

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

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

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

**UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION AND INDEPENDENT AUDITORS' REVIEW
REPORT FOR THE THREE-MONTH ENDED 31 MARCH 2017**

INDEX	Page
Independent auditors' review report	1
Interim statement of financial position	2 - 3
Interim statement of income – insurance operations	4
Interim statement of comprehensive loss – insurance operations	5
Interim statement of comprehensive income – shareholders' operations	6
Interim statement of changes in shareholders' equity	7
Interim statement of cash flows – insurance operations	8
Interim statement of cash flows – shareholders' operations	9
Notes to the condensed interim financial information	10 - 21



Aldar Audit Bureau
Abdullah Al-Basri & Co.
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Saudi Arabian Cooperative Insurance Company (the "Company") as at 31 March 2017 and the interim statements of income - insurance operations, comprehensive income for insurance operations and shareholders' operations, changes in shareholders' equity, cash flows for insurance operations and shareholders operations for the three-month period then ended, and the notes which form an integral part of this interim financial information. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and the Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for zakat and income taxes. Our responsibility is to express a conclusion on this interim financial information based on our review.

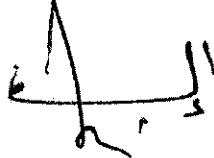
SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 and SAMA guidance on accounting for zakat and income taxes.

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10 May 2017
(14 Shaban 1438H)



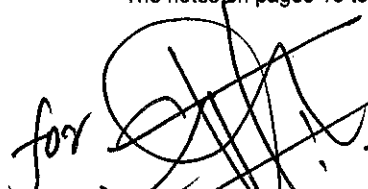
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)


	Notes	31 March 2017 (Unaudited)	31 December 2016 (Audited)
Insurance operations' assets			
Property and equipment, net		6,810,149	7,027,868
Reinsurers' share of outstanding claims and reserves		388,526,327	379,753,132
Reinsurers' share of unearned premiums		141,877,849	44,019,014
Deferred policy acquisition costs		34,844,548	19,644,444
Premiums and reinsurance balances receivable	6	242,653,663	154,838,544
Held-to-maturity investment	7(a)	10,000,000	10,000,000
Available-for-sale investment	7(b)	12,001,795	12,943,942
Prepayments and other assets		26,946,249	30,397,387
Due from related parties	8(b)	90,745,667	70,057,529
Time deposits	5	6,000,000	149,800,000
Cash and cash equivalents	4	202,666,542	70,238,851
Total insurance operations' assets		1,163,072,789	948,720,711
Shareholders' assets			
Statutory deposit		25,000,000	25,000,000
Due from insurance operations		23,050,728	15,514,891
Prepayments and other assets		2,662,529	1,643,112
Time deposits	5	194,000,000	264,000,000
Accrued income from statutory deposit		1,019,820	974,660
Cash and cash equivalents	4	72,426,476	1,374,609
Total shareholders' assets		318,159,553	308,507,272
Total insurance operations' and shareholders' assets		1,481,232,342	1,257,227,983

Continued to p-3

The notes on pages 10 to 21 are an integral part of these condensed interim financial information.

