

**Allianz Saudi Fransi Cooperative
Insurance Company
(A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019

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Al-Bassam & Co.
Allied Accountants

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Allianz Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at June 30, 2019 and the related interim statements of income and comprehensive income for the three and six months period then ended, and interim statements of changes in equity and cash flows for the six months period then ended and other explanatory notes (the interim condensed financial information). Management is responsible for the preparation and presentation of this interim condensed financial information 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 this interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as 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 information is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers
P. O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Bader I. Benmohareb
Certified Public Accountant
Registration No. 471



PKF Al-Bassam & Co.
Allied Accountants
P.O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337




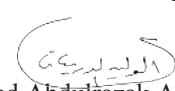
Date: 8 August 2019
Corresponding to: 7 1440 Dhu al-Hijjah


**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF FINANCIAL POSITION

| | | <i>June 30, 2019</i> <i>(Unaudited)</i> SR | <i>December 31, 2018</i> <i>(Audited)</i> SR |
|---|------|---|---|
| | Note | | <i>(Restated)</i> |
| ASSETS | | | |
| Cash and cash equivalents | 4 | 201,641,493 | 93,134,538 |
| Prepaid expenses and other assets | | 59,070,093 | 52,541,209 |
| Premiums receivable, net | 5 | 556,021,304 | 408,903,758 |
| Reinsurers' balance receivable, net | 6 | 78,071,493 | 71,653,440 |
| Reinsurers' share of outstanding claims | 10.1 | 355,790,230 | 269,420,744 |
| Reinsurers' share of claims incurred but not reported | 10.1 | 100,643,606 | 99,412,249 |
| Reinsurers' share of unearned premiums | 10.2 | 207,013,536 | 148,911,143 |
| Deferred policy acquisition costs | | 34,576,736 | 27,002,293 |
| Right-of-use assets | 7 | 8,317,506 | - |
| Financial assets at fair value through statement of income (unit linked investments) | | 548,192,261 | 559,766,029 |
| Available for sale investments | 8.1 | 326,886,152 | 331,379,024 |
| Deferred tax assets, net | 9 | 7,466,516 | 9,350,189 |
| Property and equipment, net | | 5,077,131 | 4,570,353 |
| Statutory deposit | | 20,000,000 | 20,000,000 |
| Accrued income on statutory deposit | | 1,302,300 | 1,090,636 |
| TOTAL ASSETS | | 2,510,070,357 | 2,097,135,605 |
| LIABILITIES | | | |
| Accrued and other liabilities | | 138,638,618 | 125,359,648 |
| Surplus distribution payable | | 13,490,226 | 12,344,873 |
| Reinsurers' balances payable | | 253,348,040 | 144,725,743 |
| Unearned premiums | 10.2 | 568,058,243 | 390,422,335 |
| Unearned reinsurance commission | | 7,093,479 | 7,609,280 |
| Outstanding claims | 10.1 | 435,469,019 | 334,372,482 |
| Claims incurred but not reported | 10.1 | 184,003,905 | 200,132,876 |
| Lease liabilities | | 5,945,272 | - |
| Premium deficiency reserve | 10.1 | 8,454,145 | 4,852,555 |
| Additional premium reserves | 10.1 | 1,211,085 | 1,006,819 |
| Unit linked liabilities | 10.1 | 542,618,603 | 557,723,772 |
| End-of-service obligations | | 17,782,588 | 16,750,349 |
| Zakat and income tax | 15 | 24,562,973 | 23,846,674 |
| Accrued income payable to SAMA | | 1,302,300 | 1,090,636 |
| TOTAL LIABILITIES | | 2,201,978,496 | 1,820,238,042 |
| EQUITY | | | |
| Share capital | 16 | 200,000,000 | 200,000,000 |
| Share premium | | 22,711,315 | 22,711,315 |
| Statutory reserve | | 14,393,656 | 14,393,656 |
| Retained earnings | | 63,399,602 | 49,624,574 |
| Actuarial reserve for end-of-service obligations | | 540,837 | 540,837 |
| Fair value reserve on investments | | 7,046,451 | (10,372,819) |
| TOTAL EQUITY | | 308,091,861 | 276,897,563 |
| TOTAL LIABILITIES AND EQUITY | | 2,510,070,357 | 2,097,135,605 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 11 | | |


Andreas Brunner
Chief Executive Officer


Al Waleed Abdulrazak Al Dryaan
Chairman


Mohammed Koubar
Chief Financial Officer

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

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INCOME**

| | Note | For the three month period ended | | For the six month period ended | |
|---|------|---------------------------------------|---|---------------------------------------|---|
| | | June 30, 2019 (Unaudited) SR | June 30, 2018 (Unaudited) SR (Restated) | June 30, 2019 (Unaudited) SR | June 30, 2018 (Unaudited) SR (Restated) |
| REVENUES | | | | | |
| Gross premiums written | 10.2 | 288,390,092 | 224,828,765 | 647,312,061 | 523,309,703 |
| Reinsurance premiums ceded abroad | 10.2 | (130,104,250) | (111,161,385) | (197,275,909) | (169,633,589) |
| Reinsurance premiums ceded locally | 10.2 | (1,678,684) | (5,294,683) | (3,362,080) | (9,238,937) |
| Excess of loss expenses | 10.2 | (1,683,778) | (713,660) | (3,030,801) | (2,854,640) |
| Fee income from unit linked investments | | 286,615 | 273,329 | 576,345 | 539,957 |
| Net premiums written | | 155,209,995 | 107,932,366 | 444,219,616 | 342,122,494 |
| Changes in unearned premiums | | (45,754,116) | (70,650) | (177,635,908) | (81,429,851) |
| Changes in reinsurers' share of unearned premiums | | 60,409,546 | 40,574,144 | 58,102,393 | 40,929,309 |
| Net premiums earned | | 169,865,425 | 148,435,860 | 324,686,101 | 301,621,952 |
| Reinsurance commissions | | 4,160,751 | 1,924,706 | 7,629,555 | 9,432,122 |
| NET REVENUES | | 174,026,176 | 150,360,566 | 332,315,656 | 311,054,074 |
| UNDERWRITING COSTS AND EXPENSES | | | | | |
| Gross claims paid | | (99,505,142) | (84,533,912) | (230,074,641) | (205,523,183) |
| Surrenders and maturities | | (49,572,434) | (37,929,353) | (78,797,838) | (69,722,906) |
| Expenses incurred related to claims | | (7,243,696) | (7,992,757) | (14,733,106) | (13,284,486) |
| Reinsurers' share of claims paid | | 33,269,646 | 29,287,533 | 71,791,363 | 57,160,595 |
| Net claims and other benefits paid | | (123,051,626) | (101,168,489) | (251,814,222) | (231,369,980) |
| Changes in outstanding claims | | 290,738 | (18,421,215) | (101,096,537) | (13,879,956) |
| Changes in reinsurers' share of outstanding claims | | (13,771,909) | 11,390,556 | 86,369,486 | 7,686,843 |
| Changes in premium deficiency reserve | | (2,857,051) | 3,514,448 | (3,601,590) | 5,687,731 |
| Changes in additional premium reserve | | (65,955) | (53,994) | (204,266) | 32,236 |
| Changes in claims incurred but not reported | | 12,884,020 | 6,488,505 | 16,128,971 | 19,908,725 |
| Changes in reinsurers' share of claims incurred but not reported | | (8,564,525) | (9,473,842) | 1,231,357 | (16,400,975) |
| Net claims and other benefits incurred | | (135,136,308) | (107,724,031) | (252,986,801) | (228,335,376) |
| Changes in unit linked liabilities | | 7,414,320 | 5,027,126 | 15,105,169 | 8,524,304 |
| Unrealized gain on unit linked investments | | 6,951,938 | 6,983,582 | 14,086,757 | 14,075,807 |
| Policy acquisition costs | | (15,965,444) | (13,534,693) | (32,160,344) | (27,189,219) |
| Inspection and supervision fees | | (2,083,531) | (1,422,075) | (4,400,716) | (3,204,977) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | | (138,819,025) | (110,670,091) | (260,355,935) | (236,129,461) |
| NET UNDERWRITING INCOME | | 35,207,151 | 39,690,475 | 71,959,721 | 74,924,613 |
| OTHER (EXPENSES) / INCOME | | | | | |
| (Provision) / reversal of doubtful debts | | (461,458) | (3,655,550) | 180,648 | (3,631,173) |
| General and administrative expenses | | (31,249,269) | (28,532,461) | (59,630,553) | (56,902,236) |
| Investment income | | 2,300,919 | 2,693,745 | 4,985,387 | 5,041,100 |
| Other income | | 1,593,177 | 253,015 | 2,192,303 | 1,641,832 |
| TOTAL OTHER EXPENSES | | (27,816,631) | (29,241,251) | (52,272,215) | (53,850,477) |
| NET INCOME FOR THE PERIOD BEFORE ATTRIBUTION AND ZAKAT AND INCOME TAX | | 7,390,520 | 10,449,224 | 19,687,506 | 21,074,136 |
| Surplus attributed to the insurance operations | | (610,086) | (897,967) | (1,686,323) | (1,848,765) |
| Net income for the period attributable to the shareholders before zakat and income tax | | 6,780,434 | 9,551,257 | 18,001,183 | 19,225,371 |
| Zakat charge for the period | 15 | (1,009,265) | (813,062) | (2,099,518) | (1,776,203) |
| Income tax charge for the period, net | 15 | (867,175) | (1,226,273) | (2,126,637) | 524,972 |
| Net income for the period attributable to the shareholders after zakat and income tax | | 4,903,994 | 7,511,922 | 13,775,028 | 17,974,140 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share | | 0.25 | 0.38 | 0.69 | 0.90 |

