

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2017 (UNAUDITED)

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 September 2017, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three month and nine month periods then ended, and the related interim condensed consolidated statements of cash flows and interim condensed consolidated statements of changes in equity for the nine month 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

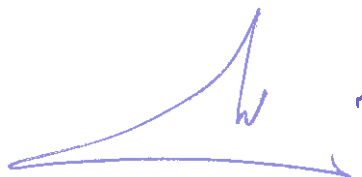
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine month period ended 30 September 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)

13 November 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2017

	Notes	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</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>
Revenues:					
Gross premiums written		12,818,842	8,065,639	59,848,159	50,207,426
Premiums ceded to reinsurers		(4,344,415)	(4,216,746)	(15,503,868)	(18,491,949)
Net premiums written		8,474,427	3,848,893	44,344,291	31,715,477
Movement in unearned premiums		2,031,623	5,733,389	(6,318,952)	1,040,414
Net premiums earned		10,506,050	9,582,282	38,025,339	32,755,891
Commission income on ceded reinsurance		1,468,363	1,232,197	5,796,147	6,134,601
Policy issuance fees		115,343	126,792	376,825	456,643
Net investments income	5	1,574,654	900,359	4,768,629	3,681,602
Rental income from investment properties		158,869	168,798	487,549	496,863
Other income		253,787	21,207	565,891	55,353
Total revenues		14,077,066	12,031,635	50,020,380	43,580,953
Expenses:					
Net claims incurred		9,315,430	7,111,827	25,336,065	22,156,800
Commissions and premiums' acquisition costs		2,551,733	2,585,913	7,184,396	8,344,798
Movement in life mathematical reserve		(3,019,000)	31,000	2,961,000	526,000
Maturity and cancellation of life insurance policies		786,174	27,927	942,736	122,492
Investment property expenses		25,270	16,605	64,387	55,157
Administrative expenses		1,327,617	1,696,938	4,526,674	5,011,083
Interest expenses		50,118	131,737	203,049	273,834
Impairment loss on financial assets available for sale	6	162,316	-	436,782	707,757
Impairment loss on investment in associates		250,000	-	450,000	-
Impairment loss on receivables		163,364	20,000	363,364	60,000
Total expenses		11,613,022	11,621,947	42,468,453	37,257,921
Profit before share of results of associates		2,464,044	409,688	7,551,927	6,323,032
Share of results of associates		13,365	(31,625)	88,306	110,614
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		2,477,409	378,063	7,640,233	6,433,646
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(24,556)	(3,945)	(67,578)	(54,289)
National Labour Support Tax (NLST)		(64,880)	11,373	(188,035)	(127,229)
Zakat		(26,952)	4,550	(78,273)	(50,891)
PROFIT FOR THE PERIOD		2,361,021	390,041	7,306,347	6,201,237
Attributable to:					
Equity holders of the Parent Company		2,290,956	458,994	7,092,506	6,182,513
Non-controlling interests		70,065	(68,953)	213,841	18,724
		2,361,021	390,041	7,306,347	6,201,237
BASIC AND DILUTED EARNINGS PER SHARE	3	11.66 fils	2.34 fils	36.09 fils	31.48 fils

The attached notes 1 to 13 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 (UNAUDITED)

For the period ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 KD	2016 KD	2017 KD	2016 KD
Profit for the period		2,361,021	390,041	7,306,347	6,201,237
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		(92,169)	20,416	(227,771)	(126,493)
- Net unrealised gain (loss) of financial assets available for sale		3,442,349	588,640	4,854,239	(4,193,257)
- Gain on sale of financial assets available for sale	5	(599,435)	(82,004)	(1,084,269)	(575,324)
- Impairment loss on financial assets available for sale	6	162,316		436,782	707,757
- Share of other comprehensive (loss) income of associates		(1,366)	(6,668)	(7,205)	6,250
Other comprehensive income (loss) for the period		2,911,695	520,384	3,971,776	(4,181,067)
Total comprehensive income for the period		5,272,716	910,425	11,278,123	2,020,170
Attributable to:					
Equity holders of the Parent Company		5,182,427	970,795	11,025,813	2,013,801
Non-controlling interests		90,289	(60,370)	252,310	6,369
		5,272,716	910,425	11,278,123	2,020,170


