

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS AND REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED  
30 SEPTEMBER 2019**

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019**

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## REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders  
Gulf General Cooperative Insurance Company  
(A Saudi Joint Stock Company)  
Jeddah, Kingdom of Saudi Arabia

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Gulf General Cooperative Insurance Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2019, and the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed statements of changes in equity and cash flows for the nine-months period then ended and a summary of significant accounting policies and related notes from 1 to 20 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements 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" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements 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 that are endorsed in the Kingdom of Saudi Arabia 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 financial statements are not prepared, in all material respects, as at 30 September 2019, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for El Sayed El Ayouty & Co.

Mohamed El Sayed El Ayouty  
Certified Public Accountant  
License No. 211

for Al-Bassam & Co.

Ibrahim A. Al Bassam  
Certified Public Accountant  
License No. 337



Jeddah, Kingdom of Saudi Arabia  
13 Rabiul Awwal 1441H  
10 November 2019



GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
As at 30 September 2019

|  | Notes | 30 September<br>2019<br>(Unaudited)<br>SR'000 | 31 December<br>2018<br>(Audited)<br>SR'000 |
|--|-------|---|--|
| <b>ASSETS</b>  |       |   |  |
| Cash and cash equivalents  | 4     | 152,874                                       | 90,387                                     |
| Murabaha deposits  | 5     | —   | 82,000                                     |
| Premiums receivable, net   | 6     | 79,502  | 48,465                                     |
| Due from reinsurers, net   |       | 21,175  | 16,857                                     |
| Reinsurers' share of unearned premiums   | 8.2   | 37,111  | 35,607                                     |
| Reinsurers' share of outstanding claims  | 8.1   | 18,802  | 45,365                                     |
| Reinsurers' share of claims incurred but not reported                                | 8.1   | 12,637  | 14,776                                     |
| Reinsurers' excess of loss claims  |       | 2,114   | 3,644                                      |
| Deferred policy acquisition costs  |       | 8,023   | 6,224                                      |
| Investments  | 7     | 41,407  | 39,431                                     |
| Prepayments and other assets   |       | 15,643  | 10,656                                     |
| Property and equipment   |       | 4,168   | 4,160                                      |
| Intangible assets  |       | 2,415   | 2,126                                      |
| Goodwill   | 1.b   | 36,260  | 36,260                                     |
| Statutory deposit  | 1.a   | 20,000  | 20,000                                     |
| Accrued income on statutory deposit  | 1.a   | 1,744   | 1,347                                      |
| <b>TOTAL ASSETS</b>  |       | <b>453,875</b>                                | <b>457,305</b>                             |
| <b>LIABILITIES</b>   |       |   |  |
| Due to policyholders   |       | 7,846   | 7,926                                      |
| Accrued expenses and other liabilities   |       | 7,788   | 8,907                                      |
| Due to reinsurers  |       | 3,435   | 11,323                                     |
| Due to brokers   |       | 18,618  | 18,176                                     |
| Unearned premiums  | 8.2   | 133,237                                       | 101,854                                    |
| Unearned reinsurance commission  |       | 6,739   | 5,878                                      |
| Outstanding claims   | 8.1   | 42,313  | 68,443                                     |
| Claims incurred but not reported   | 8.1   | 34,525  | 31,248                                     |
| Premium deficiency reserve   | 8.1   | 4,628   | 11,004                                     |
| Other technical reserves   | 8.1   | 2,979   | 3,740                                      |
| End of service indemnities   |       | 4,505   | 7,130                                      |
| Surplus distribution payable   |       | 9,546   | 9,078                                      |
| Accrued zakat  | 14    | 10,335  | 11,500                                     |
| Accrued income payable to SAMA   | 1.a   | 1,744   | 1,347                                      |
| <b>TOTAL LIABILITIES</b>   |       | <b>288,238</b>                                | <b>297,554</b>                             |
| <b>SHAREHOLDERS' EQUITY</b>  |       |   |  |
| Share capital  | 15    | 200,000                                       | 200,000                                    |
| Statutory reserve  |       | 2,165   | 2,165                                      |
| Accumulated losses   |       | (37,152)                                      | (43,038)                                   |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  |       | <b>165,013</b>                                | <b>159,127</b>                             |
| Re-measurement reserve of defined benefit obligations                                |       | 624   | 624  |
| <b>TOTAL EQUITY</b>  |       | <b>165,637</b>                                | <b>159,751</b>                             |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |       | <b>453,875</b>                                | <b>457,305</b>                             |
| <b>COMMITMENTS AND CONTINGENCIES</b>   | 10    | 300   | 300  |
|   |       |   |  |
| Director   |       |   |  |
|   |       |   |  |
| Chief Financial Officer  |       |   |  |
|  |       |   |  |
| Chief Executive Officer  |       |   |  |

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)  
For the three-month and nine-month periods ended 30 September 2019

|   | Notes   | <i>Three-months period<br/>ended 30 September<br/>(Unaudited)</i> |                              | <i>Nine-months period<br/>ended 30 September<br/>(Unaudited)</i> |                              |
|---|---------|---|------------------------------|--|------------------------------|
|   |         | <i>2019</i>   | <i>2018</i>                  | <i>2019</i>  | <i>2018</i>                  |
|   |         | <i>SR'000</i>   | <i>(Restated)<br/>SR'000</i> | <i>SR'000</i>  | <i>(Restated)<br/>SR'000</i> |
| <b>REVENUES</b>                                       |         |   |                              |  |                              |
| Gross written premiums                                | 9,12,18 | <b>82,853</b>   | 48,116                       | <b>219,293</b>   | 215,137                      |
| Less: Reinsurance contracts premiums ceded            |         |   |                              |  |                              |
| - Local reinsurance                                   |         | (758)   | (498)                        | (2,691)  | (11,434)                     |
| - Foreign reinsurance                                 |         | (18,463)  | (18,191)                     | (62,462)   | (79,831)                     |
| Excess of loss expenses                               |         | (2,151)   | (1,515)                      | (8,593)  | (4,546)                      |
| <b>Net written premiums</b>                           |         | <b>61,481</b>   | 27,912                       | <b>145,547</b>   | 119,326                      |
| Movement in net unearned premiums                     |         | (18,030)  | 4,167                        | (29,877)   | (39,975)                     |
| <b>Net premiums earned</b>                            |         | <b>43,451</b>   | 32,079                       | <b>115,670</b>   | 79,351                       |
| Reinsurance commissions                               |         | 3,774   | 4,518                        | 15,104   | 13,310                       |
| Other underwriting income                             |         | 22  | 99                           | 74   | 1,629                        |
| <b>TOTAL REVENUES</b>                                 |         | <b>47,247</b>   | 36,696                       | <b>130,848</b>   | 94,290                       |
| <b>UNDERWRITING COSTS AND EXPENSES</b>                |         |   |                              |  |                              |
| Gross claims paid                                     | 12,18   | <b>31,996</b>   | 35,040                       | <b>124,207</b>   | 100,347                      |
| Expenses incurred related to claims                   |         | 1,803   | 1,336                        | 6,985  | 4,111                        |
| Less: Reinsurers' share of claims paid                |         | (11,086)  | (14,718)                     | (53,750)   | (50,736)                     |
| <b>Net claims and other benefits paid</b>             |         | <b>22,713</b>   | 21,658                       | <b>77,442</b>  | 53,722                       |
| Change in outstanding claims, net                     |         | 844   | 268                          | 1,961  | (2,921)                      |
| Changes in claims incurred but not reported, net      |         | 3,823   | 510                          | 5,419  | 1,268                        |
| <b>Net claims and other benefits incurred</b>         |         | <b>27,380</b>   | 22,436                       | <b>84,822</b>  | 52,069                       |
| (Reversal) / provision for premium deficiency reserve |         | (1,857)   | 2,728                        | (6,376)  | 1,849                        |
| Other technical reserves                              |         | (225)   | (503)                        | (760)  | (662)                        |
| Policy acquisition costs                              |         | 3,549   | 3,669                        | 10,140   | 10,338                       |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>          |         | <b>28,847</b>   | 28,330                       | <b>87,826</b>  | 63,594                       |
| <b>NET UNDERWRITING INCOME</b>                        |         | <b>18,400</b>   | 8,366                        | <b>43,022</b>  | 30,696                       |

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited) (continued)  
For the three-month and nine-month periods ended 30 September 2019

|   | Notes | <i>Three-month period<br/>ended 30 September<br/>(Unaudited)</i> |                              | <i>Nine-month period<br/>ended 30 September<br/>(Unaudited)</i> |                              |
|---|-------|--|------------------------------|---|------------------------------|
|   |       | <i>2019</i>  | <i>2018</i>                  | <i>2019</i>   | <i>2018</i>                  |
|   |       | <i>SR'000</i>  | <i>(Restated)<br/>SR'000</i> | <i>SR'000</i>   | <i>(Restated)<br/>SR'000</i> |
| <b>OTHER OPERATING INCOME / (EXPENSES)</b>  |       |  |                              |   |                              |
| Allowance / (reversal) for impairment of doubtful debts                                 |       | 597  | (1,291)                      | (551)   | (4,736)                      |
| General and administration expenses   |       | (17,029)   | (15,812)                     | (47,111)  | (45,488)                     |
| Commission income on deposits   |       | 784  | 905                          | 2,850   | 2,429                        |
| Realized gain on investments  | 7     | --   | --                           | 780   | --                           |
| Unrealized (loss) / gain on investments   | 7     | (2,846)  | 486                          | 3,866   | 5,798                        |
| Other income  |       | 1,891  | 607                          | 6,180   | 3,789                        |
| <b>TOTAL OTHER OPERATING EXPENSES</b>   |       | <b>(16,603)</b>  | <b>(15,105)</b>              | <b>(33,986)</b>   | <b>(38,208)</b>              |
| <b>INCOME / (LOSS) FOR THE PERIOD</b>   |       | <b>1,797</b>   | <b>(6,739)</b>               | <b>9,036</b>  | <b>(7,512)</b>               |
| <b>INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS</b>                                    | 18    | <b>(448)</b>   | <b>--</b>                    | <b>(468)</b>  | <b>--</b>                    |
| <b>NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT</b> |       | <b>1,349</b>   | <b>(6,739)</b>               | <b>8,568</b>  | <b>(7,512)</b>               |
| <b>PROVISION FOR ZAKAT</b>  |       | <b>(817)</b>   | <b>(1,010)</b>               | <b>(2,682)</b>  | <b>(3,673)</b>               |
| <b>NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>              |       | <b>532</b>   | <b>(7,749)</b>               | <b>5,886</b>  | <b>(11,185)</b>              |
| <b>EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)</b>                          | 17    | <b>0.03</b>  | <b>(0.39)</b>                | <b>0.29</b>   | <b>(0.56)</b>                |

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month and nine-month periods ended 30 September 2019

|   | <i>Three-months period<br/>ended 30 September<br/>(Unaudited)</i> |                              | <i>Nine-months period<br/>ended 30 September<br/>(Unaudited)</i> |                              |
|---|---|------------------------------|--|------------------------------|
|   | <i>2019</i>   | <i>2018</i>                  | <i>2019</i>  | <i>2018</i>                  |
|   | <i>SR'000</i>   | <i>(Restated)<br/>SR'000</i> | <i>SR'000</i>  | <i>(Restated)<br/>SR'000</i> |
| <b>NET INCOME / (LOSS) FOR THE PERIOD<br/>ATTRIBUTABLE TO THE SHAREHOLDERS</b>                                  | <b>532</b>  | <b>(7,749)</b>               | <b>5,886</b>   | <b>(11,185)</b>              |
| <i>Items that will not be reclassified to interim condensed<br/>statement of income in subsequent periods</i>   |   |                              |  |                              |
| Other comprehensive income / (loss)   | --  | --                           | --   | --                           |
| <i>Items that are or may be reclassified to interim condensed<br/>statement of income in subsequent periods</i> |   |                              |  |                              |
| Other comprehensive income / (loss)   | --  | --                           | --   | --                           |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS)<br/>FOR THE PERIOD</b>   | <b>532</b>  | <b>(7,749)</b>               | <b>5,886</b>   | <b>(11,185)</b>              |

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

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GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)  
For the nine-months period ended 30 September 2019

| 2019  | <i>For the nine-months period ended 30 September 2019</i> |   |  |   |                               |
|---|---|---|--|---|-------------------------------|
|   | <i>Share capital</i><br><i>SR'000</i>                     | <i>Statutory reserve</i><br><i>SR'000</i> | <i>Accumulated losses</i><br><i>SR'000</i> | <i>Re-measurement reserve of defined benefit obligations</i><br><i>SR'000</i> | <i>Total</i><br><i>SR'000</i> |
| Balance as at 1 January 2019 (audited)  | 200,000   | 2,165                                     | (43,038)                                   | 624   | 159,751                       |
| <i>Total comprehensive income for the period attributable to the shareholders</i> |   |   |  |   |                               |
| Net income for the period attributable to the shareholders                        | --  | --  | 5,886                                      | --  | 5,886                         |
| Balance as at 30 September 2019 (unaudited)                                       | 200,000   | 2,165                                     | (37,152)                                   | 624   | 165,637                       |

| 2018  | <i>For the nine-months period ended 30 September 2018</i> |   |  |   |                               |
|---|---|---|--|---|-------------------------------|
|   | <i>Share capital</i><br><i>SR'000</i>                     | <i>Statutory reserve</i><br><i>SR'000</i> | <i>Accumulated losses</i><br><i>SR'000</i> | <i>Re-measurement reserve of defined benefit obligations</i><br><i>SR'000</i> | <i>Total</i><br><i>SR'000</i> |
| Balance as at 1 January 2018 (audited - restated) (note 19.b)                   | 200,000   | 2,165                                     | (4,815)                                    | 752   | 198,102                       |
| <i>Total comprehensive loss for the period attributable to the shareholders</i> |   |   |  |   |                               |
| Net loss for the period attributable to the shareholders (restated)             | --  | --  | (11,185)                                   | --  | (11,185)                      |
| Balance as at 30 September 2018 (unaudited)                                     | 200,000   | 2,165                                     | (16,000)                                   | 752   | 186,917                       |

