

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2017

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

TO: THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim statement of financial position of Saudi Arabian Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2017 and the related interim statement of insurance operations' surplus, interim statements of comprehensive income - insurance operations and shareholders' operations for the three and nine month periods then ended, the interim statement of changes in shareholders' equity and interim statements of cash flows - insurance operations and shareholders' operations for the nine month period then ended and the related notes 1 to 17 which form an integral part of this interim condensed financial information. The Company's management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" and Saudi Arabian Monetary Authority's ("SAMA") guidance for the accounting of zakat and tax. Our responsibility is to express a conclusion on this 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 that are 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 as at 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and SAMA guidance for the accounting of zakat and tax.

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Abdullah Al Basri & Co
P O Box 2195
Riyadh 11451
Kingdom of Saudi Arabia

Abdullah M. Al Basri
Certified Public Accountant
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Safar 16, 1439
November 05, 2017

AlAzem & AlSudairy
Certified Public Accountant
P O Box 10504
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

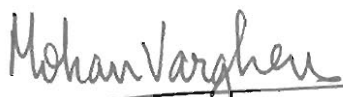
AS AT 30 SEPTEMBER 2017


(All amounts in Saudi Riyals unless otherwise stated)

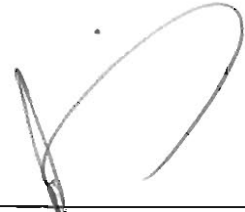
		30 September 2017 (Unaudited)	31 December 2016 (Audited)
	Note		
Insurance operations' assets			
Cash and cash equivalents	4	76,135,891	70,238,851
Time deposits	5	133,000,000	149,800,000
Reinsurers' share of outstanding claims and reserves		336,610,211	379,753,132
Reinsurers' share of unearned premiums		71,050,386	44,019,014
Deferred policy acquisition costs		25,222,169	19,644,444
Premiums and reinsurance balances receivable	6	253,055,267	154,838,544
Held-to-maturity investment	7	10,000,000	10,000,000
Available for sale investment	7	12,701,618	12,943,942
Prepayments and other assets		33,538,351	30,397,387
Due from related parties	8	89,755,475	70,057,529
Property and equipment, net		8,563,300	7,027,868
Total insurance operations' assets		1,049,632,668	948,720,711
Shareholders' assets			
Cash and cash equivalents	4	47,980,536	1,374,609
Time deposits	5	237,500,000	264,000,000
Due from insurance operations		24,768,768	15,514,891
Prepayments and other assets		1,111,574	1,643,112
Statutory deposit		25,000,000	25,000,000
Accrued income from statutory deposit		1,198,958	974,660
Total shareholders' assets		337,559,836	308,507,272
Total insurance operations' and shareholders' assets		1,387,192,504	1,257,227,983

Continued to p-3

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


MOHAN VARGHESE
 CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSUUD
 BOARD MEMBER


HASSAN ABDULLA DORAR ALI
 PRESIDENT & CEO

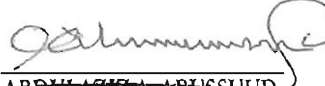
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017


(All amounts in Saudi Riyals unless otherwise stated)

		30 September 2017 (Unaudited)	31 December 2016 (Audited)
	Note		
Insurance operations' liabilities			
Due to shareholders' operations		24,768,768	15,514,891
Gross outstanding claims and reserves		524,616,063	554,802,588
Gross unearned premiums		305,396,274	230,953,341
Unearned commission income		14,883,826	11,359,320
Reinsurance balances payable		75,020,954	49,062,978
Accrued expenses and other liabilities		77,651,206	59,474,255
Employees' end-of-service benefits		14,836,753	14,555,491
Total insurance operations' liabilities		1,037,173,844	935,722,864
Insurance operations' surplus			
Insurance operations' surplus distribution payable		12,337,484	12,634,182
Fair value reserve for available-for-sale investment		121,340	363,665
Total insurance operations' liabilities and surplus		1,049,632,668	948,720,711
Shareholders' liabilities			
Provision for zakat		5,512,534	7,685,943
Accounts payable		691,003	1,729,500
Return payable on statutory deposit		1,198,958	974,660
Total shareholders' liabilities		7,402,495	10,390,103
Shareholders' equity			
Share capital	10	250,000,000	250,000,000
Statutory reserve		9,623,434	9,623,434
Retained earnings		70,533,907	38,493,735
Total shareholders' equity		330,157,341	298,117,169
Total shareholders' liabilities and equity		337,559,836	308,507,272
Total insurance operations' liabilities and surplus and shareholders' liabilities and equity		1,387,192,504	1,257,227,983

