

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

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT**  
**FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2017**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2017**

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<b>INDEX</b>	<b>PAGE</b>
Independent auditors' review report	1
Interim statement of financial position	2 - 3
Interim statement of income - Insurance operations and accumulated surplus	4
Interim statement of comprehensive income - 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 interim condensed financial information	10 - 32



**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED 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 December 31, 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-month period and year then ended and interim statement of changes in shareholders' equity and interim statements of cash flows for insurance operations and shareholders operations for the year 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) as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income taxes. Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

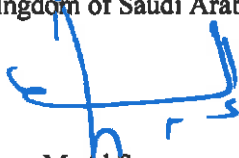
**SCOPE OF REVIEW**

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**

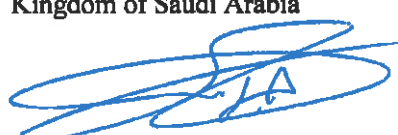
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for accounting of zakat and income taxes.

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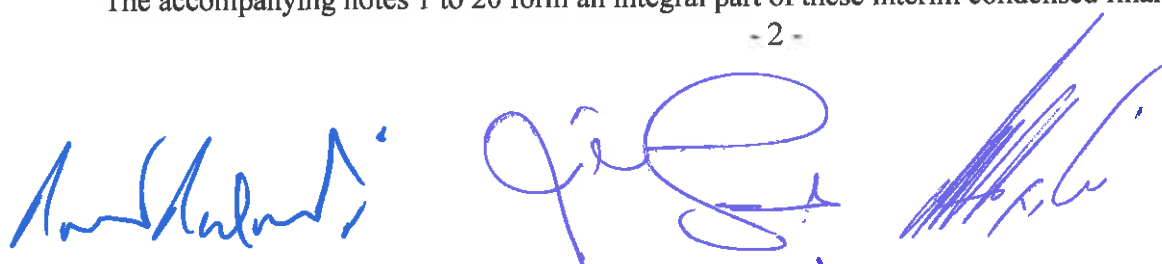


Jumada II' 25, 1439 H  
March 13, 2018

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

		December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	Notes	SAR'000	
<b><u>ASSETS - INSURANCE OPERATIONS</u></b>			
Property and equipment, net		279,051	298,406
Investment property		9,861	9,861
Investments in associates		7,021	12,691
Available-for-sale investments	4(i)	2,960,430	3,155,586
Due from Shareholder's operations		773,927	-
Prepaid expenses and other assets		208,565	288,221
Deferred policy acquisition costs		170,790	218,100
Reinsurers' share of outstanding claims	7	1,766,484	2,118,754
Reinsurers' share of unearned premiums		591,125	553,813
Receivables, net	3	2,257,678	2,326,988
Accrued investment income		71,739	-
Cash and cash equivalents	5	1,115,144	1,379,402
<b>Total assets - Insurance operations</b>		<b>10,211,815</b>	<b>10,361,822</b>
<b><u>ASSETS - SHAREHOLDERS OPERATIONS</u></b>			
Statutory deposit	10	125,000	100,000
Accrued income on statutory deposit		1,997	1,711
Investments in associates		88,447	94,958
Available-for-sale investments	4(ii)	2,564,779	1,377,991
Murabaha deposits	5	82,035	-
Due from Insurance operations		-	539,326
Prepaid expenses and other assets		1,750	-
Accrued investment income		86,354	-
Cash and cash equivalents	6	282,059	1,021,747
<b>Total assets - Shareholders operations</b>		<b>3,232,421</b>	<b>3,135,733</b>
<b>TOTAL ASSETS</b>		<b>13,444,236</b>	<b>13,497,555</b>

The accompanying notes 1 to 20 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)**