for 
 MOHAN VARMA
 CHIEF FINANCIAL OFFICER


 ABDULAZIZ A. ABUSSUUD
 BOARD MEMBER


 HASSAN ABDULLA DORAR ALI
 PRESIDENT & CEO

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

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2017 (Unaudited)	31 December 2016 (Audited)
Insurance operations' liabilities			
Employees' end-of-service benefits		14,986,077	14,555,491
Due to shareholders' operations		23,050,728	15,514,891
Gross outstanding claims and reserves		564,185,203	554,802,588
Gross unearned premiums		400,534,260	230,953,341
Unearned commission income		25,868,559	11,359,320
Reinsurance balances payable		58,267,136	49,062,978
Accrued expenses and other liabilities		66,456,817	59,474,255
Total insurance operations' liabilities		1,153,348,780	935,722,864
Insurance operations' surplus			
Insurance operations' surplus distribution payable		10,302,491	12,634,182
Fair value reserve for available-for-sale investment		(578,482)	363,665
Total insurance operations' liabilities and surplus		1,163,072,789	948,720,711
Shareholders' liabilities			
Zakat payable		9,252,927	7,685,943
Accounts payable		1,932,000	1,729,500
Return payable on statutory deposit		1,019,820	974,660
Total shareholders' liabilities		12,204,747	10,390,103
Shareholders' equity			
Share capital	10	250,000,000	250,000,000
Statutory reserve		9,623,434	9,623,434
Retained earnings		46,331,372	38,493,735
Total shareholders' equity		305,954,806	298,117,169
Total shareholders' liabilities and equity		318,159,553	308,507,272
Total insurance operations' liabilities and surplus and shareholders' liabilities and equity		1,481,232,342	1,257,227,983

The notes on pages 10 to 21 are an integral part of these condensed interim financial information.

for 
MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSAUD
BOARD MEMBER

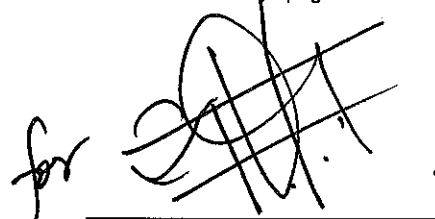

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

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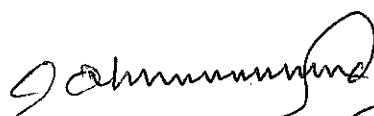
INTERIM STATEMENT OF INCOME – INSURANCE OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 31 March 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
Revenues			
Gross written premiums		374,914,958	342,356,816
Reinsurance premiums ceded		(160,002,680)	(144,500,409)
Excess of loss / stop loss premiums		(10,272,584)	(2,804,091)
Net written premiums		204,639,694	195,052,316
Movement in unearned premiums, net		(71,722,084)	(60,749,919)
Net earned premiums		132,917,610	134,302,397
Commission income		14,328,714	10,446,915
Income from investments		238,525	430,479
Special commission income		1,137,193	946,520
Other underwriting income		954,615	601,038
Other income		857,436	1,422,427
Total revenues		150,434,093	148,149,776
Costs and expenses			
Gross claims paid		96,347,225	139,464,048
Reinsurers' share of claims paid		(6,528,401)	(33,036,167)
Net claims paid		89,818,824	106,427,881
Movement in outstanding claims, net		609,418	(2,140,494)
Net claims incurred		90,428,242	104,287,387
Policy acquisition costs		17,228,826	14,172,962
General and administration expenses		29,946,629	25,329,737
Provision for doubtful receivables	6	1,550,325	884,961
Inspection and supervision fees		2,898,030	2,603,210
Total costs and expenses		142,052,052	147,278,257
Net surplus for the period from insurance operations		8,382,041	871,519
Shareholders' appropriation from surplus		(7,543,837)	(784,367)
Net surplus for the period from insurance operations after shareholders' appropriation		838,204	87,152

The notes on pages 10 to 21 are an integral part of these condensed interim financial information.



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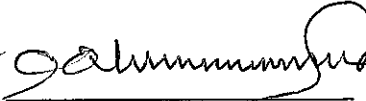
HASSAN ABDULLA DORAR ALI
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF COMPREHENSIVE LOSS – INSURANCE OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

		Three months ended 31 March 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
	Note		
Net surplus for the period from insurance operations after shareholders' appropriation		838,204	87,152
Other comprehensive loss:			
Items that may be reclassified to statement of income - insurance operations in subsequent period:			
Change in fair value of available-for-sale investment	7	<u>(942,147)</u>	<u>(1,586,930)</u>
Total insurance operations' comprehensive loss for the period		<u>(103,943)</u>	<u>(1,499,778)</u>

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for 

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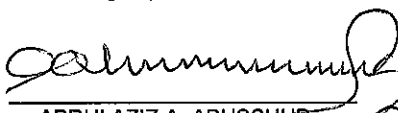
INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS' OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

