

**AL-AHLEIA INSURANCE COMPANY S.A.K.P.
AND ITS SUBSIDIARY**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2017 (UNAUDITED)



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiary (collectively "the Group") as at 30 June 2017, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statements of cash flows and changes in equity for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
(AL AIBAN AL OSAIMI & PARTNERS)

10 August 2017
Kuwait

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 June 2017 (UNAUDITED)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 KD	2016 KD	2017 KD	2016 KD
Revenues:					
Gross premiums written		14,286,945	13,951,762	47,029,317	42,141,787
Premiums ceded to reinsurers		(4,278,081)	(6,048,609)	(11,159,453)	(14,275,203)
Net premiums written		10,008,864	7,903,153	35,869,864	27,866,584
Movement in unearned premiums		(885,872)	2,525,047	(8,350,574)	(4,692,975)
Net premiums earned		9,122,992	10,428,200	27,519,290	23,173,609
Commission income on ceded reinsurance		2,450,652	2,077,631	4,327,784	4,902,404
Policy issuance fees		119,839	157,341	261,482	329,851
Net investment income	5	1,521,409	1,195,767	3,193,975	2,781,243
Rental income from investment properties		160,433	168,651	328,680	328,065
Other income		187,948	18,499	312,103	34,146
Total revenues		13,563,273	14,046,089	35,943,314	31,549,318
Expenses:					
Net claims incurred		(760,032)	(6,944,319)	(16,020,635)	(15,044,973)
Commissions and premiums' acquisition costs		(2,653,482)	(2,346,705)	(4,632,663)	(5,758,885)
Movement in life mathematical reserve		(5,670,000)	(234,000)	(5,980,000)	(495,000)
Maturity and cancellation of life insurance Policies		(88,491)	(24,434)	(156,562)	(94,565)
Investment property expenses		(18,601)	(14,372)	(39,117)	(38,552)
Administrative expenses		(1,870,124)	(1,765,601)	(3,351,988)	(3,456,242)
Impairment loss on financial assets available for sale	6	(165,732)	(324,567)	(274,466)	(747,757)
Impairment loss on investment in associates		(200,000)	-	(200,000)	-
Impairment loss on receivables		(100,000)	-	(200,000)	-
Total expenses		(11,526,462)	(11,653,998)	(30,855,431)	(25,635,974)
Profit before share of associates income		2,036,811	2,392,091	5,087,883	5,913,344
Share of results of associates		49,446	80,187	74,941	142,239
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		2,086,257	2,472,278	5,162,824	6,055,583
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(15,573)	(22,025)	(43,022)	(50,344)
National Labour Support Tax (NLST)		(51,888)	(64,700)	(123,155)	(138,602)
Zakat		(22,773)	(25,880)	(51,321)	(55,441)
PROFIT FOR THE PERIOD		1,996,023	2,359,673	4,945,326	5,811,196
Attributable to:					
Equity holders of the Parent Company		1,918,375	2,349,277	4,801,550	5,723,519
Non-controlling interests		77,648	10,396	143,776	87,677
		1,996,023	2,359,673	4,945,326	5,811,196
BASIC AND DILUTED EARNINGS PER SHARE	3	9.76 fils	11.96 fils	24.44 fils	29.15 fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017 (UNAUDITED)

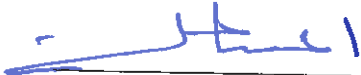
	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 KD	2016 KD	2017 KD	2016 KD
Profit for the period		1,996,023	2,359,673	4,945,326	5,811,196
Other comprehensive income (loss):					
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>					
- Foreign currency translation adjustments		(76,955)	(152,305)	(135,503)	(146,909)
- Net unrealised gain (loss) of financial assets available for sale		(1,552,873)	(1,377,351)	1,411,890	(4,821,897)
- Gain on sale of financial assets available for sale	5	(107,092)	(263,419)	(484,834)	(493,320)
- Impairment loss on financial assets available for sale	6	165,732	324,567	274,466	747,757
- Share of other comprehensive (loss) income of associates		(5,026)	(1,242)	(5,839)	12,918
Other comprehensive (loss) income for the period		(1,576,214)	(1,469,750)	1,060,180	(4,701,451)
Total comprehensive income for the period		419,809	889,923	6,005,506	1,109,745
Attributable to:					
Equity holders of the Parent Company		346,546	895,338	5,843,485	1,043,006
Non-controlling interests		73,263	(5,415)	162,021	66,739
		419,809	889,923	6,005,506	1,109,745