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

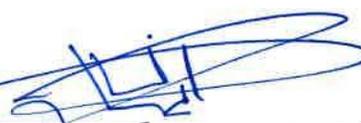
The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)  
For the nine-months period ended 30 September 2019

|   | Notes | 30 September<br>2019<br>(Unaudited)<br>SR'000 | 30 September<br>2018<br>(Unaudited)<br>SR'000 |
|---|-------|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |       |   |   |
| Net income / (loss) for the period before Zakat                                     |       | 9,036   | (7,512)                                       |
| Adjustments for non-cash items:   |       |   |   |
| Depreciation  |       | 1,132   | 1,086   |
| Amortization  |       | 655   | 335   |
| Allowance for impairment of premiums receivable                                     | 6     | 1,178   | 4,572   |
| (Reversal) / allowance for impairment of reinsurance receivables                    |       | (627)   | 162   |
| Realized gain on investments held at FVIS   | 7     | (780)   | --  |
| Unrealized gain on investments held at FVIS   | 7     | (3,866)                                       | (5,798)                                       |
| <b>Operating income / (loss) before changes in operating assets and liabilities</b> |       | <b>6,728</b>                                  | <b>(7,155)</b>                                |
| Changes in operating assets and liabilities:  |       |   |   |
| Premiums receivable, net  |       | (32,215)                                      | (20,955)                                      |
| Due from reinsurers   |       | (3,691)                                       | 7,277   |
| Reinsurers' share of unearned premiums  |       | (1,504)                                       | (16,008)                                      |
| Reinsurer's share of outstanding claims   |       | 26,563  | 4,394   |
| Reinsurer's share of claims incurred but not reported                               |       | 2,139   | 6,573   |
| Reinsurer's excess of loss claims   |       | 1,530   | 787   |
| Deferred policy acquisition costs   |       | (1,799)                                       | (1,584)                                       |
| Prepayments and other assets  |       | (4,987)                                       | 5,082   |
| Due to policyholders  |       | (80)  | (2,896)                                       |
| Accrued expenses and other liabilities  |       | (1,119)                                       | (10,285)                                      |
| Due to reinsurers   |       | (7,888)                                       | 8,320   |
| Due to brokers  |       | 442   | 2,542   |
| Unearned premiums   |       | 31,383  | 55,983  |
| Unearned reinsurance commission   |       | 861   | 775   |
| Outstanding claims  |       | (26,130)                                      | (8,106)                                       |
| Claims incurred but not reported  |       | 3,277   | (5,305)                                       |
| Premium deficiency reserve  |       | (6,376)                                       | 1,849   |
| Other technical reserves  |       | (761)   | (661)   |
| End of service indemnities, net   |       | (2,625)                                       | (2,106)                                       |
| Zakat paid  | 14    | (22,980)                                      | 25,676  |
| Surplus paid to policyholders   |       | (3,847)                                       | (5,419)                                       |
|   |       | --  | (1,110)                                       |
| <b>Net cash (used in) / generated from operating activities</b>                     |       | <b>(20,099)</b>                               | <b>11,992</b>                                 |

  
Director

  
Chief Executive Officer

  
Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited) (continued)  
For the nine-months period ended 30 September 2019

|   | Notes | 30 September<br>2019<br>(Unaudited)<br>SR'000 | 30 September<br>2018<br>(Unaudited)<br>SR'000 |
|---|-------|---|---|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |       |   |   |
| Purchase of property and equipment                              |       | (1,140)                                       | (860)   |
| Purchase of intangible assets                                   |       | (944)   | (1,393)                                       |
| Purchase of investments   | 7     | --  | (4,217)                                       |
| Disposal of investments   | 7     | 2,670   | 3,797   |
| Maturity of murabaha deposits                                   |       | 82,000  | --  |
| <b>Net cash generated from / (used in) investing activities</b> |       | <b>82,586</b>                                 | <b>(2,673)</b>                                |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                |       | <b>62,487</b>                                 | <b>9,319</b>                                  |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> |       | <b>90,387</b>                                 | <b>110,768</b>                                |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | 4     | <b>152,874</b>                                | <b>120,087</b>                                |

  
Director

  
Chief Executive Officer

  
Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**1. GENERAL**

**a) ORGANIZATION AND PRINCIPAL ACTIVITIES**

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company  
Al Gheithy Plaza, Second Floor,  
Ameer Al Shoura'a Street  
Jeddah, Kingdom of Saudi Arabia

Following are the details of the Company's Branches and Commercial Registration numbers:

| <b><u>Branch</u></b> | <b><u>Commercial Registration No.</u></b> |
|----------------------|---|
| Riyadh               | 1010316823                                |
| Al Khobar            | 2051046836                                |

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 24 Safar 1431H (corresponding to 8 February 2010).

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. The share capital of the Company is Saudi Riyals 200 million divided into 20 million shares of Saudi Riyals 10 each. Further, in compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Authority ("SAMA"), the Company has deposited 10% of its share capital, amounting to Saudi Riyals 20 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and can be withdrawn only with the consent of SAMA. The Company cannot withdraw this deposit without SAMA's approval, and commission accruing on this deposit is payable to SAMA.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

|                                       |             |
|---------------------------------------|-------------|
| Transfer to shareholders' operations  | 90%         |
| Transfer to policyholders' operations | 10%         |
|                                       | <hr/>       |
|                                       | 100%        |
|                                       | <hr/> <hr/> |

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to shareholders' operations.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

As at 30 September 2019

**1. GENERAL (continued)**

**b) PORTFOLIO TRANSFER**

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. (SGI) and Gulf Cooperation Insurance Company Ltd. E.C. (GCI) (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and also subject to SAMA approval.

**2. BASIS OF PREPARATION**

**a) STATEMENT OF COMPLIANCE**

The interim condensed financial statements for the three months and nine months period ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia, pursuant to SAMA circular dated 17 July 2019.

Until the period ended 31 March 2019, the interim condensed financial statements of the Company were prepared in accordance with the International Accounting Standard - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of Zakat and income tax.

The Company changed its accounting policy for zakat and income tax as mandated by International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The effects of this change are disclosed in note 19 to the interim condensed financial statements.

**b) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, investment in Murabaha deposits, premiums receivable-net, due from reinsurers-net, reinsurers' share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, unearned premiums and reinsurance commission, outstanding claims and claims IBNR, provision for premium deficiency reserve, other technical reserves and accrued Zakat. The following balances would generally be classified as non-current: outstanding claims, claims IBNR, end-of-service indemnities, related parties balances, accrued interest on statutory deposit, investments held at fair value through income statement, available-for-sale investment, goodwill, statutory deposit, property and equipment, and intangible assets.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of account for insurance operations and shareholders' operations and presents the financial statements accordingly. The physical custody of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statements of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 33 to 42 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income, and expenses of the insurance operations and the shareholders' operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**2. BASIS OF PREPARATION (continued)**

**b) BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions, and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed consolidated statement of financial position, the statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial information represents additional supplementary information required as required by the implementing regulations.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2018.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands.

**c) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of interim financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2018.

**d) SEASONALITY OF OPERATIONS**

There are no seasonal changes that may affect the insurance operations of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies, estimates, and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018, except as explained below:

**a) NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY**

The Company has adopted the following standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) and have been effective from 1 January 2019 and accordingly adopted by the Company as applicable:

| <u>Standard /<br/>Amendments</u> | <u>Description</u>                                  |
|----------------------------------|---|
| IAS 28                           | Long term interest in associates and joint ventures |
| IFRIC 23                         | Uncertainty over Income Tax Treatments              |
| IAS 19                           | Plan amendments, curtailments or settlements        |
| IFRS 3 & 11 and IAS 12 & 23      | Annual improvements to IFRS 2015-2017 cycle         |
| IFRS 16                          | Leases (see below)                                  |

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

As at 30 September 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY (continued)**

**IFRS 16 – Leases**

The Company adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases – Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions in the Legal Form of a Lease’.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the special commission expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Company has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. All existing operating leases consist of lease terms which ends within twelve months.

Though there are changes in accounting policies, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 16 on 1 January 2019.

**Change in accounting for Zakat and income tax**

As mentioned in note 2, the basis of preparation has changed as a result of the issuance of Circular by SAMA, dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity under retained earnings as per the SAMA Circular No. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat and income tax shall be recognized in the statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes (“IAS 12”) and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed in note 19 to the interim condensed financial statements. The change has resulted in reduction of reported income for the period ended 30 September 2018 by SR 3.7 million. The change has had no impact on the statement of cash flows for the period ended 30 September 2018.

Zakat is not accounted for as income tax and as such no Deferred tax is calculated relating to zakat.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards, where applicable, when they become effective.

| <u>Standard /<br/>Amendments</u> | <u>Description</u>                 | <u>Effective from periods<br/>beginning on or after the<br/>following date</u> |
|----------------------------------|------------------------------------|--|
| IFRS 9                           | Financial Instruments (note below) | See note below   |
| IFRS 17                          | Insurance Contracts                | 1 January 2021   |

**IFRS 9 – Financial Instruments**

In July 2014, the IASB published IFRS 9: Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (“ECL”) impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9:

- All financial assets will be measured at either amortized cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognized in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognized earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.

**IFRS 17 – Insurance contracts**

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to “insurance” can defer the implementation of IFRS 9. The Company has assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As at 30 September 2019, management is in process to assess the effect of the adoption of IFRS 9.

**c) FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risk, currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2018. There have been no changes in the risk management department or in any risk management policies since the year-end.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows comprise the following:

|  | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|--|---|--|
| <i>Insurance operations</i>                            |   |  |
| Cash in hand   | 28  | 30   |
| Cash at banks (see note below)                         | 13,957  | 13,597   |
| Murabaha deposits with maturity less than three months | 66,000  | 74,000   |
|  | <u>79,985</u>   | <u>87,627</u>  |
| <i>Shareholders' operations</i>                        |   |  |
| Cash at banks  | 889   | 2,760  |
| Murabaha deposits with maturity less than three months | 72,000  | --   |
|  | <u>72,889</u>   | <u>2,760</u>   |
| <b>Total of cash and cash equivalents</b>              | <u><b>152,874</b></u>                                   | <u><b>90,387</b></u>                                 |

- a) At 30 September 2019, bank balances amounting to SR 0.5 million (31 December 2018: SR 0.5 million), are held in the name of related parties of the Company, on behalf of the Company (note 13).

**5. MURABAHA DEPOSITS**

|   | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|---|---|--|
| <i>Insurance operations</i>   |   |  |
| Murabaha deposits   | 66,000  | 74,000   |
| Less: Murabaha deposits with maturity less than three months (see note 4) | (66,000)  | (74,000)   |
|   | <u>--</u>   | <u>--</u>  |
| <i>Shareholders' operations</i>   |   |  |
| Murabaha deposits   | 72,000  | 82,000   |
| Less: Murabaha deposits with maturity less than three months (see note 4) | (72,000)  | --   |
|   | <u>--</u>   | <u>82,000</u>  |
| <b>Total of Murabaha deposits</b>   | <u><b>--</b></u>  | <u><b>82,000</b></u>                                 |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**6. PREMIUMS RECEIVABLE, NET**

Premiums receivable comprise amounts due from the following:

|  | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|--|---|--|
| Policyholders  | 100,053   | 66,771   |
| Related parties (note 13)  | 3,152   | 4,219  |
|  | <u>103,205</u>  | <u>70,990</u>  |
| Allowance for impairment of premiums receivable (see note below) | <u>(23,703)</u>   | <u>(22,525)</u>                                      |
|  | <u><u>79,502</u></u>                                    | <u><u>48,465</u></u>                                 |

a) Movement in the allowance for impairment of premiums receivable during the period / year was as follows:

|   | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|---|---|--|
| Balance at the beginning of the period / year | 22,525  | 20,371   |
| Addition during the period / year             | 1,178   | 2,154  |
|   | <u>23,703</u>   | <u>22,525</u>  |

**7. INVESTMENTS**

|   | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|---|---|--|
| <i>Shareholders' operations</i>   |   |  |
| Investments held at fair value through income statement (FVIS) (note 7.a) | 39,484  | 37,508   |
| Available-for-sale investment (note 7.b)                                  | 1,923   | 1,923  |
|   | <u>41,407</u>   | <u>39,431</u>  |

**a) Investments held at fair value through income statement (FVIS)**

Movement in investments classified as fair value through income statement (FVIS) is as follows:

|   | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|---|---|--|
| Balance at the beginning of the period / year | 37,508  | 33,592   |
| Purchases during the period / year            | --  | 4,217  |
| Disposals during the period / year            | (2,670)   | (4,965)  |
| Realized gain during the period / year        | 780   | 396  |
| Unrealized gain during the period / year      | 3,866   | 4,268  |
|   | <u>39,484</u>   | <u>37,508</u>  |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**7. INVESTMENTS (continued)**

**a) Investments held at fair value through income statement (FVIS) (continued)**

The investments held at fair value through income statement of Shareholders' Operations comprise of portfolio amounting to SR 39.5 million (31 December 2018: SR 37.5 million) which is invested in mutual funds and equity shares in the Kingdom of Saudi Arabia. These investments are denominated in Saudi Arabian Riyal and US Dollars.

