

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017**

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Dr. Mohamed Al-Amri & Co.  
Accountants & Consultants

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)**

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at September 30, 2017 and the related interim statement of income - insurance operations and accumulated surplus, interim statements of comprehensive income for insurance operations and shareholders operations for the three and nine-month period then ended and interim statement of changes in shareholders' equity and interim statements of cash flows for insurance operations and shareholders operations for the nine month period then ended and other explanatory notes (the interim condensed financial information). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority (SAMA) guidance on accounting for zakat and income taxes. Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

**SCOPE OF REVIEW**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 condensed 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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Safar 3, 1439 H  
October 23, 2017

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
SAR'000			
<b><u>ASSETS - INSURANCE OPERATIONS</u></b>			
Property and equipment, net		284,858	298,406
Investment property		9,861	9,861
Investments in associates		6,890	12,691
Available-for-sale investments	4(i)	3,713,229	3,155,586
Prepaid expenses and other assets		173,502	282,796
Deferred policy acquisition costs		206,617	218,100
Reinsurers' share of outstanding claims	6	2,145,059	2,102,745
Reinsurers' share of unearned premiums		527,291	553,813
Receivables, net	3	1,782,345	2,326,988
Murabaha deposits	5	-	411,000
Bank balances and cash	5	503,335	968,402
<b>Total assets - Insurance operations</b>		<b>9,352,987</b>	<b>10,340,388</b>
<b><u>ASSETS - SHAREHOLDERS OPERATIONS</u></b>			
Statutory deposit	9	125,000	100,000
Accrued income on statutory deposit		1,932	1,711
Investments in associates		94,954	94,958
Available-for-sale investments	4(ii)	2,445,077	1,377,991
Due from Insurance operations		235,984	539,326
Murabaha deposits	5	81,141	905,150
Bank balances and cash	5	263,116	116,597
<b>Total assets - Shareholders operations</b>		<b>3,247,204</b>	<b>3,135,733</b>
<b>TOTAL ASSETS</b>		<b>12,600,191</b>	<b>13,476,121</b>

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

	Notes	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
		SAR'000	
<b><u>LIABILITIES AND SURPLUS - INSURANCE OPERATIONS</u></b>			
<b>Liabilities - Insurance operations:</b>			
Reserve for discontinued operations		1,621	1,621
Surplus distribution payable		76,651	76,651
Claims payable, accrued expenses and other liabilities		1,218,072	1,500,543
Reserve for takaful activities		9,891	12,902
Gross outstanding claims and reserves	6	3,672,574	3,577,820
Unearned commission income		51,996	54,439
Gross unearned premiums		3,698,086	4,390,229
Reinsurers' balances payable		323,435	177,828
Due to Shareholders operations		235,984	539,326
<b>Total liabilities - Insurance operations</b>		<b>9,288,310</b>	<b>10,331,359</b>
<b>Surplus - Insurance operations:</b>			
Accumulated surplus		50,837	-
Fair value reserve for available-for-sale investments		13,840	9,029
<b>Total liabilities and surplus - Insurance operations</b>		<b>9,352,987</b>	<b>10,340,388</b>
<b><u>LIABILITIES AND EQUITY - SHAREHOLDERS OPERATIONS</u></b>			
<b>Shareholders operations liabilities:</b>			
Accrued expenses and other liabilities		4,723	-
Return payable on statutory deposit		1,932	1,711
Dividends payable		6,299	6,054
Zakat		234,379	200,443
<b>Total liabilities - Shareholders operations</b>		<b>247,333</b>	<b>208,208</b>
<b>Shareholders' equity:</b>			
Share capital	7	1,250,000	1,000,000
Legal reserve	10	1,000,000	1,000,000
Fair value reserve for available-for-sale investments		(13,906)	(71,182)
Retained earnings		763,777	998,707
<b>Total Shareholders' equity</b>		<b>2,999,871</b>	<b>2,927,525</b>
<b>Total Shareholders operations liabilities and equity</b>		<b>3,247,204</b>	<b>3,135,733</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>12,600,191</b>	<b>13,476,121</b>

