u>27,070,207</u>	<u>2,709,224</u>

6 TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ under Standard and Poor's and Moody's ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original acquisition and earn investment income at an average rate of 2.3% per annum (31 December 2015: 1.7% per annum). The carrying amounts of the term deposits approximate the fair value at the statement of financial position date.

The Company holds an amount of SR 1,300,000 (31 December 2015 – SR 900,000) in the statement of financial position of Insurance operations, in respect of deposits against letters of guarantee in favour of the Company's service providers.

7 INVESTMENTS

a) Insurance operations – Available for sale investments (AFS)

This represents investment in respect of the Company's shareholding in Najm for Insurance Services. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value.

b) Shareholders' operations – Available for sale investments (AFS)

	<i>31 December 2016 (Unaudited)</i>		<i>31 December 2015 (Audited)</i>	
	<i>Amortised cost</i>	<i>Market value</i>	<i>Amortised cost</i>	<i>Market value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Bonds-Fixed Rate (Quoted)</b>				
Abu Dhabi National Energy Company (TAQA)	4,003,797	4,031,250	4,158,050	4,157,624
SABIC Capital II BV	20,568,786	20,375,550	34,507,978	33,878,250
QNB (Qatar National Bank) Finance	13,733,256	13,459,500	13,799,873	13,573,575
Abu Dhabi Commercial Bank	15,665,254	15,428,400	15,684,660	15,311,400
<b>Sukuks-Fixed Rate (Quoted)</b>				
Saudi Electricity Company	18,765,876	18,768,750	18,818,966	18,834,374
EIB Sukuk Ltd (Emirates Islamic Bank)	3,828,600	3,813,750	3,903,307	3,831,750
	<u>76,565,569</u>	<u>75,877,200</u>	<u>90,872,834</u>	<u>89,586,973</u>

The investment income ranges between 2% to 3% per annum (31 December 2015: 2% to 3% per annum) in case of bonds and approximates 2.4% per annum (31 December 2015: 2.4% per annum) in case of sukuks.

The geographical split of investments held as available for sale comprise of bonds/ sukuks issued by GCC based companies through international stock exchanges.

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**8 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 recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

*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 prices in active markets for identical instrument (i.e., without modification or repacking);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 31 December 2016 and 31 December 2015, all financial instruments under shareholders operation which are measured at fair value are level 1 instrument.

The unlisted securities of SR1.92 million (2015: SR 1.92 million) held as part of Company's insurance operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the twelve month period 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 net change in fair value of AFS investments amounting to a gain of SR 597,492 (31December 2015: loss of SR 900,879) has been recorded in the interim statement of comprehensive income – shareholders' operations.

The Company has not disclosed the fair value of other financial assets and liabilities as their carrying value are approximate to their fair values.

The credit quality of investment portfolio is as follows:

Credit Quality	Credit Rating Agency	Financial Instrument	31 December 2016
			(Unaudited) SR
A to A-	S&P	Bonds/ Sukuks	58,603,950
AA- to A	Fitch	Bonds/ Sukuks	17,273,250
			<u>75,877,200</u>
			31 December 2015
			(Audited) SR
AA	S&P	Bonds/ Sukuks	18,834,374
A to A+	S&P	Bonds/ Sukuks	66,920,849
BBB	S&P	Bonds/ Sukuks	3,831,750
			<u>89,586,973</u>

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**9 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE**

	<i>31 December 2016 (Unaudited) SR</i>	<i>31 December 2015 (Audited) SR</i>
Premiums receivable	<b>63,098,370</b>	50,978,547
Receivables from insurance and reinsurance companies	<b>6,692,881</b>	42,408,255
Receivables from related parties	<b>7,396,731</b>	7,545,611
	<b>77,187,982</b>	100,932,413
Less: Allowance for impairment of receivables	<b>(12,970,951)</b>	(15,120,764)
	<b>64,217,031</b>	85,811,649

Allowance for impairment of receivables includes SR 1.4 million (31 December 2015: SR 1.68 million) against receivables from related parties. Movement in the allowance for doubtful debts was as follows:

	<i>31 December 2016 (Unaudited) SR</i>	<i>31 December 2015 (Audited) SR</i>
Opening balance	<b>15,120,764</b>	12,854,165
Debts written off against the provision	<b>(1,145,799)</b>	(888,188)
(Release) / charge for the year	<b>(1,004,014)</b>	3,154,787
Closing balance	<b>12,970,951</b>	15,120,764

**10 STATUTORY DEPOSIT**

In compliance with Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SR 40 Million in a bank designated by SAMA. The received commission on the deposit as at 31 December 2016 is SR 1,241,902 (31 December 2015: SR966,547) and has been disclosed in assets as "Return on investment of statutory deposit" and the corresponding received commission is shown in liabilities as "Deferred return on investment of statutory deposit". This deposit cannot be withdrawn without SAMA's consent.

