
**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND INDEPENDENT AUDITORS'
LIMITED REVIEW REPORT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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Independent Auditors' review report on interim condensed financial statements to the shareholders of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim statement of financial position of Al Rajhi Company for Cooperative Insurance - a Saudi Joint Stock Company (the "Company") as at March 31, 2016 and the related interim statements of income and comprehensive income - takaful and shareholders' operations, the related interim statement of changes in shareholders' equity and statements of cash flows - takaful and shareholders' operations for the three months then ended and the related notes which form part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" - ("IAS 34") and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

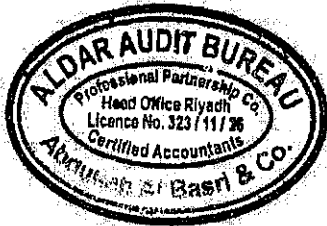
Emphasis of matter

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

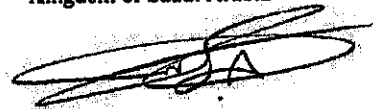
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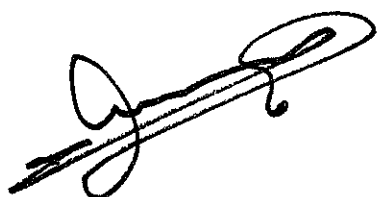
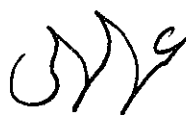


April 19, 2016 (G)
Rajab 12, 1437 (H)

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

	Note	31 March 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
TAKAFUL OPERATIONS' ASSETS			
Bank balances and cash	5	424,397	188,602
Due from shareholders' operations		202,957	203,259
Contributions and re-takaful balances receivable, net	6	287,577	261,743
Advances, prepayments and other assets		12,650	14,769
Re-takaful share of outstanding claims		117,611	110,414
Re-takaful share of unearned contributions		84,164	71,773
Re-takaful share of mathematical reserve		22	177
Investments held to maturity	8(i)(a)	230,000	330,000
Available for sale investments	8(i)(b)	62,031	6,578
Unit Linked Investments		6,540	4,978
Deferred policy acquisition costs		24,022	17,080
TOTAL TAKAFUL OPERATIONS' ASSETS		1,451,971	1,209,373
SHAREHOLDERS' OPERATIONS' ASSETS			
Bank balances and cash	5	123,225	75,707
Management fees receivable		44,183	46,740
Matured murabaha deposit – receivable		-	39,038
Advances, prepayments and other assets		11,830	9,451
Investments held to maturity	8(ii)(a)	255,000	190,000
Available for sale investments	8(ii)(b)	17,440	78,304
Investments at fair value through income statement	8(ii)(c)	71,056	77,314
Statutory deposit	7	40,000	40,000
Statutory deposit investment returns		983	761
Intangible assets, net		13,811	15,089
Property and equipment, net		8,455	8,926
TOTAL SHAREHOLDERS' OPERATIONS' ASSETS		585,983	581,330
TOTAL ASSETS		2,037,954	1,790,703


The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.



AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

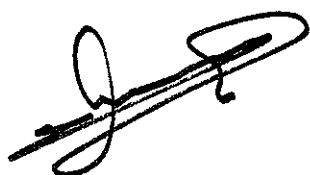
	31 March 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		
TAKAFUL OPERATIONS' LIABILITIES		
Gross outstanding claims	398,258	360,727
Management fees payable	44,183	46,740
Payables, accruals and other liabilities	47,526	45,265
Re-takaful balances payable	70,049	56,953
Mathematical reserves	6,925	5,712
Other reserves	918	801
Gross unearned contributions	866,625	678,322
Unearned re-takaful commission income	8,534	7,435
	<u>1,443,018</u>	<u>1,201,955</u>
TAKAFUL OPERATIONS' SURPLUS		
Surplus distributable to policyholders	8,746	7,396
Fair value reserve for available for sale investments	207	22
	<u>9,013</u>	<u>7,418</u>
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS	<u>1,451,971</u>	<u>1,209,373</u>
SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		
SHAREHOLDERS' OPERATIONS' LIABILITIES		
Provision for zakat	10,568	9,368
Payables, accruals and other liabilities	13,979	17,928
Due to takaful operations	202,957	203,259
Employees' end of service benefits	8,687	8,611
Statutory deposit investment returns	1,891	1,669
	<u>238,082</u>	<u>240,835</u>
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES	<u>238,082</u>	<u>240,835</u>
SHAREHOLDERS' EQUITY		
Share capital	400,000	400,000
Accumulated losses	(52,210)	(59,766)
Fair value reserve for available for sale investments	111	261
	<u>347,901</u>	<u>340,495</u>
TOTAL SHAREHOLDERS' EQUITY	<u>347,901</u>	<u>340,495</u>
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY	<u>585,983</u>	<u>581,330</u>
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY	<u>2,037,954</u>	<u>1,790,703</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME – TAKAFUL OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>	
	<i>31 March 2016</i>	<i>31 March 2015</i>
	<i>SR'000</i>	<i>SR'000</i>
Gross contributions written	533,180	372,634
Re-takaful contributions ceded	(30,212)	(29,518)
Excess of loss	(1,974)	(2,531)
NET CONTRIBUTIONS WRITTEN	500,994	340,585
Change in unearned contributions, net	(175,911)	(123,923)
NET CONTRIBUTIONS EARNED	325,083	216,662
Policy fees and other income	1,457	231
Re-takaful commission income	4,189	1,527
TOTAL UNDERWRITING REVENUE	330,729	218,420
Gross claims paid	(248,428)	(164,536)
Re-takaful share of claims paid	7,551	4,381
NET CLAIMS PAID	(240,877)	(160,155)
Movement in outstanding claims, net	(30,334)	(15,863)
NET CLAIMS INCURRED	(271,211)	(176,018)
Inspection and supervision fees	(3,453)	(2,811)
Policy acquisition costs	(8,687)	(574)
Other expenses	(4,448)	(847)
TOTAL CLAIMS AND OTHER EXPENSES	(287,799)	(180,250)
NET UNDERWRITING SURPLUS	42,930	38,170
Other income	601	-
Investment income	2,002	786
Management fee for administration of takaful operations	(32,018)	(34,705)
Net surplus for the period	13,515	4,251
Management fee attributable to shareholders' operations	(12,165)	(3,826)
NET SURPLUS DISTRIBUTABLE TO POLICYHOLDERS	1,350	425




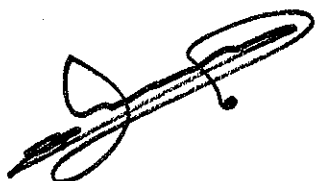


The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – TAKAFUL OPERATIONS
(UNAUDITED)

	<i>For the three month period ended</i>	
	<i>31 March 2016</i>	<i>31 March 2015</i>
	<i>SR'000</i>	<i>SR'000</i>
Net surplus distributable to policyholders	1,350	425
<u>Other comprehensive income to be reclassified subsequently to the statement of income:</u>		
Net change in fair value of available for sale investments (note 8 (i) (b))	185	(10)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,535	415

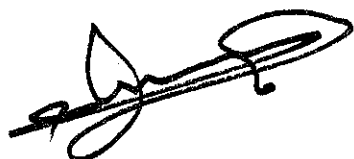


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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME – SHAREHOLDERS’ OPERATIONS (UNAUDITED)

	Note	For the three month period ended	
		31 March 2016 SR'000	31 March 2015 SR'000
REVENUE			
Management fee for administration of takaful operations		32,018	34,705
Management fee attributable to shareholders’ operations		12,165	3,826
Dividend income		654	394
Net change in fair value of investments held as Fair value through income statement	8(ii)(c)	(6,257)	1,371
Special commission income on Held to maturity investments		1,907	581
Realised gain on sale of Available for sale investments		287	241
TOTAL REVENUE		40,774	41,118
General and administrative expenses		(32,018)	(34,705)
INCOME BEFORE ZAKAT		8,756	6,413
Provision for zakat		(1,200)	(700)
NET INCOME FOR THE PERIOD		7,556	5,713
BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYALS)	11	0.19	0.20



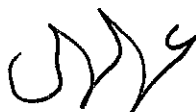
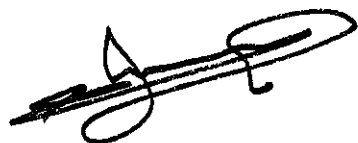