All investments held at fair value through income statement are quoted. The portfolio is invested in securities and mutual funds issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

**b) Available-for-sale investment**

The Company holds 3.85% of the equity in Najm for Insurance Services Company ("Najm"), a non-listed Saudi limited liability Company. The investment is classified as available-for-sale investment and is stated at cost.

**8. TECHNICAL RESERVES**

**8.1. NET OUTSTANDING CLAIMS AND RESERVES**

Net outstanding claims and reserves comprise of the following:

|   | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|---|---|--|
| Outstanding claims                                    | 42,313  | 68,443   |
| Claims incurred but not reported                      | 34,525  | 31,248   |
| Provision for premium deficiency reserve              | 4,628   | 11,004   |
| Other technical reserves                              | 2,979   | 3,740  |
|   | <u>84,445</u>   | <u>114,435</u>                                       |
| Less:   |   |  |
| Reinsurers' share of outstanding claims               | 18,802  | 45,365   |
| Reinsurers' share of claims incurred but not reported | 12,637  | 14,776   |
|   | <u>31,439</u>   | <u>60,141</u>  |
| Net outstanding claims and reserves                   | <u>53,006</u>   | <u>54,294</u>  |

**8.2. MOVEMENT IN UNEARNED PREMIUMS**

Movement in unearned premiums comprise of the following:

|   | <i>Nine-months period ended 30 September 2019 (Unaudited)</i> |                               |                       |
|---|---|-------------------------------|-----------------------|
|   | <i>Gross<br/>SR'000</i>                                       | <i>Reinsurance<br/>SR'000</i> | <i>Net<br/>SR'000</i> |
| Balance as at the beginning of the period | 101,854   | (35,607)                      | 66,247                |
| Premiums written during the period        | 219,293   | (73,746)                      | 145,547               |
| Premiums earned during the period         | (187,910)   | 72,242                        | (115,668)             |
| Balance as at the end of the period       | <u>133,237</u>  | <u>(37,111)</u>               | <u>96,126</u>         |
|   | <i>Year ended 31 December 2018 (Audited)</i>                  |                               |                       |
|   | <i>Gross<br/>SR'000</i>                                       | <i>Reinsurance<br/>SR'000</i> | <i>Net<br/>SR'000</i> |
| Balance as at the beginning of the year   | 61,393  | (29,925)                      | 31,468                |
| Premiums written during the year          | 264,675   | (117,711)                     | 146,964               |
| Premiums earned during the year           | (224,214)   | 112,029                       | (112,185)             |
| Balance as at the end of the year         | <u>101,854</u>  | <u>(35,607)</u>               | <u>66,247</u>         |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

9. GROSS WRITTEN PREMIUMS

*For the three-months period ended 30 September 2019 (Unaudited)*

| Corporate                                   |                   |                  |                               |                       |               | Total Gross<br>written<br>premiums<br>SR '000 |
|---|-------------------|------------------|-------------------------------|-----------------------|---------------|---|
| Small<br>SR '000                            | Medium<br>SR '000 | Large<br>SR '000 | Total<br>Corporate<br>SR '000 | Individual<br>SR '000 |               |   |
| Medical                                     | 24,566            | 400              | 436                           | 25,402                | 604           | 26,006  |
| Motor                                       | 20,706            | 457              | 12,145                        | 33,308                | 6,954         | 40,262  |
| Property & accident<br>Protection & savings | 3,074             | 1,759            | 8,437                         | 13,270                | 3,315         | 16,585  |
|   | --                | --               | --                            | --                    | --            | --  |
|   | <u>48,346</u>     | <u>2,616</u>     | <u>21,018</u>                 | <u>71,980</u>         | <u>10,873</u> | <u>82,853</u>                                 |

*For the three-months period ended 30 September 2018 (Unaudited)*

| Corporate                                   |                   |                  |                               |                       |               | Total Gross<br>written<br>premiums<br>SR '000 |
|---|-------------------|------------------|-------------------------------|-----------------------|---------------|---|
| Small<br>SR '000                            | Medium<br>SR '000 | Large<br>SR '000 | Total<br>Corporate<br>SR '000 | Individual<br>SR '000 |               |   |
| Medical                                     | 4,758             | 2,379            | 338                           | 7,475                 | 75            | 7,550   |
| Motor                                       | 8,757             | 1,487            | 2,363                         | 12,607                | 10,647        | 23,254  |
| Property & accident<br>Protection & savings | 1,194             | 1,922            | 13,637                        | 16,753                | 559           | 17,312  |
|   | --                | --               | --                            | --                    | --            | --  |
|   | <u>14,709</u>     | <u>5,788</u>     | <u>16,338</u>                 | <u>36,835</u>         | <u>11,281</u> | <u>48,116</u>                                 |

*For the nine-months period ended 30 September 2019 (Unaudited)*

| Corporate                                   |                   |                  |                               |                       |               | Total Gross<br>written<br>premiums<br>SR '000 |
|---|-------------------|------------------|-------------------------------|-----------------------|---------------|---|
| Small<br>SR '000                            | Medium<br>SR '000 | Large<br>SR '000 | Total<br>Corporate<br>SR '000 | Individual<br>SR '000 |               |   |
| Medical                                     | 38,413            | 5,039            | 16,011                        | 59,463                | 688           | 60,151  |
| Motor                                       | 34,749            | 5,902            | 23,100                        | 63,751                | 31,092        | 94,843  |
| Property & accident<br>Protection & savings | 9,139             | 8,049            | 41,296                        | 58,484                | 5,815         | 64,299  |
|   | --                | --               | --                            | --                    | --            | --  |
|   | <u>82,301</u>     | <u>18,990</u>    | <u>80,407</u>                 | <u>181,698</u>        | <u>37,595</u> | <u>219,293</u>                                |

*For the nine-months period ended 30 September 2018 (Unaudited)*

| Corporate                                   |                   |                  |                               |                       |               | Total Gross<br>written<br>premiums<br>SR '000 |
|---|-------------------|------------------|-------------------------------|-----------------------|---------------|---|
| Small<br>SR '000                            | Medium<br>SR '000 | Large<br>SR '000 | Total<br>Corporate<br>SR '000 | Individual<br>SR '000 |               |   |
| Medical                                     | 18,793            | 7,003            | 16,871                        | 42,667                | 235           | 42,902  |
| Motor                                       | 17,988            | 5,779            | 7,113                         | 30,880                | 64,100        | 94,980  |
| Property & accident<br>Protection & savings | 9,247             | 10,580           | 55,992                        | 75,819                | 1,436         | 77,255  |
|   | --                | --               | --                            | --                    | --            | --  |
|   | <u>46,028</u>     | <u>23,362</u>    | <u>79,976</u>                 | <u>149,366</u>        | <u>65,771</u> | <u>215,137</u>                                |

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

As at 30 September 2019

**10. COMMITMENTS AND CONTINGENCIES**

a) The Company's commitments and contingencies are as follows:

|                      | <i>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</i> | <i>31 December<br/>2018<br/>(Audited)<br/>SR'000</i> |
|----------------------|---|--|
| Letters of guarantee | <u>300</u>  | <u>300</u>   |

b) Zakat and withholding tax contingencies have been disclosed in note 14.2.

c) The Company is not subject to any significant legal proceedings in the ordinary course of business.

**11. FAIR VALUES 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 accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed financial statements. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

**Determination of fair value and fair value hierarchy**

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

**Carrying amounts and fair value**

- As at 30 September 2019 and 31 December 2018, all financial instruments which are fair valued are Level 1 instruments amounting to SR 39.5 million (2018: SR 37.5 million).
- As at 30 September 2019, the Company has an investment amounting to SR 1.9 million in unquoted equity security. This investment has not been measured at fair value because of the unavailability of quoted prices of comparable companies and other financial information. However, the management believes that there is no major difference between the carrying values and fair values of this investment.
- All investments are fair valued except for available-for-sale investment which is stated at cost (see note 7.b and above).
- Cash and bank balances and other short-term financial assets are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature.
- There were no transfers between levels during the three-month and nine-month periods ended 30 September 2019 and year ended 31 December 2018. Also, there were no changes in the valuation techniques during the period from the previous periods.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

As at 30 September 2019

**12. OPERATING SEGMENTS**

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance. All of the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in six major lines of business.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2018.

Segment assets do not include cash and cash equivalents, investment in Murabaha deposits, premiums receivable, net, due from reinsurers, investments, prepayments and other assets, property and equipment, intangible assets, goodwill, statutory deposit and accrued interest on statutory deposit. Accordingly, they are included in unallocated assets.

Segment liabilities and surplus do not include due to reinsurers and brokers, due to policyholders, accrued expenses and other liabilities, end of service indemnities, surplus distribution payable, accrued Zakat and accrued interest on statutory deposit. Accordingly, they are included in unallocated liabilities.

Segments do not include shareholders assets and liabilities hence these are presented under unallocated assets / liabilities accordingly.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities as at 30 September 2019 and 31 December 2018, its total revenues, expenses, and net income for the three-month and nine-month periods then ended, are as follows:

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

| As at 30 September 2019 (Unaudited)                   |                |               |                 |                    |               | <i>Insurance Operations</i>     |                                   | <i>Shareholders' Operations</i> | <i>Total</i>   |
|---|----------------|---------------|-----------------|--------------------|---------------|---------------------------------|-----------------------------------|---------------------------------|----------------|
|   | <i>Medical</i> | <i>Motor</i>  | <i>Property</i> | <i>Engineering</i> | <i>Marine</i> | <i>Accident &amp; liability</i> | <i>Total Insurance Operations</i> |                                 |                |
|   | <i>SR'000</i>  | <i>SR'000</i> | <i>SR'000</i>   | <i>SR'000</i>      | <i>SR'000</i> | <i>SR'000</i>                   | <i>SR'000</i>                     | <i>SR'000</i>                   | <i>SR'000</i>  |
| <i>Assets</i>   |                |               |                 |                    |               |                                 |                                   |                                 |                |
| Reinsurers' share of unearned premiums                | 203            | 13,720        | 13,438          | 3,170              | 3,171         | 3,409                           | 37,111                            | --                              | 37,111         |
| Reinsurers' share of outstanding claims               | 2,454          | 3,482         | 4,545           | 564                | 1,908         | 5,849                           | 18,802                            | --                              | 18,802         |
| Reinsurers' share of claims incurred but not reported | 424            | 2,691         | 3,499           | 1,542              | 1,837         | 2,644                           | 12,637                            | --                              | 12,637         |
| Reinsurers' excess of loss claims                     | --             | 2,114         | --              | --                 | --            | --                              | 2,114                             | --                              | 2,114          |
| Deferred policy acquisition costs                     | 1,821          | 3,470         | 1,417           | 270                | 322           | 723                             | 8,023                             | --                              | 8,023          |
| Unallocated assets                                    | --             | --            | --              | --                 | --            | --                              | 201,850                           | 173,338                         | 375,188        |
| <b>Total assets</b>                                   | <b>4,902</b>   | <b>25,477</b> | <b>22,899</b>   | <b>5,546</b>       | <b>7,238</b>  | <b>12,625</b>                   | <b>280,537</b>                    | <b>173,338</b>                  | <b>453,875</b> |
| <i>Liabilities</i>                                    |                |               |                 |                    |               |                                 |                                   |                                 |                |
| Unearned premiums                                     | 35,529         | 68,363        | 14,746          | 3,524              | 4,205         | 6,870                           | 133,237                           | --                              | 133,237        |
| Unearned reinsurance commission                       | --             | 1,319         | 3,215           | 552                | 787           | 866                             | 6,739                             | --                              | 6,739          |
| Outstanding claims                                    | 15,334         | 10,766        | 5,120           | 600                | 2,256         | 8,237                           | 42,313                            | --                              | 42,313         |
| Claims incurred but not reported                      | 8,468          | 13,341        | 4,165           | 1,752              | 2,910         | 3,889                           | 34,525                            | --                              | 34,525         |
| Premium deficiency reserve                            | 3,614          | 1,014         | --              | --                 | --            | --                              | 4,628                             | --                              | 4,628          |
| Other technical reserves                              | 145            | 1,250         | 1,034           | 366                | 62            | 122                             | 2,979                             | --                              | 2,979          |
| Unallocated liabilities                               | --             | --            | --              | --                 | --            | --                              | 50,077                            | 13,740                          | 63,817         |
| <b>Total liabilities</b>                              | <b>63,090</b>  | <b>96,053</b> | <b>28,280</b>   | <b>6,794</b>       | <b>10,220</b> | <b>19,984</b>                   | <b>274,498</b>                    | <b>13,740</b>                   | <b>288,238</b> |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