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**11 BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD**

The basic and diluted earnings per share are as follows:

	For the twelve month period ended 31 December 2016 (Unaudited)	For the twelve month period ended 31 December 2015 (Audited)
	SR	SR
Net income for the period	46,346,465	27,275,997
Weighted average number of ordinary shares	40,000,000	39,742,857
Basic and diluted earnings per share	1.16	0.69

**12 SHARE CAPITAL**

The authorized and paid up share capital of the Company is SR 400 million divided into 40 million shares of SR 10 each. (31 December 2015: SR 400 million divided into 40 million shares of SR 10 each).

**13 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders and key management personnel of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the management. Related parties include RSA group in United Kingdom as well as affiliated companies in United Arab Emirates, Sultanate of Oman and Kingdom of Bahrain & Riyadh Bank. The following are the details of major related party transactions for insurance and shareholders' operations during the period and the balances at the end of the period / year:

Related party	Nature of transaction	Amount of transactions for the twelve month period ended		Balance as at	
		31 December 2016 (Unaudited)	31 December 2015 (Audited)	31 December 2016 (Unaudited)	31 December 2015 (Audited)
		SR	SR	SR	SR
Shareholders / Companies under common management	Gross written Premiums	49,317,807	136,827,806	7,396,731	7,545,610
	Gross claims paid	37,259,567	62,422,171	--	--
	Reinsurance premiums ceded	32,091,863	39,553,752	--	--
	Reinsurers' share of gross claims paid	16,754,617	76,251,387	--	--
	Reinsurance commission income	9,128,900	11,195,628	--	--
	Outsourced service charges*	4,750,000	3,600,000	(8,825,326)	(8,967,714)
	Brand fee	30,100	30,100	(202,075)	(173,075)
	Reinsurers' share of gross outstanding Claims	--	--	16,704,240	--
	Gross outstanding claims	25,728,269	--	(25,728,269)	(28,534,421)
Board of directors RSA group entities	Remuneration and meeting fee	588,750	465,000	(598,225)	(497,205)
	Operational expenses paid on behalf of affiliates and reinsurance placements	934,654	3,663,397	3,738,030	3,412,297



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**13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

		<i>Amount of transactions for the twelve month period ended</i>		<i>Balance as at</i>	
		<i>31 December 2016 (Unaudited) SR</i>	<i>31 December 2015 (Audited) SR</i>	<i>31 December 2016 (Unaudited) SR</i>	<i>31 December 2015 (Audited) SR</i>
<i>Related party</i>	<i>Nature of transaction</i>				
RSA group entities	Operation expenses paid by affiliates on behalf of Company	<b>(927,105)</b>	(2,810,433)	<b>(1,915,283)</b>	(4,547,711)
Key management personnel and Board members	Gross written premiums	<b>181,604</b>	183,921	--	--

\*Outsourced service charges and brand fee are included within the accrued expenses and other liabilities appearing on the face of the interim statement of financial position.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company.

**Key management personnel's remuneration**

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

	<i>Twelve month period ended 31 December 2016 (Unaudited) SR</i>	<i>Twelve month period ended 31 December 2015 (Audited) SR</i>
Short term benefits	<b>7,022,061</b>	6,034,392
End of service benefits	<b>223,448</b>	210,219
	<b>7,245,509</b>	6,244,611

**14 SEGMENTAL 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 and other income.

Segment assets do not include (in respect of insurance operations) property and equipment, due from shareholders' operations, bank balances and cash, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralised basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance balances payable, accrued expenses and other liabilities. Accordingly these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralised basis.

All of the Company's operating assets(except certain reinsurance balances) and principal activities are located in the Kingdom of Saudi Arabia.