The attached notes 1 to 13 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 (UNAUDITED)

As at 30 September 2017

		30 September 2017	(Audited) 31 December 2016	30 September 2016
	Notes	KD	KD	KD
ASSETS				
Property and equipment		3,969,587	4,083,569	4,108,011
Investment properties		12,757,755	12,759,892	13,312,313
Investment in associates		6,015,549	6,471,015	6,332,474
Financial assets held to maturity		19,666,000	20,885,437	19,783,153
Loans secured by life insurance policyholders		198,312	213,892	211,195
Financial assets available for sale	6	80,715,537	82,060,435	81,147,042
Receivables arising from reinsurance contracts and premium accruals		21,249,525	20,056,639	22,742,457
Reinsurance recoverable on outstanding claims		42,771,540	34,693,787	34,433,006
Premiums and insurance balances receivable		14,339,533	13,639,975	13,724,275
Accounts receivable and other debit balances		8,450,814	6,101,651	7,307,701
Term deposits	4	50,929,455	45,332,920	45,512,338
Bank balances and cash	4	5,783,429	4,164,097	2,592,502
TOTAL ASSETS		266,847,036	250,463,309	251,206,467
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent Company				
Share capital	7	20,000,000	20,000,000	20,000,000
Statutory reserve		20,000,000	20,000,000	20,000,000
General reserve		20,000,000	20,000,000	20,000,000
Special voluntary reserve	8	12,000,000	12,000,000	11,000,000
Treasury shares	9	(1,276,128)	(1,322,565)	(1,322,430)
Treasury shares reserve		1,474,675	1,458,169	1,458,170
Cumulative changes in fair values reserve		14,537,390	10,387,171	7,776,480
Foreign currency translation reserve		311,572	528,484	331,144
Retained earnings		21,046,476	20,829,322	18,965,095
Other reserve		104,397	62,528	35,742
Equity attributable to equity holders of the Parent Company		108,198,382	103,943,109	98,244,201
Non-controlling interests		3,498,860	3,338,802	3,245,138
Total equity		111,697,242	107,281,911	101,489,339
Liabilities				
Technical reserves arising from insurance and reinsurance contracts:				
Outstanding claims reserve		90,924,679	76,996,335	80,088,868
Unearned premiums reserve		22,182,336	15,863,384	19,622,796
Life mathematical reserve		8,311,000	5,350,000	5,508,000
Incurred but not reported reserve		12,423,072	12,120,967	12,680,615
Total technical reserves arising from insurance and reinsurance contracts		133,841,087	110,330,686	117,900,279
Bank overdraft	4	2,628,943	12,708,740	12,708,764
Insurance and reinsurance payables		11,064,375	12,252,775	12,065,787
Accounts payable and other credit balances		7,615,389	7,826,682	7,042,298
Premiums received in advance		-	62,515	-
Total liabilities		155,149,794	143,181,398	149,717,128
TOTAL EQUITY AND LIABILITIES		266,847,036	250,463,309	251,206,467


Ayman Abdullatif Al-Shayea
Chairman

Emad Mohamed Al-Bahar
Vice Chairman

The attached notes 1 to 13 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 (UNAUDITED)