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF INCOME INSURANCE OPERATIONS AND ACCUMULATED**  
**SURPLUS**

	Three months ended September 30, 2017 (Unaudited)	Three months ended September 30, 2016 (Unaudited)	Nine months ended September 30, 2017 (Unaudited)	Nine months ended September 30, 2016 (Unaudited)
<b>SAR'000</b>				
<b>REVENUES</b>				
Gross premiums written	1,421,123	1,241,060	5,553,742	5,077,901
Less: Reinsurance ceded	(260,339)	(163,662)	(744,279)	(694,848)
Net premiums written	1,160,784	1,077,398	4,809,463	4,383,053
Changes in unearned premiums, net	722,024	681,870	665,621	717,477
Net premiums earned	1,882,808	1,759,268	5,475,084	5,100,530
Reinsurance commissions	34,096	27,355	84,257	78,890
Other income, net	17,623	12,835	42,836	46,023
<b>Total revenues</b>	<b>1,934,527</b>	<b>1,799,458</b>	<b>5,602,177</b>	<b>5,225,443</b>
<b>COSTS AND EXPENSES</b>				
Gross claims paid	1,511,676	1,237,098	4,462,383	3,921,933
Less: Reinsurance share	(56,530)	(74,297)	(177,680)	(242,834)
Net claims paid	1,455,146	1,162,801	4,284,703	3,679,099
Changes in outstanding claims and reserves, net	28,850	67,440	52,440	125,099
Net claims incurred	1,483,996	1,230,241	4,337,143	3,804,198
Policy acquisition costs	135,923	130,774	350,725	378,894
Excess of loss expenses	11,856	7,793	31,828	24,130
Changes in reserve for takaful activities	(2,920)	(287)	(3,011)	(369)
Other underwriting expenses	35,326	38,910	121,529	122,957
Manafeth insurance share distribution	18,325	32,341	70,364	82,809
Operating and selling expenses	96,014	112,936	263,672	294,185
Other general and administrative expenses	18,615	14,791	52,476	38,266
<b>Total costs and expenses</b>	<b>1,797,135</b>	<b>1,567,499</b>	<b>5,224,726</b>	<b>4,745,070</b>
<b>Operating surplus</b>	<b>137,392</b>	<b>231,959</b>	<b>377,451</b>	<b>480,373</b>
Investment income, net	22,973	46,802	130,924	138,091
Impairment of available-for-sale investments	-	-	-	(50,036)
<b>Surplus from Insurance operations</b>	<b>160,365</b>	<b>278,761</b>	<b>508,375</b>	<b>568,428</b>
Shareholders' appropriation from surplus	(144,329)	(250,885)	(457,538)	(511,585)
<b>Surplus from Insurance operations after Shareholders' appropriation</b>	<b>16,036</b>	<b>27,876</b>	<b>50,837</b>	<b>56,843</b>
Accumulated surplus, beginning of the period	34,801	28,967	-	-
<b>ACCUMULATED SURPLUS, END OF THE PERIOD</b>	<b>50,837</b>	<b>56,843</b>	<b>50,837</b>	<b>56,843</b>

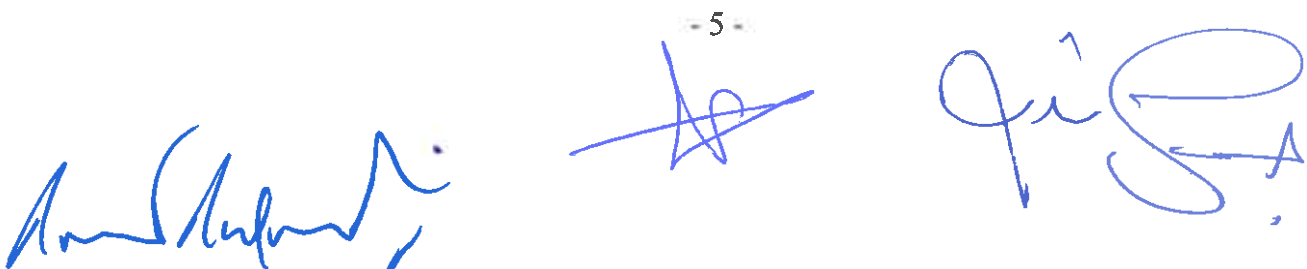
The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS**

	<b>Three months ended September 30, 2017 (Unaudited)</b>	<b>Three months ended September 30, 2016 (Unaudited)</b>	<b>Nine months ended September 30, 2017 (Unaudited)</b>	<b>Nine months ended September 30, 2016 (Unaudited)</b>
<b>SAR'000</b>				
Surplus from Insurance operations after Shareholders' appropriation	<b>16,036</b>	27,876	<b>50,837</b>	56,843
<b>Other comprehensive income / (loss):</b>				
<i>Items that may be recycled back to interim statement of income - insurance operations in subsequent periods:</i>				
Changes in fair value of available-for-sale investments (note 4)	<b>14,609</b>	(10,146)	<b>4,811</b>	24,795
<b>Total comprehensive income for the period</b>	<b><u>30,645</u></b>	<u>17,730</u>	<b><u>55,648</u></b>	<u>81,638</u>

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS OPERATIONS**

	Notes	Three months ended September 30, 2017 (Unaudited)	Three months ended September 30, 2016 (Unaudited) [Restated - note 17]	Nine months ended September 30, 2017 (Unaudited)	Nine months ended September 30, 2016 (Unaudited) [Restated - note 17]
<b>SAR'000</b>					
Appropriation of surplus from Insurance operations		144,329	250,885	457,538	511,585
Investment income, net		12,694	26,968	105,483	87,777
Share of profit from investments in associates, net		3,998	5,541	11,093	11,685
Impairment of available-for-sale investments		-	-	-	(22,034)
Other expenses, net		(1,308)	(160)	(5,343)	(360)
<b>Income from operations</b>		<b>159,713</b>	<b>283,234</b>	<b>568,771</b>	<b>588,653</b>
<b>Other comprehensive income / (loss):</b>					
<i>Items that may be recycled back to interim statement of income - shareholders operations in subsequent periods:</i>					
Changes in fair value of available-for-sale investments	4	1,882	(19,361)	57,276	(14,423)
<b>Total comprehensive income for the period</b>		<b>161,595</b>	<b>263,873</b>	<b>626,047</b>	<b>574,230</b>
<b>Earnings per share:</b>					
Basic and diluted earnings per share (in SAR)	15	1.28	2.27	4.55	4.71
Weighted average number of shares in issue	7	125,000,000	125,000,000	125,000,000	125,000,000

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.







