
**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 AND SIX MONTH PERIODS ENDED 30 JUNE 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 AND SIX MONTH PERIODS ENDED 30 JUNE 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 30 June, 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 and six 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.

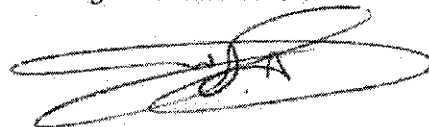
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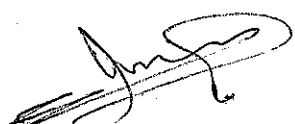



July 25, 2016 (G)
Shawwal 20, 1437 (H)


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

INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
TAKAFUL OPERATIONS' ASSETS			
Bank balances and cash	5	317,038	188,602
Due from shareholders' operations		203,349	203,259
Contributions and re-takaful balances receivable, net	6	394,979	261,743
Advances, prepayments and other assets		14,103	14,769
Re-takaful share of outstanding claims		107,520	110,414
Re-takaful share of unearned contributions		81,251	71,773
Re-takaful share of mathematical reserve		47	177
Investments held to maturity	8(i)(a)	405,000	330,000
Available for sale investments	8(i)(b)	37,614	6,578
Investment in Sukuk		25,000	-
Unit Linked Investments		8,440	4,978
Deferred policy acquisition costs		26,000	17,080
TOTAL TAKAFUL OPERATIONS' ASSETS		1,620,341	1,209,373
SHAREHOLDERS' OPERATIONS' ASSETS			
Bank balances and cash	5	48,563	75,707
Management fees receivable		49,781	46,740
Matured murabaha deposit – receivable		-	39,038
Advances, prepayments and other assets		16,924	9,451
Investments held to maturity	8(ii)(a)	305,000	190,000
Available for sale investments	8(ii)(b)	52,087	78,304
Investments at fair value through income statement	8(ii)(c)	75,137	77,314
Statutory deposit	7	40,000	40,000
Accrued income – statutory deposit		1,206	761
Intangible assets, net		14,001	15,089
Property and equipment, net		8,316	8,926
TOTAL SHAREHOLDERS' OPERATIONS' ASSETS		611,015	581,330
TOTAL ASSETS		2,231,356	1,790,703


Dr. Waleed Abdullah Al Mogbel
Member-Audit Committee


Abdulaziz Mohammed Al Sedeas
Chief Executive Officer



Robert Pereira
Chief Financial Officer

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)

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Note		
TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		
TAKAFUL OPERATIONS' LIABILITIES		
Gross outstanding claims	447,080	360,727
Management fees payable	49,781	46,740
Payables, accruals and other liabilities	53,764	45,265
Re-takaful balances payable	53,210	56,953
Unit linked liabilities	8,922	5,712
Other reserves	1,538	801
Gross unearned contributions	987,662	678,322
Unearned re-takaful commission income	7,658	7,435
	<u>1,609,615</u>	<u>1,201,955</u>
TAKAFUL OPERATIONS' SURPLUS		
Surplus distributable to policyholders	10,540	7,396
Fair value reserve for available for sale investments	186	22
	<u>1,620,341</u>	<u>1,209,373</u>
SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY		
SHAREHOLDERS' OPERATIONS' LIABILITIES		
Provision for zakat	11,291	9,368
Payables, accruals and other liabilities	14,948	17,928
Due to takaful operations	203,349	203,259
Employees' end of service benefits	9,000	8,611
Payable to SAMA	2,114	1,669
	<u>240,702</u>	<u>240,835</u>
SHAREHOLDERS' EQUITY		
Share capital	400,000	400,000
Accumulated losses	(29,876)	(59,766)
Fair value reserve for available for sale investments	189	261
	<u>370,313</u>	<u>340,495</u>
TOTAL SHAREHOLDERS' EQUITY	<u>370,313</u>	<u>340,495</u>
TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY	<u>611,015</u>	<u>581,330</u>
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY	<u>2,231,356</u>	<u>1,790,703</u>