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDULAZIZ A. ABUSSOUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' SURPLUS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017


(All amounts in Saudi Riyals unless otherwise stated)


	Note	Three months period ended 30 September		Nine months period ended 30 September	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Revenues					
Gross written premiums		157,113,905	160,436,900	680,965,362	681,938,946
Reinsurance premiums ceded		(17,231,052)	(28,929,481)	(210,392,023)	(210,770,088)
Excess of loss/ stop loss premiums		2,511,778	(23,323,937)	(18,841,649)	(37,070,408)
Net written premiums		142,394,631	108,183,482	451,731,690	434,098,450
Movement in unearned premiums, net		(775,621)	15,352,996	(47,411,613)	(48,363,925)
Net earned premiums		141,619,010	123,536,478	404,320,077	385,734,525
Commission income		13,685,413	14,435,857	40,113,118	40,023,194
Income from investments		297,108	297,881	812,153	1,142,976
Special commission income		945,701	1,507,572	2,382,532	3,929,037
Other underwriting income		912,231	1,098,196	3,036,192	2,619,772
Other income		163,694	916,968	960,452	3,669,456
Total insurance revenues		157,623,157	141,792,952	451,624,524	437,118,960
Costs and expenses					
Gross claims paid		109,719,903	92,542,787	341,510,331	344,847,119
Reinsurers' share of claims paid		(25,486,360)	(19,056,062)	(80,826,952)	(69,424,673)
Net claims paid		84,233,543	73,486,725	260,683,379	275,422,446
Movement in outstanding claims, net		11,254,600	2,263,996	12,956,395	(14,612,225)
Net claims incurred		95,488,143	75,750,721	273,639,774	260,810,221
Policy acquisition costs		17,336,713	18,181,719	51,445,994	53,646,098
General and administration expenses		24,423,807	23,412,347	78,410,908	69,121,554
Provision for doubtful receivables	6	1,186,659	2,735,368	3,920,351	3,786,303
Inspection and supervision fees		1,900,075	1,675,329	6,133,472	5,922,155
Impairment of available-for-sale investment		-	2,424,831	-	2,424,831
Total costs and expenses		140,335,397	124,180,315	413,550,499	395,711,162
Net surplus for the period from insurance operations		17,287,760	17,612,637	38,074,025	41,407,798
Shareholders' appropriation from surplus		(15,558,984)	(15,851,373)	(34,266,623)	(37,267,018)
Net surplus for the period from insurance operations after shareholders' appropriation		1,728,776	1,761,264	3,807,402	4,140,780

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.



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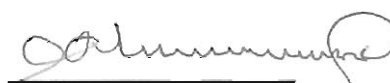
INTERIM STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017


(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months period ended 30 September		Nine months period ended 30 September	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Net surplus for the period from insurance operations after shareholders' appropriation		1,728,776	1,761,264	3,807,402	4,140,780
Other comprehensive income / (loss) :					
Items that may be reclassified to statement of insurance operations' surplus in subsequent period:					
Change in fair value of available-for-sale investments	7	(177,839)	(629,335)	(242,324)	(629,335)
Total insurance operations' comprehensive income for the period		<u>1,550,937</u>	<u>1,131,929</u>	<u>3,565,078</u>	<u>3,511,445</u>

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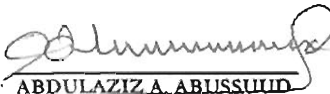

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

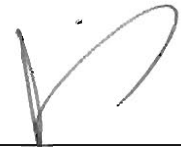
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three months period ended 30 September		Nine months period ended 30 September	
		2017 (Unaudited)	2016 (Unaudited and restated - Note 16)	2017 (Unaudited)	2016 (Unaudited and restated - Note 16)
Appropriation of surplus from insurance operations		15,558,984	15,851,373	34,266,623	37,267,018
Special commission income		1,215,451	1,745,817	4,294,546	4,331,628
General and administration expenses		(383,363)	(225,007)	(1,253,307)	(958,820)
Net income for the period		16,391,072	17,372,183	37,307,862	40,639,826
Other comprehensive income		-	-	-	-
Change in fair value of available for sale investment		-	-	-	-
Total comprehensive income for the period		<u>16,391,072</u>	<u>17,372,183</u>	<u>37,307,862</u>	<u>40,639,826</u>
Earnings per share					
Basic and diluted earnings per share (in Saudi Riyals)	11	0.66	0.69	1.49	1.63
Weighted average number of shares in issue throughout the period (in thousands)	11	25,000	25,000	25,000	25,000