**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Notes	Share capital	Legal reserve	Fair value reserve for available-for-sale investments	Retained earnings	Total
SAR'000						
<i>Unaudited</i>						
<b>Balance at January 1, 2016</b>		1,000,000	883,465	(56,861)	482,464	2,309,068
Comprehensive income for the period:						
Income from operations		-	-	-	588,653	588,653
Changes in fair value of available-for-sale investments		-	-	(14,423)	-	(14,423)
Zakat	17	-	-	-	(52,766)	(52,766)
Dividend distribution	7	-	-	-	(100,000)	(100,000)
<b>Balance at September 30, 2016</b>		<b>1,000,000</b>	<b>883,465</b>	<b>(71,284)</b>	<b>918,351</b>	<b>2,730,532</b>
<i>Unaudited</i>						
<b>Balance at January 1, 2017</b>		<b>1,000,000</b>	<b>1,000,000</b>	<b>(71,182)</b>	<b>998,707</b>	<b>2,927,525</b>
Comprehensive income for the period:						
Income from operations		-	-	-	568,771	568,771
Changes in fair value of available-for-sale investments		-	-	57,276	-	57,276
Zakat		-	-	-	(53,701)	(53,701)
Issuance of bonus shares	7	250,000	-	-	(250,000)	-
Dividend distribution	7	-	-	-	(500,000)	(500,000)
<b>Balance at September 30, 2017</b>		<b>1,250,000</b>	<b>1,000,000</b>	<b>(13,906)</b>	<b>763,777</b>	<b>2,999,871</b>

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS**

	<b>September 30, 2017 (Unaudited)</b>	<b>September 30, 2016 (Unaudited)</b>
<b>Notes</b>	<b>SAR'000</b>	
<b>Operating activities:</b>		
Surplus from Insurance operations after Shareholders' appropriation	50,837	56,843
<u>Adjustments to reconcile surplus from Insurance operations to net cash used in operating activities:</u>		
Shareholders' appropriation from surplus	457,538	511,585
Depreciation	17,806	10,890
Reversal of provision for doubtful debts	(14,594)	(6,274)
Gain on sale of available-for-sale investments	(93,849)	(99,989)
Impairment on available-for-sale investments	-	50,036
Share of losses from investments in associates, net	5,801	1,354
Operating surplus before changes in operating assets and liabilities	423,539	524,445
<u>Changes in operating assets and liabilities:</u>		
Prepaid expenses and other assets	109,294	(65)
Deferred policy acquisition costs	11,483	(6,516)
Reinsurers' share of outstanding claims	(42,314)	(16,565)
Reinsurers' share of unearned premiums	26,522	86,906
Receivables, net	559,237	574,750
Reinsurers' balances payable	145,607	(210,903)
Gross unearned premiums	(692,143)	(804,383)
Unearned commission income	(2,443)	(2,196)
Gross outstanding claims and reserves	94,754	141,664
Reserve for discontinued operations	-	(9,590)
Reserve for takaful activities	(3,011)	(369)
Claims payable, accrued expenses and other liabilities	(282,471)	281,118
Due from Shareholders' operations	(457,538)	(511,585)
Cash (used in) / from operating activities	(109,484)	46,711
Surplus paid to policyholders during the period	-	(46,895)
Net cash used in operating activities	(109,484)	(184)
<b>Investing activities:</b>		
Proceeds from sale of available-for-sale investments	1,076,069	3,460,053
Purchase of available-for-sale investments	(1,535,052)	(2,970,038)
Purchase of property and equipment	(4,258)	(17,675)
Net cash (used in)/from investing activities	(463,241)	472,340
<b>Financing activity:</b>		
Due to Shareholders' operations	(303,342)	54,361
Net cash (used in) / from financing activity	(303,342)	54,361
<b>Net change in cash and cash equivalents</b>	<b>(876,067)</b>	<b>526,517</b>
Cash and cash equivalents at the beginning of the year	5 1,379,402	761,868
<b>Cash and cash equivalents at the end of the period</b>	<b>5 503,335</b>	<b>1,288,385</b>
<b>Non-cash supplemental information:</b>		
Changes in fair value of available-for-sale investments	4,811	24,795