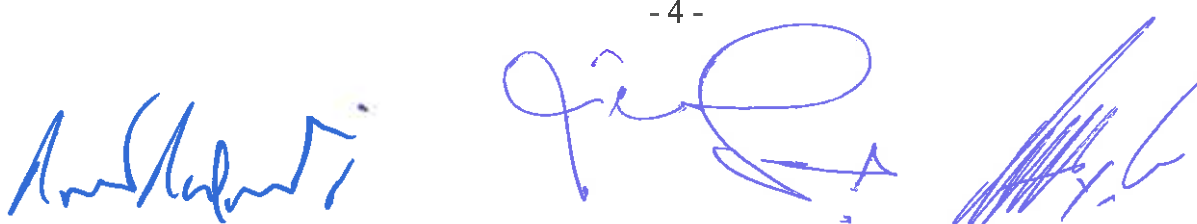
	Notes	December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
		SAR'000	
<b><u>LIABILITIES AND SURPLUS - INSURANCE OPERATIONS</u></b>			
<b>Liabilities - Insurance operations:</b>			
Reserve for discontinued operations		1,621	1,621
Surplus distribution payable		-	76,651
Claims payable, accrued expenses and other liabilities		1,406,894	1,505,968
Reserve for takaful activities		10,576	12,902
Gross outstanding claims and reserves	7	4,212,281	3,592,698
Unearned commission income		53,661	54,439
Gross unearned premiums		4,405,244	4,390,229
Reinsurers' balances payable		207,922	178,959
Due to Shareholders operations		-	539,326
<b>Total liabilities - Insurance operations</b>		<b>10,298,199</b>	<b>10,352,793</b>
<b>Surplus - Insurance operations:</b>			
Fair value reserve for available-for-sale investments		(80,505)	9,029
Remeasurements of defined benefit obligation		(5,879)	-
<b>Total liabilities and surplus - Insurance operations</b>		<b>10,211,815</b>	<b>10,361,822</b>
<b><u>LIABILITIES AND EQUITY - SHAREHOLDERS OPERATIONS</u></b>			
<b>Shareholders operations liabilities:</b>			
Return payable on statutory deposit		1,997	1,711
Dividends payable		6,414	6,054
Zakat		233,318	200,443
Accrued expenses and other liabilities		4,000	-
Due to Insurance operations		773,927	-
<b>Total liabilities - Shareholders operations</b>		<b>1,019,656</b>	<b>208,208</b>
<b>Shareholders' equity:</b>			
Share capital	8	1,250,000	1,000,000
Legal reserve	11	1,000,000	1,000,000
Fair value reserve for available-for-sale investments		(85,739)	(71,182)
Retained earnings		48,504	998,707
<b>Total Shareholders' equity</b>		<b>2,212,765</b>	<b>2,927,525</b>
<b>Total Shareholders operations liabilities and equity</b>		<b>3,232,421</b>	<b>3,135,733</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>13,444,236</b>	<b>13,497,555</b>

The accompanying notes 1 to 20 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 December 31, 2017 (Unaudited)	Three months ended December 31, 2016 (Unaudited)	Year ended December 31, 2017 (Unaudited)	Year ended December 31, 2016 (Audited)
SAR'000				
<b>REVENUES</b>				
Gross premiums written	2,852,927	2,977,234	8,406,669	8,055,135
Less: Reinsurance ceded	(347,128)	(286,838)	(1,091,407)	(981,686)
Net premiums written	2,505,799	2,690,396	7,315,262	7,073,449
Changes in unearned premiums, net	(643,324)	(950,306)	22,297	(232,829)
Net premiums earned	1,862,475	1,740,090	7,337,559	6,840,620
Reinsurance commissions	29,511	23,045	113,768	101,935
Other income, net	8,793	12,363	51,629	58,386
<b>Total revenues</b>	<b>1,900,779</b>	<b>1,775,498</b>	<b>7,502,956</b>	<b>7,000,941</b>
<b>COSTS AND EXPENSES</b>				
Gross claims paid	2,210,394	1,405,599	6,672,777	5,327,532
Less: Reinsurance share	(670,899)	(101,017)	(848,579)	(343,851)
Net claims paid	1,539,495	1,304,582	5,824,198	4,983,681
Changes in outstanding claims and reserves, net	919,413	(5,613)	971,853	119,486
Net claims incurred	2,458,908	1,298,969	6,796,051	5,103,167
Policy acquisition costs	142,047	138,004	492,772	516,898
Excess of loss expenses	8,547	5,737	40,375	29,867
Changes in reserve for takaful activities	685	(196)	(2,326)	(565)
Other underwriting expenses	55,369	10,383	176,898	133,340
Manafeth insurance share distribution	12,971	23,865	83,335	106,674
Operating and selling expenses	143,479	65,583	407,151	359,768
Other general and administrative expenses	45,959	37,518	98,435	75,784
<b>Total costs and expenses</b>	<b>2,867,965</b>	<b>1,579,863</b>	<b>8,092,691</b>	<b>6,324,933</b>
<b>Operating (deficit)/ surplus</b>	<b>(967,186)</b>	<b>195,635</b>	<b>(589,735)</b>	<b>676,008</b>
Investment income, net	90,625	2,452	221,549	140,543
Impairment of available-for-sale investments	-	-	-	(50,036)
<b>(Deficit)/ Surplus from Insurance operations</b>	<b>(876,561)</b>	<b>198,087</b>	<b>(368,186)</b>	<b>766,515</b>
Shareholders' appropriation from surplus	825,724	(178,279)	368,186	(689,864)
<b>(Deficit)/ Surplus from Insurance operations after Shareholders' appropriation</b>	<b>(50,837)</b>	<b>19,808</b>	<b>-</b>	<b>76,651</b>
Accumulated surplus, beginning of the period/ year	50,837	56,843	-	-
Distribution of surplus	-	(76,651)	-	(76,651)
<b>ACCUMULATED SURPLUS, END OF THE PERIOD/ YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

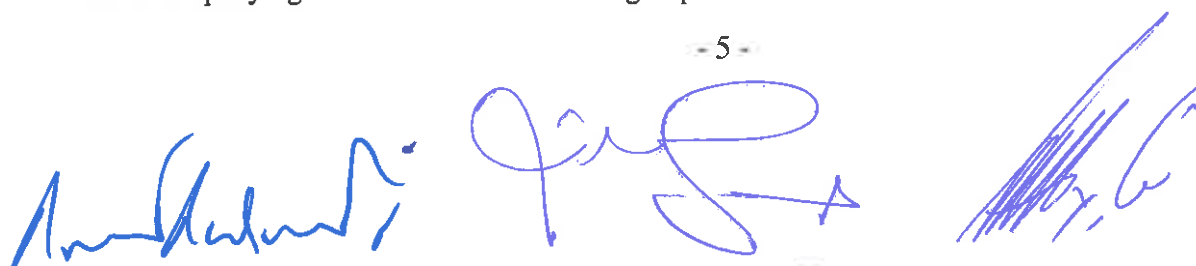
The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.



