

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 ENDED MARCH 31, 2018**

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

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الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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 March 31, 2018 and the related interim statement of income, interim statement of comprehensive income, interim statement of changes in shareholders' equity and interim statement of cash flows for the three months period 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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Sha'ban 20, 1439 H
May 6, 2018



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

	Notes	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
SAR'000			
ASSETS			
Statutory deposit	10	125,000	125,000
Accrued income on statutory deposit		2,062	1,997
Property and equipment, net		273,470	279,051
Intangible assets		5,496	7,653
Investment property		9,861	9,861
Investments in associates		87,882	95,468
Available for sale investments	4	5,808,918	5,525,209
Murahaha deposits	5	-	82,035
Prepaid expenses and other assets		216,131	189,009
Deferred excess of loss premiums		5,287	13,653
Deferred policy acquisition costs		151,439	170,790
Reinsurers' share of gross outstanding claims	7	1,557,017	1,375,277
Reinsurers' share of incurred but not reported claims	7	200,147	391,207
Reinsurers' share of unearned premiums	7	501,130	591,125
Receivables, net	3	2,620,600	2,257,678
Accrued investment income		48,750	158,093
Cash and cash equivalents	6	898,147	1,397,203
TOTAL ASSETS		12,511,337	12,670,309
LIABILITIES			
Reserve for discontinued operations		1,621	1,621
End-of-service indemnities		119,849	119,242
Return payable on statutory deposit		2,062	1,997
Claims payable, accrued expenses and other liabilities		1,461,900	1,291,652
Reserve for takaful activities		9,828	10,576
Gross outstanding claims	7	2,101,162	2,374,764
Incurred but not reported claims reserve	7	1,625,723	1,700,269
Premium deficiency reserve	7	105,501	137,248
Unearned commission income		42,020	53,661
Gross unearned premiums	7	4,424,224	4,405,244
Reinsurers' balances payable		176,226	207,922
Dividends payable		6,414	6,414
Zakat		247,745	233,318
TOTAL LIABILITIES		10,324,275	10,543,928
ACCUMULATED SURPLUS - INSURANCE OPERATIONS			
Accumulated surplus		2,425	-
Fair value reserve for available for sale investments		(93,888)	(80,505)
Remeasurement of defined benefit obligation		(5,879)	(5,879)
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		10,226,933	10,457,544
SHAREHOLDERS' EQUITY			
Share capital	8	1,250,000	1,250,000
Legal reserve	11	1,000,000	1,000,000
Fair value reserve for investments		(41,177)	(85,739)
Retained earnings		75,581	48,504
TOTAL SHAREHOLDERS' EQUITY		2,284,404	2,212,765
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY			
		12,511,337	12,670,309

COMMITMENTS AND CONTINGENCIES

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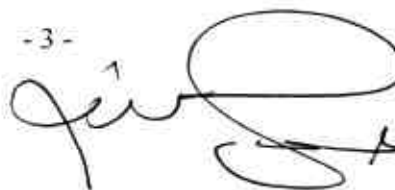
The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INCOME

	Three months ended March 31, 2018 (Unaudited)	Three months ended March 31, 2017 (Unaudited)
	SAR'000	
REVENUES		
Gross premiums written	2,095,712	2,028,380
Reinsurance premiums ceded	(186,007)	(143,356)
Fee income from takaful	1,233	1,827
Excess of loss premiums	(7,698)	(12,460)
Net premiums written	1,903,240	1,874,391
Changes in unearned premiums, net	(108,975)	(124,868)
Net premiums earned	1,794,265	1,749,523
Reinsurance commissions	25,443	25,244
Other underwriting income	3,901	5,372
TOTAL REVENUES	1,823,609	1,780,139
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	2,205,721	1,431,954
Expenses incurred related to claims	5,758	4,414
Reinsurers' share of claims paid	(260,233)	(33,009)
Net claims and other benefits paid	1,951,246	1,403,359
Changes in outstanding claims, net	(455,342)	(20,615)
Changes in incurred but not reported claims reserve, net	116,514	30,012
Changes in premium deficiency reserve	(31,747)	-
Net claims and other benefits incurred	1,580,671	1,412,756
Changes in reserves for takaful activities	(748)	69
Policy acquisition costs	100,329	105,060
Other underwriting expenses	42,412	38,708
Manafeth insurance share distribution	21,288	29,234
TOTAL UNDERWRITING COSTS AND EXPENSES	1,743,952	1,585,827
Net underwriting income	79,657	194,312
OTHER OPERATING (EXPENSES) / INCOME		
General and administrative expenses	(93,269)	(103,665)
(Allowance for) / reversal of doubtful debts	(7,500)	6,020
Dividend and realized gain on investments, net	55,227	69,401
Share of profit from investments in associates, net	5,897	2,050
Other income, net	4,341	6,143
TOTAL OTHER OPERATING EXPENSES	(35,304)	(20,051)
Net income for the period	44,353	174,261
Net income attributed to the insurance operations	(2,425)	(13,966)
Net income for the period attributable to the shareholders	41,928	160,295
Earnings per share		
Basic and diluted earnings per share (in SAR)	0.34	1.28
Weighted average number of shares in issue	125,000,000	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 COMPREHENSIVE INCOME