		Three months ended 31 March 2017	Three months ended 31 March 2016 (Unaudited and restated - Note 16)
	Notes	(Unaudited)	
Appropriation of surplus from insurance operations		7,543,837	784,367
Special commission income		2,146,292	1,126,070
General and administration expenses		<u>(285,508)</u>	<u>(243,216)</u>
Net income for the period		9,404,621	1,667,221
Other comprehensive income			
Change in fair value of available-for-sale investment		-	-
Total comprehensive income for the period	16	<u>9,404,621</u>	<u>1,667,221</u>
Earnings per share			
Basic and diluted earnings per share (in Saudi Riyals)	11	<u>0.38</u>	<u>0.07</u>
Weighted average number of shares in issue throughout the period (in thousands)	10,16	<u>25,000</u>	<u>25,000</u>

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BOARD MEMBER



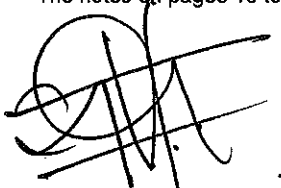
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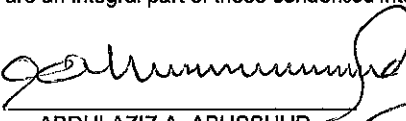
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings / (Accumulated losses)	Total
Balances as at 1 January 2017		250,000,000	9,623,434	38,493,735	298,117,169
Total comprehensive income for three months		-	-	9,404,621	9,404,621
Provision for zakat		-	-	(1,566,984)	(1,566,984)
Balances as at 31 March 2017 (Unaudited)		250,000,000	9,623,434	46,331,372	305,954,806
Balances as at 1 January 2016		250,000,000	-	(2,722,493)	247,277,507
Total comprehensive income for three months, restated	16	-	-	1,667,221	1,667,221
Provision for zakat	16	-	-	(1,371,038)	(1,371,038)
Balances as at 31 March 2016 (Unaudited)		250,000,000	-	(2,426,310)	247,573,690

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for 
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 BOARD MEMBER

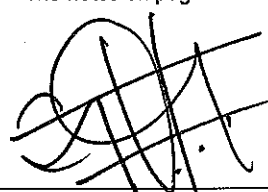

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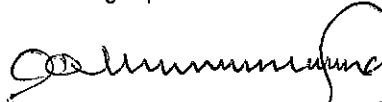
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS – INSURANCE OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Three months	Three months
		ended 31 March 2017 (Unaudited)	ended 31 March 2016 (Unaudited)
Cash flows from operating activities			
Net surplus from insurance operations after shareholders' appropriation		838,204	87,152
Adjustments for:			
Depreciation		797,483	885,847
Provision for doubtful receivables	6	1,550,325	884,961
Provision for employees' end-of-service benefits		723,539	708,566
Shareholders' appropriation from surplus		7,543,837	784,367
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims and reserves		(8,773,195)	34,289,016
Reinsurers' share of unearned premiums		(97,858,835)	(85,615,666)
Deferred policy acquisition costs		(15,200,104)	(6,575,763)
Premiums and reinsurance balances receivable		(89,365,444)	(58,785,490)
Prepayments and other assets		3,451,138	3,258,679
Due from related parties		(20,688,138)	33,402,345
Gross outstanding claims and reserves		9,382,615	(36,429,513)
Gross unearned premiums		169,580,919	146,365,585
Unearned commission income		14,509,239	6,480,405
Reinsurance balances payable		9,204,158	2,908,048
Accrued expenses and other liabilities		6,982,562	7,742,841
Surplus distribution to policyholders		(3,169,895)	-
Employees' end-of-service benefits paid		(292,953)	(192,377)
Net cash (used in) / from operating activities		(10,784,545)	50,199,003
Cash flows from investing activities			
Purchase of property and equipment		(579,764)	(962,046)
Decrease / (increase) in time deposits		143,800,000	(40,306,666)
Net cash from / (used in) investing activities		143,220,236	(41,268,712)
Cash flows from a financing activity			
Due to shareholders' operations, net		(8,000)	(309,221)
Net cash used in a financing activity		(8,000)	(309,221)
Net increase in cash and cash equivalents		132,427,691	8,621,070
Cash and cash equivalents at the beginning of the period		70,238,851	76,151,599
Cash and cash equivalents at the end of the period	4	202,666,542	84,772,669
Supplemental non-cash information:			
Change in fair value of available-for-sale investment	7	942,147	1,586,930