For the period ended 30 September 2017

	Notes	Nine months ended 30 September	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		7,640,233	6,433,646
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		183,375	176,337
Share of results of associates		(88,306)	(110,614)
Rental income from investment properties		(487,549)	(496,863)
Gain on sale of financial assets available for sale	5	(1,084,269)	(575,324)
Impairment loss on financial assets available for sale	6	436,782	707,757
Interest income on bonds and term deposits	5	(1,836,581)	(1,442,408)
Dividend income	5	(1,688,074)	(1,476,745)
Income from funds	5	(159,705)	(187,125)
Impairment loss on investment in associates		450,000	-
Impairment loss on receivables		363,364	60,000
Interest expense		203,049	273,834
Provision for employees' end of service benefits		514,205	547,131
Loss on sale of property and equipment		510	1,868
		<u>4,447,034</u>	<u>3,911,494</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(1,183,955)	2,034,490
Reinsurance recoverable on outstanding claims		(8,069,780)	(2,830,560)
Premiums and insurance balances receivable		(1,062,922)	(3,004,610)
Accounts receivable and other debit balances		(2,297,116)	169,838
Net change in insurance and reinsurance contract liabilities		23,316,088	7,231,615
Insurance and reinsurance payables		(1,188,400)	637,782
Accounts payable and other credit balances		(569,281)	(1,083,714)
Premiums received in advance		(62,515)	(87,780)
		<u>13,329,153</u>	<u>6,978,555</u>
Cash flows from operations		(77,176)	(1,082,730)
Employees' end of service benefits paid			
		<u>13,251,977</u>	<u>5,895,825</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(81,072)	(37,521)
Proceeds from sale of property and equipment		6,517	-
Purchase of financial assets available for sale		(4,283,577)	(5,201,583)
Proceeds from sale of financial assets available for sale		10,482,714	6,822,311
Proceeds from investment in associates		-	3,955
Acquisition of additional shares of the subsidiary		(50,383)	(75,158)
Placement of financial assets held to maturity		-	(13,500,000)
Proceeds from redemption of financial assets held to maturity		1,219,437	1,199,706
Net movement in loans secured by life insurance policyholders		15,580	(113,708)
Term deposits		(5,633,045)	1,819,485
Dividends received		1,688,074	1,446,918
Interest income received		1,794,645	1,206,090
Rental income received		487,549	496,863
Income received from funds		159,705	187,125
		<u>5,806,144</u>	<u>(5,745,517)</u>
FINANCING ACTIVITIES			
Dividends paid		(7,288,279)	(6,824,602)
Sale of treasury shares		70,732	91,663
Purchase of treasury shares		(7,789)	-
Interest expense paid		(203,049)	(273,834)
		<u>(7,428,385)</u>	<u>(7,006,773)</u>
Net cash flows used in financing activities			
		<u>32,883</u>	<u>(86,583)</u>
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)
		<u>3,185,293</u>	<u>(10,047,296)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			

The attached notes 1 to 13 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 (UNAUDITED)

For the period ended 30 September 2017

	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	-	-	-	-	-	-	-	-	7,092,506	-	7,092,506	213,841	7,306,347
Other comprehensive income (loss)	-	-	-	-	-	-	4,150,219	(216,912)	-	-	3,933,307	38,469	3,971,776
Total comprehensive income (loss) for the period	-	-	-	-	-	-	4,150,219	(216,912)	7,092,506	-	11,025,813	252,310	11,278,123
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	-	70,732
Purchase of treasury shares	-	-	-	-	(7,789)	-	-	-	-	-	(7,789)	-	(7,789)
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	41,869	41,869	(92,252)	(50,383)
Balance at 30 September 2017	20,000,000	20,000,000	20,000,000	12,000,000	(1,276,128)	1,474,675	14,537,390	311,572	21,046,476	104,397	108,198,382	3,498,860	111,697,242
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	-	-	-	-	-	-	-	-	6,182,513	-	6,182,513	18,724	6,201,237
Other comprehensive loss	-	-	-	-	-	-	(4,050,672)	(118,040)	-	-	(4,168,712)	(12,355)	(4,181,067)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(4,050,672)	(118,040)	6,182,513	-	2,013,801	6,369	2,020,170
Cash dividends (note 7)	-	-	-	-	-	-	-	-	(6,874,663)	-	(6,874,663)	-	(6,874,663)
Sale of treasury shares	-	-	-	-	71,936	19,727	-	-	91,663	-	91,663	-	91,663
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	35,742	35,742	(110,900)	(75,158)
Cash dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(123,900)	(123,900)
Balance at 30 September 2016	20,000,000	20,000,000	20,000,000	11,000,000	(1,322,430)	1,458,170	7,776,480	331,144	18,965,095	35,742	98,244,201	3,245,138	101,489,339