Notes	Three months ended	Three months ended
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
SAR'000		
	44,353	174,261
Total income for the period		
Other comprehensive income:		
<i>To be recycled back to interim statement of income in subsequent periods:</i>		
<i>Available for sale investments:</i>		
	30,920	96,177
- Net change in fair value	4	-
- Net amounts recycled to interim statement of income	(643)	(71,086)
Share of other comprehensive income of associates	902	-
Total comprehensive income for the period	75,532	199,352
Total comprehensive loss attributed to the insurance operations	10,958	34,590
Total comprehensive income for the period attributable to the shareholders	86,490	233,942

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)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Share capital	Legal reserve	Fair value reserve for investments	Retained earnings	Total
SAR'000						
<i>Unaudited</i>						
Balance at January 1, 2017		1,000,000	1,000,000	(71,182)	998,707	2,927,525
Comprehensive income for the period:						
Income from operations	18	-	-	-	160,295	160,295
Changes in fair value of available-for-sale investments	18	-	-	103,232	-	103,232
Recycled to interim statement of income	18	-	-	(29,585)	-	(29,585)
		-	-	73,647	160,295	233,942
Zakat	17	-	-	-	(17,683)	(17,683)
Issuance of bonus shares		250,000	-	-	(250,000)	-
Dividend distribution		-	-	-	(500,000)	(500,000)
Balance at March 31, 2017		1,250,000	1,000,000	2,465	391,319	2,643,784
<i>Unaudited</i>						
Balance at January 1, 2018		1,250,000	1,000,000	(85,739)	48,504	2,212,765
Comprehensive income for the period:						
Income from operations	18	-	-	-	41,928	41,928
Changes in fair value of available-for-sale investments	18	-	-	47,176	-	47,176
Recycled to interim statement of income	18	-	-	(3,516)	-	(3,516)
Share of other comprehensive income investments in associates	18	-	-	902	-	902
		-	-	44,562	41,928	86,490
Zakat		-	-	-	(14,851)	(14,851)
Balance at March 31, 2018		1,250,000	1,000,000	(41,177)	75,581	2,284,404

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 CASHFLOWS

Notes	Three months ended	Three months ended
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
SAR'000		
Operating activities:		
	44,353	174,261
Net income for the period		
Adjustments for non-cash items:		
Depreciation of property and equipment	5,581	5,795
Amortization of intangible assets	2,157	-
Allowance for/(reversal of) doubtful debts	7,500	(6,020)
Gain on sale of investments	(643)	(71,086)
Share of (profit)/loss of associates , net	(6,423)	4,588
Provision for end-of-service indemnities	2,223	4,762
	54,748	112,300
Changes in operating assets and liabilities:		
Prepaid expenses and others assets	(27,122)	156,066
Deferred excess of loss premiums	8,366	8,944
Deferred policy acquisition costs	19,351	(5,339)
Reinsurers' share of gross outstanding claims	(181,740)	(197,877)
Reinsurers' share of claims incurred but not reported	191,060	40,485
Reinsurers' share of unearned premiums	89,995	88,400
Receivables, net	(370,422)	199,457
Reinsurers' balances payable	(31,696)	4,001
Gross unearned premiums	18,980	36,468
Unearned commission income	(11,641)	(2,509)
Gross outstanding claims	(273,602)	96,292
Claims incurred but not reported reserves	(74,546)	70,497
Premium deficiency reserve	(31,747)	-
Reserve for takaful activities	(748)	69
Accrued expenses and other liabilities	170,248	(370,345)
	(450,516)	236,909
End-of-service indemnities paid	(1,616)	(1,410)
Net cash (used in)/ from operating activities	(452,132)	235,499
Investing activities:		
Statutory deposit	-	(25,000)
Proceeds from sale of available-for-sale investments	258,008	1,138,707
Proceeds from sale of Murabaha deposits	82,035	-
Purchase of available-for-sale investments	(510,797)	(1,983,294)
Accrued investment income	109,343	-
Dividends received from investments in associates	14,911	11,285
Purchase of property and equipment	-	(913)
Net cash used in investing activities	(46,500)	(859,215)
Financing activities:		
Dividends paid	-	(498,275)
Zakat paid during the period	(424)	(728)
Net cash used in financing activities	(424)	(499,003)
Net change in cash and cash equivalents	(499,056)	(1,122,719)
Cash and cash equivalents, beginning of the period	6 1,397,203	2,401,149
Cash and cash equivalents, end of the period	6 898,147	1,278,430
Non-cash supplemental information:		
Changes in fair value for investments	31,179	25,091

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)
MARCH 31, 2018

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 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 for the three-month period ended March 31, 2018 has been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") as modified by Saudi Arabian Monetary Authority (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 the 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 tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current; statutory deposit, accrued income on statutory deposit, property and equipment, intangible assets, investment property, investments in associates, available for sale investments, reserve for discontinued operations, end-of-service indemnities and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

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 information accordingly (Note 18). 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.

The interim condensed statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 18 of the financial information have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2018

2. BASIS OF PREPARATION (continued)

(a) Basis of presentation (continued)

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The interim condensed financial information do not include all of the information required for full annual financial information and should be read in conjunction with the annual financial information as of and for the year ended December 31, 2017. These interim condensed financial information are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

(b) Critical accounting judgments, estimates and assumptions

The preparation of the interim condensed financial statements 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 statements 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 ultimately may differ from those estimates.