| As at 31 December 2018 (Audited)                      | <i>Insurance Operations</i> |                |                 |                    |               |                                 |                                   |                                 |                |
|---|-----------------------------|----------------|-----------------|--------------------|---------------|---------------------------------|-----------------------------------|---------------------------------|----------------|
|   | <i>Medical</i>              | <i>Motor</i>   | <i>Property</i> | <i>Engineering</i> | <i>Marine</i> | <i>Accident &amp; liability</i> | <i>Total Insurance Operations</i> | <i>Shareholders' Operations</i> | <i>Total</i>   |
|   | <i>SR'000</i>               | <i>SR'000</i>  | <i>SR'000</i>   | <i>SR'000</i>      | <i>SR'000</i> | <i>SR'000</i>                   | <i>SR'000</i>                     | <i>SR'000</i>                   | <i>SR'000</i>  |
| <i>Assets</i>   |                             |                |                 |                    |               |                                 |                                   |                                 |                |
| Reinsurers' share of unearned premiums                | 5,971                       | 10,231         | 9,608           | 3,535              | 3,133         | 3,129                           | 35,607                            | --                              | 35,607         |
| Reinsurers' share of outstanding claims               | 11,470                      | 1,590          | 22,010          | 2,945              | 4,120         | 3,230                           | 45,365                            | --                              | 45,365         |
| Reinsurers' share of claims incurred but not reported | 2,318                       | 2,342          | 6,714           | 1,100              | 1,225         | 1,077                           | 14,776                            | --                              | 14,776         |
| Reinsurers' excess of loss claims                     | --                          | 1,978          | 1,666           | --                 | --            | --                              | 3,644                             | --                              | 3,644          |
| Deferred policy acquisition costs                     | 445                         | 3,036          | 1,120           | 412                | 510           | 701                             | 6,224                             | --                              | 6,224          |
| Unallocated assets                                    | --                          | --             | --              | --                 | --            | --                              | 169,706                           | 181,983                         | 351,689        |
| <b>Total assets</b>                                   | <b>20,204</b>               | <b>19,177</b>  | <b>41,118</b>   | <b>7,992</b>       | <b>8,988</b>  | <b>8,137</b>                    | <b>275,322</b>                    | <b>181,983</b>                  | <b>457,305</b> |
| <i>Liabilities</i>                                    |                             |                |                 |                    |               |                                 |                                   |                                 |                |
| Unearned premiums                                     | 11,175                      | 65,427         | 10,427          | 3,941              | 4,435         | 6,449                           | 101,854                           | --                              | 101,854        |
| Unearned reinsurance commission                       | -                           | 973            | 2,027           | 834                | 1,201         | 843                             | 5,878                             | --                              | 5,878          |
| Outstanding claims                                    | 14,265                      | 12,873         | 25,936          | 3,172              | 5,656         | 6,541                           | 68,443                            | --                              | 68,443         |
| Claims incurred but not reported                      | 4,129                       | 14,193         | 7,463           | 1,269              | 1,946         | 2,248                           | 31,248                            | --                              | 31,248         |
| Premium deficiency reserve                            | 884                         | 8,163          | 1,091           | 375                | --            | 491                             | 11,004                            | --                              | 11,004         |
| Other technical reserves                              | --                          | 1,470          | 1,599           | 362                | 143           | 166                             | 3,740                             | --                              | 3,740          |
| Unallocated liabilities                               | --                          | --             | --              | --                 | --            | --                              | 60,302                            | 15,085                          | 75,387         |
| <b>Total liabilities</b>                              | <b>30,453</b>               | <b>103,099</b> | <b>48,543</b>   | <b>9,953</b>       | <b>13,381</b> | <b>16,738</b>                   | <b>282,469</b>                    | <b>15,085</b>                   | <b>297,554</b> |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

*For the three-months period ended 30 September 2019 (Unaudited)*

|  | <i>Medical</i><br>SR '000 | <i>Motor</i><br>SR '000 | <i>Property</i><br>SR '000 | <i>Engineering</i><br>SR '000 | <i>Marine</i><br>SR '000 | <i>Accident<br/>&amp; liability</i><br>SR '000 | <i>Total</i><br>SR '000 |
|--|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| <b>REVENUES</b>  |                           |                         |                            |                               |                          |  |                         |
| Gross written premiums   | 26,006                    | 40,262                  | 6,222                      | 841                           | 4,078                    | 5,444  | 82,853                  |
| Less: Reinsurance contracts premiums ceded   |                           |                         |                            |                               |                          |  |                         |
| - Local reinsurance  | --                        | --                      | (466)                      | (109)                         | (152)                    | (31)   | (758)                   |
| - Foreign reinsurance  | (21)                      | (8,593)                 | (5,215)                    | (613)                         | (2,903)                  | (1,118)  | (18,463)                |
| Excess of loss expenses  | (372)                     | (880)                   | (867)                      | --                            | (32)                     | --   | (2,151)                 |
| Net written premiums   | 25,613                    | 30,789                  | (326)                      | 119                           | 991                      | 4,295  | 61,481                  |
| Movement in net unearned premiums  | (8,310)                   | (10,666)                | 73                         | 134                           | 146                      | 593  | (18,030)                |
| Net premiums earned  | 17,303                    | 20,123                  | (253)                      | 253                           | 1,137                    | 4,888  | 43,451                  |
| Reinsurance commissions  | --                        | 540                     | 1,630                      | 379                           | 629                      | 596  | 3,774                   |
| Other underwriting income  | 4                         | 6                       | 2                          | 1                             | 6                        | 3  | 22                      |
| <b>TOTAL REVENUES</b>  | <b>17,307</b>             | <b>20,669</b>           | <b>1,379</b>               | <b>633</b>                    | <b>1,772</b>             | <b>5,487</b>                                   | <b>47,247</b>           |
| Gross claims paid  | 8,610                     | 21,420                  | (31)                       | 1,389                         | 454                      | 154  | 31,996                  |
| Expenses incurred related to claims  | 863                       | 940                     | --                         | --                            | --                       | --   | 1,803                   |
| Less: Reinsurers' share of claims paid   | (5,625)                   | (3,674)                 | (10)                       | (1,282)                       | (364)                    | (131)  | (11,086)                |
| Net claims and other benefits paid   | 3,848                     | 18,686                  | (41)                       | 107                           | 90                       | 23   | 22,713                  |
| Changes in outstanding claims, net   | 7,314                     | (5,728)                 | (63)                       | (157)                         | (87)                     | (435)  | 844                     |
| Changes in IBNR, net   | 3,852                     | 748                     | (130)                      | 5                             | (100)                    | (552)  | 3,823                   |
| Net claims and other benefits incurred (Reversal) / provision for premium deficiency reserve | 15,014                    | 13,706                  | (234)                      | (45)                          | (97)                     | (964)  | 27,380                  |
| Other technical reserves   | 2,264                     | (3,437)                 | (684)                      | --                            | --                       | --   | (1,857)                 |
| Policy acquisition costs   | 75                        | (243)                   | (8)                        | (4)                           | (7)                      | (38)   | (225)                   |
|  | 678                       | 1,232                   | 749                        | 171                           | 253                      | 466  | 3,549                   |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>   | <b>18,031</b>             | <b>11,258</b>           | <b>(177)</b>               | <b>122</b>                    | <b>149</b>               | <b>(536)</b>                                   | <b>28,847</b>           |
| <b>NET UNDERWRITING (LOSS) / INCOME</b>  | <b>(724)</b>              | <b>9,411</b>            | <b>1,556</b>               | <b>511</b>                    | <b>1,623</b>             | <b>6,023</b>                                   | <b>18,400</b>           |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

*For the three-months period ended 30 September 2019 (Unaudited)*

|   | <i>Medical</i><br>SR '000 | <i>Motor</i><br>SR '000 | <i>Property</i><br>SR '000 | <i>Engineering</i><br>SR '000 | <i>Marine</i><br>SR '000 | <i>Accident<br/>&amp; liability</i><br>SR '000 | <i>Total</i><br>SR '000 |
|---|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| <b>NET UNDERWRITING (LOSS) / INCOME</b>   | (724)                     | 9,411                   | 1,556                      | 511                           | 1,623                    | 6,023  | 18,400                  |
| <b>OTHER OPERATING (EXPENSES) / INCOME</b>                                      |                           |                         |                            |                               |                          |  |                         |
| Allowance for impairment of doubtful debts                                      |                           |                         |                            |                               |                          |  | 597                     |
| General and administration expenses   |                           |                         |                            |                               |                          |  | (17,029)                |
| Commission income on deposits   |                           |                         |                            |                               |                          |  | 784                     |
| Unrealized loss on investments  |                           |                         |                            |                               |                          |  | (2,846)                 |
| Other income  |                           |                         |                            |                               |                          |  | 1,891                   |
| <b>TOTAL OTHER OPERATING EXPENSES</b>   |                           |                         |                            |                               |                          |  | (16,603)                |
| <b>Income for the period</b>  |                           |                         |                            |                               |                          |  | 1,797                   |
| Total income attributed to insurance operations                                 |                           |                         |                            |                               |                          |  | (448)                   |
| <b>Net income for the period attributable to the shareholders, before zakat</b> |                           |                         |                            |                               |                          |  | 1,349                   |
| Provision for Zakat   |                           |                         |                            |                               |                          |  | (817)                   |
| <b>Net income for the period</b>  |                           |                         |                            |                               |                          |  | 532                     |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

|  | <i>For the three-months period ended 30 September 2018 (Unaudited)</i> |                |                 |                    |                |                                 |                |
|--|--|----------------|-----------------|--------------------|----------------|---------------------------------|----------------|
|  | <i>Medical</i>   | <i>Motor</i>   | <i>Property</i> | <i>Engineering</i> | <i>Marine</i>  | <i>Accident &amp; liability</i> | <i>Total</i>   |
|  | <i>SR '000</i>   | <i>SR '000</i> | <i>SR '000</i>  | <i>SR '000</i>     | <i>SR '000</i> | <i>SR '000</i>                  | <i>SR '000</i> |
| <b>REVENUES</b>  |  |                |                 |                    |                |                                 |                |
| Gross written premiums   | 7,550  | 23,254         | 4,806           | 945                | 5,026          | 6,535                           | 48,116         |
| Less: Reinsurance contracts premiums ceded   |  |                |                 |                    |                |                                 |                |
| - Local reinsurance  | --   | --             | (283)           | (31)               | (151)          | (33)                            | (498)          |
| - Foreign reinsurance  | (3,942)  | (3,925)        | (4,123)         | (800)              | (3,665)        | (1,736)                         | (18,191)       |
| Excess of loss expenses  | --   | (743)          | (741)           | --                 | (31)           | --                              | (1,515)        |
| Net written premiums   | 3,608  | 18,586         | (341)           | 114                | 1,179          | 4,766                           | 27,912         |
| Changes in unearned premiums, net  | 1,230  | 2,348          | 265             | 149                | 98             | 77                              | 4,167          |
| Net premiums earned  | 4,838  | 20,934         | (76)            | 263                | 1,277          | 4,843                           | 32,079         |
| Reinsurance commissions  | --   | 426            | 1,651           | 512                | 981            | 948                             | 4,518          |
| Other underwriting income  | 8  | 80             | 2               | --                 | 6              | 3                               | 99             |
| <b>TOTAL REVENUES</b>  | <b>4,846</b>   | <b>21,440</b>  | <b>1,577</b>    | <b>775</b>         | <b>2,264</b>   | <b>5,794</b>                    | <b>36,696</b>  |
| Gross claims paid  | 8,297  | 20,899         | 4,120           | 331                | 408            | 985                             | 35,040         |
| Expenses incurred related to claims  | 417  | 919            | --              | --                 | --             | --                              | 1,336          |
| Less: Reinsurers' share of claims paid   | (6,781)  | (3,118)        | (3,520)         | (285)              | (243)          | (771)                           | (14,718)       |
| Net claims and other benefits paid   | 1,933  | 18,700         | 600             | 46                 | 165            | 214                             | 21,658         |
| Changes in outstanding claims, net   | 14   | (248)          | (301)           | 1                  | 510            | 292                             | 268            |
| Changes in IBNR, net   | (226)  | 953            | (337)           | (37)               | 65             | 92                              | 510            |
| Net claims and other benefits incurred (Reversal) / provision for premium deficiency reserve | 1,721  | 19,405         | (38)            | 10                 | 740            | 598                             | 22,436         |
| Other technical reserves   | (413)  | 2,765          | (518)           | 894                | --             | --                              | 2,728          |
| Policy acquisition costs   | --   | 44             | --              | (547)              | --             | --                              | (503)          |
|  | 312  | 1,379          | 708             | 245                | 448            | 577                             | 3,669          |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>   | <b>1,620</b>   | <b>23,593</b>  | <b>152</b>      | <b>602</b>         | <b>1,188</b>   | <b>1,175</b>                    | <b>28,330</b>  |
| <b>NET UNDERWRITING INCOME / (LOSS)</b>  | <b>3,226</b>   | <b>(2,153)</b> | <b>1,425</b>    | <b>173</b>         | <b>1,076</b>   | <b>4,619</b>                    | <b>8,366</b>   |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

|  | <i>For the three-months period ended 30 September 2018 (Unaudited)</i> |              |                 |                    |               |                                     |              |
|--|--|--------------|-----------------|--------------------|---------------|-------------------------------------|--------------|
|  | <i>Medical</i>   | <i>Motor</i> | <i>Property</i> | <i>Engineering</i> | <i>Marine</i> | <i>Accident<br/>&amp; liability</i> | <i>Total</i> |
|  | SR '000  | SR '000      | SR '000         | SR '000            | SR '000       | SR '000                             | SR '000      |
| NET UNDERWRITING INCOME / (LOSS)                                       | 3,226  | (2,153)      | 1,425           | 173                | 1,076         | 4,619                               | 8,366        |
| OTHER OPERATING (EXPENSES) / INCOME                                    |  |              |                 |                    |               |                                     |              |
| Allowance for impairment of doubtful debts                             |  |              |                 |                    |               |                                     | (1,291)      |
| General and administration expenses                                    |  |              |                 |                    |               |                                     | (15,812)     |
| Commission income on deposits  |  |              |                 |                    |               |                                     | 905          |
| Unrealized gain on investments   |  |              |                 |                    |               |                                     | 486          |
| Other income   |  |              |                 |                    |               |                                     | 607          |
| TOTAL OTHER OPERATING EXPENSES   |  |              |                 |                    |               |                                     | (15,105)     |
| Loss for the period  |  |              |                 |                    |               |                                     | (6,739)      |
| Total income attributed to insurance operations                        |  |              |                 |                    |               |                                     | --           |
| Net loss for the period attributable to the shareholders, before Zakat |  |              |                 |                    |               |                                     | (6,739)      |
| Provision for Zakat  |  |              |                 |                    |               |                                     | (1,010)      |
| Net loss for the period  |  |              |                 |                    |               |                                     | (7,749)      |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