Shareholders' operations a non-operating segment certain direct operating expenses, other overhead expenses and loss or surplus from the insurance operations are allocated to this segment on an appropriate basis.

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**14 SEGMENTAL INFORMATION (continued)**

During the period ended 31 December 2016, Group Life has been reported as a separate segment which was previously included in others. The comparative figures have accordingly been reclassified to confirm current period presentation.

*For the three month period ended 31 December  
2016 (Unaudited)*

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	Total SR
<b>Insurance operations</b>								
Gross written premiums	62,139,378	9,429,906	2,199,978	713,992	8,180,918	169,998	4,845,860	87,680,030
Reinsurance premiums ceded	(38,105,219)	--	(2,467,075)	(417,996)	(4,890,651)	1,830,982	(388,229)	(44,438,188)
Excess of loss premiums	1,226,380	324,062	380,229	207,868	1,044,488	--	41,192	3,224,219
Net written premiums	25,260,539	9,753,968	113,132	503,864	4,334,755	2,000,980	4,498,823	46,466,061
Change in unearned premiums, net	(16,576,097)	11,506,140	317,823	(549,169)	563,451	607,944	(1,174,001)	(5,303,909)
Net premiums earned	8,684,442	21,260,108	430,955	(45,305)	4,898,206	2,608,924	3,324,822	41,162,152
Gross claims paid	(22,082,780)	(15,830,842)	(1,066,990)	(530,995)	(2,226,978)	(1,490,986)	(419,683)	(43,649,254)
Reinsurers' share of gross claims paid	21,702,983	--	999,468	367,996	1,111,888	1,121,989	(83,454)	25,220,870
Change in outstanding claims, net	(3,791,512)	(2,461,235)	551,264	(519,164)	1,351,016	25,490	805,401	(4,038,740)
Net claims incurred	(4,171,309)	(18,292,077)	483,742	(682,163)	235,926	(343,507)	302,264	(22,467,124)
Policy acquisition costs	(469,829)	(2,383,395)	(249,743)	(4,241)	(442,993)	(83,430)	(477,669)	(4,111,300)
Reinsurance commission income	1,318,238	--	1,176,311	(98,048)	1,705,974	(857,184)	(75,454)	3,169,837
Other underwriting expenses	5,361,542	584,636	1,841,265	(829,757)	6,397,113	1,324,803	3,073,963	17,753,565 (444,454)
Net underwriting surplus								17,309,111
General and administrative expenses								(14,156,125)
Investment income								892,370
Other income								--
Insurance operations' surplus								<u>4,045,356</u>

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14 SEGMENTAL INFORMATION (continued)

	<i>For the three month period ended 31 December 2015 (Unaudited)</i>							Total SR
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	
<b>Insurance operations</b>								
Gross written premiums	41,398,586	24,438,755	3,083,969	759,993	9,885,901	4,490,955	5,401,611	89,459,770
Reinsurance premiums ceded	(17,094,148)	--	(2,542,075)	(477,995)	(5,234,848)	(783,513)	(984,470)	(27,117,049)
Excess of loss premiums	319,556	(387,108)	600,360	(492)	275,298	(2,757)	1,650	806,507
Net written premiums	24,623,994	24,051,647	1,142,254	281,506	4,926,351	3,704,685	4,418,791	63,149,228
Change in unearned premiums, net	(12,024,554)	20,310,129	471,450	(8,532)	274,972	(1,539,706)	(742,137)	6,741,622
Net premiums earned	12,599,440	44,361,776	1,613,704	272,974	5,201,323	2,164,979	3,676,654	69,890,850
Gross claims paid	(296,682,033)	(26,321,736)	(1,972,980)	(1,541,985)	(403,996)	(5,635,944)	(383,172)	(332,941,846)
Reinsurers' share of gross claims paid	285,649,543	--	1,681,674	1,061,989	150,099	4,543,954	(135,168)	292,952,091
Change in outstanding claims, net	322,911	(5,267,747)	(2,950,074)	27,999	(2,221,577)	1,194,739	(428,344)	(9,322,093)
Net claims incurred	(10,709,579)	(31,589,483)	(3,241,380)	(451,997)	(2,475,474)	102,749	(946,684)	(49,311,848)
Policy acquisition costs	(1,294,068)	(2,599,418)	(2,220,479)	(3,689)	(575,994)	(83,492)	(1,095,851)	(7,872,991)
Reinsurance commission income	2,664,787	--	4,351,518	(147,692)	1,437,252	451,315	229,663	8,986,843
Other underwriting expenses	3,260,580	10,172,875	503,363	(330,404)	3,587,107	2,635,551	1,863,782	21,692,854 (455,512)
Net underwriting surplus								21,237,342
General and administrative expenses								(17,485,839)
Investment income								187,646
Other income								5,136
Insurance operations' surplus								<u>3,944,285</u>