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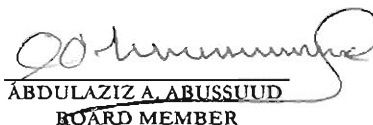
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017
(All amounts in Saudi Riyals unless otherwise stated)

			Retained earnings /(accumulated losses)	Total
Note	Share capital	Statutory reserve		
Balance as at 1 January 2017 (Audited)	250,000,000	9,623,434	38,493,735	298,117,169
Total comprehensive income for the period	-	-	37,307,862	37,307,862
Provision for zakat	16	-	(5,267,690)	(5,267,690)
Balance as at 30 September 2017 (Unaudited)	<u>250,000,000</u>	<u>9,623,434</u>	<u>70,533,907</u>	<u>330,157,341</u>
Balance as at 1 January 2016	250,000,000	-	(2,722,493)	247,277,507
Total comprehensive income for the period - restated	16	-	40,639,826	40,639,826
Provision for zakat	16	-	(4,962,019)	(4,962,019)
Balance as at 30 September 2016 (Unaudited)	<u>250,000,000</u>	<u>-</u>	<u>32,955,314</u>	<u>282,955,314</u>

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017
(All amounts in Saudi Riyals unless otherwise stated)

Note	Nine months period ended 30 September	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus from insurance operations after shareholders' appropriation	3,807,402	4,140,780
Adjustments for:		
Depreciation	2,754,435	2,660,605
Provision for doubtful receivables	6 3,920,351	3,786,303
Provision for Employees' end-of-service benefits	2,193,908	3,903,696
Shareholders' appropriation from surplus	34,266,623	37,267,018
Impairment of available-for-sale investment	-	2,424,831
Changes in operating assets and liabilities:		
Reinsurers' share of outstanding claims and reserves	43,142,921	39,266,832
Reinsurers' share of unearned premiums	(27,031,372)	(28,686,405)
Deferred policy acquisition costs	(5,577,725)	(3,304,832)
Premiums and reinsurance balances receivable	(102,137,074)	(70,068,931)
Prepayments and other assets	(3,140,964)	(6,617,418)
Due from related parties	(19,697,946)	(14,510,207)
Gross outstanding claims and reserves	(30,186,525)	(53,879,059)
Gross unearned premiums	74,442,933	77,050,330
Unearned commission income	3,524,506	3,582,899
Reinsurance balances payable	25,957,976	14,165,679
Accrued expenses and other liabilities	18,176,951	9,058,480
Cash from operating activities	24,416,400	20,240,601
Policyholders surplus paid	(4,104,100)	-
Employees' end-of-service benefits paid	(1,912,647)	(231,321)
Net cash from operating activities	18,399,653	20,009,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,289,867)	(2,337,780)
Increase/(decrease) in time deposits	16,800,000	(35,600,000)
Net cash from/(used in) investing activities	12,510,133	(37,937,780)
CASH FLOWS FROM FINANCING ACTIVITY		
Due to shareholders' operations, net	(25,012,746)	(14,912,934)
Net cash used in financing activity	(25,012,746)	(14,912,934)
Net increase/(decrease) in cash and cash equivalents	5,897,040	(32,841,434)
Cash and cash equivalents at the beginning of the period	4 70,238,851	76,151,599
Cash and cash equivalents at the end of the period	4 76,135,891	43,310,165
Supplemental non-cash information:		
Change in fair value of available-for-sale investments	7 (242,324)	(629,335)

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


ABDUL AZIZ A. ABU-SUUD
BOARD MEMBER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

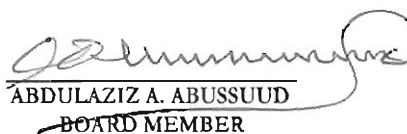
(All amounts in Saudi Riyals unless otherwise stated)