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Member-Audit Committee



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Chief Executive Officer



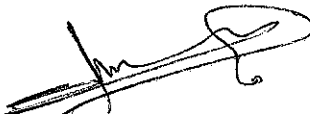
Robert Pereira
Chief Financial Officer

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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>For the six month period ended</i>	
	<i>30 June 2016</i> <i>SR'000</i>	<i>30 June 2015</i> <i>SR'000</i>	<i>30 June 2016</i> <i>SR'000</i>	<i>30 June 2015</i> <i>SR'000</i>
Gross contributions written	506,097	322,094	1,039,278	694,728
Re-takaful contributions ceded	(16,818)	(22,783)	(47,030)	(52,301)
Excess of loss	(3,697)	(827)	(5,670)	(3,358)
NET CONTRIBUTIONS WRITTEN	485,582	298,484	986,578	639,069
Change in unearned contributions, net	(123,951)	(43,867)	(299,862)	(167,790)
NET CONTRIBUTIONS EARNED	361,631	254,617	686,716	471,279
Policy fees and other income	1,735	215	3,193	446
Re-takaful commission income	2,785	3,979	6,974	5,506
TOTAL UNDERWRITING REVENUE	366,151	258,811	696,883	477,231
Gross claims paid	(250,377)	(187,536)	(498,805)	(352,072)
Re-takaful share of claims paid	5,940	1,763	13,491	6,144
NET CLAIMS PAID	(244,437)	(185,773)	(485,314)	(345,928)
Movement in outstanding claims, net	(59,054)	(10,616)	(89,388)	(26,479)
NET CLAIMS INCURRED	(303,491)	(196,389)	(574,702)	(372,407)
Inspection and supervision fees	(2,868)	(1,953)	(6,321)	(4,764)
Policy acquisition costs	(11,003)	(13,536)	(19,690)	(14,110)
Other expenses	(2,735)	(3,742)	(7,183)	(4,589)
TOTAL CLAIMS AND OTHER EXPENSES	(320,097)	(215,620)	(607,896)	(395,870)
NET UNDERWRITING SURPLUS	46,054	43,191	88,987	81,361
Other income	1,105	-	1,706	-
Investment income	4,413	1,248	6,415	2,034
Management fee for administration of takaful operations	(33,650)	(32,832)	(65,668)	(67,537)
Net surplus for the period	17,922	11,607	31,440	15,858
Management fee attributable to shareholders' operations	(16,131)	(10,446)	(28,296)	(14,272)
NET SURPLUS DISTRIBUTABLE TO POLICYHOLDERS	1,791	1,161	3,144	1,586


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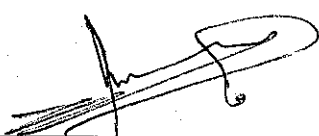

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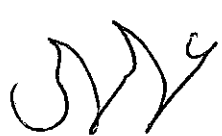
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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – TAKAFUL OPERATIONS
(UNAUDITED)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net surplus distributable to policyholders	1,791	1,161	3,144	1,586
<i>Other comprehensive income to be reclassified subsequently to the statement of income:</i>				
Net unrealised gain / (loss) for available for sale investments (note 8(i))	(21)	28	164	18
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,770	1,189	3,308	1,604


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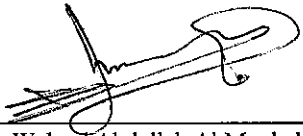

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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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INTERIM STATEMENT OF INCOME – SHAREHOLDERS’ OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE				
Management fee for administration of takaful operations	33,650	32,832	65,668	67,537
Management fee attributable to shareholders’ operations	16,131	10,446	28,296	14,272
Dividend income	1,614	1,129	2,269	1,523
Income / (loss) from investments held as fair value through income statement	4,081	3,299	(2,176)	4,670
Special commission income on held to maturity investments	2,539	587	4,446	1,168
Realised gain on sale of available for sale investments	68	293	355	534
TOTAL REVENUE	58,083	48,586	98,858	89,704
General and administrative expenses	(33,650)	(32,832)	(65,668)	(67,537)
INCOME BEFORE ZAKAT	24,433	15,754	33,190	22,167
Provision for zakat	(2,100)	(1,301)	(3,300)	(2,001)
NET INCOME FOR THE PERIOD	22,333	14,453	29,890	20,166
BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYALS)				
	10	0.55	0.38	0.75
		0.70		0.70


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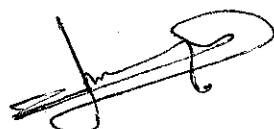

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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS'
OPERATIONS (UNAUDITED)