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

	Three months ended December 31, 2017 (Unaudited)	Three months ended December 31, 2016 (Unaudited)	Year ended December 31, 2017 (Unaudited)	Year ended December 31, 2016 (Audited)
	SAR'000			
(Deficit)/ Surplus from Insurance operations after Shareholders' appropriation	(50,837)	19,808	-	76,651
<b>Other comprehensive (loss)/ income:</b>				
<i>Items that will not be recycled back to interim statement of income - insurance operations in subsequent periods:</i>				
Remeasurements of defined benefit obligation	(5,879)	-	(5,879)	-
<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)	(94,345)	87,183	(89,534)	111,978
<b>Total comprehensive (loss)/ income for the period/ year</b>	<b>(151,061)</b>	<b>106,991</b>	<b>(95,413)</b>	<b>188,629</b>

The accompanying notes 1 to 20 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 – SHAREHOLDERS OPERATIONS**

		Three months ended December 31, 2016 (Unaudited) [Restated - note 18]	Year ended December 31, 2017 (Unaudited)	Year ended December 31, 2016 (Audited) [Restated - note 18]
Notes	Three months ended December 31, 2017 (Unaudited)			
	<b>SAR'000</b>			
Appropriation of (deficit)/ surplus from Insurance operations	<b>(825,724)</b>	178,279	<b>(368,186)</b>	689,864
Investment income, net	<b>101,621</b>	26,707	<b>207,104</b>	114,484
Share of profit from investments in associates, net	<b>8,325</b>	7,468	<b>19,418</b>	19,153
Impairment of available-for-sale investments	-	-	-	(22,034)
Other expenses, net	<b>463</b>	(160)	<b>(4,880)</b>	(520)
<b>(Loss)/ Income from operations</b>	<b>(715,315)</b>	212,294	<b>(146,544)</b>	800,947
<b>Other comprehensive (loss)/ income:</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 <b>(71,833)</b>	102	<b>(14,557)</b>	(14,321)
<b>Total comprehensive (loss)/ income for the period/ year</b>	<b>(787,148)</b>	212,396	<b>(161,101)</b>	786,626
<b>(Loss)/ earnings per share:</b>				
Basic and diluted (loss)/ earnings per share (in SAR)	16 <b>(5.72)</b>	1.70	<b>(1.17)</b>	6.41
Weighted average number of shares in issue	8 <b>125,000,000</b>	125,000,000	<b>125,000,000</b>	125,000,000

The accompanying notes 1 to 20 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>Audited</i>						
<b>Balance at January 1, 2016</b>		1,000,000	883,465	(56,861)	482,464	2,309,068
Comprehensive income for the year:						
Income from operations - restated		-	-	-	800,947	800,947
Changes in fair value of available-for-sale investments		-	-	(14,321)	-	(14,321)
Zakat - restated	17	-	-	-	(68,169)	(68,169)
Transfer to the legal reserve			116,535	-	(116,535)	-
Dividend distribution	8	-	-	-	(100,000)	(100,000)
<b>Balance at December 31, 2016</b>		1,000,000	1,000,000	(71,182)	998,707	2,927,525
<i>Unaudited</i>						
<b>Balance at January 1, 2017</b>		1,000,000	1,000,000	(71,182)	998,707	2,927,525
Comprehensive income for the year:						
Loss from operations		-	-	-	(146,544)	(146,544)
Changes in fair value of available-for-sale investments		-	-	(14,557)	-	(14,557)
Zakat		-	-	-	(53,659)	(53,659)
Issuance of bonus shares	8	250,000	-	-	(250,000)	-
Dividend distribution	8	-	-	-	(500,000)	(500,000)
<b>Balance at December 31, 2017</b>		1,250,000	1,000,000	(85,739)	48,504	2,212,765

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.



