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**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 AND YEAR ENDED 31 DECEMBER 2016**

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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 AND YEAR ENDED 31 DECEMBER 2016

INDEX	PAGE
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT	1
INTERIM STATEMENT OF FINANCIAL POSITION	2-3
INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS	4
INTERIM STATEMENT OF COMPREHENSIVE INCOME - TAKAFUL OPERATIONS	5
INTERIM STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS	6
INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS	7
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	8
INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS	9
INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS	10
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	11-29

**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 December 31, 2016 and the related interim statements of income and comprehensive income - takaful and shareholders' operations for the three months period and year ended December 31, 2016 the related interim statement of changes in shareholders' equity and statements of cash flows - takaful and shareholders' operations for the year ended December 31, 2016 and the related notes from 1 to 15 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.

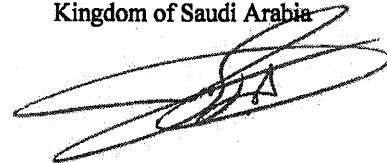
**Aldar Audit Bureau**  
Abdullah Al Basri & Co  
P. O. Box 2195  
Riyadh 11451  
Kingdom of Saudi Arabia



**Abdullah M. Al Basri**  
Certified Public Accountant  
Registration No. 171



**Dr. Mohamed Al Amri & Co.**  
P. O. Box 8736  
Riyadh 11492  
Kingdom of Saudi Arabia



**Gihad M. Al-Amri**  
Certified Public Accountant  
Registration No. 362



January 18, 2017 (G)  
Rabi Al-Thani 20, 1438 (H)

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

INTERIM STATEMENT OF FINANCIAL POSITION

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
	<i>Note</i>	
<b>TAKAFUL OPERATIONS' ASSETS</b>		
Bank balances and cash	5	388,772
Due from shareholders' operations		196,822
Contributions and re-takaful balances receivable, net	6	310,802
Advances, prepayments and other assets		22,992
Re-takaful share of outstanding claims		95,709
Re-takaful share of unearned contributions		69,666
Re-takaful share of mathematical reserve		58
Investments held to maturity	8(i)(a)	705,000
Available for sale investments	8(i)(b)	15,096
Unit linked investments		13,101
Deferred policy acquisition costs		30,366
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>1,848,384</b>
<b>SHAREHOLDERS' OPERATIONS' ASSETS</b>		
Bank balances and cash	5	85,248
Management fees receivable		169,553
Matured murabaha deposit – receivable		-
Advances, prepayments and other assets		13,333
Investments held to maturity	8(ii)(a)	180,000
Available for sale investments	8(ii)(b)	86,303
Investments at fair value through income statement	8(ii)(c)	82,047
Statutory deposit	7	40,000
Accrued income – statutory deposit		1,655
Property and equipment, net		20,005
<b>TOTAL SHAREHOLDERS' OPERATIONS' ASSETS</b>		<b>678,144</b>
<b>TOTAL ASSETS</b>		<b>2,526,528</b>



Ahmed Sulaiman Al Rajhi  
Member-Board



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.

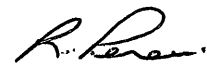
AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2016 (Unaudited) Note SR'000	31 December 2015 (Audited) SR'000
<b>TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>		
<b>TAKAFUL OPERATIONS' LIABILITIES</b>		
Gross outstanding claims	542,610	360,727
Management fees payable	169,553	46,740
Payables, accruals and other liabilities	51,891	45,265
Re-takaful balances payable	50,679	56,953
Unit linked liabilities	14,196	5,712
Other reserves	134	801
Gross unearned contributions	996,386	678,322
Unearned re-takaful commission income	6,728	7,435
	1,832,177	1,201,955
<b>TAKAFUL OPERATIONS' SURPLUS</b>		
Surplus distributable to policyholders	16,111	7,396
Fair value reserve for available for sale investments	96	22
	1,848,384	1,209,373
<b>SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' OPERATIONS' LIABILITIES</b>		
Provision for zakat and tax	18,391	9,368
Payables, accruals and other liabilities	21,133	17,928
Due to takaful operations	196,822	203,259
Employees' end of service benefits	9,871	8,611
Payable to SAMA	2,564	1,669
	248,781	240,835
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	400,000	400,000
Retained earnings / (deficit)	11,136	(59,766)
Statutory reserve	17,725	-
Fair value reserve for available for sale investments	502	261
	429,363	340,495
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>429,363</b>	<b>340,495</b>
<b>TOTAL SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>	<b>678,144</b>	<b>581,330</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' OPERATIONS' LIABILITIES AND EQUITY</b>	<b>2,526,528</b>	<b>1,790,703</b>