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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS'
OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>	
	<i>31 March 2016</i>	<i>31 March 2015</i>
	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	7,556	5,713
<i>Other comprehensive income to be reclassified subsequently to the statement of income:</i>		
Net change in fair value of available for sale investments (note 8 (ii) (b))	(150)	(13)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,406	5,700



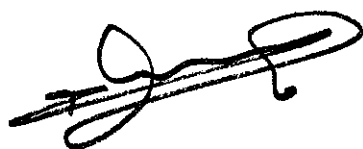
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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three month period ended 31 March 2016

	<i>Share capital</i> SR'000	<i>Accumulated losses</i> SR'000	<i>Fair value reserve for AFS investments</i> SR'000	<i>Total</i> SR'000
Balance as at 1 January 2015	200,000	(98,007)	51	102,044
Net income for the period	-	5,713	-	5,713
Other comprehensive income	-	-	(13)	(13)
Total comprehensive income / (loss) for the period	-	5,713	(13)	5,700
Balance as at 31 March 2015	<u>200,000</u>	<u>(92,294)</u>	<u>38</u>	<u>107,744</u>
Balance as at 1 January 2016	<u>400,000</u>	<u>(59,766)</u>	<u>261</u>	<u>340,495</u>
Net income for the period	-	7,556	-	7,556
Other comprehensive loss	-	-	(150)	(150)
Total comprehensive income / (loss) for the period	-	7,556	(150)	7,405
Balance as at 31 March 2016	<u>400,000</u>	<u>(52,210)</u>	<u>111</u>	<u>347,901</u>





The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS – TAKAFUL OPERATIONS (UNAUDITED)

For the three month period
ended

	31 March 2016	31 March 2015
Note	SR'000	SR'000
OPERATING ACTIVITIES		
Net surplus distributable to policyholders	1,350	425
<i>Adjustment for:</i>		
Management fee for administration of takaful operations	32,018	34,705
Management fee attributable to shareholders' operations	12,165	3,826
Allowance for doubtful receivables	(1,797)	-
Net surplus before changes in operating assets and liabilities	43,736	38,956
Changes in operating assets and liabilities:		
Due from shareholders' operations	302	(3)
Contributions and re-takaful balances receivable, net	(24,037)	(87,053)
Amount due from insurers and others	-	312
Advances, prepayments and other assets	2,119	(3,969)
Re-takaful share of outstanding claims	(7,197)	(46,802)
Re-takaful share of unearned contributions	(12,391)	(13,888)
Re-takaful share of mathematical reserve	155	(18)
Deferred policy acquisition costs	(6,942)	(10,396)
Gross outstanding claims	37,531	62,665
Payables, accruals and other liabilities	2,261	(1,376)
Mathematical reserves	1,213	566
Other reserves	117	-
Re-takaful balances payable	13,096	14,533
Gross unearned contributions	188,303	137,811
Unearned re-takaful commission income	1,099	4,251
Deposit against letters of guarantee	2,597	(2,863)
	241,962	92,726
Management fee paid	(46,740)	(41,051)
Net cash from operating activities	195,222	51,675
INVESTING ACTIVITIES		
Purchase of held to maturity investments	8(i)(a) (150,000)	-
Sale of held to maturity investments	8(i)(a) 250,000	-
Purchase of available for sale investments	8(i)(b) (175,000)	(480,000)
Sale of available for sale investments	8(i)(b) 119,732	479,708
Purchase of Unit Linked Investments	(1,562)	-
Net cash from / (used in) investing activities	43,170	(292)
INCREASE IN CASH AND CASH EQUIVALENTS	238,392	51,383
Cash and cash equivalents at the beginning of the period	174,055	318,530
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	412,447	369,913
<i>Non - cash supplemental information:</i>		
Changes in fair value of AFS investments	185	(10)

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS’ OPERATIONS
(UNAUDITED)