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS OPERATIONS**

	September 30, 2017	September 30, 2016
Notes	(Unaudited)	(Unaudited)
	<u>SAR'000</u>	
<b>Operating activities:</b>		
Net income for the period	568,771	588,653
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Appropriation of surplus from Insurance operations	(457,538)	(511,585)
Impairment of available-for-sale investments	-	22,034
Gain on sale of available-for-sale investments	(6,657)	(27,286)
Share of profit from investments in associates, net	(12,423)	(12,891)
Operating profit before changes in operating assets and liabilities	92,153	58,925
<b>Changes in operating assets and liabilities:</b>		
Due from Insurance operations	457,538	511,585
Accrued expenses and other liabilities	4,723	(360)
Zakat paid during the period	(19,765)	(19,627)
Net cash from operating activities	534,649	550,523
<b>Investing activities:</b>		
Statutory deposit	(25,000)	-
Proceeds from sale and maturity of available-for-sale investments	2,696,714	4,397,458
Purchase of available-for-sale investments	(3,699,867)	(4,841,742)
Dividends received from investment in associates	12,427	6,213
Net cash used in investing activities	(1,015,726)	(438,071)
<b>Financing activities:</b>		
Dividends paid	(499,755)	(99,575)
Due from Insurance operations	303,342	(54,361)
Net cash used in financing activities	(196,413)	(153,936)
<b>Net change in cash and cash equivalents</b>	(677,490)	(41,484)
Cash and cash equivalents at the beginning of the year	5 1,021,747	61,813
<b>Cash and cash equivalents at the end of the period</b>	5 344,257	20,329
<b>Non-cash supplemental information:</b>		
Changes in fair value of available-for-sale investments	57,276	(14,423)

The accompanying notes 1 to 19 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**SEPTEMBER 30, 2017**

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**1. GENERAL**

The Company for Cooperative Insurance (the “Company”) is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986, corresponding to Jumada Al-Awal 8, 1406H, under Commercial Registration No. 1010061695. The Company’s Head Office is located on Thumamah Road (at Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003, corresponding to Jumada al-Thani 2, 1424H, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On December 1, 2004, corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Authority (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004, the Company amended its Articles of Association, giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the Shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the Policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the Shareholders’ operations in full.

**2. BASIS OF PREPARATION**

**(a) Basis of presentation**

During 2017, SAMA issued a circular number 381000074519 dated 14 Rajab 1438H (corresponding to April 11, 2017) (“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 income taxes will be recognized in the interim statement of shareholders’ equity with a corresponding liability in the interim statement of financial position.

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

Until 2016, the interim condensed financial information of the Company were prepared in accordance with the IAS 34. This change in framework resulted in a change in accounting policy for zakat [as disclosed in note 2(c)] and the effects of this change are disclosed in note 17 to the interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**SEPTEMBER 30, 2017**

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**2. BASIS OF PREPARATION (continued)**

**(a) Basis of presentation (continued)**

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

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

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

These interim condensed financial information have been presented in Saudi Arabian Riyals (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand (SAR'000).

In management's opinion, these interim condensed financial information reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

**(b) Critical accounting judgments, estimates and assumptions**

The preparation of the interim condensed financial information requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2016.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**SEPTEMBER 30, 2017**

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**2. BASIS OF PREPARATION (continued)**

**(b) Critical accounting judgments, estimates and assumptions (continued)**

Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial information:

i) Estimation of incurred but not reported claims

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

ii) Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

**(c) Significant accounting policies**

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 adoption of the amendments to existing standards which has had no material impact on the financial information of the Company.

The Company amended its accounting policy to charge zakat directly into retained earnings in the interim statement of changes in shareholders' equity instead of income from operations within interim statement of comprehensive income - shareholders operations. This change in accounting policy has been applied retrospectively and the effects of the above change are disclosed in note 17 to the interim condensed financial information.

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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies (continued)**

- Amendments to IAS 7, Statement of cash flows on disclosure initiative: Applicable for annual periods beginning on or after 1 January 2017:

These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for Unrealised losses: Applicable for annual periods beginning on or after 1 January 2017:

These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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.

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**2. BASIS OF PREPARATION (continued)**

**(d) Segmental reporting**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Manafeth - third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.

Operating segments do not include shareholders operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the period.

**(e) Seasonality of operations**

There are no seasonal changes that may affect insurance operations of the Company.

**3. RECEIVABLES, NET**

Receivables comprise net amounts due from the following:

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Policyholders	<b>1,410,757</b>	1,890,619
Brokers and agents	<b>279,190</b>	318,076
Related parties (note 12)	<b>87,848</b>	165,494
	<b>1,777,795</b>	2,374,189
Receivables from reinsurers	<b>70,741</b>	32,489
Administrative service plan	<b>22,975</b>	24,070
	<b>1,871,511</b>	2,430,748
Provision for doubtful receivables	<b>(89,166)</b>	(103,760)
Receivables, net	<b>1,782,345</b>	2,326,988



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**4. AVAILABLE-FOR-SALE INVESTMENTS**

**i) Insurance operations:**

Available-for-sale investments of insurance operations comprise the following:

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Local / regional funds and fixed income investments	2,718,041	2,799,658
Local / regional equity	14,659	63,564
Foreign funds and fixed income investments	980,529	292,364
<b>Total</b>	<b>3,713,229</b>	<b>3,155,586</b>

The movement of changes in fair value of investments is as follows:

	<b>Three months ended September 30, 2017 (Unaudited)</b>	<b>Three months ended September 30, 2016 (Unaudited)</b>
	<b>SAR'000</b>	
Change in fair value	43,280	27,431
Net amount transferred to interim statement of income - insurance operations	(28,671)	(37,577)
	<b>14,609</b>	<b>(10,146)</b>

The movement of changes in fair value of investments is as follows:

	<b>Nine months ended September 30, 2017 (Unaudited)</b>	<b>Nine months ended September 30, 2016 (Unaudited)</b>
	<b>SAR'000</b>	
Change in fair value	98,660	74,748
Net amount transferred to interim statement of income - insurance operations	(93,849)	(99,989)
Impairment on available-for-sale investments	-	50,036
	<b>4,811</b>	<b>24,795</b>

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**4. AVAILABLE-FOR-SALE INVESTMENTS (continued)**

**ii) Shareholders operations:**

Available-for-sale investments of shareholders operations comprise the following:

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Local / regional funds and fixed income investments	1,400,712	1,145,607
Local / regional equity	24,980	43,683
Foreign funds and fixed income investments	1,019,385	188,701
<b>Total</b>	<b>2,445,077</b>	<b>1,377,991</b>

The movement of changes in fair value of investments is as follows:

	<b>Three months ended September 30, 2017 (Unaudited)</b>	<b>Three months ended September 30, 2016 (Unaudited)</b>
	<b>SAR'000</b>	
Change in fair value	72	(8,953)
Net amount transferred to interim statement of income - shareholders operations	1,810	(10,408)
	<b>1,882</b>	<b>(19,361)</b>

The movement of changes in fair value of investments is as follows:

	<b>Nine months ended September 30, 2017 (Unaudited)</b>	<b>Nine months ended September 30, 2016 (Unaudited)</b>
	<b>SAR'000</b>	
Change in fair value	63,933	(9,171)
Net amount transferred to interim statement of income - shareholders operations	(6,657)	(27,286)
Impairment on available-for-sale investments	-	22,034
	<b>57,276</b>	<b>(14,423)</b>

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**5. CASH AND CASH EQUIVALENTS**

**i) Insurance operations:**

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Murabaha deposits	-	411,000
Bank balances and cash	<b>503,335</b>	968,402
	<b>503,335</b>	<b>1,379,402</b>

**ii) Shareholders operations:**

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Murabaha deposits	<b>81,141</b>	905,150
Bank balances and cash	<b>263,116</b>	116,597
	<b>344,257</b>	<b>1,021,747</b>

Bank balances and cash under insurance operations includes call account balance of nil (December 31, 2016: SAR 483 million). Both bank balances and murabaha deposits (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

**6. GROSS OUTSTANDING CLAIMS AND RESERVES, NET**

Gross outstanding claims and reserves, net comprise of the following:

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Gross outstanding claims	<b>2,208,784</b>	2,254,192
Less: Realizable value of salvage and subrogation	<b>(111,301)</b>	(123,100)
	<b>2,097,483</b>	2,131,092
Add: Incurred but not reported claims	<b>1,575,091</b>	1,446,728
Gross outstanding claims and reserves	<b>3,672,574</b>	3,577,820
Less: Reinsurers' share of gross outstanding claims	<b>(1,763,955)</b>	(1,764,393)
Less: Reinsurers' share of incurred but not reported claims	<b>(381,104)</b>	(338,352)
Reinsurers' share of outstanding claims and reserves	<b>(2,145,059)</b>	(2,102,745)
Net outstanding claims and reserves	<b>1,527,515</b>	1,475,075

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**7. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at September 30, 2017 (December 31, 2016: SAR 1 billion) consisting of 125 million shares (December 31, 2016: 100 million shares) of SAR 10 each.

A bonus issue of one share for every four shares held was approved by shareholders in their general assembly meeting held on March 21, 2017. The bonus shares have been issued to the shareholders effective from March 21, 2017. As a result of bonus issue, the share capital of the Company has increased to SAR 1.25 billion comprising of 125 million shares issued.

On February 15, 2017, corresponding to Jumada Al-Awal 18, 1438H the Company's Board of Directors proposed to pay cash dividend for the year ended December 31, 2016 of SAR 5 per share amounting to SAR 500 million (2015: SAR 100 million) to its shareholders. The cash dividend was approved by shareholders in their general assembly meeting held on March 21, 2017.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat.

	September 30, 2017		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	<b>125,000,000</b>	<b>1,250,000</b>	<b>1,250,000</b>
	December 31, 2016		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	53,370,407	533,704	533,704
Public Pension Agency	23,790,148	237,901	237,901
General Organization for Social Insurance	22,839,445	228,395	228,395
	<b>100,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>

**8. CONTINGENT LIABILITIES**

As at September 30, 2017, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SAR 203 million (December 31, 2016: SAR 175 million) occurring in the normal course of business.

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. Appropriate provisions have been made in relation to pending cases and management believes that finalization of these court cases is not expected to have a material impact on the financial information.

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**9. STATUTORY DEPOSIT**

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company had deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2016: SAR 100 million), in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

**10. LEGAL RESERVE**

In accordance with the Articles of Association of the Company 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 legal reserve until it equals the value of share capital. This transfer is only made at the year end. The legal reserve is not available for distribution to the shareholders until the liquidation of the Company.

**11. MANAFETH SHARED AGREEMENT**

On January 13, 2015 together with 25 related insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia.

The main terms of the above mentioned agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.