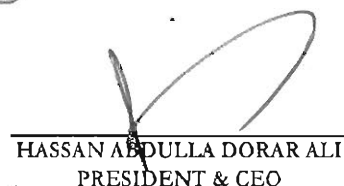
		Nine months period ended 30 September	
	Note	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat		37,307,862	40,639,826
Adjustments for:			
Appropriation of surplus from insurance operations income		(34,266,623)	(37,267,018)
Changes in operating assets and liabilities:			
Prepayments and other assets		531,538	(808,286)
Accounts payable		(1,038,497)	(25,500)
Cash generated from operations		2,534,280	2,539,022
Zakat paid		(7,441,099)	(2,904,890)
Net cash used in operating activities		(4,906,819)	(365,868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/ (increase) in time deposits		26,500,000	(13,600,000)
Net cash from/ (used in) investing activity		26,500,000	(13,600,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Due from insurance operations, net		25,012,746	14,912,934
Net cash from financing activities		25,012,746	14,912,934
Net increase in cash and cash equivalents		46,605,927	947,066
Cash and cash equivalents at beginning of the period	4	1,374,609	359,687
Cash and cash equivalent at the end of the period	4	47,980,536	1,306,753

The notes on pages 10 to 22 are an integral part of these interim condensed financial statements.



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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

(All amounts in Saudi Riyals unless otherwise stated)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H (corresponding to 5 August 2007).

On 29 Shaban 1428H (corresponding to 11 September 2007), the Saudi Arabian Monetary Authority ("SAMA") issued a formal approval to transact insurance business, thus authorizing the Company to commence operations as soon as product approval and related formalities are completed.

2 BASIS OF PREPARATION

Statement of compliance

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

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

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

Basis of measurement

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

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

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

These interim condensed financial statements 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.

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

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

(All amounts in Saudi Riyals unless otherwise stated)

3 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Accounting and risk management policies

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

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

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting years beginning on or after 1 January 2017 and is currently assessing their impact. Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after January 1, 2018:

- IFRS 9 - "Financial Instruments", applicable for the annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. The new standard presents revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. IASB had allowed temporary exemption for companies issuing insurance contracts until 2021 or until the new insurance contracts standard is applied, if that is earlier.
- IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2021. The new standard introduces revised insurance contract measurements principles and will replace existing IFRS 4 "Insurance Contracts".
- IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

4 CASH AND CASH EQUIVALENTS

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

	30 September 2017 (Unaudited)		31 December 2016 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in banks	76,107,895	47,980,536	70,217,401	1,374,609
Cash on hand	27,996	-	21,450	-
	<u>76,135,891</u>	<u>47,980,536</u>	<u>70,238,851</u>	<u>1,374,609</u>

Cash in banks are placed with counterparties who have investment grade credit ratings. As at 30 September 2017, the Company holds an amount of Saudi Riyals 334,287 (31 December 2016: Saudi Riyals 110,787), in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these interim condensed financial statements.

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5 TIME DEPOSITS

Time deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The deposits earn commission at rate ranging from 1.35% to 3.10% per annum (31 December 2016: 2.7% to 3.95% per annum).

Investment income earned upon maturity of the short-term placements under insurance operations' and shareholders' assets recognized during the three-month period ended 30 September 2017 amounted to Saudi Riyals 0.3 million (three-month period ended 30 September 2016: Saudi Riyals 0.3 million).

6 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

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

	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Premiums receivable	275,221,880	173,413,991
Reinsurance receivable balances	9,809,555	9,480,370
Total premiums and reinsurance balances receivable	285,031,435	182,894,361
Less: Provision for doubtful receivables (Premium receivable)	(31,334,177)	(26,603,278)
Less: Provision for doubtful receivables (Reinsurance balances)	(641,991)	(1,452,539)
	(31,976,168)	(28,055,817)
	<u>253,055,267</u>	<u>154,838,544</u>

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

	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Beginning balance	28,055,817	22,919,742
Provision made during the period / year	3,920,351	5,136,075
Ending balance	<u>31,976,168</u>	<u>28,055,817</u>

7 INVESTMENTS

Insurance operations

a. Held-to-maturity investment

As at 30 September 2017 and 31 December 2016, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank, amounted to Saudi Riyals 10 million comprising of 10 Sukuk denominated at Saudi Riyals 1 million each and a margin equivalent to 6 month SIBOR plus 130 basis points, having maturity date of 27 May 2025. See also note 12

b. Available-for-sale investment

	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Beginning balance	12,943,942	14,162,233
Unrealized (loss) / gain from change in fair value	(242,324)	1,206,540
Impairment loss	-	(2,424,831)
Ending balance	<u>12,701,618</u>	<u>12,943,942</u>

Available-for-sale investment included Saudi Riyals 1.9 million in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85% equity holding in Najm. As at 30 September 2017 and 31 December 2016, management believes that the carrying amount of the available-for-sale investment is a reasonable estimate of its fair value (Note 12).