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017 (UNAUDITED)

		30 June 2017	(Audited) 31 December 2016	30 June 2016
	Notes	KD	KD	KD
ASSETS				
Property and equipment		3,992,236	4,083,569	4,157,385
Investment properties		12,758,777	12,759,892	13,312,023
Investment in associates		6,274,015	6,471,015	6,372,206
Financial assets held to maturity		19,666,000	20,885,437	19,841,256
Loans secured by life insurance policyholders		216,729	213,892	191,204
Financial assets available for sale		79,600,852	82,060,435	80,905,513
Receivables arising from reinsurance contracts and premium accruals	6	22,781,162	20,056,639	28,382,318
Reinsurance recoverable on outstanding claims		37,503,876	34,693,787	31,418,893
Premiums and insurance balances receivable		18,674,273	13,639,975	14,453,632
Accounts receivable and other debit balances		8,565,824	6,101,651	8,038,253
Term deposits	4	48,501,770	45,332,920	43,715,159
Bank balances and cash	4	6,012,170	4,164,097	3,614,946
TOTAL ASSETS		264,547,684	250,463,309	254,402,788
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent Company				
Share capital		20,000,000	20,000,000	20,000,000
Statutory reserve	7	20,000,000	20,000,000	20,000,000
General reserve		20,000,000	20,000,000	20,000,000
Special voluntary reserve		12,000,000	12,000,000	11,000,000
Treasury shares	8	(1,268,339)	(1,322,565)	(1,322,430)
Treasury shares reserve	9	1,474,675	1,458,169	1,458,169
Cumulative changes in fair values reserve		11,559,176	10,387,171	7,283,425
Foreign currency translation reserve		398,414	528,484	312,398
Retained earnings		18,755,520	20,829,322	18,506,101
Other reserve		80,584	62,528	6,806
Equity attributable to equity holders of the Parent Company		103,000,030	103,943,109	97,244,469
Non-controlling interests		3,478,875	3,338,802	3,395,289
Total equity		106,478,905	107,281,911	100,639,758
Liabilities				
Technical reserves arising from insurance and reinsurance contracts:				
Outstanding claims reserve		85,096,960	76,996,335	75,237,752
Unearned premiums reserve		24,213,958	15,863,384	25,356,183
Life mathematical reserve		11,330,000	5,350,000	5,477,000
Incurred but not reported reserve		12,232,296	12,120,967	13,369,768
Total technical reserves arising from insurance and reinsurance contracts		132,873,214	110,330,686	119,440,703
Bank overdraft		9,006,742	12,708,740	14,804,147
Insurance and reinsurance payables	4	9,262,164	12,252,775	12,524,109
Accounts payable and other credit balances		6,926,659	7,826,682	6,994,071
Premiums received in advance		-	62,515	-
Total liabilities		158,068,779	143,181,398	153,763,030
TOTAL EQUITY AND LIABILITIES		264,547,684	250,463,309	254,402,788

Ayman Abdullatif Al-Shayea
Chairman


Emad Mohamed Al-Bahar
Vice Chairman

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2017 (UNAUDITED)