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 statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017.

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

i) The ultimate liability arising from claims made under insurance contracts

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. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

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. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. 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.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2018

2. BASIS OF PREPARATION (continued)

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

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

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

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, 2017, except for adoption of the amendments to existing standards which has had no material impact on the financial information of the Company.

(c) Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial information are consistent with those used in the preparation of the annual financial information for the year ended December 31, 2017 except as explained below:

- **IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)**

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 hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

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 and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

- **IFRS 17 - "Insurance Contracts"**, applicable for the period beginning on or after 1 January 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the income statement and the balance sheet. The Company has decided not to early adopt this new standard.

THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2018

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.
- Shareholders' segment - reporting shareholder 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:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
Policyholders	2,052,723	1,742,599
Brokers and agents	534,127	365,938
Related parties (note 13)	69,726	155,600
	2,656,576	2,264,137
Receivables from reinsurers	88,660	110,677
Administrative service plan	22,169	22,169
	2,767,405	2,396,983
Provision for doubtful receivables	(146,805)	(139,305)
Receivables, net	2,620,600	2,257,678

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
(continued)
MARCH 31, 2018

4. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
<u>Insurance operations</u>		
Local / regional funds and fixed income investments	363,562	653,225
Foreign funds and fixed income investments	2,765,591	2,291,921
Foreign equity	-	15,284
Total	3,129,153	2,960,430
<u>Shareholders' operations</u>		
Local / regional funds and fixed income investments	291,286	408,645
Foreign funds and fixed income investments	2,388,479	2,156,134
Total	2,679,765	2,564,779
Total available-for-sale investments	5,808,918	5,525,209

Movements in available-for-sale investments are as follows:

	March 31, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
	SAR'000					
<u>Insurance operations</u>						
Balance at the beginning of the period / year	41,245	2,919,185	2,960,430	402,628	2,752,958	3,155,586
Purchases	-	253,698	253,698	43,806	1,453,478	1,497,284
Disposals	(18,805)	(49,914)	(68,719)	(402,628)	(1,213,533)	(1,616,161)
Changes in fair value of investments	5,651	(21,907)	(16,256)	(2,561)	(73,718)	(76,279)
Balance as at the end of the period/ year	28,091	3,101,062	3,129,153	41,245	2,919,185	2,960,430
<u>Shareholders' operations</u>						
Balance at the beginning of the period/ year	39,340	2,525,439	2,564,779	58,065	1,319,926	1,377,991
Purchases	-	257,099	257,099	40,007	4,179,252	4,219,259
Disposals	(15,007)	(174,282)	(189,289)	(66,480)	(2,950,426)	(3,016,906)
Changes in fair value of investments	2,345	44,831	47,176	7,748	(23,313)	(15,565)
Balance as at the end of the period/ year	26,678	2,653,087	2,679,765	39,340	2,525,439	2,564,779
Total	54,769	5,754,149	5,808,918	80,585	5,444,624	5,525,209

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4. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

	Three months ended March 31, 2018 (Unaudited)	Three months ended March 31, 2017 (Unaudited)
	SAR'000	
<u>Insurance operations</u>		
Change in fair value	(16,256)	(7,055)
Net amount recycled to interim statement of income - insurance operations	2,873	(41,501)
	<u>(13,383)</u>	<u>(48,556)</u>
<u>Shareholders' operations</u>		
Change in fair value	47,176	103,232
Net amount recycled to interim statement of income - shareholders' operations	(3,516)	(29,585)
	<u>43,660</u>	<u>73,647</u>

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% (2017: 2.25%).

The movements in murabaha deposits during the period is as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
<u>Shareholders' operations</u>		
Balance at the beginning of the period/ year	82,035	-
Placed during the period/ year	-	82,035
Matured during the period/ year	(82,035)	-
Balance at the end of the period/ year	<u>-</u>	<u>82,035</u>

6. CASH AND CASH EQUIVALENTS

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
<u>Insurance operations</u>		
Murabaha deposits	-	200,133
Bank balances and cash	598,308	915,011
	<u>598,308</u>	<u>1,115,144</u>
<u>Shareholders' operations</u>		
Murabaha deposits	-	100,000
Bank balances and cash	299,839	182,059
	<u>299,839</u>	<u>282,059</u>
Total cash and cash equivalents	<u>898,147</u>	<u>1,397,203</u>

Bank balances and cash includes call account balance of Nil (December 31, 2017: SAR 188 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.

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7. UNEARNED PREMIUM AND GROSS OUTSTANDING CLAIMS AND RESERVES, NET

(i) The movement in unearned premiums is as follows:

	March 31, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	SAR'000					
Balance as at the beginning of the period / year	4,405,244	(591,125)	3,814,119	4,390,229	(553,813)	3,836,416
Premiums written during the period / year	2,095,712	(186,007)	1,909,705	8,406,669	(1,091,407)	7,315,262
Premiums earned during the period / year	(2,076,732)	276,002	(1,800,730)	(8,391,654)	1,054,095	(7,337,559)
Balance as at the end of the period / year	4,424,224	(501,130)	3,923,094	4,405,244	(591,125)	3,814,119

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000	
Gross outstanding claims	2,204,930	2,483,435
Less: Realizable value of salvage and subrogation	(103,768)	(108,671)
	2,101,162	2,374,764
Add: Incurred but not reported claims reserve	1,625,723	1,700,269
Add: Premium deficiency reserve	105,501	137,248
Gross outstanding claims and reserves	3,832,386	4,212,281
Less: Reinsurers' share of gross outstanding claims	(1,557,017)	(1,375,277)
Less: Reinsurers' share of incurred but not reported claims	(200,147)	(391,207)
Reinsurers' share of outstanding claims and reserves	(1,757,164)	(1,766,484)
Net outstanding claims and reserves	2,075,222	2,445,797

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 management and external actuary had made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

As at March 31, 2018, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 3.83 billion (2017: SAR 4.2 billion). Significant portion of reserves 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 as at March 31, 2018.