Andreas Brunner
Chief Executive Officer

Al Waleed Abdulrazzak Al Dryaan
Chairman

Mohammed Koubar
Chief Financial Officer

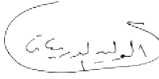
The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | For the three month period ended | | For the six month period ended | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | June 30, 2019 (Unaudited) SR | June 30, 2018 (Unaudited) SR | June 30, 2019 (Unaudited) SR | June 30, 2018 (Unaudited) SR |
| | | (Restated) | | (Restated) |
| Net income for the period attributable to the shareholders after zakat and income tax | 4,903,994 | 7,511,922 | 13,775,028 | 17,974,140 |
| Other comprehensive income/ (loss) | | | | |
| <i>Items that may be reclassified to interim statement of income in subsequent periods</i> | | | | |
| Available for sale investments: | | | | |
| - Net change in fair value | 8.2 10,229,732 | (914,815) | 19,488,435 | (7,052,899) |
| - Deferred tax relating to change in fair value | 9 & 15 (1,086,132) | 97,130 | (2,069,165) | 748,834 |
| Total comprehensive income for the period | 14,047,594 | 6,694,237 | 31,194,298 | 11,670,075 |


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Al Waleed Abdulrazak Al Dryaan
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Mohammed Koubar
Chief Financial Officer


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**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

| | <i>Share capital SR</i> | <i>Share premium SR</i> | <i>Statutory reserve SR</i> | <i>Retained earnings SR</i> | <i>Actuarial reserve for end-of-service obligations SR</i> | <i>Fair value reserve on investments SR</i> | <i>Total SR</i> |
|---|-----------------------------|-----------------------------|-------------------------------------|---------------------------------|--|---|---------------------|
| Balance as at 1 January 2019 as reported | 200,000,000 | 22,711,315 | 14,393,656 | 41,575,546 | 540,837 | (11,673,980) | 267,547,374 |
| Impact of adopting IAS 12 – note 15 | - | - | - | 8,049,028 | - | 1,301,161 | 9,350,189 |
| Balance as at 1 January 2019 (restated) | 200,000,000 | 22,711,315 | 14,393,656 | 49,624,574 | 540,837 | (10,372,819) | 276,897,563 |
| Total comprehensive income for the period: | | | | | | | |
| Net income for the period attributable to shareholders after zakat and income tax | - | - | - | 13,775,028 | - | - | 13,775,028 |
| Changes in fair values of available for sale investments | - | - | - | - | - | 19,488,435 | 19,488,435 |
| Deferred tax relating to change in fair value – note 15 | - | - | - | - | - | (2,069,165) | (2,069,165) |
| Total comprehensive income for the period | - | - | - | 13,775,028 | - | 17,419,270 | 31,194,298 |
| Balance as at 30 June 2019 | 200,000,000 | 22,711,315 | 14,393,656 | 63,399,602 | 540,837 | 7,046,451 | 308,091,861 |
| Balance as at 1 January 2018 as reported | 200,000,000 | 22,711,315 | 6,983,645 | 19,902,207 | (765,304) | 581,010 | 249,412,873 |
| Impact of adopting IAS 12 – note 15 | - | - | - | 5,587,701 | - | - | 5,587,701 |
| Balance as at 1 January 2018 (restated) | 200,000,000 | 22,711,315 | 6,983,645 | 25,489,908 | (765,304) | 581,010 | 255,000,574 |
| Total comprehensive income for the period (restated): | | | | | | | |
| Net income for the period attributable to shareholders after zakat and income tax | - | - | - | 17,974,140 | - | - | 17,974,140 |
| Changes in fair values of available for sale investments | - | - | - | - | - | (7,052,899) | (7,052,899) |
| Deferred tax relating to change in fair value – note 15 | - | - | - | - | - | 748,834 | 748,834 |
| Total comprehensive income for the period | - | - | - | 17,974,140 | - | (6,304,065) | 11,670,075 |
| Balance as at 30 June 2018 | 200,000,000 | 22,711,315 | 6,983,645 | 43,464,048 | (765,304) | (5,723,055) | 266,670,649 |