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**12. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

	Transactions for the period ended		Balance receivable / (payable) as at	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<b>SAR'000</b>			
<b><u>Major shareholders</u></b>				
Amount of claims paid to hospitals owned by major shareholders	15,931	17,680	1,778	5,488
Medical insurance premium written	27,785	29,239	29,883	1,985
Other expenses	100	-	-	-
<b><u>Associates</u></b>				
Insurance premium written	1,067	573	7,370	22,328
Rent expenses paid	-	78	-	-
Najm fees paid	29,883	11,642	(4,530)	20,980
Waseel fees paid	4,366	-	-	(1,115)
United Insurance Co. fees and claims, net	3,354	1,839	7,352	1,223
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
Insurance premium written	133,543	91,626	50,595	141,181
Reinsurance transactions	-	-	-	(5,125)

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

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

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
	<b>SAR'000</b>	
Salaries and other allowances	6,823	6,709
End of service indemnities	2,666	447

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**13. 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 financial information. The estimated fair values of financial instruments are based on quoted market prices, when available.

**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 price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- 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.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the available-for-sale investments based on the fair value hierarchy:

	SAR'000			
<u>September 30, 2017 (Unaudited)</u>	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Insurance operations	221,512	-	3,491,717	3,713,229
- Shareholders operations	-	-	2,445,077	2,445,077
<b>Total</b>	<b>221,512</b>	<b>-</b>	<b>5,936,794</b>	<b>6,158,306</b>
<u>December 31, 2016 (Audited)</u>				
Available-for-sale financial assets				
- Insurance operations	402,628	-	2,752,958	3,155,586
- Shareholders operations	58,065	-	1,319,926	1,377,991
<b>Total</b>	<b>460,693</b>	<b>-</b>	<b>4,072,884</b>	<b>4,533,577</b>

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted. Fair values of private equity investments classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statement of financial position, which approximate the fair values. Fair values of other investments (including sukuks) classified in Level 3 are determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. There were no transfers in between levels during the period.

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**13. FAIR VALUES OF FINANCIAL INSTRUMENTS**

**Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:**

<b>September 30, 2017 (Unaudited)</b>	<b>Balance</b>			<b>Total gain or (loss) recognized in</b>		<b>Balance September 30</b>
	<b>January 1</b>	<b>Purchases</b>	<b>Sales</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	
	<b>SAR'000</b>					
Insurance operations	2,752,958	1,535,052	(894,953)	93,849	4,811	3,491,717
Shareholders operations	1,319,926	3,699,867	(2,638,649)	6,657	57,276	2,445,077
<b>Total</b>	<b>4,072,884</b>	<b>5,234,919</b>	<b>(3,533,602)</b>	<b>100,506</b>	<b>62,087</b>	<b>5,936,794</b>

<b>December 31, 2016 (Audited)</b>	<b>Balance</b>			<b>Total gain or (loss) recognized in</b>		<b>Balance December 31</b>
	<b>January 1</b>	<b>Purchases</b>	<b>Sales</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	
	<b>SAR'000</b>					
Insurance operations	2,637,526	2,559,857	(2,633,588)	(147,304)	336,467	2,752,958
Shareholders operations	1,932,287	4,663,536	(5,286,641)	(60,131)	70,875	1,319,926
<b>Total</b>	<b>4,569,813</b>	<b>7,223,393</b>	<b>(7,920,229)</b>	<b>(207,435)</b>	<b>407,342</b>	<b>4,072,884</b>



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**14. OPERATING SEGMENTS**

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. Information disclosed in the note is based on current reporting to the chief operating decision maker. Operating segments do not include shareholders operations of the Company.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include reserve for discontinued operations, surplus distribution payable, due to shareholders operations, reinsurance balances payable, claims payable, accrued expenses and other liabilities and fair value reserve for available-for-sale investments. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums receivable and depreciation on the property and equipments) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

**For the three months period ended September 30, 2017**  
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<b>Operating Segments</b>	<b>Medical</b>	<b>Motor</b>	<b>Manafeth</b>	<b>Property &amp; casualty</b>	<b>Total</b>
	<b>SAR'000</b>				
Gross premiums written:					
Compulsory	<b>806,907</b>	-	-	-	-
Non - compulsory	<b>47,584</b>	-	-	-	-
<b>Total gross premiums written</b>	<b>854,491</b>	<b>345,873</b>	<b>39,297</b>	<b>181,462</b>	<b>1,421,123</b>
Net premiums written	<b>753,578</b>	<b>345,876</b>	<b>39,297</b>	<b>22,033</b>	<b>1,160,784</b>
Net premiums earned	<b>1,439,165</b>	<b>361,868</b>	<b>46,231</b>	<b>35,544</b>	<b>1,882,808</b>
Reinsurance commissions	<b>459</b>	-	-	<b>33,637</b>	<b>34,096</b>
Net claims incurred	<b>(1,234,883)</b>	<b>(233,745)</b>	<b>(10,701)</b>	<b>(4,667)</b>	<b>(1,483,996)</b>
Policy acquisition costs	<b>(60,034)</b>	<b>(52,436)</b>	<b>(8,013)</b>	<b>(15,440)</b>	<b>(135,923)</b>
Excess of loss expenses	-	<b>(5,842)</b>	<b>(669)</b>	<b>(5,345)</b>	<b>(11,856)</b>
Changes in reserve for takaful activities	<b>2,920</b>	-	-	-	<b>2,920</b>
Other underwriting expenses	<b>(26,070)</b>	<b>(3,957)</b>	<b>(3,560)</b>	<b>(1,739)</b>	<b>(35,326)</b>
<b>Income from Insurance operations</b>	<b>121,557</b>	<b>65,888</b>	<b>23,288</b>	<b>41,990</b>	<b>252,723</b>
General, administrative, operating and selling expenses					<b>(114,629)</b>
Investment income, net					<b>22,973</b>
Other income, net					<b>17,623</b>
Manafeth insurance share distribution					<b>(18,325)</b>
<b>Surplus from Insurance operations</b>					<b>160,365</b>