	<i>For the three month period ended</i>	
	<i>31 March 2016</i>	<i>31 March 2015</i>
	<i>Notes</i>	<i>SR'000</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net profit for the period	8,756	6,413
<i>Adjustments for:</i>		
Depreciation and amortisation	2,290	2,185
Management fee for administration of takaful operations	(32,018)	(34,705)
Management fee attributable to shareholders’ operations	(12,165)	(3,826)
Employees’ end of service benefits	357	1,344
Net change in fair value of investments at fair value through income statement	6,257	(1,371)
Net deficit before changes in operating assets and liabilities	(26,523)	(29,960)
Changes in operating assets and liabilities:		
Advances, prepayments and other assets	(2,379)	(1,225)
Payables, accruals and others liabilities	(3,949)	(3,768)
Due to takaful operations	(302)	3
Statutory deposit investment returns	(222)	-
Statutory deposit investment returns	222	-
	(33,153)	(34,950)
Management fee received	46,740	41,051
Employees’ end of service benefits paid	(281)	(845)
Net cash from operating activities	13,306	5,256
INVESTING ACTIVITIES		
Purchase of intangible assets, net	-	(1,933)
Purchase of property and equipment, net	(541)	366
Purchase of held to maturity investments	8(ii)(a) (215,000)	-
Sale of held to maturity investments	8(ii)(a) 150,000	-
Purchase of available for sale investments	8(ii)(b) -	(88,000)
Sale of available for sale investments	8(ii)(b) 60,714	85,340
Purchase of investments at fair value through income statement	8(ii)(c) (28,658)	(11,613)
Sale of investments at fair value through income statement	8(ii)(c) 28,659	11,613
Matured Murabaha Deposit-Receivable	39,038	-
Net cash from / (used in) investing activities	34,212	(4,226)
INCREASE IN CASH AND CASH EQUIVALENTS	47,518	1,030
Cash and cash equivalents at beginning of the period	75,707	53,428
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5 123,225	54,458
Non cash supplemental information:		
Changes in fair value of available for sale investments	(150)	(13)

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.





**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the three month period ended 31 March 2016

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Al Rajhi Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010270371 dated 5 Rajab 1430 corresponding to 28 June 2009. The address of the registered office of the Company is as follows:

Al Rajhi Company for Cooperative Insurance
P.O. Box 67791
Riyadh 11517
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance business and carry out related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 29 Dhul-Qi'dah 1430H (corresponding to 17 November 2009), the Company received its license from the Saudi Arabian Monetary Agency (SAMA) to transact cooperative insurance business in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market ("Tadawul") on 13 July 2009. The Company received product approvals from SAMA on 17 January 2010.

2 BASIS OF PREPARATION

a) Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of investments held as Available for Sale ("AFS") and at Fair Value through Income Statement ("FVIS").

b) Statement of compliance

The accompanying interim condensed financial statements for the three month period ended 31 March 2016 are prepared in accordance with IAS 34 – Interim Financial Reporting.

The accompanying 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 annual financial statements as at 31 December 2015

As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations. The physical custody of all assets related to the Takaful Operations and Shareholders' Operations are held by the Company. Assets, liabilities, revenues and expenses clearly attributable to each operation are recorded in their respective books. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

c) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial statements values are presented in Saudi Arabian Riyals rounded off to the nearest thousand (SR'000), unless otherwise indicated.

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the three month period ended 31 March 2016

3 BASIS OF PRESENTATION

The Company's by-laws require separate books to be maintained for Takaful and Shareholders' operations. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The company in accordance with the Islamic sharia provisions managing the co-operative insurance operations calculates the management fee in the below manner and pays it in full at the end the end of the fiscal year.

- The first component of the management fee is calculated based on the net contributions written for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the statement of income – shareholders' operations; and
- The other component of the management fee is determined upto 90% of the net surplus if any for the period from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

4 SIGNIFICANT ACCOUNTING POLICIES

STANDARD AND AMENDMENTS ISSUED

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015, except for the new and amended standards and interpretation made in the following which are effective for annual periods beginning on or after 1 January 2016:

Standard	Description
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to IFRSs 2012 – 2014 Cycle)
IFRS 7	Financial Instruments: Disclosures (Annual Improvements to IFRSs 2012 – 2014 Cycle)
IFRS 10	Consolidated Financial Statements (Amendments – Sale or Contribution of Assets)
IFRS 10, 12 and IAS 28	Investment Entities (Amendments - Applying the Consolidation Exception)
IFRS 11	Joint Arrangements (Amendments – Acquisitions of Interests in Joint Operations)
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 1	Presentation of Financial Statements (Amendments – Disclosure Initiative)
IAS 16	Property, Plant and Equipment (Amendments - Acceptable Methods of Depreciation)
IAS 19	Employee Benefits (Annual Improvements to IFRSs 2012 – 2014 Cycle)
IAS 27	Separate Financial Statements (Amendments – Equity Method in Separate Financial Statements)
IAS 34	Interim Financial Reporting (Annual Improvements to IFRSs 2012 – 2014 Cycle)
IAS 38	Intangible Assets (Amendments – Acceptable Methods of Amortisation)
IAS 41	Agriculture (Amendments – Bearer Plants).

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the three month period ended 31 March 2016

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The relevant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard	Description	Effective Date
IFRS 9	Financial Instruments	1-Jan-18

5 BANK BALANCES AND CASH

	31 March 2016 (Unaudited)		31 December 2015 (Audited)	
	Takaful operations (SR'000)	Shareholders' operations (SR'000)	Takaful operations (SR'000)	Shareholders' operations (SR'000)
Cash in hand and at banks	237,447	2,317	74,055	24,799
Cash in hand and at banks (statutory deposit income)	-	908	-	908
	<u>237,447</u>	<u>3,225</u>	<u>74,055</u>	<u>25,707</u>
Murabaha deposits	175,000	120,000	100,000	50,000
	<u>412,447</u>	<u>123,225</u>	<u>174,055</u>	<u>75,707</u>
Cash and cash equivalents in the statements of cash flows	412,447	123,225	174,055	75,707
Deposit against letters of guarantee (5.1)	11,950	-	14,547	-
	<u>424,397</u>	<u>123,225</u>	<u>188,602</u>	<u>75,707</u>

Murabaha deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on murabaha deposits at 31 March 2016 is 2.10% per annum.

Bank balances and murabaha deposits are placed with counterparties with investment grade credit ratings, as rated by international rating agencies.

The carrying values of murabaha deposits and bank balances approximate their fair value at the reporting date.

5.1 Deposits against letters of guarantee comprises amounts placed with a local bank against issuance of payment guarantees in favour of the Company's service providers (note 12). As these cannot be withdrawn before the end of the guarantee period, these are restricted in nature.

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6 CONTRIBUTIONS AND RE-TAKAFUL BALANCES RECEIVABLE, NET

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Due from policyholders		
- External policyholders	112,688	91,347
- Related parties (note 9(a))	201,914	194,901
Gross contributions receivable	314,602	286,248
Re-takaful balances receivable	3,104	3,827
	317,706	290,075
Allowance for doubtful receivables	(30,129)	(28,332)
	287,577	261,743

Allowance for doubtful receivables includes provision of SR 2,923 thousand (2015: SR 6,308 thousand) against receivable from related parties.

7 STATUTORY DEPOSIT

Statutory deposit amounting to SR 40 million (31 December 2015: SR 40 million) represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA.

8 INVESTMENTS

Investments are classified as set out below:

(i) **TAKAFUL OPERATIONS**

(a) **Investments Held to Maturity ("HTM")**

HTM investments amounting to SR 230 million (31 December 2015: SR 330 million) comprise Murabaha deposits with original maturities of more than three months. For fair value hierarchy, for disclosure purposes, all investments held to maturity are classified as level 3. The fair value of these investments are not materially different from their carrying values.

The movement during the year in HTM is set out below:

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
At the beginning of the year	330,000	-
Purchased during the year	150,000	330,000
Maturities during the year	(250,000)	-
	230,000	330,000

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8 INVESTMENTS (continued)

(i) TAKAFUL OPERATIONS (continued)

(b) Available for Sale Investments ("AFS")

AFS investments at the period / year end comprises investment in a commodity fund. The movement in AFS investments is set out below:

	<i>31 March 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	6,578	19,807
Purchased during the period / year	175,000	1,702,000
Sold during the period / year	(119,732)	(1,715,218)
	<u>61,846</u>	<u>6,589</u>
Net unrealised loss for the period / year	185	(11)
At the end of the period / year	<u><u>62,031</u></u>	<u><u>6,578</u></u>

The net accumulated unrealised gain amounting to SR 207 thousand (31 December 2015: SR 22 thousand) is presented within Takaful operations' surplus.