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14 SEGMENTAL INFORMATION (continued)

*For the twelve month period ended 31 December 2016 (Unaudited)*

	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	Total SR
<b>Insurance operations</b>								
Gross written premiums	136,185,638	84,345,157	18,732,813	2,355,976	34,607,654	13,174,868	21,348,638	310,750,744
Reinsurance premiums ceded	(95,097,749)	--	(15,415,346)	(1,288,987)	(17,217,828)	(7,004,180)	(5,981,725)	(142,005,815)
Excess of loss premiums	(2,826,972)	(1,224,988)	(749,993)	(182,998)	(1,580,984)	(1,359,986)	(220,299)	(8,146,220)
Net written premiums	38,260,917	83,120,169	2,567,474	883,991	15,808,842	4,810,702	15,146,614	160,598,709
Change in unearned premiums, net	3,616,736	39,583,199	91,141	37,339	1,051,836	2,382,006	(64,007)	46,698,250
Net premiums earned	41,877,653	122,703,368	2,658,615	921,330	16,860,678	7,192,708	15,082,607	207,296,959
Gross claims paid	(75,135,249)	(80,127,199)	(7,338,927)	(2,420,976)	(11,948,881)	(10,949,891)	(3,041,272)	(190,962,395)
Reinsurers' share of gross claims paid	73,783,562	--	6,570,444	1,301,987	6,556,834	8,647,914	143,893	97,004,634
Change in outstanding claims, net	(8,117,384)	(4,001,939)	1,764,584	(56,159)	1,063,943	1,093,576	511,570	(7,741,809)
Net claims incurred	(9,469,071)	(84,129,138)	996,101	(1,175,148)	(4,328,104)	(1,208,401)	(2,385,809)	(101,699,570)
Policy acquisition costs	(5,281,459)	(9,645,456)	(1,964,726)	(19,966)	(2,136,976)	(174,428)	(1,670,069)	(20,893,080)
Reinsurance commission income	7,735,746	--	3,212,379	(104,437)	4,606,169	1,248,003	302,032	16,999,892
Other underwriting expenses	34,862,869	28,928,774	4,902,369	(378,221)	15,001,767	7,057,882	11,328,761	101,704,201 (1,579,504)
Net underwriting surplus								100,124,697
General and administrative expenses								(57,183,073)
Investment income								3,063,725
Other income								421,006
Insurance operations' surplus								46,426,355

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14 SEGMENTAL INFORMATION (continued)

<i>For the twelve month period ended 31 December 2015 (Audited)</i>								
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	Total SR
<b>Insurance operations</b>								
Gross written premiums	128,686,713	166,582,334	20,663,793	5,521,945	35,592,644	21,730,783	23,253,554	402,031,766
Reinsurance premiums ceded	(78,158,113)	--	(17,547,925)	(3,112,969)	(16,590,334)	(14,859,122)	(6,598,748)	(136,867,211)
Excess of loss premiums	(3,359,927)	(2,150,658)	(1,355,786)	(231,403)	(2,014,740)	(515,324)	(237,655)	(9,865,493)
Net written premiums	47,168,673	164,431,676	1,760,082	2,177,573	16,987,570	6,356,337	16,417,151	255,299,062
Change in unearned premiums, net	(16,605,228)	(3,092,406)	42,214	1,452,673	(631,353)	(1,053,970)	(561,212)	(20,449,282)
Net premiums earned	30,563,445	161,339,270	1,802,296	3,630,246	16,356,217	5,302,367	15,855,939	234,849,780
Gross claims paid	(325,796,742)	(90,571,094)	(6,403,936)	(6,445,936)	(5,631,944)	(13,232,867)	(1,507,621)	(449,590,140)
Reinsurers' share of gross claims paid	313,436,056	--	5,070,940	4,083,959	3,440,666	9,774,402	213,914	336,019,937
Change in outstanding claims, net	(182,469)	(17,673,339)	(3,049,549)	573,010	(5,708,277)	(202,902)	(200,554)	(26,444,080)
Net claims incurred	(12,543,155)	(108,244,433)	(4,382,545)	(1,788,967)	(7,899,555)	(3,661,367)	(1,494,261)	(140,014,283)
Policy acquisition costs	(6,002,840)	(9,513,239)	(3,570,050)	(112,033)	(2,148,978)	(216,547)	(2,635,853)	(24,199,540)
Reinsurance commission income	8,316,569	--	7,089,855	(147,692)	4,225,982	3,065,095	672,602	23,222,411
Other underwriting expenses	20,334,019	43,581,598	939,556	1,581,554	10,533,666	4,489,548	12,398,427	93,858,368
Net underwriting surplus								(2,049,000)
General and administrative expenses								91,809,368
Investment income								(63,657,495)
Other expense								448,575
Insurance operations' surplus								226,337
								<u>28,826,785</u>