Andreas Brunner
Chief Executive Officer


Al Waleed Abdulrazak Al Dryaan
Chairman


Mohammed Koubar
Chief Financial Officer

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

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF CASH FLOWS

| | Note | For the six month period ended | |
|---|------|--------------------------------|---------------------|
| | | June 30, 2019 | June 30, 2018 |
| | | (Unaudited) SR | (Unaudited) SR |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the period before attribution and zakat and income tax | | 19,687,506 | 21,074,136 |
| Adjustments for non-cash and other items: | | | |
| Depreciation of property and equipment | | 1,471,474 | 893,717 |
| Amortization of investments premium | | 293,807 | 509,809 |
| Reversal of doubtful reinsurance receivables | | (565,006) | - |
| Gain on sale of property and equipment | | (33,075) | - |
| Provision for doubtful debts | | 351,749 | 3,631,173 |
| Provision for end-of-service obligations | | 2,012,858 | 2,682,240 |
| Unrealized gains on unit linked investments | | (14,086,757) | (14,075,807) |
| | | 9,132,556 | 14,715,268 |
| Changes in operating assets and liabilities: | | | |
| Reinsurance balances receivable | | (5,853,047) | 16,510,637 |
| Premiums receivable | | (147,469,295) | (135,824,307) |
| Reinsurers' share of unearned premiums | | (58,102,393) | (40,929,309) |
| Reinsurers' share of outstanding claims | | (86,369,486) | (7,686,843) |
| Reinsurers' share of claims incurred but not reported | | (1,231,357) | 16,400,975 |
| Deferred policy acquisition costs | | (7,574,443) | (1,577,282) |
| Right-of-use assets | | (8,317,506) | - |
| Unit linked investments | | 25,660,525 | 21,522,238 |
| Prepaid expenses and other assets | | (6,528,884) | (16,168,399) |
| Accrued expenses and other liabilities | | 13,278,970 | 18,375,006 |
| Reinsurers' balances payable | | 108,622,297 | 40,804,626 |
| Unearned premiums | | 177,635,908 | 81,429,851 |
| Unearned reinsurance commission | | (515,801) | (2,039,396) |
| Lease liabilities | | 5,945,272 | - |
| Unit linked liabilities | | (15,105,169) | (8,524,304) |
| Outstanding claims | | 101,096,537 | 13,879,956 |
| Claims incurred but not reported | | (16,128,971) | (19,908,725) |
| Premium deficiency reserve | | 3,601,590 | (5,687,731) |
| Additional premium reserves | | 204,266 | (32,236) |
| | | 91,981,569 | (14,739,975) |
| End-of-service obligations paid | | (980,619) | (1,842,692) |
| Surplus paid to policyholders | | (540,970) | (449,771) |
| Zakat and income tax paid | | (3,695,348) | (4,744,142) |
| Net cash generated from / (used in) operating activities | | 86,764,632 | (21,776,580) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions in available for sale investments | | - | (66,081,461) |
| Proceeds from available for sale investments | | 23,687,500 | - |
| Proceeds from sale of property and equipment | | 33,075 | - |
| Additions in property and equipment | | (1,978,252) | (1,307,396) |
| Net cash generated from / (used in) investing activities | | 21,742,323 | (67,388,857) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | 108,506,955 | (89,165,437) |
| Cash and cash equivalents at the beginning of the period | | 93,134,538 | 133,330,865 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 4 | 201,641,493 | 44,165,428 |
| Non-cash information: | | | |
| Changes in fair value of available for sale investments | 8.2 | (17,419,270) | 6,304,065 |

Andreas Brunner
Chief Executive Officer

Al Waleed Abdulrazak Al Dryaan
Chairman

Mohammed Koubar
Chief Financial Officer

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

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

1. General

Allianz Saudi Fransi Cooperative Insurance Company (a Joint Stock Company incorporated in the Kingdom of Saudi Arabia), the “Company”, was formed pursuant to Royal Decree No. 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006). The Company operates under Commercial Registration no. 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its eight branches in the Kingdom of Saudi Arabia. The registered address of the Company's head office is as follows:

Allianz Saudi Fransi Cooperative Insurance Company
Al Safwa Commercial Building, Khurais Road.
P.O. Box 3540
Riyadh 11481, Saudi Arabia.

The Company's ultimate parent is Allianz SE, a European financial services company headquartered in Munich, Germany.

The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include Medical, Protection and saving, Motor, Engineering, Property and Other general insurance.

On 31 July 2003, corresponding to 2 Jumada II 1424H, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). During March 2008, the Saudi Arabian Monetary Authority (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On 1 January 2016, the Company's management approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

Seasonality of operations

The Company operates in an industry where significant seasonal or cyclical variations in operating income are experienced during the financial year.

2. Basis of preparation

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax).

On 17 July 2019, SAMA issued the instruction to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

2. Basis of preparation (continued)

(a) Basis of presentation (continued)

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3 and the effects of this change are disclosed in note 15 to the interim condensed financial statements).

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments and recording of end of service benefits at present value under actuarial method. The Company's interim statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: available for sale investments, property and equipment, statutory deposit, accrued income on statutory deposit and end-of-service obligations. All other financial statement line items would generally be classified as current.

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and prepares the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 18 of the financial information have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. Until 31 December 2017, this information was shown in the main statements. 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 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.

In preparing the Company's 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 similar 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 statement of financial position, the statements of income, comprehensive income and cash flows as well as certain relevant notes to the financial statements represents additional supplementary information as required by the implementing regulations (Note 18).

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 at and for the year ended December 31, 2018.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SR).

(b) Critical accounting judgments, 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 expense. Actual results may differ from these estimates.

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

2. Basis of preparation (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

In preparing these interim 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 were applied to the annual financial statements as at and for the year ended December 31, 2018.

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 December 31, 2018 except for the adoption of the new standard IFRS 16 and change in the accounting for zakat and income tax as explained below.

Amendments to IASs' - "Disclosure Initiative" applicable from 1 January 2019.

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of SR 9.8 million and SR 8.1 million respectively as of January 1, 2019, with no material impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using incremental borrowing rate.

The Company has elected to use assumptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application and lease contracts for which the underlying assets are of low value.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

Reconciliation of lease liabilities

| | SR |
|--|------------------|
| Off-balance sheet lease obligations as of December 31, 2018 | 8,784,057 |
| Current leases with a lease term of 12 months or less & low-value leases | - |
| Discounting to present value | (608,081) |
| Operating lease obligations as of January 1, 2019 (net, discounted) | 8,175,976 |

Standards issued but not yet effective

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

3. Significant accounting policies (continued)

IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

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 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 amortised 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 recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

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 2021. 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.

The Company is eligible and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

IFRS 17 - Insurance Contracts

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

Change in accounting policy in relation to accounting for zakat and income tax

As mentioned in note 2(a), the basis of preparation has been changed for the period ended 30 June 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above changes are disclosed in note 15 to the interim condensed financial statements. The change has resulted in reduction of reported income of the Company for the three month and six month periods ended 30 June 2018 by SR 2 million and SR 1.3 million, respectively. The change has had no impact on the interim statement of cash flows for the period ended 30 June 2018.