  
Ahmed Sulaiman Al Rajhi  
Member-Board

  
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 INCOME – TAKAFUL OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the year ended</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross contributions written	475,715	368,178	1,948,650	1,361,890
Re-takaful contributions ceded	(8,187)	(26,048)	(77,752)	(111,445)
Excess of loss	(8,222)	(15,961)	(14,545)	(22,362)
<b>NET CONTRIBUTIONS WRITTEN</b>	<b>459,306</b>	<b>326,169</b>	<b>1,856,353</b>	<b>1,228,083</b>
Change in unearned contributions, net	(17,076)	(44,307)	(320,171)	(208,689)
<b>NET CONTRIBUTIONS EARNED</b>	<b>442,230</b>	<b>281,862</b>	<b>1,536,182</b>	<b>1,019,394</b>
Policy fees and other income	1,756	584	6,589	1,131
Re-takaful commission income	2,699	5,015	12,573	15,409
<b>TOTAL UNDERWRITING REVENUE</b>	<b>446,685</b>	<b>287,461</b>	<b>1,555,344</b>	<b>1,035,934</b>
Gross claims paid	(342,884)	(236,163)	(1,128,852)	(746,905)
Re-takaful share of claims paid	9,130	19,119	40,555	31,351
<b>NET CLAIMS PAID</b>	<b>(333,754)</b>	<b>(217,044)</b>	<b>(1,088,297)</b>	<b>(715,554)</b>
Movement in outstanding claims, net	(47,358)	(7,881)	(196,588)	(75,921)
<b>NET CLAIMS INCURRED</b>	<b>(381,112)</b>	<b>(224,925)</b>	<b>(1,284,885)</b>	<b>(791,475)</b>
Inspection and supervision fees	(2,862)	(2,073)	(11,634)	(8,767)
Policy acquisition costs	(13,979)	(9,031)	(45,136)	(31,410)
Change in mathematical reserve	(3,574)	(2,000)	(8,604)	(4,440)
Other expenses	(1,113)	(6,499)	(8,333)	(15,771)
Other income	1,293	3,270	3,913	3,270
<b>TOTAL CLAIMS AND OTHER EXPENSES</b>	<b>(401,347)</b>	<b>(241,258)</b>	<b>(1,354,679)</b>	<b>(848,593)</b>
<b>NET UNDERWRITING SURPLUS</b>	<b>45,338</b>	<b>46,203</b>	<b>200,665</b>	<b>187,341</b>
Investment income	9,159	1,709	21,786	4,737
Management fee for administration of takaful operations	(36,170)	(36,182)	(135,297)	(137,450)
Net surplus for the period	18,327	11,730	87,154	54,628
Management fee attributable to shareholders' operations	(16,494)	(10,557)	(78,439)	(49,165)
<b>NET SURPLUS DISTRIBUTABLE TO POLICYHOLDERS</b>	<b>1,833</b>	<b>1,173</b>	<b>8,715</b>	<b>5,463</b>



Ahmed Sulaiman Al Rajhi  
Member-Board



Abdulaziz Mohammed Al Sedeas  
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 COMPREHENSIVE INCOME – TAKAFUL OPERATIONS  
(UNAUDITED)