(ii) SHAREHOLDERS' OPERATIONS

(a) Investments Held to Maturity ("HTM")

HTM investments amounting to SR 255 million (31 December 2015: SR 190 million) comprise Murabaha deposits with original maturities of more than three months. For fair value hierarchy, for disclosure purposes, all investments held to maturity are classified as level 3. The fair value of these investments are not materially different from their carrying values.

The movement during the period / year in HTM is set out below:

	<i>31 March 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	190,000	108,808
Purchased during the period / year	(150,000)	250,000
Maturities during the period / year	215,000	(168,808)
At the end of the period / year	<u><u>255,000</u></u>	<u><u>190,000</u></u>

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8 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS (continued)

(b) Available for sale investments ("AFS")

AFS investments comprise investment in a commodity fund and equity investments in an unquoted company.

The movement during the period / year in AFS is set out below:

	<i>31 March 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	78,304	19,794
Purchased during the period / year	-	713,000
Sold during the period / year	(60,714)	(654,700)
	<u>17,590</u>	<u>78,094</u>
Net change in fair values during the period / year	(150)	210
	<u>17,440</u>	<u>78,304</u>

AFS investments as at 31 March 2016 includes an investment amounting to SR 1.9 million (31 December 2015: SR 1.9 million) in an unquoted company, registered in the Kingdom of Saudi Arabia. As there is no quoted price available, this investment has been valued at cost. Management is of the opinion that the fair value of this investment is not materially different from its carrying value.

(c) Investments at fair value through income statement ("FVIS")-Trading

FVIS investments comprise a portfolio of equities listed on the Saudi Arabian Stock Exchange ("Tadawul"). The movement during the period / year in investments at FVIS is set out below:

	<i>31 March 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period / year	77,314	52,004
Purchased during the period / year	28,658	83,555
Sold during the period / year	(28,659)	(45,555)
	<u>77,313</u>	<u>90,004</u>
Net change in fair values during the period / year	(6,257)	(12,690)
	<u>71,056</u>	<u>77,314</u>

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9 RELATED PARTY TRANSACTIONS AND BALANCES

a) *Transactions and balances with related parties:*

Related parties represent major shareholders, directors and key management personnel of the Company, and companies which are principally owned by the shareholders and any other entities controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

Following are the details of significant related party transactions during the periods ended 31 March 2016 and 2015 and balances as at 31 March 2016 and 31 December 2015:

Related party	Nature of transaction	Amount of transactions for the three month period ended		Balance as at	
		31 March 2016 (Unaudited) SR'000	31 March 2015 (Unaudited) SR'000	31 March 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Al Rajhi Insurance Company B.S.C.(c) (shareholder)	Reimbursement from / (expenses paid) on behalf of related party				
	a) takaful operations	2	312	(158)	(156)
	b) shareholders' operations	-	13	(13)	(13)
Al Rajhi Bank (shareholder)	Contribution - policies written	312,270	242,276	155,861	160,041
Affiliate companies	Contribution - policies written	31,462	30,404	46,053	34,860
	Contributions receivable (note 6)			201,914	194,901
Al Rajhi Bank (shareholder)	Claims incurred and notified during the period	255,879	159,945	206,592	242,721
Al Rajhi Bank (shareholder)	Bank balance (Takaful operations)			237,434	71,504
	Bank balance (Shareholders' operations)			2,192	24,673
	Bank balances			239,626	96,177

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9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	Nature of transaction	Amount of transactions for the three month period ended		Balance as at	
		31 March 2016 (Unaudited) SR'000	31 March 2015 (Unaudited) SR'000	31 March 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Al Rajhi Capital (Affiliate)	Available for sale investments managed by the affiliate				
	a) Takaful operations			62,031	6,578
	b) Shareholders' operations			15,517	76,381
				<u>77,548</u>	<u>82,959</u>
Al Rajhi Capital (Affiliate)	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	2,002	786		
	b) Shareholders' operations	287	241		
		<u>2,289</u>	<u>1,027</u>		
Al Rajhi Bank (shareholder)	Investment in shares of Al Rajhi Bank			9,919	10,039
Al Rajhi Takaful Agency (Subsidiary of shareholders)	Commissions	(3,291)	(1,447)	(262)	14
Ahmad Samer Hamdi Al Zaim (Non-executive director)	Contribution for policies written	-	8	-	7
Ceramic & Bldg. Material Int'l Trading Co. Ltd (Affiliate)	Contribution for policies written	-	55	-	-

b) Compensation of key management personnel:

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows:

	For the three month period ended	
	31 March 2016 (Unaudited) SR'000	31 March 2015 (Unaudited) SR'000
Salaries and benefits of key management personnel	1,268	1,640
Shariah committee remuneration	71	54
	<u>1,339</u>	<u>1,694</u>

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10 SEGMENTAL 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. Information disclosed below is based on current reporting to the Chief Operating Decision Maker, the CEO. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include takaful operations' bank balances and cash, due from shareholders' operations, net contributions receivable and available for sale investments. Accordingly, they are included in unallocated assets.

Segment liabilities do not include takaful operations' payables accruals and other liabilities, amounts due to related parties, management fee payable and re-takaful balances payable. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to the CEO under the related segments and are monitored on a centralised basis.

For the three month period ended 31 March 2016
(Unaudited)

Operating segments	General	Motor	Health	Protection & Saving	Total
	SR'000				
Gross contributions written	41,156	392,812	94,007	5,205	533,180
Net contributions written	13,428	389,703	93,656	4,207	500,994
Net contributions earned	5,349	261,469	53,382	4,883	325,083
Policy fee and other income	27	1,400	-	30	1,457
Re-takaful commission income	3,648	541	-	-	4,189
Total underwriting revenue	9,024	263,410	53,382	4,913	330,729
Net claims incurred	(1,393)	(229,310)	(41,307)	799	(271,211)
Inspection and supervision fees	(108)	(1,909)	(1,410)	(26)	(3,453)
Policy acquisition costs	(1,689)	(4,739)	(1,610)	(649)	(8,687)
Other expenses	(220)	(2,212)	(501)	(1,515)	(4,448)
Total claims and other expenses	(3,410)	(238,170)	(44,828)	(1,391)	(287,799)
Net underwriting surplus	5,614	25,240	8,554	3,522	42,930
Other income					601
Investment income					2,002
Management fee					(32,018)
Net result for the period					13,515

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10 SEGMENTAL INFORMATION (continued)

For the three month period ended 31 March 2015
(Unaudited)

Operating segments	General	Motor	Health	Protection & Saving	Total
	SR'000				
Gross contributions written	39,772	235,202	96,469	1,191	372,634
Net contributions written	11,692	231,736	96,244	913	340,585
Net contributions earned	(668)	168,060	48,397	873	216,662
Policy fee and other income	36	184	-	11	231
Re-takaful commission income	726	801	-	-	1,527
Total underwriting revenue	94	169,045	48,397	884	218,420
Net claims incurred	(1,876)	(139,525)	(34,449)	(169)	(176,018)
Inspection and supervision fees	(185)	(1,173)	(1,447)	(6)	(2,811)
Policy acquisition costs	335	(1,142)	522	(289)	(574)
Other expenses	-	(11)	(202)	(635)	(847)
Total claims and other expenses	(1,725)	(141,851)	(35,575)	(1,099)	(180,250)
Net underwriting surplus	(1,631)	27,194	12,822	(215)	38,170
Investment income					786
Management fee					(34,705)
Net result for the period					4,251

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10 SEGMENTAL INFORMATION (continued)

<i>Takaful operations' assets</i>	<i>As at 31 March 2016 (Unaudited)</i>				
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	<i>Total</i>
	<i>SR'000</i>				
Re-takaful share of outstanding claims	102,329	11,830	-	3,452	117,611
Re-takaful share of unearned contributions	81,406	1,798	-	960	84,164
Deferred policy acquisition costs	7,050	10,409	6,464	99	24,022
Deposit against letters of guarantee (note 5.1)	-	11,450	500	-	11,950
	<u>190,785</u>	<u>35,487</u>	<u>6,964</u>	<u>4,511</u>	<u>237,747</u>
Unallocated assets					1,214,224
Total assets					<u>1,451,971</u>
Takaful operations' liabilities					
Gross outstanding claims	108,239	243,940	41,659	4,420	398,258
Gross unearned contributions	113,938	633,764	117,694	1,229	866,625
Unearned re-takaful commission income	8,534	-	-	-	8,534
	<u>230,711</u>	<u>877,704</u>	<u>159,353</u>	<u>5,649</u>	<u>1,273,417</u>
Unallocated liabilities and surplus					178,554
Total liabilities					<u>1,451,971</u>