Income Tax:

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

3. Significant accounting policies (continued)

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

Deferred income tax:

Deferred income tax is recognised using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax recognised is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

Zakat:

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the six month period ended June 30, 2019

4. Cash and cash equivalents

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

| | Insurance operations | |
|---|--|-----------------------------------|
| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| SR | | |
| Bank balances and cash | 25,977,128 | 39,902,503 |
| Deposits maturing within 3 months from the acquisition date | 68,162,815 | 7,820,000 |
| | 94,139,943 | 47,722,503 |
| | | |
| | Shareholders' operations | |
| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| Bank balances and cash | 107,501,550 | 45,412,035 |
| Total cash and cash equivalents | 201,641,493 | 93,134,538 |

5. Premiums receivable, net

Premiums receivable comprise amounts due from the following:

| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|-----------------------------------|--|-----------------------------------|
| SR | | |
| Policyholders | 359,465,475 | 325,252,773 |
| Brokers and agents | 163,728,649 | 111,678,279 |
| Related parties (Note 13) | 85,945,358 | 24,739,135 |
| | 609,139,482 | 461,670,187 |
| Provision for doubtful receivable | (53,118,178) | (52,766,429) |
| Premiums receivable, net | 556,021,304 | 408,903,758 |

6. Reinsurers balance receivable, net

| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|--|-----------------------------------|
| SR | | |
| Receivables from reinsurers | 81,927,449 | 76,074,402 |
| Provision for doubtful reinsurers receivables | (3,855,956) | (4,420,962) |
| Reinsurers receivable, net | 78,071,493 | 71,653,440 |

7. Right-of-use assets

The following table presents the right-of-use assets for the Company:

| | June 30, 2019 (Unaudited) |
|--|--|
| SR | |
| Balance at the beginning of the period | 9,849,530 |
| Amortization | (1,532,024) |
| Balance at the end of the period | 8,317,506 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

8. Available for sale investments

8.1. Investments are classified as follows

| <i>Insurance operations:</i> | <u>Domestic</u> | | <u>International</u> | | <u>Total</u> | |
|------------------------------|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|
| | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR |
| Debt instruments | 106,988,576 | 105,737,381 | 5,014,961 | 4,804,898 | 112,003,537 | 110,542,279 |
| Mutual funds | 4,803,691 | 4,664,240 | - | - | 4,803,691 | 4,664,240 |
| | 111,792,267 | 110,401,621 | 5,014,961 | 4,804,898 | 116,807,228 | 115,206,519 |

| <i>Shareholders' operations:</i> | <u>Domestic</u> | | <u>International</u> | | <u>Total</u> | |
|----------------------------------|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|
| | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR |
| Debt instruments | 178,002,138 | 183,561,970 | 23,624,410 | 24,628,886 | 201,626,548 | 208,190,856 |
| Equities and mutual funds | 3,223,078 | 3,223,078 | 5,229,298 | 4,758,571 | 8,452,376 | 7,981,649 |
| | 181,225,216 | 186,785,048 | 28,853,708 | 29,387,457 | 210,078,924 | 216,172,505 |

| <i>Total</i> | <u>Domestic</u> | | <u>International</u> | | <u>Total</u> | |
|---------------------------|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|
| | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR |
| Debt instrument | 284,990,714 | 289,299,351 | 28,639,371 | 29,433,784 | 313,630,085 | 318,733,135 |
| Equities and mutual funds | 8,026,769 | 7,887,318 | 5,229,298 | 4,758,571 | 13,256,067 | 12,645,889 |
| | 293,017,483 | 297,186,669 | 33,868,669 | 34,192,355 | 326,886,152 | 331,379,024 |

8.2. Movement in available for sale investment balance is as follows

| <i>Insurance operations:</i> | Quoted securities | Unquoted securities | Total |
|--------------------------------------|---------------------------|--------------------------|---------------------------|
| | SR | | |
| As at 1 January 2018 | 104,424,116 | 5,000,000 | 109,424,116 |
| Purchases | - | 10,061,207 | 10,061,207 |
| Amortization | (255,144) | (9,882) | (265,026) |
| Unrealized loss on fair value | (3,544,986) | (468,792) | (4,013,778) |
| As at 31 December 2018 | <u>100,623,986</u> | <u>14,582,533</u> | <u>115,206,519</u> |
| As of 1 January 2019 | 100,623,986 | 14,582,533 | 115,206,519 |
| Disposals/maturity | - | (5,000,000) | (5,000,000) |
| Amortization | (126,715) | (6,299) | (133,014) |
| Unrealized gain on fair value | 6,114,380 | 619,343 | 6,733,723 |
| As at 30 June 2019 | <u>106,611,651</u> | <u>10,195,577</u> | <u>116,807,228</u> |

The cumulative unrealized gain in fair value of available for sale investments as at 30 June 2019 amounts to SR 1,793,764 (31 December 2018: loss of SR 4,939,958).

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

8. Available for sale investments

8.2. Movement in available for sale investment balance is as follows (continued)

Shareholders' operations:

| | Quoted securities | Unquoted securities | Total |
|--------------------------------------|---------------------------|--------------------------|---------------------------|
| | SR | | |
| As at 1 January 2018 | 119,402,226 | 80,223,078 | 199,625,304 |
| Purchases | 45,922,254 | 10,098,000 | 56,020,254 |
| Disposals/maturity | (30,592,500) | - | (30,592,500) |
| Amortization | (628,121) | (11,220) | (639,341) |
| Unrealized gain on fair value | (3,464,099) | (4,777,113) | (8,241,212) |
| As at 31 December 2018 | <u>130,639,760</u> | <u>85,532,745</u> | <u>216,172,505</u> |
| As of 1 January 2019 | 130,639,760 | 85,532,745 | 216,172,505 |
| Disposals/maturity | (1,687,500) | (17,000,000) | (18,687,500) |
| Amortization | (153,647) | (7,146) | (160,793) |
| Unrealized gain on fair value | 8,337,566 | 4,417,146 | 12,754,712 |
| As at 30 June 2019 | <u>137,136,179</u> | <u>72,942,745</u> | <u>210,078,924</u> |

The cumulative unrealized gain in fair value of available for sale investments as at 30 June 2019 amounts to SR 6,020,691 (31 December 2018: loss of SR 6,734,022).

9. Deferred tax assets, net

| SR | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) (Restated) |
|--------------------------|---------------------------------|---|
| Deferred tax assets, net | <u>7,466,516</u> | <u>9,350,189</u> |

Deferred tax movement

| | 30 June 2019 | 31 December 2018 | 1 January 2018 |
|---|-------------------------|-------------------------|-------------------------|
| At the beginning of the period | <u>9,350,189</u> | 5,587,701 | - |
| Recognition of previously unrecognized tax losses | - | - | 413,776 |
| Deferred tax income - statement of income | <u>185,492</u> | 2,461,327 | 5,173,925 |
| Deferred tax (expense) / income - statement of comprehensive income | <u>(2,069,165)</u> | 1,301,161 | - |
| At the end of the period | <u>7,466,516</u> | <u>9,350,189</u> | <u>5,587,701</u> |

This deferred tax arises on end of service indemnities, provision against premium receivable, provision against reinsurance receivable, unabsorbed tax losses, fair value reserve on investment and property and equipment.