	<i>For the three month period ended</i>		<i>For the year ended</i>	
	<i>31 December 2016 SR'000</i>	<i>31 December 2015 SR'000</i>	<i>31 December 2016 SR'000</i>	<i>31 December 2016 SR'000</i>
Net surplus distributable to policyholders	1,833	1,173	8,715	5,463
<b><i>Other comprehensive income to be reclassified subsequently to the statement of income:</i></b>				
Net change in fair value of available for sale investments (note 8(i))	(237)	(53)	74	(11)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,596</b>	<b>1,120</b>	<b>8,789</b>	<b>5,452</b>



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

INTERIM STATEMENT OF INCOME – SHAREHOLDERS’ OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the year ended</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>REVENUE</b>				
Management fee for administration of takaful operations	36,170	36,182	135,297	137,450
Management fee attributable to shareholders’ operations	16,494	10,557	78,439	49,165
Dividend income	266	515	3,699	2,430
Profit / (loss) from investments held as fair value through income statement	8(ii)(c) 14,988	(6,153)	4,733	(12,690)
Special commission income on held to maturity investments	2,590	702	9,614	2,332
Realised gain on sale of available for sale investments	144	154	758	1,305
Other Income	1,784	-	1,784	-
<b>TOTAL REVENUE</b>	<b>72,436</b>	<b>41,957</b>	<b>234,323</b>	<b>179,992</b>
General and administrative expenses	(36,170)	(36,182)	(135,297)	(137,450)
<b>INCOME BEFORE ZAKAT AND INCOME TAX</b>	<b>36,266</b>	<b>5,775</b>	<b>99,027</b>	<b>42,542</b>
Provision for zakat and income tax	(4,000)	(1,176)	(10,400)	(4,301)
<b>NET INCOME FOR THE PERIOD</b>	<b>32,266</b>	<b>4,599</b>	<b>88,627</b>	<b>38,241</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYALS)</b>	11 <b>0.81</b>	0.11	<b>2.22</b>	1.04



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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>For the year ended</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	32,266	4,599	88,627	38,241
<b><i>Other comprehensive income to be reclassified subsequently to the statement of income:</i></b>				
Net change in fair value of available for sale investments (note 8 (ii) (b))	296	187	241	210
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>32,562</b>	<b>4,786</b>	<b>88,868</b>	<b>38,451</b>



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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)


	<i>Share capital SR'000</i>	<i>Retained (deficit) / earnings SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Fair value reserve for AFS investments SR'000</i>	<i>Total SR'000</i>
Balance as at 1 January 2015 (Audited)	200,000	(98,007)	-	51	102,044
Issue of additional share capital	200,000	-	-	-	200,000
Net income for the period	-	38,241	-	-	38,241
Other comprehensive income	-	-	-	210	210
Total comprehensive income for the year	200,000	38,241	-	210	238,451
Balance as at 31 December 2015 (Unaudited)	<u>400,000</u>	<u>(59,766)</u>	<u>-</u>	<u>261</u>	<u>340,495</u>
Balance as at 1 January 2016 (Audited)	<u>400,000</u>	<u>(59,766)</u>	<u>-</u>	<u>261</u>	<u>340,495</u>
Net income for the period	-	88,627	-	-	88,627
Other comprehensive income	-	-	-	241	241
Total comprehensive income for the year	-	88,627	-	241	88,868
Transfer to statutory reserve	-	(17,725)	17,725	-	-
Balance as at 31 December 2016 (Unaudited)	<u>400,000</u>	<u>11,136</u>	<u>17,725</u>	<u>502</u>	<u>429,363</u>



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Chief Executive Officer



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Chief Financial Officer

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

INTERIM STATEMENT OF CASH FLOWS – TAKAFUL OPERATIONS (UNAUDITED)