The notes on pages 10 to 21 are an integral part of these condensed interim financial information.

for 
MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

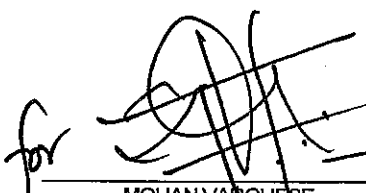

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

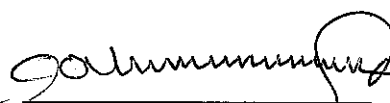
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS’ OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months ended 31 March 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
Cash flows from operating activities			
Net income for the period		9,404,621	1,667,221
Adjustment for:			
Appropriation of surplus from insurance operations income		(7,543,837)	(784,367)
Changes in operating assets and liabilities:			
Prepayments and other assets		(1,019,417)	(651,132)
Accrued income from statutory deposit		(45,160)	(974,660)
Return payable on statutory deposit		45,160	974,660
Accounts payable		202,500	204,065
Cash from operations		1,043,867	435,787
Zakat paid		-	-
Net cash from operating activities		1,043,867	435,787
Cash flows from an investing activities			
Decrease in time deposits		70,000,000	16,400,000
Net cash from an investing activity		70,000,000	16,400,000
Cash flows from a financing activity			
Due from insurance operations, net		8,000	309,221
Net cash from a financing activity		8,000	309,221
Net increase in cash and cash equivalents		71,051,867	17,145,008
Cash and cash equivalents at beginning of the period		1,374,609	359,687
Cash and cash equivalent at the end of the period	4	72,426,476	17,504,695

The notes on pages 10 to 21 are an integral part of these condensed interim financial information.

for 
MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUWAB
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Investment ("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 Authority ("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

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

Applying the above framework, the condensed interim financial information of the Company as at and for the three-month period ended 31 March 2017 have been prepared using the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance for the accounting of zakat and income taxes.

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

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

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

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

4. CASH AND CASH EQUIVALENTS

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

	31 March 2017 (Unaudited)		31 December 2016 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in banks	55,845,092	1,426,476	70,217,401	1,374,609
Cash on hand	21,450	-	21,450	-
Short-term deposits	146,800,000	71,000,000	-	-
	202,666,542	72,426,476	70,238,851	1,374,609

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

As at 31 March 2017, the Company holds an amount of Saudi Riyals 334,287 (31 December 2016: Saudi Riyals 110,787), in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these condensed interim financial information.

5. TIME DEPOSITS

Time deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The deposits earn commission at an effective commission rate of 2.11% per annum (31 December 2016: 3.58% per annum).

Investment income earned upon maturity of the short-term placements under insurance operations' and shareholders' assets recognized during the three-month period ended 31 March 2017 amounted to Saudi Riyals 0.3 million (Three-month period ended 31 March 2016: Saudi Riyals 0.1 million).

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

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

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
Premiums receivable	261,745,888	173,413,991
Reinsurers and others	10,513,917	9,480,370
Total premiums and reinsurance balances receivable	272,259,805	182,894,361
Less: Provision for doubtful receivables	(29,606,142)	(28,055,817)
	242,653,663	154,838,544

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

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
Beginning balance	28,055,817	22,919,742
Provision made during the period	1,550,325	5,136,075
Ending balance	29,606,142	28,055,817

7. INVESTMENTS

a. Held-to-maturity investment

As at 31 March 2017 and 31 December 2016, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank, amounted to Saudi Riyals 10 million comprising of 10 Sukuk denominated at Saudi Riyals 1 million each and a margin equivalent to 6 month SIBOR plus 130 basis points.

b. Available-for-sale investment

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
Beginning balance	12,943,942	14,162,233
Unrealized (loss) / gain from change in fair value	(942,147)	1,206,540
Impairment loss	-	(2,424,831)
Ending balance	12,001,795	12,943,942

Available-for-sale investment included Saudi Riyals 1.9 million in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85% equity holding in Najm. In assessing the relationship of unobservable inputs to fair value, management considered the company's long-term revenue growth rates. As at 31 March 2017 and 31 December 2016, management believes that the carrying amount of the available-for-sale investment is a reasonable estimate of its fair value (Note 12).