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

10. Technical reserves

10.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

| SR | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|--|--|
| Gross outstanding claims | 485,645,588 | 374,034,564 |
| Less: Realizable value of salvage and subrogation | (50,176,569) | (39,662,082) |
| | 435,469,019 | 334,372,482 |
| Claims incurred but not reported | 184,003,905 | 200,132,876 |
| Premium deficiency reserves | 8,454,145 | 4,852,555 |
| Additional premium reserves | 1,211,085 | 1,006,819 |
| Unit linked liabilities | 542,618,603 | 557,723,772 |
| | 1,171,756,757 | 1,098,088,504 |
| Less: | | |
| - Reinsurers' share of outstanding claims | (355,790,230) | (269,420,744) |
| - Reinsurers' share of claims Incurred but not reported | (100,643,606) | (99,412,249) |
| | (456,433,836) | (368,832,993) |
| Net outstanding claims and reserves | 715,322,921 | 729,255,511 |

10.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

| SR | Three month period ended June 30, 2019 (Unaudited) | | |
|---|---|----------------------|--------------------|
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the period – April 1, 2019 | 522,304,127 | (146,603,990) | 375,700,137 |
| Premium written during the period | 288,390,092 | *(133,466,712) | 154,923,380 |
| Premium earned during the period | (242,635,976) | 73,057,166 | (169,578,810) |
| Balance as at the end of the period | 568,058,243 | (207,013,536) | 361,044,707 |

*This amount includes SR 130,104,250 for reinsurance premium ceded abroad, SR 1,678,684 for reinsurance premium ceded locally and SR 1,683,778 for excess of loss expenses.

| SR | Six month period ended June 30, 2019 (Unaudited) | | |
|---|---|----------------------|--------------------|
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the period | 390,422,335 | (148,911,143) | 241,511,192 |
| Premium written during the period | 647,312,061 | *(203,668,790) | 443,643,271 |
| Premium earned during the period | (469,676,153) | 145,566,397 | (324,109,756) |
| Balance as at the end of the period | 568,058,243 | (207,013,536) | 361,044,707 |

*This amount includes SR 197,275,909 for reinsurance premium ceded abroad, SR 3,362,080 for reinsurance premium ceded locally and SR 3,030,801 for excess of loss expenses.

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the six month period ended June 30, 2019

10. Technical reserves (continued)**10.2 Movement in unearned premiums (continued)**

| SR | Three month period June 30, 2018 (Unaudited) | | |
|---|---|----------------|---------------|
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the period – April 1, 2018 | 496,971,846 | (180,539,535) | 316,432,311 |
| Premium written during the period | 224,828,765 | *(117,169,728) | 107,659,037 |
| Premium earned during the period | (224,758,115) | 76,595,584 | (148,162,531) |
| Balance as at the end of the period | 497,042,496 | (221,113,679) | 275,928,817 |

*This amount includes SR 111,161,385 for reinsurance premium ceded abroad, SR 5,294,683 for reinsurance premium ceded locally and SR 713,660 for excess of loss expenses.

| SR | Six month period June 30, 2018 (Unaudited) | | |
|---|---|----------------|---------------|
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the period | 415,612,645 | (180,184,370) | 235,428,275 |
| Premium written during the period | 523,309,703 | *(181,727,166) | 341,582,537 |
| Premium earned during the period | (441,879,852) | 140,797,857 | (301,081,995) |
| Balance as at the end of the period | 497,042,496 | (221,113,679) | 275,928,817 |

*This amount includes SR 169,633,589 for reinsurance premium ceded abroad, SR 9,238,937 for reinsurance premium ceded locally and SR 2,854,640 for excess of loss expenses

| SR | Twelve month period December 31, 2018 (Audited) | | |
|---|--|----------------|---------------|
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the year | 415,612,645 | (180,184,370) | 235,428,275 |
| Premium written during the year | 870,716,183 | *(264,590,355) | 606,125,828 |
| Premium earned during the year | (895,906,493) | 295,863,582 | (600,042,911) |
| Balance as at the end of the year | 390,422,335 | (148,911,143) | 241,511,192 |

* This amount includes SR 243,423,381 for reinsurance premium ceded abroad, SR 16,561,189 for reinsurance premium ceded locally and SR 4,605,785 for excess of loss expenses.

11. Commitments and contingencies

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

| SR | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|----------------------|------------------------------|--------------------------------|
| Letters of guarantee | <u>14,050,000</u> | <u>11,760,000</u> |

b) The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its financial position and results as at and for the period ended 30 June 2019. There was no change in the status of legal proceedings as disclosed at 31 December 2018.

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

12. 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 takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages 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.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted 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.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value

12.1 Insurance operations:

| <i>SR</i> | Carrying value | Fair value | | | Total |
|--|----------------------|----------------------|---------|-------------------|----------------------|
| | | Level 1 | Level 2 | Level 3 | |
| 30 June 2019 | | | | | |
| Unit linked investments | 548,192,261 | 548,192,261 | - | - | 548,192,261 |
| Available for sale investments measured at fair value | | | | | |
| Bonds and sukuks | 112,003,537 | 101,807,960 | - | 10,195,577 | 112,003,537 |
| Mutual funds | 4,803,691 | 4,803,691 | - | - | 4,803,691 |
| Unit linked liabilities | (542,618,603) | (542,618,603) | - | - | (542,618,603) |
| | 122,380,886 | 112,185,309 | - | 10,195,577 | 122,380,886 |

| <i>SR</i> | Carrying value | Fair value | | | Total |
|--|----------------------|----------------------|---------|-------------------|----------------------|
| | | Level 1 | Level 2 | Level 3 | |
| 31 December 2018 | | | | | |
| Unit linked investments | 559,766,029 | 559,766,029 | - | - | 559,766,029 |
| Available for sale investments measured at fair value | | | | | |
| Bonds and sukuks | 110,542,279 | 95,959,746 | - | 14,582,533 | 110,542,279 |
| Mutual funds | 4,664,240 | 4,664,240 | - | - | 4,664,240 |
| Unit linked liabilities | (557,723,772) | (557,723,772) | - | - | (557,723,772) |
| | 117,248,776 | 102,666,243 | - | 14,582,533 | 117,248,776 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

12. Fair values of financial instruments (continued)

12.2 Shareholders' operations:

| SR | Carrying value | Fair value | | | |
|--|--------------------|--------------------|----------|-------------------|--------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| 30 June 2019 | | | | | |
| Available for sale investments measured at fair value | | | | | |
| Bonds and sukuku | 201,626,548 | 131,906,881 | - | 69,719,667 | 201,626,548 |
| Mutual funds | 5,229,298 | 5,229,298 | - | - | 5,229,298 |
| Equities | 3,223,078 | - | - | 3,223,078 | 3,223,078 |
| | 210,078,924 | 137,136,179 | - | 72,942,745 | 210,078,924 |

| SR | Carrying value | Fair value | | | |
|--|--------------------|--------------------|----------|-------------------|--------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| 31 December 2018 | | | | | |
| Available for sale investments measured at fair value | | | | | |
| Bonds and sukuku | 208,190,856 | 125,881,189 | - | 82,309,667 | 208,190,856 |
| Mutual funds | 4,758,571 | 4,758,571 | - | - | 4,758,571 |
| Equities | 3,223,078 | - | - | 3,223,078 | 3,223,078 |
| | 216,172,505 | 130,639,760 | - | 85,532,745 | 216,172,505 |

There were no transfers between Level 1 and Level 3 fair value measurements during the period ended 30 June 2019 and year ended 31 December 2018.