<i>Takaful operations' assets</i>	<i>As at 31 December 2015 (Audited)</i>				
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	<i>Total</i>
	<i>SR'000</i>				
Re-takaful share of outstanding claims	99,417	10,497	500	-	110,414
Re-takaful share of unearned contributions	70,273	1,433	-	67	71,773
Deferred policy acquisition cost	5,892	6,964	4,147	77	17,080
Deposit against letters of guarantee (note 6)	-	14,168	379	-	14,547
	<u>175,582</u>	<u>33,062</u>	<u>5,026</u>	<u>144</u>	<u>213,814</u>
Unallocated assets					995,559
Total assets					<u>1,209,373</u>
Takaful operations' liabilities					
Gross outstanding claims	103,825	209,891	45,243	1,768	360,727
Gross unearned contributions	94,726	505,165	77,419	1,012	678,322
Unearned re-takaful commission income	7,435	-	-	-	7,435
	<u>205,986</u>	<u>715,056</u>	<u>122,662</u>	<u>2,780</u>	<u>1,046,484</u>
Unallocated liabilities and surplus					162,889
Total liabilities					<u>1,209,373</u>

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11 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period has been calculated by dividing the net profit for the period by the weighted average number of outstanding shares at the period end.

The weighted average number of shares have been retrospectively adjusted for prior period to reflect the bonus element of the rights issue as required by IAS 33, "Earnings per share" as follows:

	<i>For the three month period ended</i>	
	<i>31 March 2016</i>	<i>31 March 2015</i>
	<i>SR'000</i>	<i>SR'000</i>
Issues ordinary shares as at 1 January	40,000	20,000
Effect of rights issue of shares	-	8,800
Weighted average number of shares	40,000	28,800

The weighted average number of ordinary shares for prior year is computed using an adjustment factor of 1.44, which is a ratio of the theoretical ex-right price of SR17.97 and the closing price per share of SR 26 per share on 11th April, 2015, the last day on which the shares were traded before the rights issue.

12 CONTINGENT LIABILITIES

As at 31 March 2016, the Company's bankers have issued letters of guarantee of SR 11.9 million (2015: SR 14.5 million) to various motor agencies, workshops and health service providers as per the terms of the agreements with them (note 5.1).

13 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 between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements.

Investments held-to-maturity which comprise Murabaha deposits amounting to SR 230 million (Takaful Operations') and SR 255 million (Sharholders' operations) (2015: Takaful operations' SR 330 million, Shareholders' operations' SR 190 million), earn fixed rates of income and are invested for a period exceeding 3 months. Fair value of murabaha deposits is not significantly different from carrying values as on 31st March 2016.

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 (unadjusted) market prices in active markets 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.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Level 1 SR' 000	Level 2 SR' 000	Level 3 SR' 000	Total SR' 000
<i>As at 31 March 2016</i>				
Financial investments available for sale (Takaful operations)	-	62,031	-	62,031
Financial investments available for sale (Shareholders' operations)	-	15,517	1,923	17,440
Financial assets held as FVIS (Shareholders' operations)	71,056	-	-	71,056
Total	71,056	77,548	1,923	150,527
<i>As at 31 December 2015</i>				
Financial investments available for sale (Takaful operations)	-	6,578	-	6,578
Financial investments available for sale (Shareholders' operations)	-	76,381	1,923	78,304
Financial assets held as FVIS (Shareholders' operations)	77,314	-	-	77,314
Total	77,314	82,959	1,923	162,196

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the three-month period ended 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

The fair value decrease of SR 6,257 thousand (31 March 2015: SR 1,371 thousand increase) in respect of FVIS investments was recorded in interim statement of income – shareholders' operations.

14 COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform with the current year presentation.

15 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 7 Rajab 1437H, corresponding to 14 April 2016.