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

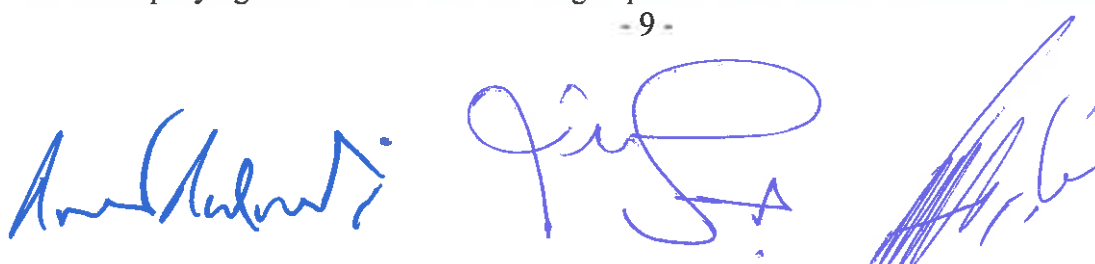
	December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Notes	SAR'000	
<b>Operating activities:</b>		
Surplus from Insurance operations after Shareholders' appropriation	-	76,651
<u>Adjustments to reconcile surplus from Insurance operations to net cash used in operating activities:</u>		
Shareholders' appropriation from deficit/ (surplus)	(368,186)	689,864
Depreciation	23,728	17,689
Loss on disposal of property and equipment	114	204
Provision/ (reversal) for doubtful debts	35,545	(64,386)
Gain on sale of available-for-sale investments	(13,255)	(118,399)
Impairment on available-for-sale investments	-	50,036
Share of losses from investments in associates, net	5,670	526
Operating surplus before changes in operating assets and liabilities	(316,384)	652,185
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses and other assets	79,656	261,770
Deferred policy acquisition costs	47,310	(8,856)
Reinsurers' share of outstanding claims	352,270	(290,845)
Reinsurers' share of unearned premiums	(37,312)	76,161
Receivables, net	33,765	(319,023)
Accrued investment income	(71,739)	-
Reinsurers' balances payable	28,963	(323,620)
Gross unearned premiums	15,015	156,668
Unearned commission income	(778)	3,415
Gross outstanding claims and reserves	619,583	410,331
Reserve for discontinued operations	-	(9,590)
Reserve for takaful activities	(2,326)	(565)
Claims payable, accrued expenses and other liabilities	(104,953)	65,009
Due from Shareholders' operations	368,186	(689,864)
Cash from/ (used in) operating activities	1,011,256	(16,824)
Surplus paid to policyholders during the year	(76,651)	(100,176)
Net cash from/ (used in) operating activities	934,605	(117,000)
<b>Investing activities:</b>		
Proceeds from sale of available-for-sale investments	1,616,161	3,642,778
Purchase of available-for-sale investments	(1,497,284)	(3,397,581)
Dividend received from investment in an associate	-	385
Purchase of property and equipment	(4,487)	(4,048)
Net cash from investing activities	114,390	241,534
<b>Financing activity:</b>		
Due to Shareholders' operations	(1,313,253)	493,000
Net cash (used in)/ from financing activity	(1,313,253)	493,000
Net change in cash and cash equivalents	(264,258)	617,534
Cash and cash equivalents at the beginning of the year	6 1,379,402	761,868
Cash and cash equivalents at the end of the year	6 1,115,144	1,379,402
<b>Non-cash supplemental information:</b>		
Changes in fair value of available-for-sale investments	(89,534)	111,978

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

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

	Notes	December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
		SAR'000	
<b>Operating activities:</b>			
Net (loss)/ income for the year		(146,544)	800,947
<u>Adjustments to reconcile net (loss)/ income to net cash (used in)/ from operating activities:</u>			
Appropriation of surplus from Insurance operations		368,186	(689,864)
Impairment of available-for-sale investments		-	22,034
Loss/ (gain) on sale of available-for-sale investments		1,008	(43,191)
Share of profit from investments in associates, net		(20,458)	(20,769)
Operating profit before changes in operating assets and liabilities		202,192	69,157
<u>Changes in operating assets and liabilities:</u>			
Accrued investment income		(86,354)	-
Due from Insurance operations		(368,186)	689,864
Prepaid expenses and other assets		(1,750)	
Accrued expenses and other liabilities		4,000	(647)
Zakat paid during the year		(20,784)	(19,832)
Net cash (used in)/ from operating activities		(270,882)	738,542
<b>Investing activities:</b>			
Statutory deposit		(25,000)	-
Proceeds from sale and maturity of available-for-sale investments		3,016,906	6,018,367
Purchase of available-for-sale investments		(4,219,259)	(5,210,599)
Placement in murabaha deposits		(82,035)	-
Dividends received from investment in associates		26,969	6,213
Net cash (used in)/ from investing activities		(1,282,419)	813,981
<b>Financing activities:</b>			
Dividends paid		(499,640)	(99,589)
Due from Insurance operations		1,313,253	(493,000)
Net cash from/ (used in) financing activities		813,613	(592,589)
<b>Net change in cash and cash equivalents</b>		(739,688)	959,934
Cash and cash equivalents at the beginning of the year	6	1,021,747	61,813
<b>Cash and cash equivalents at the end of the year</b>	6	282,059	1,021,747
<b>Non-cash supplemental information:</b>			
Changes in fair value of available-for-sale investments		(14,557)	(14,321)

The accompanying notes 1 to 20 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)**  
**DECEMBER 31, 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**

The accompanying interim condensed financial statements (interim condensed financial information) of the Company (the Company) for the three-month and year ended 31 December 2017 has been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standard Board ("IASB") except for the application of International Accounting Standard (IAS) 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these related to zakat and income tax. As per SAMA circular no. 381000074519 dated 14 Rajab 1438H (corresponding to April 11, 2017) and subsequent amendments through certain clarifications relating to the accounting for zakat and income taxes ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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 18 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)**  
**DECEMBER 31, 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)**  
**DECEMBER 31, 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 estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such 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. For further details please refer note 7.