	<i>For the year ended</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Net surplus distributable to policyholders	8,715	5,463
<i>Adjustment for:</i>		
Management fee for administration of takaful operations	135,297	137,450
Management fee attributable to shareholders' operations	78,439	49,165
Allowance for doubtful receivables	4,837	12,964
<b>Net surplus before changes in operating assets and liabilities</b>	<b>227,288</b>	<b>205,042</b>
Changes in operating assets and liabilities:		
Due from shareholders' operations	6,437	1,302
Contributions and re-takaful balances receivable, net	(53,896)	(151,298)
Advances, prepayments and other assets	(8,223)	(12,720)
Re-takaful share of outstanding claims	14,705	(25,170)
Re-takaful share of unearned contributions	2,107	(22,290)
Re-takaful share of mathematical reserve	119	-
Deferred policy acquisition costs	(13,286)	(6,140)
Gross outstanding claims	181,883	101,091
Payables, accruals and other liabilities	6,626	5,413
Mathematical reserves	8,484	4,610
Other reserves	(667)	801
Re-takaful balances payable	(6,274)	27,752
Gross unearned contributions	318,064	230,810
Unearned re-takaful commission income	(707)	639
Deposit against letters of guarantee	2,700	(2,742)
	<b>458,072</b>	<b>152,058</b>
Management fee paid	(90,923)	(180,926)
<b>Net cash generated by operating activities</b>	<b>594,437</b>	<b>176,174</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of held to maturity investments	8(i)(a) (1,180,000)	(330,000)
Maturity of held to maturity investments	8(i)(a) 805,000	-
Purchase of available for sale investments	8(i)(b) (566,000)	(1,702,000)
Sale of available for sale investments	8(i)(b) 557,556	1,715,218
Purchase of Unit linked Investments	(8,123)	(3,867)
<b>Net cash used in investing activities</b>	<b>(391,567)</b>	<b>(320,649)</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>202,870</b>	<b>(144,475)</b>
Cash and cash equivalents at the beginning of the period	174,055	318,530
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5 376,925</b>	<b>174,055</b>
<i>Non - cash supplemental information:</i>		
Changes in fair value of AFS investments	74	(11)

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

Ahmed Sulaiman Al Rajhi  
Member-Board

Abdulaziz Mohammed Al Sedeas  
Chief Executive Officer

Robert Pereira  
Chief Financial Officer

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

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

	<i>For the year ended</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Income for the period before zakat and income tax	99,027	42,542
<i>Adjustments for:</i>		
Depreciation and amortisation	9,179	8,714
Management fee for administration of takaful operations	(135,297)	(137,450)
Management fee attributable to shareholders’ operations	(78,439)	(49,165)
Employees’ end of service benefits	3,260	4,616
Profit / (loss) on investments at fair value through income statement	(4,733)	12,690
Net deficit before changes in operating assets and liabilities	(107,003)	(118,053)
Changes in operating assets and liabilities:		
Advances, prepayments and other assets	(3,882)	(1,974)
Accrued income – statutory deposit	(894)	-
Payables, accruals and others liabilities	3,205	8,056
Due to takaful operations	(6,437)	(1,302)
Payable to SAMA	895	-
	(114,116)	(113,273)
Management fee received	90,923	180,926
Zakat paid	(1,377)	(2)
Employees’ end of service benefits paid	(2,000)	(2,782)
<b>Net cash (used in) / generated by operating activities</b>	<b>(26,570)</b>	<b>64,869</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment, net	(5,169)	(6,060)
Purchase of held to maturity investments	8(ii)(a) (700,000)	(250,000)
Maturity of held to maturity investments	8(ii)(a) 710,000	168,808
Purchase of available for sale investments	8(ii)(b) (130,000)	(713,000)
Sale of available for sale investments	8(ii)(b) 122,242	654,700
Purchase of investments at fair value through income statement	8(ii)(c) (99,590)	(83,555)
Sale of investments at fair value through income statement	8(ii)(c) 99,590	45,555
Receipt of matured murabaha deposit – receivable	39,038	(39,038)
Investment in statutory deposit	-	(20,000)
<b>Net cash generated from / (used in) investing activities</b>	<b>36,111</b>	<b>(242,590)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in capital	-	200,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>200,000</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9,541</b>	<b>22,279</b>
Cash and cash equivalents at the beginning of the period	75,707	53,428
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>85,248</b>	<b>75,707</b>
<i>Non cash supplemental information:</i>		
Changes in fair value of available for sale investments	241	210

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

Ahmed Sulaiman Al Rajhi  
Member-Board

Abdulaziz Mohammed Al Sedeas  
Chief Executive Officer

Robert Pereira  
Chief Financial Officer

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
31 December 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)**  
31 December 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 shortly after 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"). However, the company has a surplus distribution policy recommended by its sharia council that prescribes a slightly different calculation for surplus distribution. Management will approach SAMA to conclude this matter.