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8. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at March 31, 2018 (December 31, 2017: SAR 1.25 billion) consisting of 125 million shares (December 31, 2017: 125 million shares) of SAR 10 each.

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

	March 31, 2018		
	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
	125,000,000	1,250,000	1,250,000
	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
	125,000,000	1,250,000	1,250,000

9. CONTINGENT LIABILITIES

As at March 31, 2018, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SAR 199 million (December 31, 2017: SAR 189 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 has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2017: SAR 125 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

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 agreement has subsequently been renewed for a year from January 1, 2018 to December 31, 2018 with 26 related insurance companies.

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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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 period and the related balances:

	Transactions for the period ended		Balance receivable / (payable) as at	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	SAR'000			
<u>Major shareholders</u>				
Insurance premium written/ (reversed)	16,010	(101)	20,604	3,631
<u>Associates</u>				
Insurance premium written/ (reversed)	76	96	282	(40)
Najm fees paid	7,278	5,376	3,334	(7,883)
Waseel fees paid	1,896	2,508	-	-
United Insurance Co. fees and claims, net	2,741	4,281	283	3,393
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Insurance premium written	41,692	68,760	48,840	152,009
Rent expenses paid	30	-	569	(56)
Amount of claims paid to hospitals	8,418	18,146	(2,149)	10,216

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:

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
	SAR'000	
Salaries and other allowances	2,270	2,671
End of service indemnities	159	1,330

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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 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 and mutual funds classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund. The fair value of underlying investments are taken by the fund manager from reliable and third party sources including Reuters, Bloomberg. As at March 31, 2018 the Company has invested an amount of SAR 5.1 billion (classified as available for sale investments) in MENA Islamic Fund SPC registered in the Cayman Islands (refer Note 4). These investments are classified under level 3, valued based on latest reported net assets 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 ended March 31, 2018.

The fair values of bank balances, cash and other financial assets in statement of financial position which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements due to the short term nature of balances.

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

	SAR'000			
	Level 1	Level 2	Level 3	Total
March 31, 2018 (Unaudited)				
Available-for-sale investments				
<u>Insurance operations</u>				
Mutual funds	28,091	-	2,819,202	2,847,293
Sukuks	-	-	281,860	281,860
	28,091	-	3,101,062	3,129,153
<u>Shareholders' operations</u>				
Mutual funds	26,678	-	2,553,087	2,579,765
Sukuks	-	-	100,000	100,000
	26,678	-	2,653,087	2,679,765
Total	54,769	-	5,754,149	5,808,918
December 31, 2017 (Audited)				
Available-for-sale investments				
<u>Insurance operations</u>				
Mutual funds	25,961	-	2,637,325	2,663,286
Equity shares	15,284	-	-	15,284
Sukuks	-	-	281,860	281,860
	41,245	-	2,919,185	2,960,430
<u>Shareholders' operations</u>				
Mutual funds	39,340	-	2,425,439	2,464,779
Sukuks	-	-	100,000	100,000
	39,340	-	2,525,439	2,564,779
Total	80,585	-	5,444,624	5,525,209

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

March 31, 2018 (Unaudited)	Balance January 1	Purchases	Sales	SAR'000		Balance March 31
				Statement of income	Other comprehensive income	
Total gain or loss recognized in						
Insurance operations						
Mutual funds	2,637,325	250,442	(49,914)	113	(18,764)	2,819,202
Sukuks	281,860	-	-	-	-	281,860
	2,919,185	250,442	(49,914)	113	(18,764)	3,101,062
Shareholders' operations						
Mutual funds	2,425,439	271,256	(189,289)	3,516	42,165	2,553,087
Sukuks	100,000	-	-	-	-	100,000
	2,525,439	271,256	(189,289)	3,516	42,165	2,653,087
Total	5,444,624	521,698	(239,203)	3,629	23,401	5,754,149

December 31, 2017 (Audited)	Balance January 1	Purchases	Sales	SAR'000		Balance December 31
				Statement of income	Other comprehensive income	
Total gain or loss recognized in						
Insurance operations						
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
Shareholders' operations						
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
Total	3,743,034	5,370,361	(3,803,406)	243,913	(109,226)	5,444,624

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.

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.