**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.

**iv) Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

**(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 18 to the interim condensed financial information.

- 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. These adoptions have no material impact on the consolidated financial statements other than certain additional disclosures.

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", In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

The Company is eligible to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. IASB through its amendments to IFRS 4 issued in September 2016 had allowed temporary exemption if a Company meets the following criteria:

- a) The Company has not previously applied any version of IFRS 9; and
  - b) its activities are predominantly connected with insurance that is defined as total percentage of carrying amount of insurance liabilities is greater than 90% of its total liabilities.
- 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. The Company has decided not to early adopt this new standard.
  - IFRS 15 "Revenue from Contracts with Customers" - IFRS 15 will replace IAS 18 'Revenue' and establishes a principle based five-step model to be applied to all contracts with customers, except for insurance contracts, financial instruments and lease contracts. IFRS 15 also includes enhanced disclosure requirements. The impact of the adoption of the new standard is being assessed by the Company and is not considered significant.



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

**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/ year.

**(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>December 31, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Policyholders	<b>1,742,599</b>	1,890,619
Brokers and agents	<b>365,938</b>	318,076
Related parties (note 12)	<b>155,600</b>	165,494
	<b>2,264,137</b>	2,374,189
Receivables from reinsurers	<b>110,677</b>	32,489
Administrative service plan	<b>22,169</b>	24,070
	<b>2,396,983</b>	2,430,748
Provision for doubtful receivables	<b>(139,305)</b>	(103,760)
Receivables, net	<b>2,257,678</b>	2,326,988

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

**i) Insurance operations:**

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

	<b>December 31, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Local / regional funds and fixed income investments	<b>2,945,146</b>	2,799,658
Local / regional equity	-	63,564
Foreign funds and fixed income investments	-	292,364
Foreign equity and equity funds	<b>15,284</b>	-
<b>Total</b>	<b>2,960,430</b>	<b>3,155,586</b>

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

	<b>Three months ended December 31, 2017 (Unaudited)</b>	<b>Three months ended December 31, 2016 (Unaudited)</b>
	<b>SAR'000</b>	
Change in fair value	<b>(174,939)</b>	105,593
Net amount transferred to interim statement of income - insurance operations	<b>80,594</b>	(18,410)
	<b>(94,345)</b>	<b>87,183</b>

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

	<b>Year ended December 31, 2017 (Unaudited)</b>	<b>Year ended December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Change in fair value	<b>(76,279)</b>	180,341
Net amount transferred to interim statement of income - insurance operations	<b>(13,255)</b>	(118,399)
Impairment on available-for-sale investments	-	50,036
	<b>(89,534)</b>	<b>111,978</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

**ii) Shareholders operations:**

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

	<b>December 31, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Local / regional funds and fixed income investments	<b>2,474,888</b>	1,145,607
Local / regional equity	<b>24,288</b>	43,683
Foreign funds and fixed income investments	<b>65,603</b>	188,701
<b>Total</b>	<b>2,564,779</b>	<b>1,377,991</b>

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

	<b>Three months ended December 31, 2017 (Unaudited)</b>	<b>Three months ended December 31, 2016 (Unaudited)</b>
	<b>SAR'000</b>	
Change in fair value	<b>(79,498)</b>	16,007
Net amount transferred to interim statement of income - shareholders operations	<b>7,665</b>	(15,905)
	<b>(71,833)</b>	<b>102</b>

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

	<b>Year ended December 31, 2017 (Unaudited)</b>	<b>Year ended December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Change in fair value	<b>(15,565)</b>	6,836
Net amount transferred to interim statement of income - shareholders operations	<b>1,008</b>	(43,191)
Impairment on available-for-sale investments	<b>-</b>	22,034
	<b>(14,557)</b>	<b>(14,321)</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

**5. MURABAHA DEPOSITS**

The murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three months to one year and yield financial incomes at rates 2.25%. (2016: Nil).

The movements in murabaha deposits during the year ended 31 December 2017 and 2016, are as follows:

**Shareholders operations:**

	December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	SAR'000	
Balance at the beginning of the year	-	-
Placed during the year	82,035	-
Balance, December 31	82,035	-

**6. CASH AND CASH EQUIVALENTS**

**i) Insurance operations:**

	December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	SAR'000	
Murabaha deposits	200,133	411,000
Bank balances and cash	915,011	968,402
	1,115,144	1,379,402

**ii) Shareholders operations:**

	December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	SAR'000	
Murabaha deposits	100,000	905,150
Bank balances and cash	182,059	116,597
	282,059	1,021,747

Bank balances and cash includes call account balance of SAR 188 million (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.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