The attached notes 1 to 13 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 (UNAUDITED)

As at 30 September 2017

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 nine months period ended 30 September 2017 were authorised for issuance by the Board of Directors on 13 November 2017.

The financial statements of the Parent Company for the year ended 31 December 2016 were approved by the shareholders at the Annual General Assembly 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 Parent Company.

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 nine months period ended 30 September 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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	<u>2,290,956</u>	<u>458,994</u>	<u>7,092,506</u>	<u>6,182,513</u>
	<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)	<u>196,557,734</u>	<u>196,428,931</u>	<u>196,501,448</u>	<u>196,387,530</u>
Basic and diluted earnings per share	<u>11.66 fils</u>	<u>2.34 fils</u>	<u>36.09 fils</u>	<u>31.48 fils</u>

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 (UNAUDITED)

As at 30 September 2017

4 CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Bank balances and cash	5,783,429	4,164,097	2,592,502
Term deposits	50,929,455	45,332,920	45,512,338
	<u>56,712,884</u>	<u>49,497,017</u>	<u>48,104,840</u>
Less:			
Term deposits with original maturities of more than three months	(50,898,648)	(45,265,603)	(45,443,372)
Bank overdraft	(2,628,943)	(12,708,740)	(12,708,764)
Cash and cash equivalents	<u>3,185,293</u>	<u>(8,477,326)</u>	<u>(10,047,296)</u>

Term deposits amounting to KD 5,391,736 (31 December 2016: KD 5,380,856 and 30 September 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 September 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 September</i>		<i>Nine months ended</i> <i>30 September</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	599,435	82,004	1,084,269	575,324
Interest income on bonds and term deposits	621,685	653,603	1,836,581	1,442,408
Dividend income	297,553	106,175	1,688,074	1,476,745
Income from funds	55,981	58,577	159,705	187,125
	<u>1,574,654</u>	<u>900,359</u>	<u>4,768,629</u>	<u>3,681,602</u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
<i>Local equity securities:</i>			
Quoted	25,784,483	26,358,882	25,002,310
Unquoted	6,907,698	7,291,137	8,019,337
	<u>32,692,181</u>	<u>33,650,019</u>	<u>33,021,647</u>
<i>Foreign equity securities:</i>			
Quoted	5,341,670	4,280,472	2,833,839
Unquoted	19,453,534	18,918,237	19,016,900
	<u>24,795,204</u>	<u>23,198,709</u>	<u>21,850,739</u>
Unquoted managed funds	22,585,634	24,556,509	25,262,763
Bonds	642,518	655,198	1,011,893
	<u>23,228,152</u>	<u>25,211,707</u>	<u>26,274,656</u>
	<u>80,715,537</u>	<u>82,060,435</u>	<u>81,147,042</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

6 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 30 September 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 436,782 (31 December 2016: KD 1,907,757 and 30 September 2016: KD 707,757) 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 September 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 September</i> <i>2017</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i>	<i>30 September</i> <i>2016</i>
Number of treasury shares	<u>3,443,025</u>	<u>3,571,364</u>	<u>3,571,069</u>
Percentage of issued shares (%)	<u>1.72</u>	<u>1.79</u>	<u>1.79</u>
Market value (KD)	<u>1,446,071</u>	<u>1,624,971</u>	<u>1,624,836</u>

An amount of KD 1,276,128 (31 December 2016: KD 1,322,565 and 30 September 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 September 2017 is 446 fils per share (31 December 2016: 447 fils per share and 30 September 2016: 472 fils per share).