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

8. RELATED PARTY TRANSACTIONS AND BALANCES

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

a. Transactions with related parties

The following are the details of major related parties' transactions during the three-month period ended 31 March:

Related parties	Nature of transactions	31 March 2017 (Unaudited)	31 March 2016 (Unaudited)
Saudi Arabian Insurance Company B.S.C (C) ("SAICO BSC") (Shareholder)	Amounts paid on behalf of SAICO BSC, net	13,538	(734,119)
	Premiums ceded	4,105,888	-
	Commission received	919,706	-
ACE Insurance Agents Limited ("ACE Agents") (Affiliate)	Premiums received through Agent	8,356,187	7,415,290
	Claims paid through Agent	5,895	5,544
	Commission expense	1,192,906	1,055,929
ACE Limited (Affiliate)	Premiums and claims, net	-	(1,443)
ACE Insurance and Reinsurance Brokers Limited ("ACE Brokers") (Affiliate)	Premiums received through Broker, net	149,232,097	136,924,485
	Commission expense	18,093,559	6,989,848
	Premiums ceded through Broker	109,219,345	93,532,548
	Commission received	14,106,854	2,342,598

b. Balances with related parties

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

Due from related parties	Nature of transactions	31 March 2017 (Unaudited)	31 December 2016 (Audited)
ACE Brokers	Insurance operations	72,055,052	57,186,835
ACE Agents	Insurance operations	17,480,974	11,672,591
SAICO BSC	Insurance operations	901,506	887,968
ACE Limited	Insurance operations	308,135	310,135
		90,745,667	70,057,529

c. Compensation of key management personnel

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

	31 March 2017 (Unaudited)	31 March 2016 (Unaudited)
Short-term benefits	3,591,257	2,759,427
Bonus	2,000,160	1,375,920
Employees' end-of-service benefits	89,572	84,134
	5,680,989	4,219,481

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

9. SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include general and administration expenses, provision for doubtful receivables, inspection and supervision fees and other income.

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

9. SEGMENT INFORMATION (continued)

Three months ended 31 March 2017 (Unaudited)
(Amounts in Saudi Riyals thousands)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	118,684	87,128	137,088	5,967	4,435	5,878	13,055	2,680	374,915
Reinsurance premiums ceded	-	(176)	(133,305)	(5,110)	(4,164)	(4,267)	(11,875)	(1,105)	(160,002)
Excess of loss premiums	(8,082)	(1,018)	(863)	(220)	(62)	(20)	-	(8)	(10,273)
Net written premiums	110,602	85,934	2,920	637	209	1,591	1,180	1,567	204,640
Movement in unearned premiums, net	(35,219)	(32,742)	(2,310)	(128)	33	(404)	(682)	(270)	(71,722)
Net earned premiums	75,383	53,192	610	509	242	1,187	498	1,297	132,918
Commission income	-	983	5,968	1,948	1,444	387	2,204	2,349	15,283
Total allocated revenue	75,383	54,175	6,578	2,457	1,686	1,574	2,702	3,646	148,201
Unallocated revenue									2,233
Total insurance revenues									150,434
Cost and expenses									
Gross claims paid	48,741	39,775	1,629	2,285	3,120	-	384	413	96,347
Reinsurers' share of claims paid	-	1	(1,113)	(1,945)	(3,065)	-	(322)	(84)	(6,528)
Net claims paid	48,741	39,776	516	340	55	-	62	329	89,819
Movement in outstanding claims, net	9,006	(8,150)	(306)	(226)	(380)	83	501	81	609
Net claims incurred	57,747	31,626	210	114	(325)	83	563	410	90,428
Policy acquisition costs	3,847	6,637	4,423	830	657	297	218	320	17,229
Total allocated costs and expenses	61,594	38,263	4,633	944	332	380	781	730	107,657
Unallocated expenses									34,395
Total costs and expenses									142,052
Net surplus from insurance operations									8,382