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

	<b>December 31, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Gross outstanding claims	<b>2,483,435</b>	2,270,201
Less: Realizable value of salvage and subrogation	<b>(108,671)</b>	(123,100)
	<b>2,374,764</b>	2,147,101
Add: Incurred but not reported claims reserve	<b>1,700,269</b>	1,445,597
Add: Premium deficiency reserve	<b>137,248</b>	-
Gross outstanding claims and reserves	<b>4,212,281</b>	3,592,698
Less: Reinsurers' share of gross outstanding claims	<b>(1,375,277)</b>	(1,780,402)
Less: Reinsurers' share of incurred but not reported claims	<b>(391,207)</b>	(338,352)
Reinsurers' share of outstanding claims and reserves	<b>(1,766,484)</b>	(2,118,754)
Net outstanding claims and reserves	<b>2,445,797</b>	1,473,944

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. During the three-month period ended 31 December 2017, the management and external actuary had made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

As at December 31, 2017, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 4.2 billion (2016: SAR 3.6 billion). During the three-month period December 31, 2017, management had recorded additional reserves (net of reinsurance) of SAR 919.4 million (2016: SAR expense reversal of 5.6 million) in the interim statement of income - insurance operations and accumulated surplus. The significant increase in reserves mainly relates to medical line of business on account of changes in the valuation assumptions considered by the external actuary which are a best-estimate of the expected ultimate claim trends. Management has considered the change as a 'change in accounting estimate' and accounted for this prospectively in line with the requirements of the accounting framework.

**8. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at December 31, 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.

**8. SHARE CAPITAL (Continued)**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

	December 31, 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>

## 9. CONTINGENT LIABILITIES

As at December 31, 2017, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SAR 189 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.

## 10. 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.

## 11. 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.

## 12. MANAFETH SHARED AGREEMENT

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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.

### **13. 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 year and the related balances:

	<b>Transactions for the year ended</b>		<b>Balance receivable / (payable) as at</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SAR'000</b>			
<b><u>Major shareholders</u></b>				
Insurance premium written	<b>28,164</b>	33,351	<b>3,631</b>	1,985
General Organization for Social Insurance - Other services	<b>100</b>	-	-	-
<b><u>Associates</u></b>				
Insurance premium written	<b>9,756</b>	41,500	<b>(40)</b>	22,328
Najm fees paid	<b>46,680</b>	31,199	<b>(7,883)</b>	20,980
Waseel fees paid	<b>17,744</b>	12,780	-	(1,115)
United Insurance Co. fees and claims, net	<b>15,016</b>	8,436	<b>3,393</b>	1,223
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
Insurance premium written	<b>480,378</b>	504,682	<b>152,009</b>	141,181
Reinsurance transactions	-	8,056	-	(5,125)
Rent expenses paid	<b>1,020</b>	1,662	<b>(56)</b>	-
Amount of claims paid to hospitals	<b>74,421</b>	69,133	<b>10,216</b>	5,488

### **13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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 year is as follows:

	<b>December 31, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
	<b>SAR'000</b>	
Salaries and other allowances	<b>9,094</b>	9,038
End of service indemnities	<b>2,897</b>	597

#### **14. 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:

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 year.

#### **14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

<b>2017</b>	<b>(SAR'000)</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Available-for- sale investments				
<u>Insurance operations</u>				
Mutual funds	<b>25,960</b>	-	<b>2,589,615</b>	<b>2,615,575</b>
Equity shares	<b>15,285</b>	-	-	<b>15,285</b>
Sukuks	-	-	<b>329,570</b>	<b>329,570</b>
	<b>41,245</b>	-	<b>2,919,185</b>	<b>2,960,430</b>
<u>Shareholders' operations</u>				
Mutual funds	<b>39,340</b>	-	<b>2,425,439</b>	<b>2,464,779</b>
Sukuks	-	-	<b>100,000</b>	<b>100,000</b>
	<b>39,340</b>	-	<b>2,525,439</b>	<b>2,564,779</b>
<b>Total</b>	<b>80,585</b>	-	<b>5,444,624</b>	<b>5,525,209</b>
<b>2016</b>				
Available-for-sale investments				
<u>Insurance operations</u>				
Mutual funds	338,132	-	2,448,388	2,786,520
Equity shares	64,496	-	-	64,496
Sukuks	-	-	304,570	304,570
	402,628	-	2,752,958	3,155,586
<u>Shareholders' operations</u>				
Mutual funds	-	-	890,076	890,076
Equity shares	58,065	-	-	58,065
Sukuks	-	-	100,000	100,000
Murabaha	-	-	329,850	329,850
	58,065	-	1,319,926	1,377,991
<b>Total</b>	<b>460,693</b>	-	<b>4,072,884</b>	<b>4,533,577</b>

**14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

	(SAR'000)					
				Total gain or loss recognized in		
	Balance			Statement of income	Other comprehensive income	Balance
<b>December 31, 2017</b>	<b>January 1</b>	<b>Purchases</b>	<b>Sales</b>			<b>December 31</b>
<b>Insurance operations</b>						
Mutual funds	2,448,388	1,546,680	(1,433,630)	162,860	(86,973)	2,637,325
Sukuks	304,570	-	(22,710)	-	-	281,860
	2,752,958	1,546,680	(1,456,340)	162,860	(86,973)	2,919,185
<b>Shareholders' operations</b>						
Mutual funds	890,076	3,823,681	(2,347,066)	81,053	(22,305)	2,425,898
Sukuks	100,000	-	-	-	-	100,000
	990,076	3,823,681	(2,347,066)	81,053	(22,305)	2,525,439
<b>Total</b>	<b>3,743,034</b>	<b>5,370,361</b>	<b>(3,803,406)</b>	<b>243,913</b>	<b>(109,226)</b>	<b>5,444,624</b>