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**14. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months ended September 30, 2016 (Unaudited)				Total
	Medical	Motor	Manafeth	Property & casualty	
	SAR'000				
Gross premiums written:					
Compulsory	617,492	-	-	-	-
Non - compulsory	45,681	-	-	-	-
Total gross premiums written	663,173	335,239	58,391	184,257	1,241,060
Net premiums written	656,932	335,236	58,391	26,839	1,077,398
Net premiums earned	1,273,332	385,061	62,609	38,266	1,759,268
Reinsurance commissions	1,797	4	-	25,554	27,355
Net claims incurred	(974,034)	(235,592)	(9,140)	(11,475)	(1,230,241)
Policy acquisition costs	(63,923)	(45,518)	(8,352)	(12,981)	(130,774)
Excess of loss expenses	-	(4,815)	(677)	(2,301)	(7,793)
Changes in reserve for takaful activities	287	-	-	-	287
Other underwriting expenses	(19,744)	(5,726)	(6,228)	(7,212)	(38,910)
<b>Income from Insurance Operations</b>	<b>227,183</b>	<b>93,586</b>	<b>38,212</b>	<b>29,851</b>	<b>388,832</b>
General, administrative, operating and selling expenses					(127,727)
Investment income, net					46,802
Other income, net					12,835
Manafeth insurance share distribution					(32,341)
<b>Surplus from Insurance Operations</b>					<b>278,761</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
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**14. OPERATING SEGMENTS (continued)**

Operating Segments	For the nine months period ended September 30, 2017				Total
	Medical	Motor	Manafeth	Property & casualty	
	(Unaudited)				
	SAR'000				
Gross premiums written:					
Compulsory	2,876,207				
Non - compulsory	744,177				
Total gross premiums written	<u>3,620,384</u>	<u>1,066,995</u>	<u>149,457</u>	<u>716,906</u>	<u>5,553,742</u>
Net premiums written	<u>3,503,761</u>	<u>1,066,998</u>	<u>149,457</u>	<u>89,247</u>	<u>4,809,463</u>
Net premiums earned	4,135,895	1,082,836	159,195	97,158	5,475,084
Reinsurance commissions	554	4	-	83,699	84,257
Net claims incurred	(3,549,729)	(727,258)	(31,332)	(28,824)	(4,337,143)
Policy acquisition costs	(170,889)	(117,711)	(25,506)	(36,619)	(350,725)
Excess of loss expenses	-	(17,273)	(2,268)	(12,287)	(31,828)
Changes in reserve for takaful activities	3,011	-	-	-	3,011
Other underwriting expenses	(84,670)	(11,576)	(13,661)	(11,622)	(121,529)
<b>Income from Insurance operations</b>	<u>334,172</u>	<u>209,022</u>	<u>86,428</u>	<u>91,505</u>	<u>721,127</u>
General, administrative, operating and selling expenses					(316,148)
Investment income, net					130,924
Other income, net					42,836
Manafeth insurance share distribution					(70,364)
<b>Surplus from Insurance operations</b>					<u>508,375</u>

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(continued)  
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14. OPERATING SEGMENTS (continued)

Operating Segments	For the nine months ended September 30, 2016 (Unaudited)				Total
	Medical	Motor	Manafeth SAR'000	Property & casualty	
Gross premiums written:					
Compulsory	2,724,073	-	-	-	-
Non - compulsory	254,388	-	-	-	-
Total gross premiums written	2,978,461	1,148,807	179,739	770,894	5,077,901
Net premiums written	2,953,641	1,148,804	179,739	100,869	4,383,053
Net premiums earned	3,728,551	1,090,433	176,632	104,914	5,100,530
Reinsurance commissions	5,445	15	-	73,430	78,890
Net claims incurred	(3,014,491)	(718,757)	(31,571)	(39,379)	(3,804,198)
Policy acquisition costs	(187,247)	(128,949)	(26,035)	(36,663)	(378,894)
Excess of loss expenses	-	(14,461)	(2,572)	(7,097)	(24,130)
Changes in reserve for takaful activities	369	-	-	-	369
Other underwriting expenses	(71,973)	(15,340)	(16,097)	(19,547)	(122,957)
<b>Income from Insurance Operations</b>	<b>470,122</b>	<b>213,113</b>	<b>100,357</b>	<b>75,658</b>	<b>859,250</b>
General, administrative, operating and selling expenses					(332,451)
Investment income, net					138,091
Impairment on available-for-sale investments					(50,036)
Other income, net					46,023
Manafeth insurance share distribution					(82,809)
<b>Surplus from Insurance Operations</b>					<b>568,428</b>