	Notes	Six months ended 30 June	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		5,162,824	6,055,583
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		114,260	116,696
Share of results of associates		(74,941)	(142,239)
Rental income from investment properties		(328,680)	(328,065)
Gain on sale of financial assets available for sale	5	(484,834)	(493,320)
Impairment loss on financial assets available for sale	6	274,466	747,757
Interest income on bonds and term deposits	5	(1,214,896)	(788,805)
Dividend income	5	(1,390,521)	(1,370,570)
Income from funds	5	(103,724)	(128,548)
Impairment loss on investment in associates		200,000	-
Impairment loss on receivables		200,000	-
Interest expense		152,931	142,097
Provision for employees' end of service benefits		468,109	317,655
Loss on sale of property and equipment		510	1,843
		<u>2,975,504</u>	<u>4,130,084</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(2,715,592)	(3,652,908)
Reinsurance recoverable on outstanding claims		(2,805,929)	194,489
Premiums and insurance balances receivable		(5,234,298)	(3,733,967)
Accounts receivable and other debit balances		(2,388,274)	(536,615)
Net change in insurance and reinsurance contract liabilities		22,441,146	8,648,000
Insurance and reinsurance payables		(2,990,611)	1,096,104
Accounts payable and other credit balances		(1,217,078)	(1,487,553)
Premiums received in advance		(62,515)	(87,780)
		<u>8,002,353</u>	<u>4,569,854</u>
Cash flows from operations		<u>8,002,353</u>	<u>4,569,854</u>
Employees' end of service benefits paid		(68,706)	(778,526)
		<u>7,933,647</u>	<u>3,791,328</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(32,381)	(27,860)
Proceeds from sale of property and equipment		6,517	-
Purchase of financial assets available for sale		(3,717,262)	(3,500,532)
Proceeds from sale of financial assets available for sale		7,588,735	4,764,653
Purchase of partial non-controlling interest's shares		(3,892)	(14,313)
Purchase of financial assets held to maturity		-	(13,500,000)
Proceeds from redemption of financial assets held to maturity		1,219,437	1,137,395
Net movement in loans secured by life insurance policyholders		(2,837)	(93,717)
Term deposits		(3,050,606)	3,870,275
Dividends received		1,386,222	1,343,575
Interest income received		1,148,572	562,401
Rental income received		328,680	328,065
Income received from funds		103,724	128,548
		<u>4,974,909</u>	<u>(5,001,510)</u>
Net cash flows from (used in) investing activities			
FINANCING ACTIVITIES			
Dividends paid		(7,175,198)	(6,555,695)
Sale of treasury shares		70,732	91,662
Interest expense paid		(152,931)	(142,097)
		<u>(7,257,397)</u>	<u>(6,606,130)</u>
Net cash flows used in financing activities			
Foreign currency translation adjustment		17,156	53,936
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period	4	(8,477,326)	(3,104,248)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	4	<u>(2,809,011)</u>	<u>(10,866,624)</u>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2017 (UNAUDITED)

	Share capital KD	Statutory reserve KD	General reserve KD	Special voluntary reserve KD	Treasury Shares KD	Treasury shares reserve KD	Cumulative changes in fair values reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Other reserve KD	Subtotal KD	Non controlling interests KD	Total equity KD
Balance at 1 January 2017 (Audited)	20,000,000	20,000,000	20,000,000	12,000,000	(1,322,565)	1,458,169	10,387,171	528,484	20,829,322	62,528	103,943,109	3,338,802	107,281,911
Profit for the period	-	-	-	-	-	-	-	-	4,801,550	-	4,801,550	143,776	4,945,326
Other comprehensive income (loss)	-	-	-	-	-	-	1,172,005	(130,070)	-	-	1,041,935	18,245	1,060,180
Total comprehensive (loss) income for the period	-	-	-	-	-	-	1,172,005	(130,070)	4,801,550	-	5,843,485	162,021	6,005,506
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,875,352)	-	(6,875,352)	-	(6,875,352)
Sale of treasury shares	-	-	-	-	54,226	16,506	-	-	-	-	70,732	-	70,732
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	18,056	18,056	(21,948)	(3,892)
Balance at 30 June 2017	20,000,000	20,000,000	20,000,000	12,000,000	(1,268,339)	1,474,675	11,559,176	398,414	18,755,520	80,584	103,000,030	3,478,875	106,478,905
Balance at 1 January 2016 (Audited)	20,000,000	20,000,000	20,000,000	11,000,000	(1,394,366)	1,438,443	11,827,152	449,184	19,657,245	-	102,977,658	3,473,569	106,451,227
Profit for the period	-	-	-	-	-	-	-	-	5,723,519	-	5,723,519	87,677	5,811,196
Other comprehensive loss	-	-	-	-	-	-	(4,543,727)	(136,786)	-	-	(4,680,513)	(20,938)	(4,701,451)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(4,543,727)	(136,786)	5,723,519	-	1,043,006	66,739	1,109,745
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,874,663)	-	(6,874,663)	-	(6,874,663)
Sale of treasury shares	-	-	-	-	71,936	19,726	-	-	-	-	91,662	-	91,662
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	6,806	6,806	(21,119)	(14,313)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(123,900)	(123,900)
Balance at 30 June 2016	20,000,000	20,000,000	20,000,000	11,000,000	(1,322,430)	1,458,169	7,283,425	312,398	18,506,101	6,806	97,244,469	3,395,289	100,639,758

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2017 (UNAUDITED)

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the Parent Company's Articles of Association. The Parent Company's registered head office address is at P. O. Box 1602, Safat 13017, Kuwait.