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8 RELATED PARTY TRANSACTIONS AND BALANCES

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

a. Transactions with related parties

The following are the details of major related parties' transactions during the nine-month period ended 30 September:

		30 September 2017 (Unaudited)	30 September 2016 (Unaudited)
Related parties	Nature of transactions		
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Amounts received / (paid) on behalf of SAICO B.S.C (C), net	(2,543,304)	420,987
	Premiums ceded	4,263,230	3,685,700
	Commission received	948,699	820,550
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	14,462,810	18,802,794
	Claims paid through Agent	24,003	9,191
	Commission expense	1,986,581	2,723,064
ACE Limited (Affiliate)	Premiums and claims, net	-	(1,443)
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums received through Broker, net	172,629,704	177,156,210
	Commission expense	22,452,455	23,307,027
	Premiums ceded through Broker	112,443,740	99,191,473
	Commission received	14,553,386	12,964,366

b. Balances with related parties

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

		30 September 2017 (Unaudited)	31 December 2016 (Audited)
Due from / (to) related parties	Nature of transactions		
ACE Insurance and Reinsurance Brokers Limited ("Broker") affiliate	Insurance operations	77,675,909	57,186,835
ACE Insurance Agents Limited ("Agent") (Affiliate)	Insurance operations	13,424,767	11,672,591
Saudi Arabian Insurance Company B.S.C (C) (Shareholders)	Insurance operations	(1,655,336)	887,968
ACE Limited (Affiliate)	Insurance operations	310,135	310,135
		89,755,475	70,057,529
Due to related parties			
Employees' end-of-service benefits	Insurance operations	3,549,558	3,459,986

c. Compensation of key management personnel

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the nine-month period ended 30 September is as follows:

	30 September 2017 (Unaudited)	30 September 2016 (Unaudited)
Short-term benefits	10,477,299	5,877,652
Bonus	2,000,160	1,375,920
Employees' end-of-service benefits	268,717	252,403
	12,746,176	7,505,975

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9 SEGMENT INFORMATION

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

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

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

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

	Three months ended 30 September 2017 (Unaudited)								
Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	111,945	24,210	3,505	2,419	1,845	1,004	8,443	3,743	157,114
Reinsurance premiums ceded	-	(9)	(2,853)	(2,091)	(1,690)	(514)	(8,477)	(1,597)	(17,231)
Excess of loss premiums	3,046	(274)	(132)	(87)	(27)	(6)	-	(8)	2,512
Net written premiums	114,991	23,927	520	241	128	484	(34)	2,138	142,395
Movement in unearned premiums, net	(29,635)	25,651	1,660	272	(112)	664	566	158	(776)
Net earned premiums	85,356	49,578	2,180	513	16	1,148	532	2,296	141,619
Commission income	-	30	6,226	3,405	1,038	576	2,387	23	13,685
Other Underwriting Income	-	912	-	-	-	-	-	-	912
Total allocated revenue	85,356	50,520	8,406	3,918	1,054	1,724	2,919	2,319	156,216
Cost and expenses									
Gross claims paid	(61,762)	(21,076)	(3,272)	(1,713)	(619)	(5)	(19,975)	(1,298)	(109,720)
Reinsurers' share of claims paid	-	-	2,906	1,456	610	2	19,639	873	25,486
Net claims paid	(61,762)	(21,076)	(366)	(257)	(9)	(3)	(336)	(425)	(84,234)
Movement in outstanding claims, net	(7,924)	(1,310)	(1,291)	(9)	(1,129)	(130)	311	228	(11,254)
Net claims incurred	(69,686)	(22,386)	(1,657)	(266)	(1,138)	(133)	(25)	(197)	(95,488)
Policy acquisition costs	(4,216)	(6,094)	(4,573)	(591)	(632)	(363)	(328)	(540)	(17,337)
Total allocated costs and expenses	(73,902)	(28,480)	(6,230)	(857)	(1,770)	(496)	(353)	(737)	(112,825)
Net underwriting surplus	11,454	22,040	2,176	3,061	(716)	1,228	2,566	1,582	43,391
Unallocated revenue									1,407
Unallocated expenses									(27,510)
Net surplus from insurance operations									17,288