	(SAR'000)					
				Total gain or loss recognized in		
	Balance			Statement of income	Other comprehensive income	Balance
<b>December 31, 2016</b>	<b>January 1</b>	<b>Purchases</b>	<b>Sales</b>			<b>December 31</b>
<b>Insurance operations</b>						
Mutual funds	2,363,652	2,474,857	(2,633,588)	(147,304)	336,467	2,448,388
Sukuks	273,874	85,000	(54,304)	-	-	304,570
	2,637,526	2,559,857	(2,633,588)	(147,304)	336,467	2,752,958
<b>Shareholders' operations</b>						
Mutual funds	1,182,287	321,648	(624,603)	(60,131)	70,875	890,076
Murabaha	650,000	4,341,888	(4,662,038)	-	-	329,850
Sukuks	100,000	-	-	-	-	100,000
	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>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

**15. 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.

Operating Segments	For the three months period ended December 31, 2017 (Unaudited)				Total
	Medical	Motor	Manafeth SAR'000	Property & casualty	
Gross premiums written:					
Compulsory	1,713,930	-	-	-	-
Non - compulsory	412,464	-	-	-	-
Total gross premiums written	2,126,394	321,865	37,960	366,708	2,852,927
Net premiums written	2,118,965	321,864	37,960	27,010	2,505,799
Net premiums earned	1,439,082	352,977	41,107	29,309	1,862,475
Reinsurance commissions	918	-	-	28,593	29,511
Net claims incurred	(2,195,301)	(243,484)	(12,001)	(8,122)	(2,458,908)
Policy acquisition costs	(61,379)	(59,679)	(7,179)	(13,810)	(142,047)
Excess of loss expenses	-	(4,773)	(669)	(3,105)	(8,547)
Changes in reserve for takaful activities	(685)	-	-	-	(685)
Other underwriting expenses	(43,079)	(3,506)	(2,570)	(6,214)	(55,369)
<b>(Loss)/ income from Insurance operations</b>	<b>(860,444)</b>	<b>41,535</b>	<b>18,688</b>	<b>26,651</b>	<b>(773,570)</b>
General, administrative, operating and selling expenses					(189,438)
Investment income, net					90,625
Other income, net					8,793
Manafeth insurance share distribution					(12,971)
<b>Deficit from Insurance operations</b>					<b>(876,561)</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months ended December 31, 2016				
	(Unaudited)				
	Medical	Motor	Manafeth	Property & casualty	Total
	SAR'000				
Gross premiums written:					
Compulsory	1,697,199	-	-	-	-
Non - compulsory	555,427	-	-	-	-
Total gross premiums written	2,252,626	363,604	55,904	305,100	2,977,234
Net premiums written	2,242,358	363,607	55,904	28,527	2,690,396
Net premiums earned	1,264,280	385,275	56,946	33,589	1,740,090
Reinsurance commissions	910	16	-	22,119	23,045
Net claims incurred	(981,623)	(300,292)	(11,986)	(5,068)	(1,298,969)
Policy acquisition costs	(70,195)	(44,440)	(9,940)	(13,429)	(138,004)
Excess of loss expenses	-	(3,598)	(676)	(1,463)	(5,737)
Changes in reserve for takaful activities	196	-	-	-	196
Other underwriting expenses	(26,485)	7,559	(4,659)	13,202	(10,383)
<b>Income from Insurance Operations</b>	<b>187,083</b>	<b>44,520</b>	<b>29,685</b>	<b>48,950</b>	<b>310,238</b>
General, administrative, operating and selling expenses					(103,101)
Investment income, net					2,452
Other income, net					12,363
Manafeth insurance share distribution					(23,865)
<b>Surplus from Insurance Operations</b>					<b>198,087</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the year ended December 31, 2017 (Unaudited)				Total
	Medical	Motor	Manafeth SAR'000	Property & casualty	
Gross premiums written:					
Compulsory	4,590,137	-	-	-	-
Non - compulsory	1,156,641	-	-	-	-
Total gross premiums written	5,746,778	1,388,860	187,417	1,083,614	8,406,669
Net premiums written	5,622,726	1,388,862	187,417	116,257	7,315,262
Net premiums earned	5,574,977	1,435,813	200,302	126,467	7,337,559
Reinsurance commissions	1,472	4	-	112,292	113,768
Net claims incurred	(5,745,030)	(970,742)	(43,333)	(36,946)	(6,796,051)
Policy acquisition costs	(232,268)	(177,390)	(32,685)	(50,429)	(492,772)
Excess of loss expenses	-	(22,046)	(2,937)	(15,392)	(40,375)
Changes in reserve for takaful activities	2,326	-	-	-	2,326
Other underwriting expenses	(127,749)	(15,082)	(16,231)	(17,836)	(176,898)
<b>(Loss)/ income from Insurance operations</b>	<b>(526,272)</b>	<b>250,557</b>	<b>105,116</b>	<b>118,156</b>	<b>(52,443)</b>
General, administrative, operating and selling expenses					(505,586)
Investment income, net					221,549
Other income, net					51,629
Manafeth insurance share distribution					(83,335)
<b>Deficit from Insurance operations</b>					<b>(368,186)</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the year ended December 31, 2016				
	(Audited)				
	Medical	Motor	Manafeth	Property & casualty	Total
	SAR'000				
Gross premiums written:					
Compulsory	4,421,272	-	-	-	-
Non - compulsory	809,815	-	-	-	-
Total gross premiums written	5,231,087	1,512,411	235,643	1,075,994	8,055,135
Net premiums written	5,195,999	1,512,411	235,643	129,396	7,073,449
Net premiums earned	4,992,831	1,475,708	233,578	138,503	6,840,620
Reinsurance commissions	6,355	31	-	95,549	101,935
Net claims incurred	(3,996,114)	(1,019,049)	(43,557)	(44,447)	(5,103,167)
Policy acquisition costs	(257,442)	(173,389)	(35,975)	(50,092)	(516,898)
Excess of loss expenses	-	(18,059)	(3,248)	(8,560)	(29,867)
Changes in reserve for takaful activities	565	-	-	-	565
Other underwriting expenses	(98,458)	(7,781)	(20,756)	(6,345)	(133,340)
<b>Income from Insurance Operations</b>	<b>647,737</b>	<b>257,461</b>	<b>130,042</b>	<b>124,608</b>	<b>1,159,848</b>
General, administrative, operating and selling expenses					(435,552)
Investment income, net					140,543
Impairment on available-for-sale investments					(50,036)
Other income, net					58,386
Manafeth insurance share distribution					(106,674)
<b>Surplus from Insurance Operations</b>					<b>766,515</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