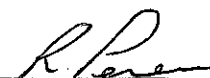
	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	22,333	14,453	29,890	20,166
<i>Other comprehensive income to be reclassified subsequently to the statement of income:</i>				
Net change in fair value of available for sale investments (note 8 (ii) (b))	78	25	(72)	14
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	22,411	14,478	29,818	20,180



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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 six month period ended 30 June 2016

	<i>Share capital</i> <i>SR'000</i>	<i>Accumulated</i> <i>losses</i> <i>SR'000</i>	<i>Fair value</i> <i>reserve for</i> <i>AFS</i> <i>investments</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Balance as at 1 January 2015	200,000	(98,007)	51	102,044
Net income for the period	200,000	20,166	-	220,166
Other comprehensive income	-	-	14	14
Total comprehensive income for the period	200,000	20,166	14	220,180
Balance as at 30 June 2015	400,000	(77,841)	65	322,224
Balance as at 1 January 2016	400,000	(59,766)	261	340,495
Net income for the period	-	29,890	-	29,890
Other comprehensive income	-	-	(72)	(72)
Total comprehensive income for the period	-	29,890	(72)	29,818
Balance as at 30 June 2016	400,000	(29,876)	189	370,313


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

INTERIM STATEMENT OF CASH FLOWS – TAKAFUL OPERATIONS (UNAUDITED)

For the six month period
ended

	30 June 2016	30 June 2015
Note	SR'000	SR'000
OPERATING ACTIVITIES		
Net surplus distributable to policyholders	3,144	1,586
<i>Adjustment for:</i>		
Management fee for administration of takaful operations	65,668	67,537
Management fee attributable to shareholders' operations	28,296	14,272
Allowance for doubtful receivables	(2,228)	2,249
Net surplus before changes in operating assets and liabilities	94,880	85,644
Changes in operating assets and liabilities:		
Due from shareholders' operations	(90)	916
Contributions and re-takaful balances receivable, net	(131,009)	(38,738)
Amount due to insurers and others	-	431
Advances, prepayments and other assets	666	(12,905)
Re-takaful share of outstanding claims	2,894	(62,213)
Re-takaful share of unearned contributions	(9,478)	(15,143)
Re-takaful share of mathematical reserve	130	
Deferred policy acquisition costs	(8,920)	(5,804)
Gross outstanding claims	86,353	88,693
Payables, accruals and other liabilities	8,499	(13,848)
Mathematical reserves	3,210	
Other reserves	737	
Re-takaful balances payable	(3,743)	10,365
Gross unearned contributions	309,341	185,430
Unearned re-takaful commission income	223	3,834
Deposit against letters of guarantee	2,597	(2,864)
	356,290	92,726
Management fee paid	(90,923)	(79,582)
Net cash provided by operating activities	265,367	144,216
INVESTING ACTIVITIES		
Purchase of Sukuk	(25,000)	-
Purchase of held to maturity investments	8(i)(a) (375,000)	-
Sale of held to maturity investments	8(i)(a) 300,000	-
Purchase of available for sale investments	8(i)(b) (313,000)	(1,030,000)
Sale of available for sale investments	8(i)(b) 282,128	1,016,814
Purchase of Unit Linked Investments	(3,462)	-
Net cash used in investing activities	(134,334)	(13,186)
INCREASE IN CASH AND CASH EQUIVALENTS	131,033	131,030
Cash and cash equivalents at the beginning of the period	174,055	318,530
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 305,088	449,560
<i>Non - cash supplemental information:</i>		
Changes in fair value of AFS investments	164	18

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

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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS’ OPERATIONS
(UNAUDITED)