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9 SEGMENT INFORMATION (Continued)

Three months ended 30 September 2016 (Unaudited)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	88,591	38,864	7,725	2,670	9,333	1,765	8,022	3,467	160,437
Reinsurance premiums ceded	-	(18)	(7,049)	(2,252)	(8,943)	(953)	(7,818)	(1,897)	(28,930)
Excess of loss premiums	(22,513)	(453)	(154)	(102)	(89)	(10)	-	(3)	(23,324)
Net written premiums	66,078	38,393	522	316	301	802	204	1,567	108,183
Movement in unearned premiums, net	(8,379)	21,376	1,250	102	85	632	203	104	15,353
Net earned premiums	57,699	59,769	1,752	418	386	1,434	407	1,671	123,536
Commission income	-	27	5,960	2,895	2,142	855	2,518	39	14,436
Total allocated revenue	57,699	59,796	7,712	3,313	2,528	2,289	2,925	1,710	137,972
Cost and expenses									
Gross claims paid	(42,044)	(29,675)	(17,246)	(612)	(551)	-	(784)	(434)	(91,346)
Reinsurers' share of claims paid	-	2	16,996	522	515	-	673	348	19,056
Net claims paid	(42,044)	(29,673)	(250)	(90)	(36)	-	(111)	(86)	(72,290)
Movement in outstanding claims, net	3,103	(5,380)	360	(163)	(116)	(136)	491	(423)	(2,264)
Net claims incurred	(38,941)	(35,053)	110	(253)	(132)	(136)	380	(509)	(74,554)
Policy acquisition costs	(3,463)	(7,509)	(4,361)	(615)	(1,081)	(438)	(212)	(503)	(18,182)
Total allocated costs and expenses	(42,404)	(42,562)	(4,251)	(868)	(1,233)	(574)	168	(1,012)	(92,736)
Net underwriting surplus	15,295	17,234	3,461	2,445	1,295	1,715	3,093	698	45,236
Unallocated revenue									3,821
Unallocated expenses									(31,444)
Net surplus from insurance operations									17,613

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9 SEGMENT INFORMATION (Continued)

Nine months ended 30 September 2017 (Unaudited)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Revenues									
Gross written premiums	291,138	159,966	154,655	18,140	9,617	9,503	28,855	9,091	680,965
Reinsurance premiums ceded	-	(308)	(148,254)	(16,333)	(8,930)	(5,757)	(26,867)	(3,943)	(210,392)
Excess of loss premiums	(14,851)	(1,860)	(1,444)	(465)	(153)	(45)	-	(23)	(18,841)
Net written premiums	276,287	157,798	4,957	1,342	534	3,701	1,988	5,125	451,732
Movement in unearned premiums, net	(43,659)	(3,092)	(210)	436	200	(388)	(377)	(322)	(47,412)
Net earned premiums	232,628	154,706	4,747	1,778	734	3,313	1,611	4,803	404,320
Commission income	-	39	18,409	7,449	3,169	1,434	7,214	2,399	40,113
Other Underwriting Income	-	3,036	-	-	-	-	-	-	3,036
Total allocated revenue	232,628	157,781	23,156	9,227	3,903	4,747	8,825	7,202	447,469
Cost and expenses									
Gross claims paid	(163,590)	(91,957)	(45,479)	(5,114)	(5,045)	(5)	(26,400)	(3,920)	(341,510)
Reinsurers' share of claims paid	-	15	42,771	4,376	4,894	2	25,938	2,831	80,827
Net claims paid	(163,590)	(91,942)	(2,708)	(738)	(151)	(3)	(462)	(1,089)	(260,683)
Movement in outstanding claims, net	(23,132)	12,684	(860)	208	(838)	(308)	(819)	109	(12,956)
Net claims incurred	(186,722)	(79,258)	(3,568)	(530)	(989)	(311)	(1,281)	(980)	(273,639)
Policy acquisition costs	(11,794)	(19,305)	(13,449)	(2,210)	(1,604)	(1,065)	(815)	(1,204)	(51,446)
Total allocated costs and expenses	(198,516)	(98,563)	(17,017)	(2,740)	(2,593)	(1,376)	(2,096)	(2,184)	(325,085)
Net underwriting surplus	34,112	59,218	6,139	6,487	1,310	3,371	6,729	5,018	122,384
Unallocated revenue									4,155
Unallocated expenses									(88,465)
Net surplus from insurance operations									38,074