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended March 31, 2018						
	(Unaudited)						
	Medical	Motor	Manafeth	Property & casualty SAR'000	Total - Insurance operations	Total Shareholders' operations	Total
REVENUES							
Gross premiums written	1,665,535	198,889	37,810	193,478	2,095,712		2,095,712
Reinsurance ceded	(8,103)	-	-	(177,904)	(186,007)		(186,007)
Fees income from takaful	1,233	-	-	-	1,233		1,233
Excess of loss premiums	-	(4,772)	(579)	(2,347)	(7,698)		(7,698)
Net premiums written	1,658,665	194,117	37,231	13,227	1,903,240		1,903,240
Changes in unearned premiums	(233,144)	116,181	2,289	5,699	(108,975)		(108,975)
Net premiums earned	1,425,521	310,298	39,520	18,926	1,794,265		1,794,265
Reinsurance commissions	668	-	-	24,775	25,443		25,443
Other underwriting income	-	3,901	-	-	3,901		3,901
TOTAL REVENUES	1,426,189	314,199	39,520	43,701	1,823,609		1,823,609
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid and related expenses	1,748,510	219,742	8,569	234,658	2,211,479		2,211,479
Reinsurers' share of claims paid	(30,879)	(3,873)	-	(225,481)	(260,233)		(260,233)
Net claims paid	1,717,631	215,869	8,569	9,177	1,951,246		1,951,246
Changes in outstanding claims, net	(461,269)	1,368	1,991	2,568	(455,342)		(455,342)
Changes in incurred but not reported claims reserve, net	133,102	73	(9,364)	(7,297)	116,514		116,514
Changes in premium deficiency reserves	(36,594)	-	-	4,847	(31,747)		(31,747)
Net claims and other benefits incurred	1,352,870	217,310	1,196	9,295	1,580,671		1,580,671
Changes in reserve for takaful activities	(748)	-	-	-	(748)		(748)
Policy acquisition costs	46,978	31,974	8,516	12,861	100,329		100,329
Other underwriting expenses	29,138	2,795	4,090	6,389	42,412		42,412
Manafeth Insurance share	-	-	21,288	-	21,288		21,288
TOTAL UNDERWRITING COSTS AND EXPENSES	1,428,238	252,079	35,090	28,545	1,743,952		1,743,952
NET UNDERWRITING (LOSS)/ INCOME	(2,049)	62,120	4,430	15,156	79,657		79,657
General and administrative expenses					(91,888)	(1,381)	(93,269)
Allowance for/ (Reversal of) doubtful debts					(7,500)	-	(7,500)
Dividend and realized gain on investments, net					39,636	15,591	55,227
Share of profit from investments in associates, net					-	5,897	5,897
Other income					4,341	-	4,341
NET INCOME FOR THE PERIOD					24,246	20,107	44,353

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended March 31, 2017 (Unaudited)						
	Medical	Motor	Manafeth	Property & casualty SAR'000	Total - Insurance operations	Total - Shareholders' operations	Total
REVENUES							
Gross premiums written	1,448,760	354,854	59,559	165,207	2,028,380		2,028,380
Reinsurance ceded	(7,443)	-	-	(135,913)	(143,356)		(143,356)
Fees income from takaful	1,827	-	-	-	1,827		1,827
Excess of loss premiums	-	(7,151)	(669)	(4,640)	(12,460)		(12,460)
Net premiums written	1,443,144	347,703	58,890	24,654	1,874,391		1,874,391
Changes in unearned premiums	(135,337)	8,216	332	1,921	(124,868)		(124,868)
Net premiums earned	1,307,807	355,919	59,222	26,575	1,749,523		1,749,523
Reinsurance commissions	381	2	-	24,861	25,244		25,244
Other underwriting income	7	5,365	-	-	5,372		5,372
TOTAL REVENUES	1,308,195	361,286	59,222	51,436	1,780,139		1,780,139
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid and related expenses	1,114,059	289,438	10,324	22,547	1,436,368		1,436,368
Reinsurers' share of claims paid	(14,976)	(3,870)	(608)	(13,555)	(33,009)		(33,009)
Net claims paid	1,099,083	285,568	9,716	8,992	1,403,359		1,403,359
Changes in outstanding claims, net	3,048	(28,099)	258	4,178	(20,615)		(20,615)
Changes in incurred but not reported claims reserve, net	18,400	8,601	-	3,011	30,012		30,012
Net claims and other benefits incurred	1,120,531	266,070	9,974	16,181	1,412,756		1,412,756
Changes in reserve for takaful activities	69	-	-	-	69		69
Policy acquisition costs	54,375	31,393	8,702	10,590	105,060		105,060
Other underwriting expenses	25,246	3,600	5,663	4,199	38,708		38,708
Manafeth Insurance share	-	-	29,234	-	29,234		29,234
TOTAL UNDERWRITING COSTS AND EXPENSES	1,200,221	301,063	53,573	30,970	1,585,827		1,585,827
NET UNDERWRITING INCOME	107,974	60,223	5,649	20,466	194,312		194,312
General and administrative expenses					(102,182)	(1,483)	(103,665)
Reversal of doubtful debts					6,020	-	6,020
Dividend and realized gain on investments, net					35,366	34,035	69,401
Share of profit from investments in associates, net					-	2,050	2,050
Other income					6,143	-	6,143
NET INCOME FOR THE PERIOD					139,659	34,602	174,261

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15. OPERATING SEGMENTS (continued)