**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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
31 December 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.

The following other new or amended standards are not expected to have significant impact on the financial statements and the Company has chosen not to early adopt the following standards:

IFRS 15 – Revenue from contracts with customers (effective on or after January 1, 2018)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

IFRS 16 – Leases (effective on or after January 1, 2019)

5 BANK BALANCES AND CASH

	31 December 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	226,925	(660)	74,055	24,799
Cash in hand and at banks (statutory deposit income)	-	908	-	908
	<u>226,925</u>	<u>248</u>	<u>74,055</u>	<u>25,707</u>
Murabaha deposits	150,000	85,000	100,000	50,000
	<u>376,925</u>	<u>85,248</u>	<u>174,055</u>	<u>75,707</u>
Cash and cash equivalents in the statements of cash flows	376,925	85,248	174,055	75,707
Deposits against letters of guarantee (a)	11,847	-	14,547	-
	<u>388,772</u>	<u>85,248</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 31 December 2016 is 3.14% per annum (31 December 2015: 2.42% 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.



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

6 CONTRIBUTIONS AND RE-TAKAFUL BALANCES RECEIVABLE, NET

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Due from policyholders		
- External policyholders	99,868	91,347
- Related parties (note 9(a))	235,942	194,901
<b>Gross contributions receivable</b>	<b>335,810</b>	<b>286,248</b>
Re-takaful balances receivable	8,161	3,827
	343,971	290,075
Allowance for doubtful receivables	(33,169)	(28,332)
	<b>310,802</b>	<b>261,743</b>

Allowance for doubtful receivables includes provision of SR 3,101 thousand (2015: SR 1,708 thousand) against receivable from related parties.

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

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the year	28,332	15,368
Charge for the year	4,837	13,208
Written-off during the year	-	(244)
Balance	<b>33,169</b>	<b>28,332</b>

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

**8 INVESTMENTS**

Investments are classified as set out below:

*(i) TAKAFUL OPERATIONS*

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

HTM amounting to SR 705 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 year in HTM is set out below:

	<i>31 December 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 year	330,000	-
Purchased during the year	1,180,000	330,000
Maturities during the year	(805,000)	-
	<u>705,000</u>	<u>330,000</u>
At the end of the year	<u>705,000</u>	<u>330,000</u>

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

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

	<i>31 December 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 year	6,578	19,807
Purchased during the year	566,000	1,702,000
Sold during the year	(557,556)	(1,715,218)
	<u>15,022</u>	<u>6,589</u>
Net change in fair values during the year	74	(11)
At the end of the year	<u>15,096</u>	<u>6,578</u>

The net accumulated unrealised gain amounting to SR 96 thousand (31 December 2015: SR 22 thousand) is presented within Takaful operations' surplus.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

8 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS

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

HTM amounting to SR 180 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 year in HTM is set out below:

	<i>31 December 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 year	190,000	108,808
Purchased during the year	700,000	250,000
Maturities during the year	<u>(710,000)</u>	<u>(168,808)</u>
At the end of the year	<u>180,000</u>	<u>190,000</u>

(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 year in AFS is set out below:

	<i>31 December 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 year	78,304	19,794
Purchased during the year	130,000	713,000
Sold during the year	<u>(122,242)</u>	<u>(654,700)</u>
	86,062	78,094
Net change in fair values during the year	<u>241</u>	<u>210</u>
At the end of the year	<u>86,303</u>	<u>78,304</u>

AFS investments as at 31 December 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

**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 year in investments at FVIS is set out below:

	<i>31 December 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 year	77,314	52,004
Purchased during the year	99,590	83,555
Sold during the year	(99,590)	(45,555)
	<u>77,314</u>	<u>90,004</u>
Net change in fair values during the year	4,733	(12,690)
At the end of the year	<u><u>82,047</u></u>	<u><u>77,314</u></u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 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 year ended 31 December 2016 and 2015 and balances as at 31 December 2016 and 31 December 2015:

Related party	Nature of transaction	Amount of transactions for the year ended		Balance as at	
		31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	31 December 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	748	156	592	(156)
	b) shareholders' operations	-	13	(13)	(13)
Al Rajhi Bank (shareholder)	Contribution - policies written	1,017,324	801,108	201,912	160,041
				201,912	160,041
Affiliates	Contribution - policies written	55,949	58,462	34,030	34,860
				34,030	34,860
	<b>Contributions receivable (note 6)</b>			<b>235,942</b>	<b>194,901</b>
Al Rajhi Bank (shareholder)	Claims incurred and notified during the period	876,195	729,892	242,135	214,642
Al Rajhi Bank (shareholder)	Bank balance (Takaful operations)			218,587	71,504
	Bank balance (Shareholders' operations)			(785)	24,673
	<b>Bank balances</b>			<b>217,802</b>	<b>96,177</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transactions for the year ended</i>		<i>Balance as at</i>	
		<i>31 December 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>	<i>31 December 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
Al Rajhi Capital <i>(Affiliate)</i>	Available for sale investments managed by the affiliate				
	a) Takaful operations			15,096	6,578
	b) Shareholders' operations			84,380	76,381
				<u>99,476</u>	<u>82,959</u>
Al Rajhi Capital <i>(Affiliate)</i>	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	2,444	3,296		
	b) Shareholders' operations	758	1,300		
		<u>3,202</u>	<u>4,596</u>		
Al Rajhi Capital <i>(Affiliate)</i>	Investment management fee paid to Al Rajhi Capital				
	a) Takaful operations	1,623	289		
	b) Shareholders' operations	1,484	702		
		<u>3,107</u>	<u>991</u>		
Al Rajhi Bank <i>(shareholder)</i>	Investment in shares of Al Rajhi Bank			13,011	10,039
				<u>13,011</u>	<u>10,039</u>
Al Rajhi Takaful Agency <i>(Subsidiary of shareholders)</i>	Commissions	4,806	4,072	1,093	14
		<u>4,806</u>	<u>4,072</u>	<u>1,093</u>	<u>14</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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:

	<i>For the year ended</i>	
	<i>31 December 2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>SR'000</i>
Salaries and benefits of key management personnel	5,392	6,120
Shariah committee remuneration	243	249
	<u>5,635</u>	<u>6,369</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 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, Contributions and re-takaful balances receivable, net 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.

<i>Operating segments</i>	<i>For the three month period ended 31 December 2016 (Unaudited)</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	
	<i>SR'000</i>				
<b>Gross contributions written</b>	<b>17,134</b>	<b>394,932</b>	<b>54,685</b>	<b>8,964</b>	<b>475,715</b>
<b>Net contributions written</b>	<b>10,413</b>	<b>389,749</b>	<b>51,888</b>	<b>7,256</b>	<b>459,306</b>
Net contributions earned	5,601	380,335	49,051	7,243	442,230
Policy fee and other income	22	1,693	-	41	1,756
Re-takaful commission income	2,439	260	-	-	2,699
<b>Total underwriting revenue</b>	<b>8,062</b>	<b>382,288</b>	<b>49,051</b>	<b>7,284</b>	<b>446,685</b>
Net claims incurred	1,655	(351,785)	(30,228)	(754)	(381,112)
Inspection and supervision fees	(31)	(1,966)	(820)	(45)	(2,862)
Policy acquisition costs	(1,500)	(7,458)	(3,913)	(1,108)	(13,979)
Change in mathematical reserve	-	-	-	(3,574)	(3,574)
Other expenses	675	(1,264)	(307)	(217)	(1,113)
Other income	-	1,293	-	-	1,293
<b>Total claims and other expenses</b>	<b>799</b>	<b>(361,180)</b>	<b>(35,268)</b>	<b>(5,698)</b>	<b>(401,347)</b>
<b>Net underwriting (deficit) / surplus</b>	<b>8,861</b>	<b>21,108</b>	<b>13,783</b>	<b>1,586</b>	<b>45,338</b>
Investment income					9,159
Management fee for administration of takaful operations					(36,170)
<b>Net result for the period</b>					<b>18,327</b>