*For the nine-months period ended 30 September 2019 (Unaudited)*

|   | <i>Medical</i><br>SR '000 | <i>Motor</i><br>SR '000 | <i>Property</i><br>SR '000 | <i>Engineering</i><br>SR '000 | <i>Marine</i><br>SR '000 | <i>Accident<br/>&amp; liability</i><br>SR '000 | <i>Total</i><br>SR '000 |
|---|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| <b>REVENUES</b>                                       |                           |                         |                            |                               |                          |  |                         |
| Gross written premiums                                | 60,151                    | 94,843                  | 28,330                     | 3,916                         | 12,973                   | 19,080   | 219,293                 |
| Less: Reinsurance contracts premiums ceded            |                           |                         |                            |                               |                          |  |                         |
| - Local reinsurance                                   | --                        | --                      | (1,608)                    | (284)                         | (587)                    | (212)  | (2,691)                 |
| - Foreign reinsurance                                 | (37)                      | (20,036)                | (24,369)                   | (3,213)                       | (8,438)                  | (6,369)  | (62,462)                |
| Excess of loss expenses                               | (1,488)                   | (3,520)                 | (3,457)                    | --                            | (128)                    | --   | (8,593)                 |
| Net written premiums                                  | 58,626                    | 71,287                  | (1,104)                    | 419                           | 3,820                    | 12,499   | 145,547                 |
| Movement in net unearned premiums                     | (30,122)                  | 555                     | (487)                      | 51                            | 268                      | (142)  | (29,877)                |
| Net premiums earned                                   | 28,504                    | 71,842                  | (1,591)                    | 470                           | 4,088                    | 12,357   | 115,670                 |
| Reinsurance commissions                               | --                        | 4,178                   | 4,819                      | 1,195                         | 3,230                    | 1,682  | 15,104                  |
| Other underwriting income                             | 8                         | 21                      | 7                          | 4                             | 20                       | 14   | 74                      |
| <b>TOTAL REVENUES</b>                                 | <b>28,512</b>             | <b>76,041</b>           | <b>3,235</b>               | <b>1,669</b>                  | <b>7,338</b>             | <b>14,053</b>                                  | <b>130,848</b>          |
| Gross claims paid                                     | 32,030                    | 70,927                  | 14,428                     | 2,509                         | 2,763                    | 1,550  | 124,207                 |
| Expenses incurred related to claims                   | 2,416                     | 4,569                   | --                         | --                            | --                       | --   | 6,985                   |
| Less: Reinsurers' share of claims paid                | (23,677)                  | (11,931)                | (12,945)                   | (2,344)                       | (1,739)                  | (1,114)  | (53,750)                |
| Net claims and other benefits paid                    | 10,769                    | 63,565                  | 1,483                      | 165                           | 1,024                    | 436  | 77,442                  |
| Changes in outstanding claims, net                    | 10,084                    | (4,137)                 | (1,684)                    | (191)                         | (1,187)                  | (924)  | 1,961                   |
| Changes in IBNR, net                                  | 6,233                     | (1,198)                 | (82)                       | 42                            | 352                      | 72   | 5,419                   |
| Net claims and other benefits incurred                | 27,086                    | 58,230                  | (283)                      | 16                            | 189                      | (416)  | 84,822                  |
| Provision / (reversal) for premium deficiency reserve | 2,731                     | (7,151)                 | (1,090)                    | (376)                         | --                       | (490)  | (6,376)                 |
| Other technical reserves                              | 145                       | (224)                   | (565)                      | 9                             | (81)                     | (44)   | (760)                   |
| Policy acquisition costs                              | 1,159                     | 4,086                   | 2,054                      | 552                           | 987                      | 1,302  | 10,140                  |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>          | <b>31,121</b>             | <b>54,941</b>           | <b>116</b>                 | <b>201</b>                    | <b>1,095</b>             | <b>352</b>                                     | <b>87,826</b>           |
| <b>NET UNDERWRITING (LOSS) / INCOME</b>               | <b>(2,609)</b>            | <b>21,100</b>           | <b>3,119</b>               | <b>1,468</b>                  | <b>6,243</b>             | <b>13,701</b>                                  | <b>43,022</b>           |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

|   | <i>For the nine-months period ended 30 September 2019 (Unaudited)</i> |                |                 |                    |                |                        |                |
|---|---|----------------|-----------------|--------------------|----------------|------------------------|----------------|
|   | <i>Medical</i>  | <i>Motor</i>   | <i>Property</i> | <i>Engineering</i> | <i>Marine</i>  | <i>Accident</i>        | <i>Total</i>   |
|   | <i>SR '000</i>  | <i>SR '000</i> | <i>SR '000</i>  | <i>SR '000</i>     | <i>SR '000</i> | <i>&amp; liability</i> | <i>SR '000</i> |
|   |   |                |                 |                    |                | <i>SR '000</i>         | <i>SR '000</i> |
| <b>NET UNDERWRITING (LOSS) / INCOME</b>   | (2,609)   | 21,100         | 3,119           | 1,468              | 6,243          | 13,701                 | 43,022         |
| <b>OTHER OPERATING (EXPENSES) / INCOME</b>                                      |   |                |                 |                    |                |                        |                |
| Allowance for impairment of doubtful debts                                      |   |                |                 |                    |                |                        | (551)          |
| General and administration expenses   |   |                |                 |                    |                |                        | (47,111)       |
| Commission income on deposits   |   |                |                 |                    |                |                        | 2,850          |
| Realized gain on investments  |   |                |                 |                    |                |                        | 780            |
| Unrealized gain on investments  |   |                |                 |                    |                |                        | 3,866          |
| Other income  |   |                |                 |                    |                |                        | 6,180          |
| <b>TOTAL OTHER OPERATING EXPENSES</b>   |   |                |                 |                    |                |                        | (33,986)       |
| <b>Income for the period</b>  |   |                |                 |                    |                |                        | 9,036          |
| Total income attributed to insurance operations                                 |   |                |                 |                    |                |                        | (468)          |
| <b>Net income for the period attributable to the shareholders, before Zakat</b> |   |                |                 |                    |                |                        | 8,568          |
| Provision for Zakat   |   |                |                 |                    |                |                        | (2,682)        |
| <b>Net income for the period</b>  |   |                |                 |                    |                |                        | 5,886          |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

|   | <i>For the nine-months period ended 30 September 2018 (Unaudited)</i> |                |                 |                    |                |                        |                |
|---|---|----------------|-----------------|--------------------|----------------|------------------------|----------------|
|   | <i>Medical</i>  | <i>Motor</i>   | <i>Property</i> | <i>Engineering</i> | <i>Marine</i>  | <i>Accident</i>        | <i>Total</i>   |
|   | <i>SR '000</i>  | <i>SR '000</i> | <i>SR '000</i>  | <i>SR '000</i>     | <i>SR '000</i> | <i>&amp; liability</i> | <i>SR '000</i> |
|   |   |                |                 |                    |                | <i>SR '000</i>         | <i>SR '000</i> |
| <b>REVENUES</b>                                       |   |                |                 |                    |                |                        |                |
| Gross written premiums                                | 42,902  | 94,980         | 26,228          | 7,350              | 15,396         | 28,281                 | 215,137        |
| Less: Reinsurance contracts premiums ceded            |   |                |                 |                    |                |                        |                |
| - Local reinsurance                                   | --  | --             | (8,439)         | (1,134)            | (476)          | (1,385)                | (11,434)       |
| - Foreign reinsurance                                 |   |                |                 |                    |                |                        |                |
|   | (26,010)  | (16,376)       | (15,691)        | (5,435)            | (10,280)       | (6,039)                | (79,831)       |
| Excess of loss expenses                               | --  | (2,231)        | (2,223)         | --                 | (92)           | --                     | (4,546)        |
| Net written premiums                                  | 16,892  | 76,373         | (125)           | 781                | 4,548          | 20,857                 | 119,326        |
| Changes in unearned premiums, net                     | (4,475)   | (35,006)       | 105             | 1                  | 376            | (976)                  | (39,975)       |
| Net premiums earned                                   | 12,417  | 41,367         | (20)            | 782                | 4,924          | 19,881                 | 79,351         |
| Reinsurance commissions                               | --  | 1,023          | 4,930           | 1,746              | 3,574          | 2,037                  | 13,310         |
| Other underwriting income                             | 15  | 1,568          | 8               | 3                  | 21             | 14                     | 1,629          |
| <b>TOTAL REVENUES</b>                                 | <b>12,432</b>   | <b>43,958</b>  | <b>4,918</b>    | <b>2,531</b>       | <b>8,519</b>   | <b>21,932</b>          | <b>94,290</b>  |
| Gross claims paid                                     | 20,392  | 49,775         | 20,183          | 6,596              | 1,168          | 2,233                  | 100,347        |
| Expenses incurred related to claims                   | 2,014   | 2,097          | --              | --                 | --             | --                     | 4,111          |
| Less: Reinsurers' share of claims paid                | (16,368)  | (7,581)        | (18,721)        | (5,982)            | (566)          | (1,518)                | (50,736)       |
| Net claims and other benefits paid                    | 6,038   | 44,291         | 1,462           | 614                | 602            | 715                    | 53,722         |
| Changes in outstanding claims, net                    | 283   | (4,552)        | (223)           | (59)               | 969            | 661                    | (2,921)        |
| Changes in IBNR, net                                  | (26)  | 2,529          | (1,169)         | 15                 | 52             | (133)                  | 1,268          |
| Net claims and other benefits incurred                | 6,295   | 42,268         | 70              | 570                | 1,623          | 1,243                  | 52,069         |
| Provision / (reversal) for premium deficiency reserve | (323)   | 3,940          | (1,970)         | 202                | --             | --                     | 1,849          |
| Other technical reserves                              | --  | 487            | (84)            | (1,060)            | --             | (5)                    | (662)          |
| Policy acquisition costs                              | 727   | 3,517          | 2,198           | 767                | 1,665          | 1,464                  | 10,338         |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>          | <b>6,699</b>  | <b>50,212</b>  | <b>214</b>      | <b>479</b>         | <b>3,288</b>   | <b>2,702</b>           | <b>63,594</b>  |
| <b>NET UNDERWRITING INCOME / (LOSS)</b>               | <b>5,733</b>  | <b>(6,254)</b> | <b>4,704</b>    | <b>2,052</b>       | <b>5,231</b>   | <b>19,230</b>          | <b>30,696</b>  |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

|  | <i>For the nine-months period ended 30 September 2018 (Unaudited)</i> |              |                 |                    |               |                                 |              |
|--|---|--------------|-----------------|--------------------|---------------|---------------------------------|--------------|
|  | <i>Medical</i>  | <i>Motor</i> | <i>Property</i> | <i>Engineering</i> | <i>Marine</i> | <i>Accident &amp; liability</i> | <i>Total</i> |
|  | SR '000   | SR '000      | SR '000         | SR '000            | SR '000       | SR '000                         | SR '000      |
| NET UNDERWRITING INCOME / (LOSS)                                       | 5,733   | (6,254)      | 4,704           | 2,052              | 5,231         | 19,230                          | 30,696       |
| OTHER OPERATING (EXPENSES) / INCOME                                    |   |              |                 |                    |               |                                 |              |
| Allowance for impairment of doubtful debts                             |   |              |                 |                    |               |                                 | (4,736)      |
| General and administration expenses                                    |   |              |                 |                    |               |                                 | (45,488)     |
| Commission income on deposits  |   |              |                 |                    |               |                                 | 2,429        |
| Unrealized gain on investments   |   |              |                 |                    |               |                                 | 5,798        |
| Other income   |   |              |                 |                    |               |                                 | 3,789        |
| TOTAL OTHER OPERATING EXPENSES   |   |              |                 |                    |               |                                 | (38,208)     |
| Loss for the period  |   |              |                 |                    |               |                                 | (7,512)      |
| Total income attributed to insurance operations                        |   |              |                 |                    |               |                                 | --           |
| Net loss for the period attributable to the shareholders, before Zakat |   |              |                 |                    |               |                                 | (7,512)      |
| Provision for Zakat  |   |              |                 |                    |               |                                 | (3,673)      |
| Net loss for the period  |   |              |                 |                    |               |                                 | (11,185)     |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**13. TRANSACTIONS WITH RELATED PARTIES**