Operating Segments	As at March 31, 2018 (Unaudited)						Total
	Medical	Motor	Manafeth	Property & casualty	Total - Insurance operations	Total - Shareholders' operations	
	SAR'000						
Assets							
Reinsurer's share of unearned premiums	41,145	6	-	459,979	501,130		501,130
Reinsurer's share of incurred but not reported claims	34,707	-	-	165,440	200,147		200,147
Reinsurer's share of outstanding claims	23,990	16,472	-	1,516,555	1,557,017		1,557,017
Deferred excess of loss premiums	1,180	1,758	-	2,349	5,287		5,287
Deferred policy acquisition costs	95,262	34,807	1,339	20,031	151,439		151,439
Investments (including investment property)					3,146,561	2,760,100	5,906,661
Receivables, net					2,620,600	-	2,620,600
Cash and cash equivalents					598,308	299,839	898,147
Unallocated assets					533,980	136,929	670,909
Total assets	196,284	53,043	1,339	2,164,354	9,314,469	3,196,868	12,511,337
Liabilities							
Gross unearned premiums	3,295,990	557,830	24,693	545,711	4,424,224		4,424,224
Gross outstanding claims	294,798	140,238	7,799	1,658,327	2,101,162		2,101,162
Incurred but not reported claims reserve	1,199,091	219,029	14,104	193,499	1,625,723		1,625,723
Premium deficiency reserve	100,654	-	-	4,847	105,501		105,501
Unearned commission income	4,848	1	-	37,171	42,020		42,020
Reserve for takaful activities	9,828	-	-	-	9,828		9,828
Reinsurers' balances payable					176,226		176,226
Unallocated liabilities and accumulated surplus					1,480,961	261,288	1,742,249
Total liabilities and surplus	4,905,209	917,098	46,596	2,439,555	9,965,645	261,288	10,226,933

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15. OPERATING SEGMENTS (continued)

Operating Segments	As at December 31, 2017 (Audited)						
	Medical	Motor	Manafeth	Property & casualty	Total - Insurance operations	Total - Shareholders' operations	Total
	SAR'000						
Assets							
Reinsurer's share of unearned premiums	62,909	6	-	528,210	591,125		591,125
Reinsurer's share of incurred but not reported claims	28,142	14,987	1,141	346,937	391,207		391,207
Reinsurer's share of outstanding claims	25,547	19,753	-	1,329,977	1,375,277		1,375,277
Deferred excess of loss premiums	2,360	6,595	-	4,698	13,653		13,653
Deferred policy acquisition costs	99,636	47,306	1,822	22,026	170,790		170,790
Investments (including investment property)					2,977,312	2,653,226	5,630,538
Receivables, net					2,257,678		2,257,678
Cash and cash equivalents					1,115,144	282,059	1,397,203
Unallocated assets					545,702	297,136	842,838
Total assets	218,594	88,647	2,963	2,231,848	9,437,888	3,232,421	12,670,309
Liabilities							
Gross unearned premiums	3,084,610	674,011	26,982	619,641	4,405,244		4,405,244
Gross outstanding claims	757,624	142,151	5,808	1,469,181	2,374,764		2,374,764
Incurred but not reported claims reserve	1,059,424	233,943	24,609	382,293	1,700,269		1,700,269
Premium deficiency reserve	137,248	-	-	-	137,248		137,248
Unearned commission income	5,346	1	-	48,314	53,661		53,661
Reserve for takaful activities	10,576	-	-	-	10,576		10,576
Reinsurers' balances payable					207,922		207,922
Unallocated liabilities and surplus					1,322,131	245,729	1,567,860
Total liabilities and surplus	5,054,828	1,050,106	57,399	2,519,429	10,211,815	245,729	10,457,544

16. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated by dividing the income attributed to shareholders' by 125 million shares.

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.

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18. SUPPLEMENTARY INFORMATION

i) Interim condensed statement of financial position

	As at March 31, 2018 (Unaudited)			As at December 31, 2017 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
SAR'000						
ASSETS						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,062	2,062	-	1,997	1,997
Property and equipment, net	273,470	-	273,470	279,051	-	279,051
Intangible assets	5,496	-	5,496	7,653	-	7,653
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	7,547	80,335	87,882	7,021	88,447	95,468
Available for sale investments	3,129,153	2,679,765	5,808,918	2,960,430	2,564,779	5,525,209
Murabaha deposits	-	-	-	-	82,035	82,035
Due from/ to Shareholder's operations	651,176	(651,176)	-	773,927	(773,927)	-
Prepaid expenses and other assets	215,639	492	216,131	187,259	1,750	189,009
Deferred excess of loss premiums	5,287	-	5,287	13,653	-	13,653
Deferred policy acquisition costs	151,439	-	151,439	170,790	-	170,790
Reinsurers' share of gross outstanding claims	1,557,017	-	1,557,017	1,375,277	-	1,375,277
Reinsurers' share of incurred but not reported claims	200,147	-	200,147	391,207	-	391,207
Reinsurers' share of unearned premiums	501,130	-	501,130	591,125	-	591,125
Receivables, net	2,620,600	-	2,620,600	2,257,678	-	2,257,678
Accrued investment income	39,375	9,375	48,750	71,739	86,354	158,093
Cash and cash equivalents	598,308	299,839	898,147	1,115,144	282,059	1,397,203
TOTAL ASSETS	9,965,645	2,545,692	12,511,337	10,211,815	2,458,494	12,670,309