b. Measurement of fair values

i. Valuation technique and significant unobservable inputs

The Discounted Cash Flow Model (DCF) has been used to determine the fair value of debt securities and sukuku of both insurance operations and shareholders' operations under level 3. This model considers the present value of net cash flows to be generated from the debt securities and sukuku discounted at the market yield of treasury bills having similar terms and adjusted for the effect of non-marketability of the debt securities and sukuku which includes Saudi sovereign curve yield and risk premium prevailing in the Saudi market. Equities amount to SR 3,223,078 represent investment in unquoted securities which are carried at cost. The fair value are not evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy:

| SR | Insurance operations | |
|--|------------------------------|--------------------------------|
| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| Balance at the beginning of the period/year | 14,582,533 | 5,000,000 |
| Purchases | - | 10,061,207 |
| Disposals | (5,000,000) | - |
| Amortization | (6,299) | (9,882) |
| Unrealized gain/(loss) on fair value of available for sale investments | 619,343 | (468,792) |
| Balance at the end of the period/year | 10,195,577 | 14,582,533 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the six month period ended June 30, 2019

12. Fair values of financial instruments (continued)**b. Measurement of fair values (continued)**

| | Shareholder operations | |
|--|--|--|
| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| SR | | |
| Balance at the beginning of the period/year | 85,532,745 | 80,223,078 |
| Purchases | - | 10,098,000 |
| Disposals | (17,000,000) | - |
| Amortization | (7,146) | (11,220) |
| Unrealized gain/(loss) on fair value of available for sale investments | 4,417,146 | (4,777,113) |
| Balance at the end of the period/year | 72,942,745 | 85,532,745 |

Sensitivity Analysis

The sensitivity to a 1% increase in the risk adjusted discount rate with all other variables constant on the fair value of the level 3 available for sale investments of both insurance and shareholders' operation is SR 317,398 and sensitivity to 1% decrease in the risk adjusted discount rate with all other variables constant on the fair value of the level 3 available for sale investments of both insurance and shareholders' operation is SR 317,398.

13. 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.

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 interim 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 December 31, 2018.

Segment assets do not include cash and cash equivalents, prepaid expenses and other assets, available for sale investments, reinsurance balances, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurers' balances payable, premium deficiency reserve, additional premium reserve, end-of-service obligations, zakat and income tax and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

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 June 30, 2019 and December 31, 2018, its total revenues, expenses, and net income for the three months and six months periods then ended, are as follows:

| | | |
|-----------------------|---|---|
| Motor | : | Motor |
| Medical | : | Medical |
| Property and casualty | : | Fire, burglary, money, construction, liability and marine |
| Protection and saving | : | Group retirement and individual protection and saving |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

13. Operating Segments (continued)

| | <i>Motor</i> | <i>Medical</i> | <i>Property and Casualty</i> | <i>Protection and Saving</i> | <i>Insurance Operations</i> | <i>Shareholders' Operations</i> | <i>Total</i> |
|---|--------------|----------------|----------------------------------|----------------------------------|---------------------------------|-------------------------------------|----------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| <u>As at 30 June 2019 (Unaudited)</u> | | | | | | | |
| <u>Assets</u> | | | | | | | |
| Premiums receivable, gross | 305,565,535 | 119,515,862 | 158,325,583 | 25,732,502 | 609,139,482 | - | 609,139,482 |
| Provision for doubtful debts | - | - | - | - | (53,118,178) | - | (53,118,178) |
| Reinsurers' share of outstanding claims | 5,669,177 | - | 346,033,952 | 4,087,101 | 355,790,230 | - | 355,790,230 |
| Reinsurers' share of claims incurred but not reported | 19,920 | 35,638,599 | 60,771,867 | 4,213,220 | 100,643,606 | - | 100,643,606 |
| Reinsurers' share of unearned premiums | 111,525 | 51,332,440 | 137,098,619 | 18,470,952 | 207,013,536 | - | 207,013,536 |
| Deferred policy acquisition costs | 22,160,539 | 4,137,055 | 9,067,892 | (788,750) | 34,576,736 | - | 34,576,736 |
| Financial assets at fair value through statement of income (unit linked investments) | - | - | - | 548,192,261 | 548,192,261 | - | 548,192,261 |
| Unallocated assets | - | - | - | - | 375,927,792 | 331,904,892 | 707,832,684 |
| Total assets | | | | | | | <u>2,510,070,357</u> |
| <u>Liabilities and Equities</u> | | | | | | | |
| Outstanding claims | 63,202,809 | 421,223 | 364,287,478 | 7,557,509 | 435,469,019 | - | 435,469,019 |
| Claims incurred but not reported | 47,695,377 | 63,720,108 | 65,761,758 | 6,826,662 | 184,003,905 | - | 184,003,905 |
| Unearned premium | 281,090,084 | 95,398,781 | 164,527,653 | 27,041,725 | 568,058,243 | - | 568,058,243 |
| Unearned reinsurance commission | 7,249 | - | 6,041,766 | 1,044,464 | 7,093,479 | - | 7,093,479 |
| Unit linked liabilities | - | - | - | 542,618,603 | 542,618,603 | - | 542,618,603 |
| Unallocated liabilities | - | - | - | - | 438,587,615 | 26,147,632 | 464,735,247 |
| Equity | | | | | 2,334,601 | 305,757,260 | 308,091,861 |
| Total liabilities and equity | | | | | | | <u>2,510,070,357</u> |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