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

10 SEGMENTAL INFORMATION (continued)

<i>Operating segments</i>	<i>For the three month period ended 31 December 2015</i>				
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	<i>Total</i>
	<i>SR'000</i>				
Gross contributions written	34,116	292,607	35,012	6,443	368,178
Net contributions written	8,772	281,121	29,791	6,485	326,169
Net contributions earned	4,388	222,751	48,848	5,875	281,862
Policy fee and other income	23	526	-	35	584
Re-takaful commission income	4,573	442	-	-	5,015
Total underwriting revenue	8,984	223,719	48,848	5,910	287,461
Net claims incurred	(202)	(194,186)	(28,969)	(1,568)	(224,925)
Inspection and supervision fees	(65)	(1,451)	(525)	(32)	(2,073)
Policy acquisition costs	(1,074)	(3,985)	(3,705)	(267)	(9,031)
Change in mathematical reserve	-	-	-	(2,000)	(2,000)
Other expenses	(4,068)	-	(2,282)	(149)	(6,499)
Other income	-	2,893	377	-	3,270
Total claims and other expenses	(5,409)	(196,729)	(35,104)	(4,016)	(241,258)
Net underwriting surplus	3,575	26,990	13,744	1,894	46,203
Investment income					1,709
Management fee for administration of takaful operations					(36,182)
Net result for the period					11,730

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

10 SEGMENTAL INFORMATION (continued)

<i>Operating segments</i>	<i>For the year ended 31 December 2016 (Unaudited)</i>				
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	<i>Total</i>
	<i>SR'000</i>				
<b>Gross contributions written</b>	<b>120,140</b>	<b>1,583,626</b>	<b>216,936</b>	<b>27,948</b>	<b>1,948,650</b>
<b>Net contributions written</b>	<b>52,192</b>	<b>1,567,402</b>	<b>215,073</b>	<b>21,686</b>	<b>1,856,353</b>
Net contributions earned	16,515	1,290,897	206,454	22,316	1,536,182
Policy fee and other income	103	6,279	-	207	6,589
Re-takaful commission income	10,501	2,072	-	-	12,573
<b>Total underwriting revenue</b>	<b>27,119</b>	<b>1,299,248</b>	<b>206,454</b>	<b>22,523</b>	<b>1,555,344</b>
Net claims incurred	(1,503)	(1,126,796)	(155,853)	(733)	(1,284,885)
Inspection and supervision fees	(402)	(7,838)	(3,255)	(139)	(11,634)
Policy acquisition costs	(6,637)	(22,775)	(12,205)	(3,519)	(45,136)
Change in mathematical reserve	-	-	-	(8,604)	(8,604)
Other expenses	(477)	(5,960)	(865)	(1,031)	(8,333)
Other income	-	3,913	-	-	3,913
<b>Total claims and other expenses</b>	<b>(9,019)</b>	<b>(1,159,456)</b>	<b>(172,178)</b>	<b>(14,026)</b>	<b>(1,354,679)</b>
<b>Net underwriting surplus</b>	<b>18,100</b>	<b>139,792</b>	<b>34,276</b>	<b>8,497</b>	<b>200,665</b>
Other income					
Investment income					21,786
Management fee for administration of takaful operations					(135,297)
<b>Net result for the period</b>					<b>87,154</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