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18. SUPPLEMENTARY INFORMATION (continued)

i) Interim condensed statement of financial position (continued)

	As at March 31, 2018 (Unaudited)			As at December 31, 2017 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
LIABILITIES						
Reserve for discontinued operations	1,621	-	1,621	1,621	-	1,621
End-of-service indemnities	119,849	-	119,849	119,242	-	119,242
Return payable on statutory deposit	-	2,062	2,062	-	1,997	1,997
Claims payable, accrued expenses and other liabilities	1,456,833	5,067	1,461,900	1,287,652	4,000	1,291,652
Reserve for takaful activities	9,828	-	9,828	10,576	-	10,576
Gross outstanding claims	2,101,162	-	2,101,162	2,374,764	-	2,374,764
Incurred but not reported claims reserve	1,625,723	-	1,625,723	1,700,269	-	1,700,269
Premium deficiency reserve	105,501	-	105,501	137,248	-	137,248
Unearned commission income	42,020	-	42,020	53,661	-	53,661
Gross unearned premiums	4,424,224	-	4,424,224	4,405,244	-	4,405,244
Reinsurers' balances payable	176,226	-	176,226	207,922	-	207,922
Dividends payable	-	6,414	6,414	-	6,414	6,414
Zakat	-	247,745	247,745	-	233,318	233,318
TOTAL LIABILITIES	10,062,987	261,288	10,324,275	10,298,199	245,729	10,543,928
ACCUMULATED SURPLUS - INSURANCE OPERATIONS						
Accumulated surplus	2,425	-	2,425	-	-	-
Fair value reserve for available for sale investments	(93,888)	-	(93,888)	(80,505)	-	(80,505)
Remeasurements of defined benefit obligation	(5,879)	-	(5,879)	(5,879)	-	(5,879)
TOTAL ACCUMULATED SURPLUS	(97,342)	-	(97,342)	(86,384)	-	(86,384)
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	9,965,645	261,288	10,226,933	10,211,815	245,729	10,457,544
SHAREHOLDERS' EQUITY						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Legal reserve	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Fair value reserve for investments	-	(41,177)	(41,177)	-	(85,739)	(85,739)
Retained earnings	-	75,581	75,581	-	48,504	48,504
TOTAL SHAREHOLDERS' EQUITY	-	2,284,404	2,284,404	-	2,212,765	2,212,765
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	9,965,645	2,545,692	12,511,337	10,211,815	2,458,494	12,670,309

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(continued)
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18. SUPPLEMENTARY INFORMATION (continued)

ii) Interim condensed statement of income

	For the three months period ended March 31, 2018			For the three months period ended March 31, 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
REVENUES						
Gross premiums written	2,095,712		2,095,712	2,028,380		2,028,380
Reinsurance premium ceded	(186,007)		(186,007)	(143,356)		(143,356)
Fees income from takaful	1,233		1,233	1,827		1,827
Excess of loss premiums	(7,698)		(7,698)	(12,460)		(12,460)
Net premiums written	1,903,240		1,903,240	1,874,391		1,874,391
Changes in unearned premiums, net	(108,975)		(108,975)	(124,868)		(124,868)
Net premiums earned	1,794,265		1,794,265	1,749,523		1,749,523
Reinsurance commissions	25,443		25,443	25,244		25,244
Other underwriting income	3,901		3,901	5,372		5,372
Total revenues	1,823,609		1,823,609	1,780,139		1,780,139
COST AND EXPENSES						
Gross claims paid	2,205,721		2,205,721	1,431,954		1,431,954
Expenses incurred related to claims	5,758		5,758	4,414		4,414
Reinsurance share of claims paid	(260,233)		(260,233)	(33,009)		(33,009)
Net claims and other benefits paid	1,951,246		1,951,246	1,403,359		1,403,359
Changes in outstanding claims, net	(455,342)		(455,342)	(20,615)		(20,615)
Changes in incurred but not reported claims, net	116,514		116,514	30,012		30,012
Changes in premium deficiency reserves	(31,747)		(31,747)	-		-
Net claims and other benefits incurred	1,580,671		1,580,671	1,412,756		1,412,756
Changes in reserves for takaful activities	(748)		(748)	69		69
Policy acquisition costs	100,329		100,329	105,060		105,060
Other underwriting expenses	42,412		42,412	38,708		38,708
Manafeth Insurers share	21,288		21,288	29,234		29,234
Total underwriting costs and expenses	1,743,952		1,743,952	1,585,827		1,585,827
Net underwriting income	79,657		79,657	194,312		194,312
General and administrative expenses	(91,888)	(1,381)	(93,269)	(102,182)	(1,483)	(103,665)
(Allowance for)/ reversal of doubtful debts	(7,500)	-	(7,500)	6,020	-	6,020
Dividend and realized gain on investments, net	39,636	15,591	55,227	35,366	34,035	69,401
Share of profit from investments in associates, net	-	5,897	5,897	-	2,050	2,050
Other income, net	4,341	-	4,341	6,143	-	6,143
Net income for the period before appropriation	24,246	20,107	44,353	139,659	34,602	174,261
(Shareholders' appropriation of surplus) /						
Surplus transferred to Shareholders'	(21,821)	21,821	-	(125,693)	125,693	-
Net income for the period after Shareholders'	2,425	41,928	44,353	13,966	160,295	174,261
appropriations						