	<i>For the six month period ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Income for the period before zakat	33,190	22,167
<i>Adjustments for:</i>		
Depreciation and amortisation	4,612	4,301
Management fee for administration of takaful operations	(65,668)	(67,537)
Management fee attributable to shareholders’ operations	(28,296)	(14,272)
Employees’ end of service benefits	1,205	2,546
Net loss / (gain) on investments at fair value through income statement	2,176	(4,670)
Net deficit before changes in operating assets and liabilities	(52,781)	(57,465)
Changes in operating assets and liabilities:		
Advances, prepayments and other assets	(7,473)	(8,148)
Accrued income – statutory deposit	(445)	-
Payables, accruals and others liabilities	(2,980)	(2,738)
Due to takaful operations	90	(916)
Payable to SAMA	445	-
	(63,144)	(69,267)
Management fee received	90,923	79,582
Zakat paid	(1,377)	-
Employees’ end of service benefits paid	(816)	(1,536)
Net cash provided by / (used in) operating activities	25,586	8,779
INVESTING ACTIVITIES		
Purchase of intangible assets, net	(1,490)	(3,038)
Purchase of property and equipment, net	(1,424)	(157)
Purchase of investments at fair value through income statement	8(ii)(c) (49,749)	(24,679)
Sale of investments at fair value through income statement	8(ii)(c) 49,750	24,679
Purchase of available for sale investments	8(ii)(b) (45,000)	(349,000)
Sale of available for sale investments	8(ii)(b) 71,145	331,467
Purchase of held to maturity investments	8(i)(a) (340,000)	(20,000)
Sale of held to maturity investments	8(i)(a) 225,000	-
Matured Murabaha Deposit-Receiveable	39,038	-
Investment in statutory deposit	-	(20,000)
Net cash used in investing activities	(52,730)	(60,728)
FINANCING ACTIVITIES		
Increase in capital	-	200,000
Net cash provided by financing activities	-	200,000
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,144)	148,051
Cash and cash equivalents at the beginning of the period	75,707	53,428
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	48,563	201,479
<i>Non cash supplemental information:</i>		
Changes in fair value of available for sale investments	(72)	14

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

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**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the six month period ended 30 June 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 Arabian Stock Exchange ("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 have been prepared on the historical cost basis 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

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34- "Interim Financial Reporting"

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 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 six month period ended 30 June 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 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:

Disclosure initiative (Amendments to IAS 1)

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.

Annual improvements to IFRSs 2012 – 2014

Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.

IFRS 1 – "first time adoption of IFRS": the amendment clarifies that a first time adopter is permitted, but not required, to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

IFRS 2 - "share-based payments", amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

IFRS 3 – "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations": the amendment adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 - "Financial Instruments: Disclosures", the amendment clarifies whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six month period ended 30 June 2016

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARD AND AMENDMENTS ISSUED (continued)

IFRS 8 – “operating segments” The amendments are applied retrospectively and clarifies that:

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’;

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 - "Fair value measurement" The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable)

IAS 16 – “property plant and equipment” The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 19 – “Employee Benefits” is amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 24 – “related party disclosures” – The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IAS 34 – “Interim Financial Reporting” is amended to clarify the meaning of ‘elsewhere in the interim report’ and requires a cross-reference.

IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six month period ended 30 June 2016

5 BANK BALANCES AND CASH

	30 June 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	80,088	2,655	74,055	24,799
Cash in hand and at banks (statutory deposit income)	-	908	-	908
	<u>80,088</u>	<u>3,563</u>	<u>74,055</u>	<u>25,707</u>
Murabaha deposits	225,000	45,000	100,000	50,000
	<u>225,000</u>	<u>45,000</u>	<u>100,000</u>	<u>50,000</u>
Cash and cash equivalents in the statements of cash flows	305,088	48,563	174,055	75,707
Deposits against letters of guarantee (a)	11,950	-	14,547	-
	<u>11,950</u>	<u>-</u>	<u>14,547</u>	<u>-</u>
	<u>317,038</u>	<u>48,563</u>	<u>188,602</u>	<u>75,707</u>

Murabaha deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on murabaha deposits at 30 June 2016 is 2.77% per annum (31 December 2015: 1.78% 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.

(a) Deposits against letters of guarantee comprise 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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six month period ended 30 June 2016

6 CONTRIBUTIONS RECEIVABLE, NET

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Due from policyholders		
- External policyholders	102,694	91,347
- Related parties (note 9(a))	320,655	194,901
Gross contributions receivable	423,349	286,248
Re-takaful balances receivable	2,190	3,827
	425,539	290,075
Allowance for doubtful receivables	(30,560)	(28,332)
	394,979	261,743

Allowance for doubtful receivables includes provision of SR 2,775 thousand (2015: SR 6,308 thousand) against receivable from related parties.