<i>As at 31 December 2016 (Unaudited)</i>								
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	Total SR
<b>Insurance operations' assets</b>								
Reinsurers' share of unearned Premiums	48,019,520	--	8,500,861	679,993	4,580,654	629,994	2,766,624	65,177,646
Reinsurers' share of outstanding claims	20,307,937	--	11,593,904	203,518	10,063,909	11,508,338	6,255,290	59,932,896
Deferred policy acquisition Costs	1,258,801	1,197,842	1,019,245	51,292	340,000	27,547	250,859	4,145,586
Unallocated assets								282,083,375
								<u>411,339,503</u>
<b>Insurance operations' liabilities</b>								
Gross outstanding claims	34,638,744	70,058,059	16,244,988	1,286,677	21,359,266	16,849,762	10,265,855	170,703,351
Gross unearned premiums	71,640,284	19,857,801	9,715,720	1,270,987	8,180,918	1,236,988	8,182,447	120,085,145
Unearned reinsurance commission Income	3,940,986	--	1,875,521	32,917	936,568	2,517	118,444	6,906,953
Unallocated liabilities								113,644,054
								<u>411,339,503</u>

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**(UNAUDITED) (continued)**

For the twelve month periods ended 31 December 2016

**14 SEGMENTAL INFORMATION (continued)**

	<i>As at 31 December 2015 (Audited)</i>							
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Group Life SR	Others SR	Total SR
Insurance operations' assets								
Reinsurers' share of unearned								
Premiums	34,083,159	499,995	8,584,914	1,675,650	5,234,848	3,420,966	3,283,719	56,783,251
Reinsurers' share of								
outstanding claims	93,275,644	7,880	24,957,082	1,279,987	15,903,541	19,026,843	2,674,603	157,125,580
Deferred policy acquisition								
Costs	1,294,312	2,544,381	938,991	12,259	530,995	13,977	167,956	5,502,871
Unallocated assets								<u>321,839,659</u>
								<u>541,251,361</u>
Insurance operations' liabilities								
Gross outstanding claims								
	99,489,005	66,063,339	31,372,686	2,306,977	28,262,717	25,457,745	7,201,757	260,154,226
Gross unearned premiums								
	61,320,387	59,940,401	9,890,901	2,303,977	9,885,901	6,409,936	8,637,497	158,389,000
Unearned reinsurance								
commission								
Income	2,496,006	-	1,752,982	(6,521)	1,205,988	1,402,518	182,412	7,033,385
Unallocated liabilities								<u>115,674,750</u>
								<u>541,251,361</u>

**15 CONTINGENCIES AND COMMITMENTS**

*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 believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

*Operating lease commitments*

Rental expenses under operating leases to leases of office spaces in various locations amounting to SR 1.19 million for the period ended 31 December 2016 (31 December 2015: SR1.55 million) are recognised in the interim statement of comprehensive income - insurance operations.

Future minimum lease payments under the operating lease arrangements as at 31 December are as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR</i>	<i>SR</i>
Less than one year	<u>587,384</u>	<u>881,476</u>

**16 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on 15 January 2017, corresponding to 17 Rabi Al Thani 1438H.