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18. SUPPLEMENTARY INFORMATION (continued)

iii) Interim condensed statement of comprehensive income

	For the three months period ended March 31, 2018 (Unaudited)			For the three months period ended March 31, 2017 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income for the period	2,425	41,928	44,353	13,966	160,295	174,261
Other comprehensive income:						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	(16,256)	47,176	30,920	(7,055)	103,232	96,177
- Net amounts recycled to interim statement of income	2,873	(3,516)	(643)	(41,501)	(29,585)	(71,086)
Share of other comprehensive income of investments in associates	-	902	902	-	-	-
Total comprehensive (loss) / income for the period	(10,958)	86,490	75,532	(34,590)	233,942	199,352

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(continued)
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18. SUPPLEMENTARY INFORMATION (continued)

iv) Interim condensed statement of cash flows

	For the three months period ended March 31, 2018			For the three months period ended March 31, 2017		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Operating activities:						
Net income for the period	2,425	41,928	44,353	13,966	160,295	174,261
Adjustments for non-cash items:						
Depreciation	5,581	-	5,581	5,795	-	5,795
Amortization of intangible assets	2,157	-	2,157	-	-	-
Allowance for/(Reversal of) doubtful debts	7,500	-	7,500	(6,020)	-	(6,020)
Gain/ (loss) on sale of available-for-sale investments	2,873	(3,516)	(643)	(41,501)	(29,585)	(71,086)
Share of profit from investments in associates, net	(526)	(5,897)	(6,423)	6,638	(2,050)	4,588
Provision for end-of-service indemnities	2,223	-	2,223	4,762	-	4,762
	22,233	32,515	54,748	(16,360)	128,660	112,300
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	(28,380)	1,258	(27,122)	156,066	-	156,066
Deferred excess of loss premiums	8,366	-	8,366	8,944	-	8,944
Deferred policy acquisition costs	19,351	-	19,351	(5,339)	-	(5,339)
Reinsurers' share of outstanding claims	(181,740)	-	(181,740)	(197,877)	-	(197,877)
Reinsurers' share of claims incurred but not reported	191,060	-	191,060	40,485	-	40,485
Reinsurers' share of unearned premiums	89,995	-	89,995	88,400	-	88,400
Receivables, net	(370,422)	-	(370,422)	199,457	-	199,457
Reinsurers' balances payable	(31,696)	-	(31,696)	4,001	-	4,001
Gross unearned premiums	18,980	-	18,980	36,468	-	36,468
Unearned commission income	(11,641)	-	(11,641)	(2,509)	-	(2,509)
Gross outstanding claims and reserves	(273,602)	-	(273,602)	96,292	-	96,292
Claims incurred but not reported reserves	(74,546)	-	(74,546)	70,497	-	70,497
Premium deficiency reserve	(31,747)	-	(31,747)	-	-	-
Reserve for takaful activities	(748)	-	(748)	69	-	69
Accrued expenses and other liabilities	169,181	1,067	170,248	(371,829)	1,484	(370,345)
	(485,356)	34,840	(450,516)	106,765	130,144	236,909
End-of-service indemnities paid	(1,616)	-	(1,616)	(1,410)	-	(1,410)
Net cash (used in)/ from operating activities	(486,972)	34,840	(452,132)	105,355	130,144	235,499
Investing activities:						
Statutory deposit	-	-	-	-	(25,000)	(25,000)
Proceeds from sale of available-for-sale investments	68,719	189,289	258,008	134,942	1,003,765	1,138,707
Proceeds from Murabaha deposits	-	82,035	82,035	-	-	-
Purchase of available-for-sale investments	(253,698)	(257,099)	(510,797)	(741,826)	(1,241,468)	(1,983,294)
Accrued investment income	32,364	76,979	109,343	-	-	-
Dividends received from investments in associates	-	14,911	14,911	-	11,285	11,285
Purchase of property and equipment	-	-	-	(913)	-	(913)
Net cash (used in) / from investing activities	(152,615)	106,115	(46,500)	(607,797)	(251,418)	(859,215)

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(continued)
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18. SUPPLEMENTARY INFORMATION (continued)

iv) Interim condensed statement of cash flows (continued)

	For the three months period ended March 31, 2018 (Unaudited)			For the three months period ended March 31, 2017 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
SAR'000						
Financing activities:						
Dividends paid	-	-	-	-	(498,275)	(498,275)
Zakat paid during the period	-	(424)	(424)	-	(728)	(728)
Due to shareholders	122,751	(122,751)	-	181,652	(181,652)	-
Net cash from/ (used in) financing activities	122,751	(123,175)	(424)	181,652	(680,655)	(499,003)
Net change in cash and cash equivalents	(516,836)	17,780	(499,056)	(320,790)	(801,929)	(1,122,719)
Cash and cash equivalents, beginning of the period	1,115,144	282,059	1,397,203	1,379,402	1,021,747	2,401,149
Cash and cash equivalents, end of the period	598,308	299,839	898,147	1,058,612	219,818	1,278,430
Non-cash supplemental information:						
Changes in fair value for investments	(13,383)	44,562	31,179	(48,556)	73,647	25,091

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 Sha'ban 08, 1439H, corresponding to April 24, 2018.