The interim condensed consolidated financial information of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiary – Kuwait Reinsurance Company K.S.C.P. (collectively "the Group") for the six months period ended 30 June 2017 were authorised for issuance by the Board of Directors on 10 August 2017.

The financial statements of the Parent Company for the year ended 31 December 2016 were approved by the shareholders at the Annual General Meeting held on 11 April 2017.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016 except for the adoption of the amendments and annual improvements to International Financial Reporting Standards ("IFRS"), relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars which is the functional currency of the Group.

Further, certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications were made in order to more appropriately present certain items of interim condensed consolidated statement of financial position, interim condensed consolidated statement of income and interim condensed consolidated cash flow statement. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the period, nor materially affect the interim condensed consolidated cash flow statement. The reclassifications are not material to the interim condensed consolidated financial information.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. Further, operating results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period (excluding treasury shares).

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period attributable to equity holders of the Parent Company	1,918,375	2,349,277	4,801,550	5,723,519
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	196,516,556	196,420,140	196,472,839	196,366,602
Basic and diluted earnings per share	9.76 fils	11.96 fils	24.44 fils	29.15 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2017 (UNAUDITED)

4 CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>
Bank balances and cash	6,012,170	4,164,097	3,614,946
Term deposits	48,501,770	45,332,920	43,715,159
	<u>54,513,940</u>	<u>49,497,017</u>	<u>47,330,105</u>
Less:			
Term deposits with original maturities of more than three months	(48,316,209)	(45,265,603)	(43,392,582)
Bank overdraft	(9,006,742)	(12,708,740)	(14,804,147)
Cash and cash equivalents	<u>(2,809,011)</u>	<u>(8,477,326)</u>	<u>(10,866,624)</u>

Term deposits amounting to KD 5,391,736 (31 December 2016: KD 5,380,856 and 30 June 2016: KD 5,370,356) are held as security against letter of credit granted by banks. Bank balances and deposit amounting to KD 1,874,603 (31 December 2016: KD 1,874,603 and 30 June 2016: KD 1,874,603) have been pledged against initial legal case verdict, which was appealed by the Group.

5 NET INVESTMENT INCOME

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Gain on sale of financial assets available for sale	107,092	263,419	484,834	493,320
Interest income on bonds and term deposits	628,737	447,667	1,214,896	788,805
Dividend income	730,016	427,329	1,390,521	1,370,570
Income from funds	55,564	57,352	103,724	128,548
	<u>1,521,409</u>	<u>1,195,767</u>	<u>3,193,975</u>	<u>2,781,243</u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>
<i>Local equity securities:</i>			
Quoted	25,220,869	26,358,882	22,826,651
Unquoted	6,969,748	7,291,137	8,022,987
	<u>32,190,617</u>	<u>33,650,019</u>	<u>30,849,638</u>
<i>Foreign equity securities:</i>			
Quoted	4,358,929	4,280,472	3,535,866
Unquoted	19,484,230	18,918,237	19,032,605
	<u>23,843,159</u>	<u>23,198,709</u>	<u>22,568,471</u>
Unquoted managed funds	22,924,558	24,556,509	26,469,181
Bonds	642,518	655,198	1,018,223
	<u>23,567,076</u>	<u>25,211,707</u>	<u>27,487,404</u>
	<u>79,600,852</u>	<u>82,060,435</u>	<u>80,905,513</u>

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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6 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 30 June 2017, the management has performed a review of its financial assets available for sale to assess whether any impairment has occurred in their value. Accordingly, an impairment loss of KD 274,466 (31 December 2016: KD 1,907,757 and 30 June 2016: KD 747,757) has been recorded in the interim condensed consolidated statement of income.