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9 SEGMENT INFORMATION (Continued)

Operating segment	As at 30 September 2017 (Unaudited)						
	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident
Others	Total						
Assets							
Reinsurers' share of outstanding claims	-	12,388	142,872	15,395	76,325	15,335	72,801
Reinsurers' share of unearned premiums	-	138	42,552	4,913	5,371	3,509	13,957
Deferred policy acquisition costs	8,700	8,784	5,158	407	702	494	749
Segment assets	8,700	21,310	190,582	20,715	82,398	19,338	87,507
Unallocated assets							
Total assets							
Liabilities							
Gross outstanding claims	107,850	65,310	155,962	17,817	81,235	16,523	77,021
Gross unearned premiums	153,677	74,057	43,843	5,208	5,670	6,480	14,748
Unearned commission income	-	41	7,157	1,053	1,334	785	4,490
Segment liabilities	261,527	139,408	206,962	24,078	88,239	23,788	96,259
Unallocated liabilities							
Total liabilities							

Unallocated assets at 30 September 2017 consists mainly of premiums and reinsurance balances receivable of Saudi Riyals 253 million, due from related parties of Saudi Riyals 90 million, time deposits of Saudi Riyals 133 million, cash and cash equivalents of Saudi Riyals 76 million, and other insurance operations' assets of Saudi Riyals 65 million.

At 30 September 2017, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 253 million comprised mainly premiums receivable from Medical clients of Saudi Riyals 149 million while the remaining balance of Saudi Riyals 104 million consisted mainly of receivables from top 10 policyholders from the line of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine Hull (e) General Accident (f) Public liability and (g) Engineering.

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9 SEGMENT INFORMATION (Continued)

As at 31 December 2016 (Audited)

Operating segment	Medical	Motor	Fire & burglary	Marine	Engineering	Public liability	General accident	Others	Total
Assets									
Reinsurers' share of outstanding claims	-	13,829	163,680	17,644	82,932	13,876	85,918	1,874	379,753
Reinsurers' share of unearned premiums	-	133	8,579	8,841	9,596	4,937	11,434	499	44,019
Deferred policy acquisition costs	6,196	9,019	1,150	897	1,160	705	340	177	19,644
Segment assets	6,196	22,981	173,409	27,382	93,688	19,518	97,692	2,550	443,416
Unallocated assets									505,305
Total assets									948,721
Liabilities									
Gross outstanding claims	84,718	79,435	175,911	20,275	87,003	14,756	89,319	3,386	554,803
Gross unearned premiums	110,018	70,960	9,659	9,572	10,095	7,501	11,848	1,300	230,953
Unearned commission income	-	39	1,927	2,365	2,260	994	3,764	10	11,359
Segment liabilities	194,736	150,434	187,497	32,212	99,358	23,251	104,931	4,696	797,115
Unallocated liabilities									151,606
Total liabilities									948,721

Unallocated assets at 31 December 2016 consist mainly of premiums and reinsurance balances receivable of Saudi Riyals 155 million, due from related parties of Saudi Riyals 70 million, time deposits of Saudi Riyals 150 million, cash and cash equivalents of Saudi Riyals 70 million, and other insurance operations' assets of Saudi Riyals 60 million.

At 31 December 2016, the total premiums and reinsurance balances receivable amounting to Saudi Riyals 155 million comprised mainly of premiums receivable from Medical clients of Saudi Riyals 64 million while the remaining balance of Saudi Riyals 91 million consisted mainly of receivables from top 10 policyholders from the following lines of business: (a) Motor Private (b) Motor Commercial (c) Fire & Burglary (d) Marine Hull (e) General Accident (f) Public liability and (g) Engineering.

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10 SHARE CAPITAL

As at 30 September 2017 and 31 December 2016, the authorized, issued and paid up share capital of the Company amounted to Saudi Riyals 250 million divided into 25 million shares of Saudi Riyals 10 each.