The movement in allowances for doubtful receivables for the year was as follows:

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period / year	28,332	15,368
Charge for the period / year	2,228	13,208
Written-off during the period / year	-	(244)
Balance	30,560	28,332

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the six month period ended 30 June 2016

8 INVESTMENTS

Investments are classified as set out below:

(i) TAKAFUL OPERATIONS

(a) Investments Held to Maturity (“HTM”)

HTM amounting to SR 405 million (31 December 2015: 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 period / year in HTM is set out below:

	<i>30 June 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	330,000	-
Purchased during the period / year	375,000	330,000
Maturities during the period / year	(300,000)	-
At the end of the period / year	<u>405,000</u>	<u>330,000</u>

(b) Available for Sale Investments (“AFS”)

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

	<i>30 June 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	313,000	1,702,000
Sold during the period / year	(282,128)	(1,715,218)
Net unrealised gain / (loss) for the period / year	37,450 164	6,589 (11)
At the end of the period / year	<u>37,614</u>	<u>6,578</u>

The net accumulated unrealised gain amounting to SR 186 thousand (31 December 2015: SR 22 thousand) is presented within Takaful operations' surplus.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the six month period ended 30 June 2016

8 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS

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

HTM amounting to SR 305 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:

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
At the beginning of the period / year	190,000	108,808
Purchased during the period / year	340,000	250,000
Maturities during the period / year	(225,000)	(168,808)
At the end of the period / year	305,000	190,000

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

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

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

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
At the beginning of the period / year	78,304	19,794
Purchased during the period / year	45,000	713,000
Sold during the period / year	(71,145)	(654,700)
Net change in fair values during the period / year	52,159 (72)	78,094 210
At the end of the period / year	52,087	78,304

AFS investments as at 30 June 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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8 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS (continued)

(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>30 June 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	49,749	83,555
Sold during the period / year	(49,750)	(45,555)
	<u>77,313</u>	<u>90,004</u>
Net change in fair values during the period / year	(2,176)	(12,690)
At the end of the period / year	<u>75,137</u>	<u>77,314</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six month period ended 30 June 2016

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 six month periods ended 30 June 2016 and 2015 and balances as at 30 June 2016 and 31 December 2015:

Related party	Nature of transaction	Amount of transactions for the six month period ended		Balance as at	
		30 June 2016 (Unaudited) SR'000	30 June 2015 (Unaudited) SR'000	30 June 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	1,867	(431)	1,711	(156)
	b) shareholders' operations	-	(13)	-	(13)
Al Rajhi Bank (shareholder)	Contribution - policies written	609,558	470,117	276,625	160,041
				276,625	160,041
Affiliates	Contribution - policies written	40,497	47,084	44,030	34,860
				44,030	34,860
	Contributions receivable (note 5)			320,655	194,901
Al Rajhi Bank (shareholder)	Claims incurred and notified during the period	496,681	344,180	242,263	242,721
Al Rajhi Bank (shareholder)	Bank balance (Takaful operations)			73,244	71,504
	Bank balance (Shareholders' operations)			2,530	24,673
	Bank balances			75,774	96,177

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the six month period ended 30 June 2016

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	Nature of transaction	Amounts of transactions for the six month period ended		Balance as at	
		30 June 2016 (Unaudited) SR'000	30 June 2015 (Unaudited) SR'000	30 June 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			37,614	6,578
	b) Shareholders' operations			50,164	76,381
				<u>87,778</u>	<u>82,959</u>
Al Rajhi Capital (Affiliate)	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	947	1,686		
	b) Shareholders' operations	356	533		
		<u>1,303</u>	<u>2,219</u>		
Al Rajhi Bank (shareholder)	Investment in shares of Al Rajhi Bank			12,198	10,039
Al Rajhi Takaful Agency (Subsidiary of shareholders)	Commissions	(4,124)	(2,155)	(806)	14
Ahmad Samer Hamdi Al Zaim (Non-executive director)	Contribution for policies written	-	8	-	-
Ceramic & Bldg. Material Int'l Trading Co. Ltd (Affiliate)	Contribution for policies written	-	139	-	-

b) Compensation of key management personnel:

Key management personnel of the Company includes 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 six month period ended	
	30 June 2016 (Unaudited) SR'000	30 June 2015 (Unaudited) SR'000
Salaries and benefits of key management personnel	2,618	3,157
Shariah committee remuneration	136	119
	<u>2,754</u>	<u>3,276</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six month period ended 30 June 2016

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 30 June 2016
(Unaudited)