Related parties represent major shareholders, directors and key management personnel of the Company, and Companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

| <u>Related party</u>                         | <u>Relationship</u>     | <u>Nature of transactions</u>  | <u>Transactions for the three-month and nine-month periods ended</u>                      |   |  |  | <u>Balance receivable / (payable) as at</u>                     |  |
|--|-------------------------|--|---|---|--|--|---|--|
|  |                         |  | <u>Three-months period ended 30 September 2019</u><br><i>(Unaudited)</i><br><i>SR'000</i> | <u>Three-months period ended 30 September 2018</u><br><i>(Unaudited)</i><br><i>SR'000</i> | <u>Nine-months period ended 30 September 2019</u><br><i>(Unaudited)</i><br><i>SR'000</i> | <u>Nine-months period ended 30 September 2018</u><br><i>(Unaudited)</i><br><i>SR'000</i> | <u>30 September 2019</u><br><i>(Unaudited)</i><br><i>SR'000</i> | <u>31 December 2018</u><br><i>(Audited)</i><br><i>SR'000</i> |
| <b>Insurance operations</b>                  |                         |  |   |   |  |  |   |  |
| Gulf Cooperation Insurance Company Ltd. E.C. | Shareholder             | General and administrative expenses directly paid on behalf and recharged to the Company | --  | --  | --   | --   | <b>1,088</b>  | 1,088  |
| Saudi General Insurance Company Ltd. E.C.    | Shareholder             | General and administrative expenses directly paid on behalf and recharged to the Company | --  | --  | --   | --   | <b>(309)</b>  | (309)  |
| Rolaco Group                                 | Related to shareholders | Premiums underwritten (note 6)   | <b>36</b>   | 36  | <b>693</b>   | 682  | <b>24</b>   | 10   |
|  |                         | Claims paid  | --  | (39)  | <b>(2)</b>   | (50)   | <b>(4)</b>  | (4)  |
| Dabbagh Group                                | Related to shareholders | Premiums underwritten (note 6)   | <b>57</b>   | 253   | <b>4,860</b>   | 7,510  | <b>2,901</b>  | 2,574  |
|  |                         | Claims paid  | <b>(617)</b>  | (525)   | <b>(1,960)</b>   | (1,825)  | <b>(118)</b>  | (712)  |
| Farouk, Maamoun Tamer & Company              | Shareholder             | Premiums underwritten (note 6)   | <b>1,340</b>  | 2,610   | <b>8,818</b>   | 10,804   | <b>227</b>  | 1,635  |
|  |                         | Claims paid  | <b>(539)</b>  | (176)   | <b>(1,188)</b>   | (746)  | <b>(280)</b>  | (3,013)  |
| Key Management Personnel                     |                         | Short-term benefits  | <b>(738)</b>  | (664)   | <b>(2,194)</b>   | (1,826)  | --  | --   |
|  |                         | Long-term benefits   | <b>(36)</b>   | (33)  | <b>(127)</b>   | (92)   | <b>(511)</b>  | (385)  |
| <b>Shareholders' operations</b>              |                         |  |   |   |  |  |   |  |
| Board of Directors                           |                         | Board of Directors remuneration and related expenses                                     | <b>450</b>  | 450   | <b>1,350</b>   | 1,350  | <b>(1,350)</b>  | (1,800)  |

a) Note 4.a refers to bank balances that are held in the name of related parties of the Company, on behalf of the Company.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**14. ZAKAT**

**14.1. Zakat Payable**

The Zakat payable by the Company has been calculated based on the best estimates of the management.

Movements in the Zakat accrued during the nine-months period ended 30 September 2019 and the year ended 31 December 2018 are as follows:

|   | <b>30 September<br/>2019<br/>(Unaudited)<br/>SR'000</b> | <b>31 December<br/>2018<br/>(Audited)<br/>SR'000</b> |
|---|---|--|
| Balance at the beginning of the period / year | <b>11,500</b>   | 13,032   |
| Charge for the period / year                  | <b>2,682</b>  | 3,886  |
| Charge relating to prior periods / years      | --  | 5,538  |
| Paid during the period / year                 | <b>(3,847)</b>  | (10,956)   |
| Balance at the end of the period / year       | <b>10,335</b>   | 11,500   |

**14.2. Status of assessments**

- The Company has filed its Zakat returns for its first period from 3 January 2010 to 31 December 2011 and a revised return for the period from 3 January 2010 to 31 December 2011 with the General Authority of Zakat and Tax ("GAZT") and obtained unrestricted Zakat certificates.
- The Company has filed its Zakat returns for the years 2012 and 2013 and obtained unrestricted Zakat certificates. The GAZT issued final Zakat assessment for the period/years from 31 December, 2011 to 2013 claimed additional Zakat liability and withholding tax difference of SR 6.2 million and SR 11 million, respectively and delay fine charges. The Company settled Zakat differences of SR 0.2 million and withholding tax of SR 0.017 million in addition to delay fine charges and objected against the remaining GAZT items.

The GAZT issued a revised assessment claiming additional Zakat and withholding tax differences of SR 5.9 million and SR 11 million in addition to delay fine charges of SR. 9.5 million. The Company objected against the revised assessment in Preliminary Objection Committee (POC). The Company received the revised assessment from POC, in which, the Zakat liability was reduced to SR 2.9 million while other assessments remained the same. Subsequent to year-end, the Company has filed an appeal against the POC's decision in Higher Appeals Committee, providing a bank guarantee of SR 12.5 million and settled the withholding tax difference of SR 11 million. The management is confident of a favorable outcome of the appeals under review by the GAZT.

- The GAZT issued assessments for the years 2014 and 2015, claiming additional Zakat and withholding tax differences amounting to SR 6.9 million and 3.96 million, respectively during 2018. The Company is in the process of appealing certain items in the Zakat assessment amounting to SR 1.6 million and settled Zakat and withholding tax differences amounting to SR 5.5 million and SR 3.96 million, respectively.
- The Company has filed its Zakat return for the years 2016 to 2018 and obtained the necessary Zakat certificates. The Company's returns are still under study by the GAZT.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

As at 30 September 2019

**15. SHARE CAPITAL**

The share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2018: 20 million shares of SR 10 each). The shareholding structure of the Company is as below. The shareholders of the Company are subject to Zakat tax:

|                       | <i>30 September 2019 (Unaudited)</i> |                       | <i>31 December 2018 (Audited)</i> |                       |
|-----------------------|--------------------------------------|-----------------------|-----------------------------------|-----------------------|
|                       | <i>Percentage of holding</i>         | <i>Amount SR '000</i> | <i>Percentage of holding</i>      | <i>Amount SR '000</i> |
| Founding shareholders | <b>37.9%</b>                         | <b>75,800</b>         | 37.9%                             | 75,800                |
| General public        | <b>62.1%</b>                         | <b>124,200</b>        | 62.1%                             | 124,200               |
|                       | <b>100%</b>                          | <b>200,000</b>        | 100%                              | 200,000               |

On 24 Shabaan 1440H, corresponding to 29 April 2019, the Board of Directors have recommended an increase in the Company's capital through offering a rights issue with a total value of SR 300 million. During the period ended 30 September 2019, the Company has received approval from Saudi Arabian Monetary Authority ("SAMA") and are in the process of finalizing the remaining regulatory and legal formalities underlying such increase.

**16. CAPITAL MANAGEMENT**

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

Capital requirements are set and regulated by SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising of paid-up capital, statutory reserve, and retained earnings.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

The following information summarizes the minimum regulatory capital of the Company:

|                            | <i>30 September 2019 (Unaudited) SR'000</i> | <i>31 December 2018 (Audited) SR'000</i> |
|----------------------------|---|--|
| Available capital          | <b>104,409</b>                              | 101,381                                  |
| Minimum regulatory capital | <b>(100,000)</b>                            | (100,000)                                |
| Surplus capital            | <b>4,409</b>                                | 1,381                                    |

**17. EARNINGS / (LOSS) PER SHARE**

The basic earnings / (loss) per share have been calculated by dividing the net income / (loss) for the period by the weighted average number of ordinary shares issued and outstanding at the period end.

Diluted earnings / (loss) earnings per share is not applicable to the Company.

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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18. SUPPLEMENTARY INFORMATION

Interim Condensed Statement of Financial Position

|   | 30 September 2019 (Unaudited) |                          |                | 31 December 2018 (Audited) |                          |                |
|---|-------------------------------|--------------------------|----------------|----------------------------|--------------------------|----------------|
|   | Insurance operations          | Shareholders' operations | Total          | Insurance operations       | Shareholders' operations | Total          |
|   | SR'000                        | SR'000                   | SR'000         | SR'000                     | SR'000                   | SR'000         |
| <b>ASSETS</b>   |                               |                          |                |                            |                          |                |
| Cash and cash equivalents                             | 79,985                        | 72,889                   | 152,874        | 87,627                     | 2,760                    | 90,387         |
| Murabaha deposits                                     | --                            | --                       | --             | --                         | 82,000                   | 82,000         |
| Premiums receivable, net                              | 79,502                        | --                       | 79,502         | 48,465                     | --                       | 48,465         |
| Due from reinsurers, net                              | 21,175                        | --                       | 21,175         | 16,857                     | --                       | 16,857         |
| Reinsurers' share of unearned premiums                | 37,111                        | --                       | 37,111         | 35,607                     | --                       | 35,607         |
| Reinsurers' share of outstanding claims               | 18,802                        | --                       | 18,802         | 45,365                     | --                       | 45,365         |
| Reinsurers' share of claims incurred but not reported | 12,637                        | --                       | 12,637         | 14,776                     | --                       | 14,776         |
| Reinsurers' excess of loss claims                     | 2,114                         | --                       | 2,114          | 3,644                      | --                       | 3,644          |
| Deferred policy acquisition costs                     | 8,023                         | --                       | 8,023          | 6,224                      | --                       | 6,224          |
| Investments   | --                            | 41,407                   | 41,407         | --                         | 39,431                   | 39,431         |
| Due from / (to) insurance operations                  | --                            | 5,415                    | 5,415          | --                         | (7,771)                  | (7,771)        |
| Prepayments and other assets                          | 14,605                        | 1,038                    | 15,643         | 10,471                     | 185                      | 10,656         |
| Property and equipment                                | 4,168                         | --                       | 4,168          | 4,160                      | --                       | 4,160          |
| Intangible assets                                     | 2,415                         | --                       | 2,415          | 2,126                      | --                       | 2,126          |
| Goodwill  | --                            | 36,260                   | 36,260         | --                         | 36,260                   | 36,260         |
| Statutory deposit                                     | --                            | 20,000                   | 20,000         | --                         | 20,000                   | 20,000         |
| Accrued income on statutory deposit                   | --                            | 1,744                    | 1,744          | --                         | 1,347                    | 1,347          |
| <b>TOTAL OPERATIONS ASSETS</b>                        | <b>280,537</b>                | <b>178,753</b>           | <b>459,290</b> | <b>275,322</b>             | <b>174,212</b>           | <b>449,534</b> |
| Less: Inter-operations eliminations                   | --                            | (5,415)                  | (5,415)        | --                         | 7,771                    | 7,771          |
| <b>TOTAL ASSETS</b>                                   | <b>280,537</b>                | <b>173,338</b>           | <b>453,875</b> | <b>275,322</b>             | <b>181,983</b>           | <b>457,305</b> |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Financial Position (continued)

|   | 30 September 2019 (Unaudited) |                              |                | 31 December 2018 (Audited) |                              |                |
|---|-------------------------------|------------------------------|----------------|----------------------------|------------------------------|----------------|
|   | Insurance<br>operations       | Shareholders<br>' operations | Total          | Insurance<br>operations    | Shareholders<br>' operations | Total          |
|   | SR'000                        | SR'000                       | SR'000         | SR'000                     | SR'000                       | SR'000         |
| <b>LIABILITIES</b>                                    |                               |                              |                |                            |                              |                |
| Due to policyholders                                  | 7,846                         | --                           | 7,846          | 7,926                      | --                           | 7,926          |
| Accrued expenses and other liabilities                | 6,127                         | 1,661                        | 7,788          | 6,669                      | 2,238                        | 8,907          |
| Due to reinsurers                                     | 3,435                         | --                           | 3,435          | 11,323                     | --                           | 11,323         |
| Due to brokers  | 18,618                        | --                           | 18,618         | 18,176                     | --                           | 18,176         |
| Unearned premiums                                     | 133,237                       | --                           | 133,237        | 101,854                    | --                           | 101,854        |
| Unearned reinsurance commission                       | 6,739                         | --                           | 6,739          | 5,878                      | --                           | 5,878          |
| Outstanding claims                                    | 42,313                        | --                           | 42,313         | 68,443                     | --                           | 68,443         |
| Claims incurred but not reported                      | 34,525                        | --                           | 34,525         | 31,248                     | --                           | 31,248         |
| Premium deficiency reserve                            | 4,628                         | --                           | 4,628          | 11,004                     | --                           | 11,004         |
| Other technical reserves                              | 2,979                         | --                           | 2,979          | 3,740                      | --                           | 3,740          |
| Due to / (from) shareholders' operations              | 5,415                         | --                           | 5,415          | (7,771)                    | --                           | (7,771)        |
| End of service indemnities                            | 4,505                         | --                           | 4,505          | 7,130                      | --                           | 7,130          |
| Surplus distribution payable                          | 9,546                         | --                           | 9,546          | 9,078                      | --                           | 9,078          |
| Accrued Zakat   | --                            | 10,335                       | 10,335         | --                         | 11,500                       | 11,500         |
| Accrued income payable to SAMA                        | --                            | 1,744                        | 1,744          | --                         | 1,347                        | 1,347          |
| <b>TOTAL OPERATIONS LIABILITIES</b>                   | <b>279,913</b>                | <b>13,740</b>                | <b>293,653</b> | <b>274,698</b>             | <b>15,085</b>                | <b>289,783</b> |
| Less: Inter-operations eliminations                   | (5,415)                       | -                            | (5,415)        | 7,771                      | --                           | 7,771          |
| <b>TOTAL LIABILITIES</b>                              | <b>274,498</b>                | <b>13,740</b>                | <b>288,238</b> | <b>282,469</b>             | <b>15,085</b>                | <b>297,554</b> |
| <b>SHAREHOLDERS' EQUITY</b>                           |                               |                              |                |                            |                              |                |
| Share capital   | --                            | 200,000                      | 200,000        | --                         | 200,000                      | 200,000        |
| Statutory reserve                                     | --                            | 2,165                        | 2,165          | --                         | 2,165                        | 2,165          |
| Accumulated losses                                    | --                            | (37,152)                     | (37,152)       | --                         | (43,038)                     | (43,038)       |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                     | <b>--</b>                     | <b>165,013</b>               | <b>165,013</b> | <b>--</b>                  | <b>159,127</b>               | <b>159,127</b> |
| Re-measurement reserve of defined benefit obligations | 624                           | --                           | 624            | 624                        | --                           | 624            |
| <b>TOTAL EQUITY</b>                                   | <b>624</b>                    | <b>165,013</b>               | <b>165,637</b> | <b>624</b>                 | <b>159,127</b>               | <b>159,751</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>     | <b>275,122</b>                | <b>178,753</b>               | <b>453,875</b> | <b>283,093</b>             | <b>174,212</b>               | <b>457,305</b> |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income