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period have been calculated by dividing the net income for the period by the weighted average number of shares in issue throughout the period. Also refer note 16.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date, under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of the Company's recognized financial instruments are not significantly different from the carrying values included in the interim condensed financial statements.

Determination of fair value and fair value hierarchy

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

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

During the nine-month period ended 30 September 2017 and for the year ended 31 December, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table summarizes the financial assets recorded at fair value by level of the fair value hierarchy.

As at 30 September 2017 (Unaudited)

	Insurance operations' assets			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity investments	-	10,000,000	-	10,000,000
Available-for-sale investments	10,778,538	-	1,923,080	12,701,618
	<u>10,778,538</u>	<u>10,000,000</u>	<u>1,923,080</u>	<u>22,701,618</u>

As at 31 December 2016 (Audited)

	Insurance operations' assets			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity investments	-	10,000,000	-	10,000,000
Available-for-sale investments	11,020,862	-	1,923,080	12,943,942
	<u>11,020,862</u>	<u>10,000,000</u>	<u>1,923,080</u>	<u>22,943,942</u>

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

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13 CONTINGENCIES AND COMMITMENTS

a. Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b. Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 0.6 million for the three months period ended 30 September 2017 (30 September 2016: SR 0.6 million) and SR 1.9 million for the nine months period ended 30 September 2017 (30 September 2016: SR 1.9 million) are recognized in the interim statement of income - insurance operations.

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

Years	30 September 2017 (Unaudited)	31 December 2016 (Audited)
2017	695,210	845,738
2018	1,875,991	-
2019	1,796,209	-
2020	1,796,209	-
2021	1,326,480	-
2022	732,576	-
	<u>8,222,674</u>	<u>845,738</u>

14 NET UNDERWRITING SURPLUS

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

	Three months period ended 30 September		Nine months period ended 30 September	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Net earned premiums	141,619,010	123,536,478	404,320,077	385,734,525
Commission income	13,685,413	14,435,857	40,113,118	40,023,194
Other underwriting income	912,231	1,098,196	3,036,192	2,619,772
Policy acquisition costs	(17,336,713)	(18,181,719)	(51,445,994)	(53,646,098)
Net claims incurred	(95,488,143)	(75,750,721)	(273,639,774)	(260,810,221)
Net underwriting surplus	<u>43,391,798</u>	<u>45,138,091</u>	<u>122,383,619</u>	<u>113,921,172</u>

15 STATUTORY RESERVE

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

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017

(All amounts in Saudi Riyals unless otherwise stated)

16 CHANGE IN ACCOUNTING POLICY

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

The Company used to charge zakat and income tax through the interim statement of shareholder's comprehensive income. As a result of the Circular, the Company has changed its presentation relating to zakat and income tax and now has started to charge zakat and income tax directly to the interim statement of changes in shareholders' equity. The Company has accounted for this change retrospectively which resulted in the increase in total comprehensive income by Saudi Riyals 1.9 million and 4.9 million for the three-month and nine month periods ended 30 September 2016.

The effect of change in accounting policy on the comparative for three month and nine month periods ended on 30 September 2016 financial statements is summarized in the table below:

	Three month period ended September 30, 2016		
	Balances, as previously reported	Effect of restatement	Balances, as restated
Total comprehensive income for the period from shareholders' operations within interim statements of comprehensive income - shareholders' operations; and, changes in shareholders' equity	15,460,874	1,911,309	17,372,183
Provision for zakat presented within interim statement of changes in shareholders' equity	-	(1,911,309)	(1,679,672)
Basic and diluted earnings per share in the statement of comprehensive income -shareholders' operations(in Saudi Riyals)	0.62	0.07	0.69
	Nine month period ended September 30, 2016		
	Balances, as previously reported	Effect of restatement	Balances, as restated
Total comprehensive income for the period from shareholders' operations within interim statements of comprehensive income - shareholders' operations; and, changes in shareholders' equity	35,677,807	4,962,019	40,639,826
Provision for zakat presented within interim statement of changes in shareholders' equity	-	(4,962,019)	(4,962,019)
Basic and diluted earnings per share in the statement of comprehensive income -shareholders' operations(in Saudi Riyals)	1.43	0.20	1.63

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

17 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 6 Safar 1439 H (corresponding to 26 October 2017).