13. Operating Segments (continued)

| | <i>Motor</i> | <i>Medical</i> | <i>Property and Casualty</i> | <i>Protection and Saving</i> | <i>Insurance Operations</i> | <i>Shareholders' Operations</i> | <i>Total</i> |
|--|--------------------|-------------------|------------------------------|------------------------------|---------------------------------|-------------------------------------|--------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| <u>For the three months period ended</u> | | | | | | | |
| <u>30 June 2019 (Unaudited)</u> | | | | | | | |
| Gross written premiums – retail | 21,953,971 | - | 816,115 | 46,380,511 | 69,150,597 | - | 69,150,597 |
| Gross written premiums – corporate | 57,410,000 | 63,667,096 | 96,327,675 | 1,308,421 | 218,713,192 | - | 218,713,192 |
| Gross written premiums – very small entities | - | 11,064 | - | - | 11,064 | - | 11,064 |
| Gross written premiums – small entities | - | 348,744 | - | - | 348,744 | - | 348,744 |
| Gross written premiums – medium entities | - | 166,495 | - | - | 166,495 | - | 166,495 |
| Reinsurance premiums ceded | - | (33,732,310) | (80,487,593) | (17,563,031) | (131,782,934) | - | (131,782,934) |
| Excess of loss expenses | (1,359,882) | - | (323,896) | - | (1,683,778) | - | (1,683,778) |
| Fee income from unit linked investments | - | - | - | 286,615 | 286,615 | - | 286,615 |
| Net written premiums | 78,004,089 | 30,461,089 | 16,332,301 | 30,412,516 | 155,209,995 | - | 155,209,995 |
| Changes in unearned premiums, net | 34,829,170 | (12,326,127) | (2,140,296) | (5,707,317) | 14,655,430 | - | 14,655,430 |
| Net premiums earned | 112,833,259 | 18,134,962 | 14,192,005 | 24,705,199 | 169,865,425 | - | 169,865,425 |
| Reinsurance commissions | 5,320 | - | 4,520,633 | (365,202) | 4,160,751 | - | 4,160,751 |
| Net claims and other benefits paid | (77,234,450) | (7,677,345) | (2,224,083) | (35,915,748) | (123,051,626) | - | (123,051,626) |
| Changes in outstanding claims, net | (12,273,035) | (113,672) | 11,088 | (1,105,552) | (13,481,171) | - | (13,481,171) |
| Changes in premium deficiency reserve | - | (2,609,450) | - | (247,601) | (2,857,051) | - | (2,857,051) |
| Changes in additional premium reserve | - | - | (65,955) | - | (65,955) | - | (65,955) |
| Changes in claims incurred but not reported, net | 12,239,674 | (7,578,149) | (505,026) | 162,996 | 4,319,495 | - | 4,319,495 |
| Change in unit linked liabilities | - | - | - | 7,414,320 | 7,414,320 | - | 7,414,320 |
| Unrealized gain on unit linked investments | - | - | - | 6,951,938 | 6,951,938 | - | 6,951,938 |
| Policy acquisition costs | (9,145,378) | (1,665,203) | (3,886,333) | (1,268,530) | (15,965,444) | - | (15,965,444) |
| Inspection and supervision fees | - | - | - | - | (2,083,531) | - | (2,083,531) |
| Net underwriting income | | | | | 35,207,151 | - | 35,207,151 |
| Provision for doubtful debts | | | | | (461,458) | - | (461,458) |
| General and administrative expenses | | | | | (31,067,049) | (182,220) | (31,249,269) |
| Investment income | | | | | 829,038 | 1,471,881 | 2,300,919 |
| Other income | | | | | 1,593,177 | - | 1,593,177 |
| Net income for the period before attribution and zakat and income tax | | | | | | | 7,390,520 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

13. Operating Segments (continued)

| | <i>Motor</i> | <i>Medical</i> | <i>Property and Casualty</i> | <i>Protection and Saving</i> | <i>Insurance Operations</i> | <i>Shareholders' Operations</i> | <i>Total</i> |
|--|--------------------|-------------------|------------------------------|------------------------------|---------------------------------|-------------------------------------|--------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| For the six months period ended | | | | | | | |
| 30 June 2019 (Unaudited) | | | | | | | |
| Gross written premiums – retail | 32,673,613 | - | 1,256,487 | 70,084,937 | 104,015,037 | - | 104,015,037 |
| Gross written premiums – corporate | 278,770,222 | 108,170,893 | 151,495,920 | 3,926,551 | 542,363,586 | - | 542,363,586 |
| Gross written premiums – very small entities | - | 23,653 | - | - | 23,653 | - | 23,653 |
| Gross written premiums – small entities | - | 673,854 | - | - | 673,854 | - | 673,854 |
| Gross written premiums – medium entities | - | 235,931 | - | - | 235,931 | - | 235,931 |
| Reinsurance premiums ceded | - | (59,907,234) | (121,129,200) | (19,601,555) | (200,637,989) | - | (200,637,989) |
| Excess of loss expenses | (2,493,568) | - | (537,233) | - | (3,030,801) | - | (3,030,801) |
| Fee income from unit linked investments | - | - | - | 576,345 | 576,345 | - | 576,345 |
| Net written premiums | 308,950,267 | 49,197,097 | 31,085,974 | 54,986,278 | 444,219,616 | - | 444,219,616 |
| Changes in unearned premiums, net | (94,075,017) | (17,350,590) | (3,283,946) | (4,823,962) | (119,533,515) | - | (119,533,515) |
| Net premiums earned | 214,875,250 | 31,846,507 | 27,802,028 | 50,162,316 | 324,686,101 | - | 324,686,101 |
| Reinsurance commissions | 10,581 | - | 7,854,291 | (235,317) | 7,629,555 | - | 7,629,555 |
| Net claims and other benefits paid | (157,377,542) | (19,445,701) | (4,488,885) | (70,502,094) | (251,814,222) | - | (251,814,222) |
| Changes in outstanding claims, net | (14,921,233) | (105,839) | 1,224,569 | (924,548) | (14,727,051) | - | (14,727,051) |
| Changes in premium deficiency reserve | - | (3,009,872) | - | (591,718) | (3,601,590) | - | (3,601,590) |
| Changes in additional premium reserve | - | - | (204,266) | - | (204,266) | - | (204,266) |
| Changes in claims incurred but not reported, net | 23,866,239 | (7,055,936) | 114,932 | 435,093 | 17,360,328 | - | 17,360,328 |
| Change in unit linked liabilities | - | - | - | 15,105,169 | 15,105,169 | - | 15,105,169 |
| Unrealized gain on unit linked investments | - | - | - | 14,086,757 | 14,086,757 | - | 14,086,757 |
| Policy acquisition costs | (18,314,881) | (4,138,956) | (7,856,592) | (1,849,915) | (32,160,344) | - | (32,160,344) |
| Inspection and supervision fees | - | - | - | - | (4,400,716) | - | (4,400,716) |
| Net underwriting income | | | | | 71,959,721 | - | 71,959,721 |
| Provision for doubtful debts | | | | | 180,648 | - | 180,648 |
| General and administrative expenses | | | | | (59,235,713) | (394,840) | (59,630,553) |
| Investment income | | | | | 1,766,266 | 3,219,121 | 4,985,387 |
| Other income | | | | | 2,192,303 | - | 2,192,303 |
| Net income for the period before attribution and zakat and income tax | | | | | | | 19,687,506 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

13. Operating Segments (continued)

| | <i>Motor</i> | <i>Medical</i> | <i>Property and Casualty</i> | <i>Protection and Saving</i> | <i>Insurance Operations</i> | <i>Shareholders' Operations</i> | <i>Total</i> |
|---|--------------|----------------|----------------------------------|----------------------------------|---------------------------------|-------------------------------------|----------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| As at 31 December 2018 (Audited) | | | | | | | |
| Assets | | | | | | | |
| Premiums receivable, gross | 278,281,828 | 67,812,105 | 112,854,907 | 2,721,347 | 461,670,187 | - | 461,670,187 |
| Provision for doubtful debts | - | - | - | - | (52,766,429) | - | (52,766,429) |
| Reinsurers' share of outstanding claims | 5,266,013 | - | 260,994,395 | 3,160,336 | 269,420,744 | - | 269,420,744 |
| Reinsurers' share of claims incurred but not reported | 13,659 | 28,575,680 | 64,450,475 | 6,372,435 | 99,412,249 | - | 99,412,249 |
| Reinsurers' share of unearned premiums | 274,316 | 24,855,760 | 117,417,670 | 6,363,397 | 148,911,143 | - | 148,911,143 |
| Deferred policy acquisition costs | 17,058,008 | 2,387,484 | 7,987,867 | (431,066) | 27,002,293 | - | 27,002,293 |
| Financial assets at fair value through statement of income (unit linked investments) | - | - | - | 559,766,029 | 559,766,029 | - | 559,766,029 |
| Unallocated assets | | | | | 277,148,585 | 306,570,804 | 583,719,389 |
| Total assets | | | | | | | <u>2,097,135,605</u> |
| Liabilities and Equities | | | | | | | |
| Outstanding claims | 47,878,413 | 315,383 | 280,472,490 | 5,706,196 | 334,372,482 | - | 334,372,482 |
| Claims incurred but not reported | 71,555,354 | 49,601,253 | 69,555,300 | 9,420,969 | 200,132,876 | - | 200,132,876 |
| Unearned premium | 187,177,858 | 51,571,511 | 141,562,759 | 10,110,207 | 390,422,335 | - | 390,422,335 |
| Unearned reinsurance commission | 17,831 | - | 7,300,421 | 291,028 | 7,609,280 | - | 7,609,280 |
| Unit linked liabilities | - | - | - | 557,723,772 | 557,723,772 | - | 557,723,772 |
| Unallocated liabilities | | | | | 304,703,177 | 25,274,120 | 329,977,297 |
| Equity | | | | | (4,399,121) | 281,296,684 | 276,897,563 |
| Total liabilities and equity | | | | | | | <u>2,097,135,605</u> |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