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 September 2017, the Group had future capital commitments with respect to financial assets available for sale of KD 4,387,632 (31 December 2016: KD 5,161,430 and 30 September 2016: KD 5,558,921) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 3,151,145 (31 December 2016: KD 3,666,762 and 30 September 2016: KD 3,763,480) 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

11 RELATED PARTY TRANSACTIONS (continued)

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

Nine months period ended 30 September 2017	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Gross premiums	7,007	600,208	1,205,868	236,808	2,049,891
Claims incurred	-	324,976	398,474	21,928	745,378
Maturity of life insurance policies	-	-	-	703,456	703,456

Nine months period ended 30 September 2016	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Gross premiums	177,818	611,685	2,263,207	270,487	3,323,197
Claims incurred	-	89,056	504,200	124,792	718,048

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

30 September 2017	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premiums and insurance balances receivable	22,172	437,472	4,154,251	378,319	4,992,214
Other credit balances	-	-	71,085	702,172	773,257

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 September 2016	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premiums and insurance balances receivable	18,409	606,706	4,749,693	703,922	6,078,730
Other credit balances	2,257	-	17,977	-	20,234

Key management personnel compensation:

	Three months ended 30 September		Nine months ended 30 September	
	2017 KD	2016 KD	2017 KD	2016 KD
Salaries and other short term benefits	169,694	101,532	562,603	487,957
Employees' end of service benefits	58,134	225,655	299,348	440,645
	<u>227,828</u>	<u>327,187</u>	<u>861,951</u>	<u>928,602</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

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 18,436,704 (31 December 2016: KD 18,633,300 and 30 September 2016: KD 19,815,054) 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 September 2017			
<i>Financial assets available for sale:</i>			
Quoted	31,126,153	-	31,126,153
Unquoted equity securities	-	11,791,190	11,791,190
Unquoted managed funds	-	19,361,490	19,361,490
Total	31,126,153	31,152,680	62,278,833
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair value KD</i>
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
	<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 September 2016			
<i>Financial assets available for sale:</i>			
Quoted	27,836,149	-	27,836,149
Unquoted equity securities	-	12,226,851	12,226,851
Unquoted managed funds	-	21,268,988	21,268,988
Total	27,836,149	33,495,839	61,331,988

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

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 September 2017					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	12,021,728	(230,538)	-	-	11,791,190
Unquoted managed funds	20,766,053	180,083	290,006	(1,874,652)	19,361,490
	<u>32,787,781</u>	<u>(50,455)</u>	<u>290,006</u>	<u>(1,874,652)</u>	<u>31,152,680</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>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Net results recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Net results recorded in the interim condensed 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 September 2016				
<i>Financial assets available for sale:</i>				
Unquoted equity securities	16,054,908	-	(4,729,440)	12,226,851
Unquoted managed funds	25,545,187	694,186	(3,615,228)	21,268,988
	<u>41,600,095</u>	<u>694,186</u>	<u>(8,344,668)</u>	<u>33,495,839</u>

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

<i>Valuation Technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Price to book value	Discount for lack of marketability & lack of Control	10%	An increase (decrease) by 10% in the Discount for lack of marketability & lack of control would result in increase (decrease) in fair value by KD 3,350 thousands.
Price to book value	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 3,350 thousands.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

13 SEGMENT RESULTS (continued)

30 September 2016	General risk insurance					Total KD		
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD			
Segment revenue	2,524,864	6,916,926	1,396,810	4,566,425	25,954,630	43,691,567		
Segment results	1,213,314	2,412,211	772,365	936,555	235,832	6,433,646		
				Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	Total KD
Assets				14,338,980	106,435,068	92,702,471	37,729,948	251,206,467
Liabilities				23,029,560	66,101,104	-	60,586,464	149,717,128