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

(All amounts in Saudi Riyals unless otherwise stated)

9. SEGMENT INFORMATION (continued)

Operating segment	Three months ended 31 March 2016 (Unaudited)							Total
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	
Revenues								
Gross written premiums	98,216	89,222	118,788	6,261	4,310	6,649	14,161	342,357
Reinsurance premiums ceded	-	(287)	(114,844)	(5,338)	(3,889)	(4,817)	(13,262)	(144,501)
Excess of loss premiums	(422)	(922)	(1,102)	(212)	(117)	(20)	-	(2,804)
Net written premiums	97,794	88,013	2,842	711	304	1,812	899	195,052
Movement in unearned premiums, net	(27,896)	(28,936)	(2,321)	(188)	33	(448)	(492)	(60,750)
Net earned premiums	69,898	59,077	521	523	337	1,364	407	134,302
Commission income	-	38	2,800	1,838	1,759	451	1,826	10,447
Total allocated revenue	69,898	59,115	3,321	2,361	2,096	1,815	2,233	144,749
Unallocated revenue								3,401
Total insurance revenues								148,150
Cost and expenses								
Gross claims paid	51,366	51,770	12,106	3,455	3,357	30	15,330	137,820
Reinsurers' share of claims paid	-	(5)	(11,018)	(3,070)	(3,297)	(18)	(15,296)	(33,036)
Net claims paid	51,366	51,765	1,088	385	60	12	34	104,784
Movement in outstanding claims, net	(1,492)	159	950	(230)	404	(637)	(1,009)	(2,141)
Net claims incurred	49,874	51,924	2,038	155	464	(625)	(975)	102,643
Policy acquisition costs	3,425	6,487	1,544	873	851	265	167	14,173
Total allocated costs and expenses	53,299	58,411	3,582	1,028	1,315	(360)	(808)	116,816
Unallocated expenses								30,462
Total costs and expenses								147,278
Net surplus from insurance operations								872

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

9. SEGMENT INFORMATION (continued)

	As at 31 March 2017 (Unaudited) (Amounts in Saudi Riyals thousands)							Total
	Medical	Motor	Fire & burglary	Marine	Engineering liability	Public liability	General accident	
Assets								
Reinsurers' share of outstanding claims and reserves	-	14,394	164,170	16,466	83,538	14,060	92,090	388,526
Reinsurers' share of unearned premiums	-	207	103,856	6,641	8,017	6,931	15,608	141,878
Deferred policy acquisition costs	6,767	12,818	12,124	735	973	819	379	34,845
Segment assets	6,767	27,419	280,150	23,842	92,528	21,810	108,077	565,249
Unallocated assets								597,824
Total assets								1,163,073
Liabilities								
Gross outstanding claims and reserves	93,725	71,850	176,095	18,871	87,229	15,022	95,992	564,185
Gross unearned premiums	145,237	103,776	107,247	7,500	8,483	9,898	16,704	400,534
Unearned commission income	-	62	16,047	1,946	2,012	1,227	4,553	25,869
Segment liabilities	238,962	175,688	299,389	28,317	97,724	26,147	117,249	990,588
Unallocated liabilities								172,485
Total liabilities								1,163,073

Unallocated assets at 31 March 2017 consists mainly of premiums and reinsurance balances receivable of Saudi Riyals 243 million, due from related parties of Saudi Riyals 91 million, time deposits of Saudi Riyals 6 million, cash and cash equivalents of Saudi Riyals 203 million, and other insurance operations' assets of Saudi Riyals 61 million.