7 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 200,000,000 shares of 100 fils each (31 December 2016: 200,000,000 and 30 June 2016: 200,000,000 shares).

On 11 April 2017, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the payment of cash dividends of 35 fils per share for the year ended 31 December 2016, amounting to KD 6,875,352 (2015: 35 fils per share amounting to KD 6,874,663) and the Parent Company's board of directors' fees of KD 421,321 (2015: KD 454,000).

8 SPECIAL VOLUNTARY RESERVE

On 11 April 2017, the Ordinary Annual General Assembly of the Parent Company's shareholders approved to transfer an amount of KD 1,000,000 from the profit of the year ended 31 December 2016 to the special voluntary reserve which has been resolved by the Parent Company's board of directors on 7 March 2017.

9 TREASURY SHARES

	<i>30 June</i> <i>2017</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i>	<i>30 June</i> <i>2016</i>
Number of treasury shares	<u>3,424,937</u>	<u>3,571,364</u>	<u>3,571,069</u>
Percentage of issued shares (%)	<u>1.71</u>	<u>1.79</u>	<u>1.79</u>
Market value (KD)	<u>1,643,970</u>	<u>1,624,971</u>	<u>1,660,547</u>

An amount of KD 1,268,339 (31 December 2016: KD 1,322,565 and 30 June 2016: KD 1,322,430 equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the period ended 30 June 2017 is 484 fils per share (31 December 2016: 447 fils per share and 30 June 2016: 472 fils per share).

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2017, the Group had future capital commitments with respect to financial assets available for sale of KD 4,540,519 (31 December 2016: KD 5,161,430 and 30 June 2016: KD 6,045,892) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 3,495,690 (31 December 2016: KD 3,666,762 and 30 June 2016: KD 4,135,873) from which it is anticipated that no material liabilities will arise.

11 RELATED PARTY TRANSACTIONS

Related parties represent i.e, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and the board of directors.

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11 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

Six months period ended 30 June 2017	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Gross premiums	7,193	590,110	824,090	108,978	1,530,371
Claims incurred	(280)	225,463	318,487	17,085	560,755

Six months period ended 30 June 2016	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Gross premiums	171,917	597,803	1,775,368	128,428	2,673,516
Claims incurred	-	83,120	313,534	110,453	507,107

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

30 June 2017	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premiums and insurance balances receivable	23,507	672,482	4,268,450	344,505	5,308,944
Other credit balances	-	-	28,746	6,598	35,344

31 December 2016 (Audited)	Key Management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premiums and insurance balances receivable	20,621	427,510	4,679,745	355,510	5,483,386
Other credit balances	2,761	-	139,591	2,271	144,623

30 June 2016	Key Management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premiums and insurance balances receivable	16,542	689,632	4,877,615	641,942	6,225,731
Other credit balances	-	-	56,848	-	56,848

Key management personnel compensation:

	Three months ended 30 June		Six months ended 30 June	
	2017 KD	2016 KD	2017 KD	2016 KD
Salaries and other short term benefits	209,183	187,736	392,909	386,425
Employees' end of service benefits	197,386	147,060	241,214	214,990
	<u>406,569</u>	<u>334,796</u>	<u>634,123</u>	<u>601,415</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2017 (UNAUDITED)

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, loans secured by life insurance policyholders, premiums and insurance balances receivable, reinsurance recoverable on outstanding claims, accounts receivables and other debit balances, term deposits and bank balances and cash. Financial liabilities consist of insurance and reinsurance payables and accounts payables and other credit balances.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The fair values of financial instruments (financial assets and financial liabilities), with the exception of certain financial assets available for sale carried at cost amounting to KD 18,523,239 (31 December 2016: KD 18,633,300 and 30 June 2016: KD 19,449,662) are not materially different from their carrying values.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair value KD</i>
30 June 2017			
<i>Financial assets available for sale:</i>			
Quoted	29,579,798	-	29,579,798
Unquoted equity securities	-	11,821,886	11,821,886
Unquoted managed funds	-	19,675,929	19,675,929
Total	29,579,798	31,497,815	61,077,613
31 December 2016 (Audited)			
<i>Financial assets available for sale:</i>			
Quoted	30,639,354	-	30,639,354
Unquoted equity securities	-	12,021,728	12,021,728
Unquoted managed funds	-	20,766,053	20,766,053
Total	30,639,354	32,787,781	63,427,135
30 June 2016			
<i>Financial assets available for sale:</i>			
Quoted	26,362,517	-	26,362,517
Unquoted equity securities	-	12,513,148	12,513,148
Unquoted managed funds	-	22,580,186	22,580,186
Total	26,362,517	35,093,334	61,455,851

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As at 30 June 2017 (UNAUDITED)

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets which are recorded at fair value.