For the three-months period ended

|   | 30 September 2019 (Unaudited) |                          |               | 30 September 2018 (Unaudited) |                          |               |
|---|-------------------------------|--------------------------|---------------|-------------------------------|--------------------------|---------------|
|   | Insurance operations          | Shareholders' operations | Total         | Insurance operations          | Shareholders' operations | Total         |
|   | SR'000                        | SR'000                   | SR'000        | SR'000                        | SR'000                   | SR'000        |
| <b>REVENUES</b>                                       |                               |                          |               |                               |                          |               |
| Gross written premiums                                | 82,853                        | --                       | 82,853        | 48,116                        | --                       | 48,116        |
| Less: Reinsurance contracts premiums ceded            |                               |                          |               |                               |                          |               |
| - Local reinsurance                                   | (758)                         | --                       | (758)         | (498)                         | --                       | (498)         |
| - Foreign reinsurance                                 | (18,463)                      | --                       | (18,463)      | (18,191)                      | --                       | (18,191)      |
| Excess of loss expenses                               | (2,151)                       | --                       | (2,151)       | (1,515)                       | --                       | (1,515)       |
| <b>Net written premiums</b>                           | <b>61,481</b>                 | <b>--</b>                | <b>61,481</b> | <b>27,912</b>                 | <b>--</b>                | <b>27,912</b> |
| Movement in net unearned premiums                     | (18,030)                      | --                       | (18,030)      | 4,167                         | --                       | 4,167         |
| <b>Net premiums earned</b>                            | <b>43,451</b>                 | <b>--</b>                | <b>43,451</b> | <b>32,079</b>                 | <b>--</b>                | <b>32,079</b> |
| Reinsurance commissions                               | 3,774                         | --                       | 3,774         | 4,518                         | --                       | 4,518         |
| Other underwriting income                             | 22                            | --                       | 22            | 99                            | --                       | 99            |
| <b>TOTAL REVENUES</b>                                 | <b>47,247</b>                 | <b>--</b>                | <b>47,247</b> | <b>36,696</b>                 | <b>--</b>                | <b>36,696</b> |
| <b>UNDERWRITING COSTS AND EXPENSES</b>                |                               |                          |               |                               |                          |               |
| Gross claims paid                                     | 31,996                        | --                       | 31,996        | 35,040                        | --                       | 35,040        |
| Expenses incurred related to claims                   | 1,803                         | --                       | 1,803         | 1,336                         | --                       | 1,336         |
| Less: Reinsurers' share of claims paid                | (11,086)                      | --                       | (11,086)      | (14,718)                      | --                       | (14,718)      |
| <b>Net claims and other benefits paid</b>             | <b>22,713</b>                 | <b>--</b>                | <b>22,713</b> | <b>21,658</b>                 | <b>--</b>                | <b>21,658</b> |
| Change in outstanding claims, net                     | 844                           | --                       | 844           | 268                           | --                       | 268           |
| Changes in IBNR, net                                  | 3,823                         | --                       | 3,823         | 510                           | --                       | 510           |
| <b>Net claims and other benefits incurred</b>         | <b>27,380</b>                 | <b>--</b>                | <b>27,380</b> | <b>22,436</b>                 | <b>--</b>                | <b>22,436</b> |
| (Reversal) / provision for premium deficiency reserve | (1,857)                       | --                       | (1,857)       | 2,728                         | --                       | 2,728         |
| Other technical reserves                              | (225)                         | --                       | (225)         | (503)                         | --                       | (503)         |
| Policy acquisition costs                              | 3,549                         | --                       | 3,549         | 3,669                         | --                       | 3,669         |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>          | <b>28,847</b>                 | <b>--</b>                | <b>28,847</b> | <b>28,330</b>                 | <b>--</b>                | <b>28,330</b> |
| <b>NET UNDERWRITING INCOME</b>                        | <b>18,400</b>                 | <b>--</b>                | <b>18,400</b> | <b>8,366</b>                  | <b>--</b>                | <b>8,366</b>  |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income (continued)

For the three-months period ended

|  | 30 September 2019 (Unaudited) |                |                 | 30 September 2018 (Unaudited) |                |                 |
|--|-------------------------------|----------------|-----------------|-------------------------------|----------------|-----------------|
|  | Insurance                     | Shareholders   | Total           | Insurance                     | Shareholders   | Total           |
|  | operations                    | ' operations   |                 | operations                    | ' operations   |                 |
|  | SR'000                        | SR'000         | SR'000          | SR'000                        | SR'000         | SR'000          |
| <b>OTHER OPERATING INCOME / (EXPENSES)</b>   |                               |                |                 |                               |                |                 |
| Allowance for impairment of doubtful debts   | 597                           | --             | 597             | (1,291)                       | --             | (1,291)         |
| General and administration expenses  | (16,335)                      | (694)          | (17,029)        | (14,766)                      | (1,046)        | (15,812)        |
| Commission income on deposits  | 318                           | 466            | 784             | 416                           | 489            | 905             |
| Unrealized (loss) / gain on investments  | --                            | (2,846)        | (2,846)         | --                            | 486            | 486             |
| Other income   | 1,504                         | 387            | 1,891           | 287                           | 320            | 607             |
| <b>TOTAL OTHER OPERATING (EXPENSES) / INCOME</b>   | <b>(13,916)</b>               | <b>(2,687)</b> | <b>(16,603)</b> | <b>(15,354)</b>               | <b>249</b>     | <b>(15,105)</b> |
| <b>NET SURPLUS / (DEFICIT) FROM INSURANCE / SHAREHOLDERS' OPERATIONS</b>                             | <b>4,484</b>                  | <b>(2,687)</b> | <b>1,797</b>    | <b>(6,988)</b>                | <b>249</b>     | <b>(6,739)</b>  |
| <b>SURPLUS / (DEFICIT) TRANSFERRED TO SHAREHOLDERS (note 1.a)</b>                                    | <b>(4,036)</b>                | <b>4,036</b>   | <b>--</b>       | <b>6,988</b>                  | <b>(6,988)</b> | <b>--</b>       |
| <b>NET INCOME / (LOSS) FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS BEFORE ZAKAT</b> | <b>448</b>                    | <b>1,349</b>   | <b>1,797</b>    | <b>--</b>                     | <b>(6,739)</b> | <b>(6,739)</b>  |
| <b>PROVISION FOR ZAKAT</b>   | <b>--</b>                     | <b>(817)</b>   | <b>(817)</b>    | <b>--</b>                     | <b>(1,010)</b> | <b>(1,010)</b>  |
| <b>NET INCOME / (LOSS) FOR THE PERIOD</b>  | <b>448</b>                    | <b>532</b>     | <b>980</b>      | <b>--</b>                     | <b>(7,749)</b> | <b>(7,749)</b>  |
| <b>EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)</b>                                       |                               | <b>0.03</b>    |                 |                               | <b>(0.39)</b>  |                 |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income

For the nine-months period ended

|   | 30 September 2019 (Unaudited) |                          |                | 30 September 2018 (Unaudited) |                          |                |
|---|-------------------------------|--------------------------|----------------|-------------------------------|--------------------------|----------------|
|   | Insurance operations          | Shareholders' operations | Total          | Insurance operations          | Shareholders' operations | Total          |
|   | SR'000                        | SR'000                   | SR'000         | SR'000                        | SR'000                   | SR'000         |
| <b>REVENUES</b>                               |                               |                          |                |                               |                          |                |
| Gross written premiums                        | 219,293                       | --                       | 219,293        | 215,137                       | --                       | 215,137        |
| Less: Reinsurance contracts premiums ceded    |                               |                          |                |                               |                          |                |
| - Local reinsurance                           | (2,691)                       | --                       | (2,691)        | (11,434)                      | --                       | (11,434)       |
| - Foreign reinsurance                         | (62,462)                      | --                       | (62,462)       | (79,831)                      | --                       | (79,831)       |
| Excess of loss expenses                       | (8,593)                       | --                       | (8,593)        | (4,546)                       | --                       | (4,546)        |
| <b>Net written premiums</b>                   | <b>145,547</b>                | <b>--</b>                | <b>145,547</b> | <b>119,326</b>                | <b>--</b>                | <b>119,326</b> |
| Movement in net unearned premiums             | (29,877)                      | --                       | (29,877)       | (39,975)                      | --                       | (39,975)       |
| <b>Net premiums earned</b>                    | <b>115,670</b>                | <b>--</b>                | <b>115,670</b> | <b>79,351</b>                 | <b>--</b>                | <b>79,351</b>  |
| Commission earned on ceded reinsurance        | 15,104                        | --                       | 15,104         | 13,310                        | --                       | 13,310         |
| Other underwriting income                     | 74                            | --                       | 74             | 1,629                         | --                       | 1,629          |
| <b>TOTAL REVENUES</b>                         | <b>130,848</b>                | <b>--</b>                | <b>130,848</b> | <b>94,290</b>                 | <b>--</b>                | <b>94,290</b>  |
| <b>UNDERWRITING COSTS AND EXPENSES</b>        |                               |                          |                |                               |                          |                |
| Gross claims paid                             | 124,207                       | --                       | 124,207        | 100,347                       | --                       | 100,347        |
| Expenses incurred related to claims           | 6,985                         | --                       | 6,985          | 4,111                         | --                       | 4,111          |
| Less: Reinsurers' share of claims paid        | (53,750)                      | --                       | (53,750)       | (50,736)                      | --                       | (50,736)       |
| <b>Net claims and other benefits paid</b>     | <b>77,442</b>                 | <b>--</b>                | <b>77,442</b>  | <b>53,722</b>                 | <b>--</b>                | <b>53,722</b>  |
| Change in outstanding claims, net             | 1,961                         | --                       | 1,961          | (2,921)                       | --                       | (2,921)        |
| Changes in IBNR, net                          | 5,419                         | --                       | 5,419          | 1,268                         | --                       | 1,268          |
| <b>Net claims and other benefits incurred</b> | <b>84,822</b>                 | <b>--</b>                | <b>84,822</b>  | <b>52,069</b>                 | <b>--</b>                | <b>52,069</b>  |
| Reversal for premium deficiency reserve       | (6,376)                       | --                       | (6,376)        | 1,849                         | --                       | 1,849          |
| Other technical reserves                      | (760)                         | --                       | (760)          | (662)                         | --                       | (662)          |
| Policy acquisition costs                      | 10,140                        | --                       | 10,140         | 10,338                        | --                       | 10,338         |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>  | <b>87,826</b>                 | <b>--</b>                | <b>87,826</b>  | <b>63,594</b>                 | <b>--</b>                | <b>63,594</b>  |
| <b>NET UNDERWRITING INCOME</b>                | <b>43,022</b>                 | <b>--</b>                | <b>43,022</b>  | <b>30,696</b>                 | <b>--</b>                | <b>30,696</b>  |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income (continued)

For the nine-months period ended

|  | 30 September 2019 (Unaudited) |                |                 | 30 September 2018 (Unaudited) |                 |                 |
|--|-------------------------------|----------------|-----------------|-------------------------------|-----------------|-----------------|
|  | Insurance                     | Shareholders   | Total           | Insurance                     | Shareholders    | Total           |
|  | operations                    | ' operations   |                 | operations                    | ' operations    |                 |
|  | SR'000                        | SR'000         | SR'000          | SR'000                        | SR'000          | SR'000          |
| <b>OTHER OPERATING INCOME / (EXPENSES)</b>   |                               |                |                 |                               |                 |                 |
| Allowance for impairment of doubtful debts   | (551)                         |                | (551)           | (4,736)                       | --              | (4,736)         |
| General and administration expenses  | (44,470)                      | (2,641)        | (47,111)        | (42,724)                      | (2,764)         | (45,488)        |
| Commission income on deposits  | 1,271                         | 1,579          | 2,850           | 1,054                         | 1,375           | 2,429           |
| Realized gain on investments   | --                            | 780            | 780             | --                            | --              | --              |
| Unrealized gain on investments   | --                            | 3,866          | 3,866           | --                            | 5,798           | 5,798           |
| Other income   | 5,407                         | 773            | 6,180           | 2,534                         | 1,255           | 3,789           |
| <b>TOTAL OTHER OPERATING (EXPENSES) / INCOME</b>   | <b>(38,343)</b>               | <b>4,357</b>   | <b>(33,986)</b> | <b>(43,872)</b>               | <b>5,664</b>    | <b>(38,208)</b> |
| <b>NET SURPLUS / (DEFICIT) FROM INSURANCE / SHAREHOLDERS' OPERATIONS</b>                             | <b>4,679</b>                  | <b>4,357</b>   | <b>9,036</b>    | <b>(13,176)</b>               | <b>5,664</b>    | <b>(7,512)</b>  |
| <b>SURPLUS / (DEFICIT) TRANSFERRED TO SHAREHOLDERS (note 1.a)</b>                                    | <b>(4,211)</b>                | <b>4,211</b>   | <b>--</b>       | <b>13,176</b>                 | <b>(13,176)</b> | <b>--</b>       |
| <b>NET INCOME / (LOSS) FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS BEFORE ZAKAT</b> | <b>468</b>                    | <b>8,568</b>   | <b>9,036</b>    | <b>--</b>                     | <b>(7,512)</b>  | <b>(7,512)</b>  |
| <b>PROVISION FOR ZAKAT</b>   | <b>--</b>                     | <b>(2,682)</b> | <b>(2,682)</b>  | <b>--</b>                     | <b>(3,673)</b>  | <b>(3,673)</b>  |
| <b>NET INCOME / (LOSS) FOR THE PERIOD</b>  | <b>468</b>                    | <b>5,886</b>   | <b>6,354</b>    | <b>--</b>                     | <b>(11,185)</b> | <b>(11,185)</b> |
| <b>EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)</b>                                       |                               | <b>0.29</b>    |                 |                               | <b>(0.56)</b>   |                 |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Comprehensive income