**15. OPERATING SEGMENTS (continued)**

Operating Segments	As at December 31, 2017 (Unaudited)				Total
	Medical	Motor	Manafeth	Property & casualty	
	SAR'000				
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premiums	62,909	6	-	528,210	591,125
Reinsurer's share of outstanding claims	53,689	34,740	1,141	1,676,914	1,766,484
Deferred policy acquisition costs	99,636	47,306	1,822	22,026	170,790
Investments (including investment property)					2,977,312
Receivables, net					2,257,678
Unallocated assets					2,448,426
<b>Total assets</b>					<b>10,211,815</b>
<b>Liabilities and surplus - Insurance operations</b>					
Gross unearned premiums	3,084,610	674,011	26,982	619,641	4,405,244
Gross outstanding claims and reserves	1,954,296	376,094	30,417	1,851,474	4,212,281
Unearned commission income	5,346	1	-	48,314	53,661
Reserve for takaful activities	10,576	-	-	-	10,576
Unallocated liabilities and surplus					1,530,053
<b>Total liabilities and surplus</b>					<b>10,211,815</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	19,562	18,843	3,213	2,077,136	2,118,754
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					1,966,029
<b>Total assets</b>					<b>10,361,822</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	910,263	398,883	30,657	2,252,895	3,592,698
Unearned commission income	4,657	6	-	49,776	54,439
Reserve for takaful activities	12,902	-	-	-	12,902
Unallocated liabilities and surplus					2,311,554
<b>Total liabilities and surplus</b>					<b>10,361,822</b>

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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**16. (LOSS)/ EARNINGS PER SHARE**

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

**17. 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.

**18. 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 December 31, 2016</b>	<b>Effect of restatement relating to zakat</b>	<b>Balance as restated for three months ended December 31, 2016</b>
	<b>SAR'000</b>		
Income from operations within interim statement of comprehensive income - shareholders operations	196,891	15,403	212,294
Total comprehensive income within interim statement of comprehensive income - shareholders operations	196,993	15,403	212,396



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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

	Balance as previously reported for year ended December 31, 2016	Effect of restatement relating to zakat	Balance as restated for year ended December 31, 2016
	SAR'000		
Income from operations within interim statement of comprehensive income - shareholders operations	732,778	68,169	800,947
Total comprehensive income within interim statement of comprehensive income - shareholders operations	718,457	68,169	786,626

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:

	Amount as previously reported for three months ended December 31, 2016*	Effect of restatement relating to zakat	Amount as restated for three months ended December 31, 2016
	SAR		
Basic and diluted earnings per share	1.58	0.12	1.70

	Amount as previously reported for year ended December 31, 2016*	Effect of restatement relating to zakat	Amount as restated for year ended December 31, 2016
	SAR		
Basic and diluted earnings per share	5.86	0.55	6.41

\* after effects of bonus issue - note 7.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2017**

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**19. 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.

**20. 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 Jumada Al-Thani 20, 1439H, corresponding to March 08, 2018.