<u>Operating segments</u>	<u>General</u>	<u>Motor</u>	<u>Health</u>	<u>Protection & Saving</u>	<u>Total</u>
	<u>SR'000</u>				
Gross contributions written	31,310	434,384	33,759	6,644	506,097
Net contributions written	16,837	429,536	33,708	5,501	485,582
Net contributions earned	2,253	301,407	52,501	5,470	361,631
Policy fee and other income	31	1,651	-	53	1,735
Re-takaful commission income	1,916	869	-	-	2,785
Total underwriting revenue	4,200	303,927	52,501	5,523	366,151
Net claims incurred	(816)	(259,173)	(43,452)	(50)	(303,491)
Inspection and supervision fees	(156)	(2,172)	(506)	(34)	(2,868)
Policy acquisition costs	(1,657)	(4,931)	(3,448)	(967)	(11,003)
Other expenses	(18)	(598)	82	(2,201)	(2,735)
Total claims and other expenses	(2,647)	(266,874)	(47,324)	(3,252)	(320,097)
Net underwriting (deficit) / surplus	1,553	37,053	5,177	2,271	46,054
Other Income					1,105
Investment income					4,413
Management fee					(33,650)
Net result for the period					17,922

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For the six month period ended 30 June 2016

10 SEGMENTAL INFORMATION (continued)

For the three month period ended 30 June 2015
(Unaudited)

Operating segments	For the three month period ended 30 June 2015 (Unaudited)				Total
	General	Motor	Health	Protection & Saving	
	SR'000				
Gross contributions written	32,020	246,524	41,193	2,357	322,094
Net contributions written	9,285	245,950	41,193	2,056	298,484
Net contributions earned	11,811	191,814	49,017	1,975	254,617
Policy fee and other income	46	164	-	5	215
Re-takaful commission income	3,775	24	-	180	3,979
Total underwriting revenue	15,632	192,002	49,017	2,160	258,811
Net claims incurred	(890)	(148,996)	(46,490)	(13)	(196,389)
Inspection and supervision fees	(98)	(1,225)	(618)	(12)	(1,953)
Policy acquisition costs	(5,186)	(3,444)	(4,710)	(196)	(13,536)
Other expenses	-	(143)	(2,710)	(889)	(3,742)
Total claims and other expenses	(6,174)	(153,808)	(54,528)	(1,110)	(215,620)
Net underwriting surplus	9,458	38,194	(5,511)	1,050	43,191
Investment income					1,248
Management fee					(32,832)
Net result for the period					11,607

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10 SEGMENTAL INFORMATION (continued)

<i>Operating segments</i>	<i>For the six month period ended 30 June 2016</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	
	<i>SR'000</i>				
Gross contributions written	72,467	827,196	127,766	11,849	1,039,278
Net contributions written	30,266	819,239	127,365	9,708	986,578
Net contributions earned	7,605	562,875	105,883	10,353	686,716
Policy fee and other income	58	3,051	-	84	3,193
Re-takaful commission income	5,564	1,410	-	-	6,974
Total underwriting revenue	13,227	567,336	105,883	10,437	696,883
Net claims incurred	(2,209)	(488,483)	(84,759)	749	(574,702)
Inspection and supervision fees	(265)	(4,081)	(1,916)	(59)	(6,321)
Policy acquisition costs	(3,345)	(9,670)	(5,059)	(1,616)	(19,690)
Other expenses	(238)	(2,810)	(419)	(3,716)	(7,183)
Total claims and other expenses	(6,057)	(505,044)	(92,153)	(4,642)	(607,896)
Net underwriting surplus	7,170	62,292	13,730	5,795	88,987
Other Income					1,706
Investment income					6,415
Management fee					(65,668)
Net result for the period					31,440

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six month period ended 30 June 2016

10 SEGMENTAL INFORMATION (continued)

Operating segments	For the six month period ended 30 June 2015 (Unaudited)				
	General	Motor	Health	Protection & Saving	Total
	SR'000				
Gross contributions written	71,792	481,726	137,661	3,549	694,728
Net contributions written	20,978	477,686	137,436	2,969	639,069
Net contributions earned	11,144	359,874	97,413	2,848	471,279
Policy fee and other income	82	348	-	16	446
Re-takaful commission income	4,501	825	-	180	5,506
Total underwriting revenue	15,727	361,047	97,413	3,044	477,231
Net claims incurred	(2,767)	(288,520)	(80,938)	(182)	(372,407)
Inspection and supervision fees	(283)	(2,398)	(2,065)	(18)	(4,764)
Policy acquisition costs	(4,851)	(4,586)	(4,188)	(485)	(14,110)
Other expenses	-	(153)	(2,912)	(1,524)	(4,589)
Total claims and other expenses	(7,901)	(295,657)	(90,103)	(2,209)	(395,870)
Net underwriting surplus	7,826	65,390	7,310	835	81,361
Investment income					2,034
Management fee					(67,537)
Net result for the period					15,858