At 31 March 2017, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 243 million comprised mainly premiums receivable from Medical clients of Saudi Riyals 120 million while the remaining balance of Saudi Riyals 122 million consisted mainly of receivables from top 10 policyholders from the line of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine Hull (e) General Accident (f) Public liability and (g) Engineering.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

9. SEGMENT INFORMATION (continued)

	As at 31 December 2016 (Audited)							Total
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	
Assets								
Reinsurers' share of outstanding claims and reserves	-	13,829	163,680	17,644	82,932	13,876	85,918	379,753
Reinsurers' share of unearned premiums	-	133	8,579	8,841	9,596	4,937	11,434	44,019
Deferred policy acquisition costs	6,196	9,019	1,150	897	1,160	705	340	19,644
Segment assets	6,196	22,981	173,409	27,382	93,688	19,518	97,692	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	554,803
Gross unearned premiums	110,018	70,960	9,659	9,572	10,095	7,501	11,848	230,953
Unearned commission income	-	39	1,927	2,365	2,260	994	3,764	11,359
Segment liabilities	194,736	150,434	187,497	32,212	99,358	23,251	104,931	797,115
Unallocated liabilities								151,606
Total liabilities								948,721

Unallocated assets at 31 December 2016 consist mainly of premiums and reinsurance balances receivable of 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 Hull (e) General Accident (f) Public liability and (g) Engineering.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

10. SHARE CAPITAL

As at 31 March 2017 and 31 December 2016, the authorized, issued and paid up share capital of the Company amounted to Saudi Riyals 250 million divided into 25 million shares of Saudi Riyals 10 each.

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.

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 information.

Determination of fair value and fair value hierarchy

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

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

During the three-month period ended 31 March 2017 (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 following table summarizes the financial assets recorded at fair value by level of the fair value hierarchy.

As at 31 March 2017 (Unaudited)	Insurance operations' assets			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale investment	10,078,715	-	1,923,080	12,001,795
As at 31 December 2016 (Audited)				
	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

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

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.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

13. CONTINGENCIES AND COMMITMENTS (continued)

b. Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations and amounted to Saudi Riyals 0.6 million for the three-month periods ended 31 March 2017 and 2016 are recognized in the interim statement of income - insurance operations.

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

<u>Years</u>	<u>31 March 2017 (Unaudited)</u>	<u>31 December 2016 (Audited)</u>
2017	1,313,999	845,738
2018	603,506	-
2019	540,855	-
2020	540,855	-
2021	71,126	-
	<u>3,070,341</u>	<u>845,738</u>

14. NET UNDERWRITING SURPLUS

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

	<u>31 March 2017 (Unaudited)</u>	<u>31 March 2016 (Unaudited)</u>
Net earned premiums	132,917,610	134,302,397
Commission income	14,328,714	10,446,915
Other underwriting income	954,615	601,039
Policy acquisition costs	(17,228,826)	(14,172,962)
Net claims incurred	(90,428,242)	(102,643,062)
Net underwriting surplus	<u>40,543,871</u>	<u>28,534,327</u>

15. STATUTORY RESERVE

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

16. CHANGE IN ACCOUNTING POLICY

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

The Company used to charge zakat and income tax through the interim statement of comprehensive income - shareholders' operations. As a result of the Circular, the Company has changed its presentation relating to zakat and income tax and now charges zakat and income tax directly to the interim statement of changes in shareholders' equity. The Company has accounted for this change retrospectively which resulted in the increase in total comprehensive income by Saudi Riyals 1.4 million for the three-month period ended March 31, 2016.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(All amounts in Saudi Riyals unless otherwise stated)

16. CHANGE IN ACCOUNTING POLICY (continued)

The effect of change in accounting policy on the comparative 31 March 2016 financial information is summarized in the table below:

	Balances, as previously reported	Effect of restatement	Balances, as restated
Total comprehensive income for the period from shareholders' operations within interim statements of comprehensive income - shareholders' operations; and, changes in shareholders' equity	296,183	1,371,038	1,667,221
Provision for zakat presented within interim statement of changes in shareholders' equity	-	(1,371,038)	(1,371,038)
Basic and diluted earnings per share in the statement of comprehensive income - shareholders' operations (in Saudi Riyals)	0.01	0.06	0.07

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

17. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION

These condensed interim financial information were approved by the Board of Directors on 10 May 2017 (corresponding to 14 Shaban 1438H), as authorized for issue by SAMA.