10 SEGMENTAL INFORMATION (continued)

<i>Operating segments</i>	<i>For the year ended 31 December 2015</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	
	<i>SR'000</i>				
Gross contributions written	146,209	986,920	216,156	12,605	1,361,890
Net contributions written	37,538	968,949	210,010	11,586	1,228,083
Net contributions earned	20,743	791,003	196,901	10,747	1,019,394
Policy fee and other income	134	938	-	59	1,131
Re-takaful commission income	13,839	1,390	-	180	15,409
Total underwriting revenue	34,716	793,331	196,901	10,986	1,035,934
Net claims incurred	(3,948)	(643,412)	(142,292)	(1,823)	(791,475)
Inspection and supervision fees	(550)	(4,912)	(3,242)	(63)	(8,767)
Policy acquisition costs	(9,053)	(10,599)	(10,814)	(944)	(31,410)
Change in mathematical reserve	-	-	-	(4,440)	(4,440)
Other expenses	(4,980)	(3,190)	(7,295)	(306)	(15,771)
Other income	-	2,893	377	-	3,270
Total claims and other expenses	(18,531)	(659,220)	(163,266)	(7,576)	(848,593)
Net underwriting surplus	16,185	134,111	33,635	3,410	187,341
Investment income					4,737
Management fee for administration of takaful operations					(137,450)
Net result for the period					54,628

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

10 SEGMENTAL INFORMATION (continued)

<i>Takaful operations' assets</i>	<i>As at 31 December 2016 (Unaudited)</i>				<i>Total</i>
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Protection &amp; Saving</i>	
	<i>SR'000</i>				
Re-takaful share of outstanding claims	82,606	7,411	-	5,692	95,709
Re-takaful share of unearned contributions	66,287	2,000	-	1,379	69,666
Deferred policy acquisition costs	9,415	15,433	5,296	222	30,366
Deposit against letters of guarantee (note 5 (a))	18	10,692	1,133	4	11,847
	<u>158,326</u>	<u>35,536</u>	<u>6,429</u>	<u>7,297</u>	<u>207,588</u>
Unallocated assets					1,640,796
<b>Total assets</b>					<b>1,848,384</b>
<b>Takaful operations' liabilities</b>					
Gross outstanding claims	87,754	409,854	37,550	7,452	542,610
Gross unearned contributions	126,417	782,236	86,038	1,695	996,386
Unearned re-takaful commission income	6,728	-	-	-	6,728
	<u>220,899</u>	<u>1,192,090</u>	<u>123,588</u>	<u>9,147</u>	<u>1,545,724</u>
Unallocated liabilities and surplus					302,660
<b>Total liabilities</b>					<b>1,848,384</b>

<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 &amp; 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	-	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
<b>Total assets</b>					<b>1,209,373</b>
<b>Takaful operations' liabilities</b>					
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
<b>Total liabilities</b>					<b>1,209,373</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 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 year ended</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 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	40,000	40,000	20,000
Adjusted rights issue	-	-	-	16,625
Weighted average number of shares	40,000	40,000	40,000	36,625

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 December 2016, the Company's bankers have issued letters of guarantee of SR 11.8 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 705 million (Takaful Operations') and SR 180 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 31<sup>st</sup> December 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
31 December 2016

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(i) TAKAFUL OPERATIONS

<i>As at 31 December 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	-	15,096	-	15,096
Financial investments held to maturity	-	-	705,000	705,000
<b>Total</b>	<b>-</b>	<b>15,096</b>	<b>705,000</b>	<b>720,096</b>

<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
<b>Total</b>	<b>-</b>	<b>6,578</b>	<b>330,000</b>	<b>336,578</b>

(ii) SHAREHOLDERS' OPERATIONS

<i>As at 31 December 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	-	84,380	1,923	86,303
Financial investments held to maturity	-	-	180,000	180,000
Financial assets held as FVIS	82,047	-	-	82,047
<b>Total</b>	<b>82,047</b>	<b>84,380</b>	<b>181,923</b>	<b>348,350</b>

<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	78,304
Financial investments held to maturity	-	-	190,000	190,000
Financial assets held as FVIS	77,314	-	-	77,314
<b>Total</b>	<b>77,314</b>	<b>76,381</b>	<b>191,923</b>	<b>345,618</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
31 December 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 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

The increase in fair value of SR 4,733 thousand (31 December 2015: Decrease of SR 12,690 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 18 Rabi'ul-Akhir 1438H, corresponding to 16 January 2017.