For the three-months period ended

|   | 30 September 2019 (Unaudited) |                                 |               | 30 September 2018 (Unaudited) |                                 |                |
|---|-------------------------------|---------------------------------|---------------|-------------------------------|---------------------------------|----------------|
|   | <i>Insurance operations</i>   | <i>Shareholders' operations</i> | <i>Total</i>  | <i>Insurance operations</i>   | <i>Shareholders' operations</i> | <i>Total</i>   |
|   | <i>SR'000</i>                 | <i>SR'000</i>                   | <i>SR'000</i> | <i>SR'000</i>                 | <i>SR'000</i>                   | <i>SR'000</i>  |
| <b>NET INCOME / (LOSS) FOR THE PERIOD</b>   | <b>448</b>                    | <b>532</b>                      | <b>980</b>    | --                            | (7,749)                         | (7,749)        |
| <i>Items that will not be reclassified to the interim condensed statement of income in subsequent periods</i>   |                               |                                 |               |                               |                                 |                |
| Other comprehensive income / (loss)   | --                            | --                              | --            | --                            | --                              | --             |
| <i>Items that are or may be reclassified to the interim condensed statement of income in subsequent periods</i> |                               |                                 |               |                               |                                 |                |
| Other comprehensive income / (loss)   | --                            | --                              | --            | --                            | --                              | --             |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>   | <b>448</b>                    | <b>532</b>                      | <b>980</b>    | --                            | (7,749)                         | (7,749)        |
| Less: Net income attributable to insurance operations   |                               |                                 | <b>(448)</b>  |                               |                                 | --             |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>                      |                               |                                 | <b>532</b>    |                               |                                 | <b>(7,749)</b> |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Comprehensive income

For the nine-months period ended

|   | 30 September 2019 (Unaudited) |                          |              | 30 September 2018 (Unaudited) |                          |                 |
|---|-------------------------------|--------------------------|--------------|-------------------------------|--------------------------|-----------------|
|   | Insurance operations          | Shareholders' operations | Total        | Insurance operations          | Shareholders' operations | Total           |
|   | SR'000                        | SR'000                   | SR'000       | SR'000                        | SR'000                   | SR'000          |
| <b>NET INCOME / (LOSS) FOR THE PERIOD</b>   | <b>468</b>                    | <b>5,886</b>             | <b>6,354</b> | --                            | (11,185)                 | (11,185)        |
| <i>Items that will not be reclassified to the interim condensed statement of income in subsequent periods</i>   |                               |                          |              |                               |                          |                 |
| Other comprehensive income / (loss)   | --                            | --                       | --           | --                            | --                       | --              |
| <i>Items that are or may be reclassified to the interim condensed statement of income in subsequent periods</i> |                               |                          |              |                               |                          |                 |
| Other comprehensive income / (loss)   | --                            | --                       | --           | --                            | --                       | --              |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>   | <b>468</b>                    | <b>5,886</b>             | <b>6,354</b> | --                            | (11,185)                 | (11,185)        |
| Less: Net income attributable to insurance operations   |                               |                          | (468)        |                               |                          | --              |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>                      |                               |                          | <b>5,886</b> |                               |                          | <b>(11,185)</b> |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows

For the nine-months period ended

|   | 30 September 2019 (Unaudited) |               |              | 30 September 2018 (Unaudited) |                 |                |
|---|-------------------------------|---------------|--------------|-------------------------------|-----------------|----------------|
|   | Insurance                     | Shareholders' | Total        | Insurance                     | Shareholders'   | Total          |
|   | operations                    | operations    |              | operations                    | ' operations    |                |
|   | SR'000                        | SR'000        | SR'000       | SR'000                        | SR'000          | SR'000         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                               |               |              |                               |                 |                |
| Net income / (loss) for the period before Zakat                                     | 468                           | 8,568         | 9,036        | --                            | (7,512)         | (7,512)        |
| Adjustments for non-cash items:   |                               |               |              |                               |                 |                |
| Depreciation  | 1,132                         | --            | 1,132        | 1,086                         | --              | 1,086          |
| Amortization  | 655                           | --            | 655          | 335                           | --              | 335            |
| Allowance for impairment of premiums receivable                                     | 1,178                         | --            | 1,178        | 4,572                         | --              | 4,572          |
| (Reversal) / allowance for impairment of reinsurance receivables                    | (627)                         | --            | (627)        | 162                           | --              | 162            |
| Realized gain on investments held at FVIS   | --                            | (780)         | (780)        | --                            | --              | --             |
| Unrealized gain on investments held at FVIS   | --                            | (3,866)       | (3,866)      | --                            | (5,798)         | (5,798)        |
| <b>Operating income / (loss) before changes in operating assets and liabilities</b> | <b>2,806</b>                  | <b>3,922</b>  | <b>6,728</b> | <b>6,155</b>                  | <b>(13,310)</b> | <b>(7,155)</b> |
| Changes in operating assets and liabilities:  |                               |               |              |                               |                 |                |
| Premiums receivable, net  | (32,215)                      | --            | (32,215)     | (20,955)                      | --              | (20,955)       |
| Due from reinsurers   | (3,691)                       | --            | (3,691)      | 7,277                         | --              | 7,277          |
| Reinsurers' share of unearned premiums  | (1,504)                       | --            | (1,504)      | (16,008)                      | --              | (16,008)       |
| Reinsurer's share of outstanding claims   | 26,563                        | --            | 26,563       | 4,394                         | --              | 4,394          |
| Reinsurer's share of claims incurred but not reported                               | 2,139                         | --            | 2,139        | 6,573                         | --              | 6,573          |
| Deferred excess of loss claims  | 1,530                         | --            | 1,530        | 787                           | --              | 787            |
| Deferred policy acquisition costs   | (1,799)                       | --            | (1,799)      | (1,584)                       | --              | (1,584)        |
| Prepayments and other assets  | (4,134)                       | (853)         | (4,987)      | 1,331                         | 3,751           | 5,082          |
| Due from shareholders' operations, net  | 13,186                        | (13,186)      | -            | (25,844)                      | 25,844          | --             |
| Due to policyholders  | (80)                          | --            | (80)         | (2,896)                       | --              | (2,896)        |
| Accrued expenses and other liabilities  | (542)                         | (577)         | (1,119)      | (8,226)                       | (2,059)         | (10,285)       |
| Due to reinsurers   | (7,888)                       | --            | (7,888)      | 8,320                         | --              | 8,320          |
| Due to brokers  | 442                           | --            | 442          | 2,542                         | --              | 2,542          |
| Unearned premiums   | 31,383                        | --            | 31,383       | 55,983                        | --              | 55,983         |
| Unearned reinsurance commission   | 861                           | --            | 861          | 775                           | --              | 775            |
| Outstanding claims  | (26,130)                      | --            | (26,130)     | (8,106)                       | --              | (8,106)        |
| Claims incurred but not reported  | 3,277                         | --            | 3,277        | (5,305)                       | --              | (5,305)        |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows (continued)

For the nine-months period ended

|   | 30 September 2019 (Unaudited) |                      |                 | 30 September 2018 (Unaudited) |                      |                |
|---|-------------------------------|----------------------|-----------------|-------------------------------|----------------------|----------------|
|   | <i>Insurance</i>              | <i>Shareholders'</i> | <i>Total</i>    | <i>Insurance</i>              | <i>Shareholders'</i> | <i>Total</i>   |
|   | <i>operations</i>             | <i>operations</i>    |                 | <i>operations</i>             | <i>operations</i>    |                |
|   | <i>SR'000</i>                 | <i>SR'000</i>        | <i>SR'000</i>   | <i>SR'000</i>                 | <i>SR'000</i>        | <i>SR'000</i>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES (continued)</b>         |                               |                      |                 |                               |                      |                |
| Changes in operating assets and liabilities: (continued)        |                               |                      |                 |                               |                      |                |
| Premium deficiency reserve                                      | (6,376)                       | --                   | (6,376)         | 1,849                         | --                   | 1,849          |
| Other technical reserves  | (761)                         | --                   | (761)           | (661)                         | --                   | (661)          |
| Employees' end of service benefits, net                         | (2,625)                       | --                   | (2,625)         | (2,106)                       | --                   | (2,106)        |
|   | <u>(8,364)</u>                | <u>(14,616)</u>      | <u>(22,980)</u> | <u>(1,861)</u>                | <u>27,536</u>        | <u>25,676</u>  |
| Zakat paid  | --                            | (3,847)              | (3,847)         | --                            | (5,419)              | (5,419)        |
| Surplus paid to policyholders                                   | --                            | --                   | --              | (1,110)                       | --                   | (1,110)        |
| <b>Net cash (used in) / generated from operating activities</b> | <u>(5,558)</u>                | <u>(14,541)</u>      | <u>(20,099)</u> | <u>3,185</u>                  | <u>8,807</u>         | <u>11,992</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                               |                      |                 |                               |                      |                |
| Purchase of property and equipment                              | (1,140)                       | --                   | (1,140)         | (860)                         | --                   | (860)          |
| Purchase of intangible assets                                   | (944)                         | --                   | (944)           | (1,393)                       | --                   | (1,393)        |
| Purchase of investments   | --                            | --                   | --              | --                            | (4,217)              | (4,217)        |
| Disposal of investments   | --                            | 2,670                | 2,670           | --                            | 3,797                | 3,797          |
| Maturity of murabaha deposits                                   | --                            | 82,000               | 82,000          | --                            | --                   | --             |
| <b>Net cash (used in) / generated from investing activities</b> | <u>(2,084)</u>                | <u>84,670</u>        | <u>82,586</u>   | <u>(2,253)</u>                | <u>(420)</u>         | <u>(2,673)</u> |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <u>(7,642)</u>                | <u>70,129</u>        | <u>62,487</u>   | <u>932</u>                    | <u>8,387</u>         | <u>9,319</u>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> | <u>87,627</u>                 | <u>2,760</u>         | <u>90,387</u>   | <u>109,278</u>                | <u>1,490</u>         | <u>110,768</u> |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | <u>79,985</u>                 | <u>72,889</u>        | <u>152,874</u>  | <u>110,210</u>                | <u>9,877</u>         | <u>120,087</u> |

GULF GENERAL COOPERATIVE INSURANCE COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**19. COMPARATIVE FIGURES**

a) **Zakat:**

As mentioned under note 2, the basis of preparation has changed as a result of the issuance on the new Circular by SAMA. The change in the accounting treatment for Zakat (as explained in note 3) has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity:

As at and for the three-months period ended 30 September 2018:

| <i>Account</i>                        | <i>Financial statement impacted</i>  | <i>Balance previously reported SR'000</i> | <i>Effect of restatement SR'000</i> | <i>Balance restated SR'000</i> |
|---------------------------------------|--|---|-------------------------------------|--------------------------------|
| Zakat                                 | Interim condensed statement of income  | --  | (1,010)                             | (1,010)                        |
| Net loss for the period               | Interim condensed statement of income  | (6,739)                                   | (1,010)                             | (7,749)                        |
| Loss per share for the period         | Interim condensed statement of income  | (0.34)                                    | (0.05)                              | (0.39)                         |
| Zakat                                 | Interim condensed statement of changes in shareholders' equity                           | (1,469)                                   | 1,469                               | --                             |
| Total comprehensive loss for the year | Interim condensed statements of comprehensive income and changes in shareholders' equity | (6,739)                                   | (1,010)                             | (7,749)                        |

As at and for the nine-months period ended 30 September 2018:

| <i>Account</i>                        | <i>Financial statement impacted</i>  | <i>Balance previously reported SR'000</i> | <i>Effect of restatement SR'000</i> | <i>Balance restated SR'000</i> |
|---------------------------------------|--|---|-------------------------------------|--------------------------------|
| Zakat                                 | Interim condensed statement of income  | --  | (3,673)                             | (3,673)                        |
| Net loss for the period               | Interim condensed statement of income  | (7,512)                                   | (3,673)                             | (11,185)                       |
| Loss per share for the period         | Interim condensed statement of income  | (0.38)                                    | (0.18)                              | (0.56)                         |
| Zakat                                 | Interim condensed statement of changes in shareholders' equity                           | (2,663)                                   | 2,663                               | --                             |
| Total comprehensive loss for the year | Interim condensed statements of comprehensive income and changes in shareholders' equity | (7,512)                                   | (3,673)                             | (11,185)                       |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2019

**19. COMPARATIVE FIGURES (continued)**

- b) The Company has made adjustments in prior financial periods in relation to erroneous recording of SAMA regulatory fees from 2010 to 2017. As a consequence, reported net income was overstated resulting in overstatement of retained earnings in prior years. The error has been corrected by the Company during the previous financial year by restating prior periods reported accumulated losses as follows:

|   | <i>1 January 2018</i><br><i>SR'000</i> |
|---|--|
| Accumulated losses as per audited financial statements  | (3,245)                                |
| Prior periods adjustment from 2010 to 2016              | (1,445)                                |
| Prior period adjustment relating to 2017                | (125)                                  |
|   | <hr/>                                  |
| Accumulated losses as per restated financial statements | <u>(4,815)</u>                         |

- c) Certain of the comparative figures have been reclassified and regrouped to conform to the in the current period presentation.

**20. APPROVAL OF THE FINANCIAL STATEMENTS**

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on 30 October 2019 (corresponding to 2 Rabi Al Awwal 1441H).