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the six month period ended 30 June 2016

10 SEGMENTAL INFORMATION (continued)

<i>Takaful operations' assets</i>	<i>As at 30 June 2016 (Unaudited)</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</i>	
	<i>SR'000</i>				
Re-takaful share of outstanding claims	93,032	10,836	-	3,652	107,520
Re-takaful share of unearned contributions	76,880	3,309	-	1,062	81,251
Deferred policy acquisition costs	6,984	13,250	5,598	168	26,000
Deposit against letters of guarantee (note 5 (a))	-	11,450	500	-	11,950
	<u>176,896</u>	<u>38,845</u>	<u>6,098</u>	<u>4,882</u>	<u>226,721</u>
Unallocated assets					1,393,620
Total assets					1,620,341
Takaful operations' liabilities					
Gross outstanding claims	99,256	299,389	43,840	4,595	447,080
Gross unearned contributions	123,993	763,405	98,902	1,362	987,662
Unearned re-takaful commission income	7,658	-	-	-	7,658
	<u>230,907</u>	<u>1,062,794</u>	<u>142,742</u>	<u>5,957</u>	<u>1,442,400</u>
Unallocated liabilities and surplus					177,941
Total liabilities					1,620,341

<i>Takaful operations' assets</i>	<i>As at 31 December 2015 (Audited)</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection & Saving</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	-	244	71,950
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>321</u>	<u>213,991</u>
Unallocated assets					995,382
Total assets					1,209,373
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					1,209,373

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the six month period ended 30 June 2016

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>For the six month period ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Issues ordinary shares as at 1 January	40,000	20,000	40,000	20,000
Effect of rights issue of shares	-	17,582	-	8,840
Weighted average number of shares	40,000	37,582	40,000	28,840

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 30 June 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 (a)).

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 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 405 million (Takaful Operations') and SR 305 million (Shareholders' 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 30th June 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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
For the six month period ended 30 June 2016

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(i) TAKAFUL OPERATIONS

<i>As at 30 June 2016</i>	<i>Level 1 SR' 000</i>	<i>Level 2 SR' 000</i>	<i>Level 3 SR' 000</i>	<i>Total SR' 000</i>
Financial investments available for sale	-	37,614	-	37,614
Financial investments held to maturity	-	-	405,000	405,000
Financial investments sukuk	-	-	25,000	25,000
Total	-	37,614	430,000	467,614

<i>As at 31 December 2015</i>	<i>Level 1 SR' 000</i>	<i>Level 2 SR' 000</i>	<i>Level 3 SR' 000</i>	<i>Total SR' 000</i>
Financial investments available for sale	-	6,578	-	6,578
Financial investments held to maturity	-	-	330,000	330,000
Total	-	84,882	330,000	336,578

(ii) SHAREHOLDERS' OPERATIONS

<i>As at 30 June 2016</i>	<i>Level 1 SR' 000</i>	<i>Level 2 SR' 000</i>	<i>Level 3 SR' 000</i>	<i>Total SR' 000</i>
Financial investments available for sale	-	50,164	1,923	52,087
Financial investments held to maturity	-	-	305,000	305,000
Financial assets held as FVIS	75,137	-	-	75,137
Total	75,137	50,164	306,923	432,224

<i>As at 31 December 2015</i>	<i>Level 1 SR' 000</i>	<i>Level 2 SR' 000</i>	<i>Level 3 SR' 000</i>	<i>Total SR' 000</i>
Financial investments available for sale	-	76,381	1,923	78,034
Financial investments held to maturity	-	-	190,000	190,000
Financial assets held as FVIS	77,314	-	-	77,314
Total	77,314	76,381	191,923	345,618

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six month period ended 30 June 2016

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

The decrease in fair value of SR 2,176 thousand (30 June 2015: Increase of SR 4,670 thousand) in respect of FVIS investments was recorded in the 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 16 Shawwal 1437H, corresponding to 21 July 2016.