	<i>At the beginning of the period KD</i>	<i>Net results recorded in the interim consolidated statement of comprehensive income KD</i>	<i>Net results recorded in the interim consolidated statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>At the end of the period KD</i>
30 June 2017					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	12,021,728	(199,842)	-	-	11,821,886
Unquoted managed funds	20,766,053	12,585	230,242	(1,332,951)	19,675,929
	<u>32,787,781</u>	<u>(187,257)</u>	<u>230,242</u>	<u>(1,332,951)</u>	<u>31,497,815</u>
31 December 2016 (Audited)					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	16,054,908	1,073,980	-	(5,107,160)	12,021,728
Unquoted managed funds	25,545,187	(1,346,007)	648,288	(4,081,415)	20,766,053
	<u>41,600,095</u>	<u>(272,027)</u>	<u>648,288</u>	<u>(9,188,575)</u>	<u>32,787,781</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the period KD	Net result recorded in the interim condensed consolidated statement of comprehensive income KD	Net results recorded in the interim condensed consolidated statement of income KD	Net purchases, transfer, sales and settlements KD	At the end of the period KD
30 June 2016					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	16,054,908	921,752	-	(4,463,512)	12,513,148
Unquoted managed funds	25,545,187	(1,464,241)	303,641	(1,804,401)	22,580,186
	<u>41,600,095</u>	<u>(542,489)</u>	<u>303,641</u>	<u>(6,267,913)</u>	<u>35,093,334</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2017 (UNAUDITED)

13 SEGMENT RESULTS

The Group operates in 4 segments: General risk insurance, Life & Medical insurance, Reinsurance and Investment. The following are the details of these segments:

Six months ended 30 June 2017	General risk insurance					Investment KD	Unallocated KD	Total KD
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD			
Segment revenue	1,601,865	4,439,843	830,334	11,483,553	13,752,961	3,597,596	312,103	36,018,255
Segment results	401,881	1,411,329	403,766	(106)	1,936,436	1,523,681	(514,163)	5,162,824
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				19,454,319	118,357,994	92,027,236	34,708,135	264,547,684
				31,933,816	74,503,584	-	51,631,379	158,068,779
31 December 2016 (Audited)	General risk insurance					Investment KD	Unallocated KD	Total KD
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD			
Segment revenue	3,169,751	8,966,460	1,837,304	5,449,305	30,749,729	6,055,459	144,182	56,372,190
Segment results	1,619,480	3,699,909	1,129,539	1,206,975	1,025,440	2,914,448	(1,417,771)	10,178,020
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				13,939,515	103,530,539	94,173,634	38,819,621	250,463,309
				21,900,933	60,808,739	-	60,471,726	143,181,398

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As at 30 June 2017 (UNAUDITED)

13 SEGMENT RESULTS (continued)

<i>Six Months ended 30 June 2016:</i>	<i>General risk insurance</i>							<i>Total KD</i>
	<i>Marine and Aviation KD</i>	<i>Accident KD</i>	<i>Fire KD</i>	<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	
Segment revenue	1,908,955	4,835,895	986,394	3,628,540	18,239,291	2,058,336	34,146	31,691,557
Segment results	851,400	1,679,269	649,000	929,256	1,100,715	1,080,829	(234,886)	6,055,583
Assets				<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>Investment KD</i>	<i>General risk insurance KD</i>	<i>Total KD</i>
				14,399,823	111,895,499	92,628,270	35,479,196	254,402,788
Liabilities				21,951,849	70,544,019	-	61,267,162	153,763,030

14 SUBSEQUENT EVENT

Subsequent to the reporting date, amendments to Law no. 6 of 2010 concerning Labor in Private Sector were published in Official Gazette affecting employees' short-term and post-employment benefits to be recognised by the Group.