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(continued)  
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14. OPERATING SEGMENTS (continued)

Operating Segments	As at September 30, 2017 (Unaudited)				Total
	Medical	Motor	Manafeth	Property & casualty	
SAR'000					
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premiums	86,215	6	-	441,070	527,291
Reinsurer's share of outstanding claims	21,897	23,210	1,375	2,098,577	2,145,059
Deferred policy acquisition costs	96,288	85,639	1,566	23,124	206,617
Investments (including investment property)					3,729,980
Receivables, net					1,782,345
Unallocated assets					961,695
<b>Total assets</b>					<b>9,352,987</b>
<b>Liabilities and surplus - Insurance operations</b>					
Gross unearned premiums	2,428,033	705,124	30,129	534,800	3,698,086
Gross outstanding claims and reserves	995,684	367,932	30,021	2,278,937	3,672,574
Unearned commission income	6,482	-	-	45,514	51,996
Reserve for takaful activities	9,891	-	-	-	9,891
Unallocated liabilities and surplus					1,920,440
<b>Total liabilities and surplus</b>					<b>9,352,987</b>
Operating Segments	As at December 31, 2016 (Audited)				Total
	Medical	Motor	Manafeth	Property & casualty	
SAR'000					
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premiums	6,204	22	-	547,587	553,813
Reinsurer's share of outstanding claims	3,553	18,843	3,213	2,077,136	2,102,745
Deferred policy acquisition costs	117,411	77,369	1,831	21,489	218,100
Investments (including investment property)					3,178,138
Receivables, net					2,326,988
Unallocated assets					1,960,604
<b>Total assets</b>					<b>10,340,388</b>
<b>Liabilities and surplus - Insurance operations</b>					
Gross unearned premiums	2,980,156	720,978	39,867	649,228	4,390,229
Gross outstanding claims and reserves	894,254	398,883	30,657	2,254,026	3,577,820
Unearned commission income	4,657	6	-	49,776	54,439
Reserve for takaful activities	12,902	-	-	-	12,902
Unallocated liabilities and surplus					2,304,998
<b>Total liabilities and surplus</b>					<b>10,340,388</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
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**15. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated by dividing the income from operations by 125 million shares to give retroactive effect of change in share capital as a result of bonus share issue.

**16. ZAKAT**

**Status of Assessments**

The Company had filed Zakat returns with the General Authority of Zakat and Tax (“GAZT”) for the years from 2005 to 2016. In relation to 2005 and 2006, the final assessments had been finalized and the Company had filed an appeal against the assessments of GAZT which is raised to Board of Grievances. In relation to 2007 to 2013, GAZT had raised assessments and management had subsequently filed their response. Further, GAZT has yet to commence its review for the years 2014 to 2016. Based on advice from zakat consultant, appropriate provisions have been made and management believes that finalization of the abovementioned assessments is not expected to have a material impact on the financial information.

**17. CHANGE IN ACCOUNTING POLICY**

Effective January 1, 2017, based on the Circular issued by SAMA, the Company amended its accounting policy to charge zakat directly into retained earnings in the interim statement of changes in shareholders’ equity instead of income from operations within interim statement of comprehensive income - shareholders operations.

The change in the accounting policy has the following impacts:

	<b>Balance as previously reported for three months ended September 30, 2016</b>	<b>Effect of restatement relating to zakat</b>	<b>Balance as restated for three months ended September 30, 2016</b>
	<b>SAR’000</b>		
Income from operations within interim statement of comprehensive income - shareholders operations	259,562	23,672	283,234
Total comprehensive income within interim statement of comprehensive income - shareholders operations	240,201	23,672	263,873

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**17. CHANGE IN ACCOUNTING POLICY (continued)**

	<b>Balance as previously reported for nine months ended September 30, 2016</b>	<b>Effect of restatement relating to zakat</b>	<b>Balance as restated for nine months ended September 30, 2016</b>
	<b>SAR'000</b>		
Income from operations within interim statement of comprehensive income - shareholders operations	535,887	52,766	588,653
Total comprehensive income within interim statement of comprehensive income - shareholders operations	521,464	52,766	574,230

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

The basic and diluted earnings per share have been restated for the effects of the change in accounting policy, as mentioned below:

	<b>Amount as previously reported for three months ended September 30, 2016*</b>	<b>Effect of restatement relating to zakat</b>	<b>Amount as restated for three months ended September 30, 2016</b>
	<b>SAR</b>		
Basic and diluted earnings per share	2.08	0.19	2.27

	<b>Amount as previously reported for nine months ended September 30, 2016*</b>	<b>Effect of restatement relating to zakat</b>	<b>Amount as restated for nine months ended September 30, 2016</b>
	<b>SAR</b>		
Basic and diluted earnings per share	4.29	0.42	4.71

\* after effects of bonus issue - note 7.

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**18. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial information of the Company.

**19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION**

The interim condensed financial information have been approved by the Audit Committee on behalf of the Board of Directors, on Muharram 26, 1439H, corresponding to October 16, 2017.