13. Operating Segments (continued)

| | <i>Motor</i> | <i>Medical</i> | <i>Property and Casualty</i> | <i>Protection and Saving</i> | <i>Insurance</i> <i>Operations</i> | <i>Shareholders'</i> <i>Operations</i> | <i>Total</i> |
|--|-------------------|-------------------|------------------------------|------------------------------|---------------------------------------|---|--------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| <i>For the three months period ended</i> | | | | | | | |
| <i>30 June 2018 (Unaudited)</i> | | | | | | | |
| Gross written premiums – retail | 1,126,856 | - | 434,440 | 41,057,936 | 42,619,232 | - | 42,619,232 |
| Gross written premiums – corporate | 47,631,492 | 29,258,563 | 102,828,495 | 1,635,030 | 181,353,580 | - | 181,353,580 |
| Gross written premiums – very small entities | - | 35,069 | - | - | 35,069 | - | 35,069 |
| Gross written premiums – small entities | - | 328,478 | - | - | 328,478 | - | 328,478 |
| Gross written premiums – medium entities | - | 492,406 | - | - | 492,406 | - | 492,406 |
| Reinsurance premiums ceded | - | (14,151,876) | (90,553,044) | (11,751,148) | (116,456,068) | - | (116,456,068) |
| Excess of loss expenses | (597,644) | - | (116,016) | - | (713,660) | - | (713,660) |
| Fee income from unit linked investments | - | - | - | 273,329 | 273,329 | - | 273,329 |
| Net written premiums | 48,160,704 | 15,962,640 | 12,593,875 | 31,215,147 | 107,932,366 | - | 107,932,366 |
| Changes in unearned premiums, net | 44,670,566 | (1,089,766) | 1,354,646 | (4,431,952) | 40,503,494 | - | 40,503,494 |
| Net premiums earned | 92,831,270 | 14,872,874 | 13,948,521 | 26,783,195 | 148,435,860 | - | 148,435,860 |
| Reinsurance commissions | 5,320 | - | 2,338,838 | (419,452) | 1,924,706 | - | 1,924,706 |
| Net claims and other benefits paid | (56,497,902) | (8,128,464) | (2,405,271) | (34,136,852) | (101,168,489) | - | (101,168,489) |
| Changes in outstanding claims, net | (5,775,526) | (440,722) | (988,577) | 174,166 | (7,030,659) | - | (7,030,659) |
| Changes in premium deficiency reserve | 3,620,474 | 107,852 | (213,878) | - | 3,514,448 | - | 3,514,448 |
| Changes in additional premium reserve | - | - | (53,994) | - | (53,994) | - | (53,994) |
| Changes in claims incurred but not reported, net | (5,092,255) | 909,462 | 88,043 | 1,109,413 | (2,985,337) | - | (2,985,337) |
| Unrealized gain on unit linked investments | - | - | - | 6,983,582 | 6,983,582 | - | 6,983,582 |
| Change in unit linked liabilities | - | - | - | 5,027,126 | 5,027,126 | - | 5,027,126 |
| Policy acquisition costs | (6,909,315) | (1,241,612) | (4,520,135) | (863,631) | (13,534,693) | - | (13,534,693) |
| Inspection and supervision fees | - | - | - | - | (1,422,075) | - | (1,422,075) |
| Net underwriting income | | | | | 39,690,475 | - | 39,690,475 |
| Provision for doubtful debts | | | | | (3,655,550) | - | (3,655,550) |
| General and administrative expenses | | | | | (28,299,333) | (233,128) | (28,532,461) |
| Investment income | | | | | 991,066 | 1,702,679 | 2,693,745 |
| Other income | | | | | 253,015 | - | 253,015 |
| Net income for the period before attribution and zakat and income tax | | | | | | | 10,449,224 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

13. Operating Segments (continued)

| | <i>Motor</i> | <i>Medical</i> | <i>Property and Casualty</i> | <i>Protection and Saving</i> | <i>Insurance Operations</i> | <i>Shareholders' Operations</i> | <i>Total</i> |
|--|--------------------|-------------------|------------------------------|------------------------------|-----------------------------|---------------------------------|--------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| <i>For the six months period ended</i> | | | | | | | |
| <i>30 June 2018 (Unaudited)</i> | | | | | | | |
| Gross written premiums – retail | 3,305,943 | - | 745,206 | 66,743,130 | 70,794,279 | - | 70,794,279 |
| Gross written premiums – corporate | 225,474,195 | 57,768,667 | 165,540,144 | 2,658,245 | 451,441,251 | - | 451,441,251 |
| Gross written premiums – very small entities | - | 43,671 | - | - | 43,671 | - | 43,671 |
| Gross written premiums – small entities | - | 432,773 | - | - | 432,773 | - | 432,773 |
| Gross written premiums – medium entities | - | 597,729 | - | - | 597,729 | - | 597,729 |
| Reinsurance premiums ceded | - | (31,137,756) | (134,991,464) | (12,743,306) | (178,872,526) | - | (178,872,526) |
| Excess of loss expenses | (2,305,676) | - | (548,964) | - | (2,854,640) | - | (2,854,640) |
| Fee income from unit linked investments | - | - | - | 539,957 | 539,957 | - | 539,957 |
| Net written premiums | 226,474,462 | 27,705,084 | 30,744,922 | 57,198,026 | 342,122,494 | - | 342,122,494 |
| Changes in unearned premiums, net | (34,965,561) | 1,240,888 | (4,258,235) | (2,517,634) | (40,500,542) | - | (40,500,542) |
| Net premiums earned | 191,508,901 | 28,945,972 | 26,486,687 | 54,680,392 | 301,621,952 | - | 301,621,952 |
| Reinsurance commissions | 10,582 | - | 9,693,491 | (271,951) | 9,432,122 | - | 9,432,122 |
| Net claims and other benefits paid | (144,620,223) | (15,654,359) | (3,995,816) | (67,099,582) | (231,369,980) | - | (231,369,980) |
| Changes in outstanding claims, net | (2,841,149) | (440,722) | (2,743,140) | (168,102) | (6,193,113) | - | (6,193,113) |
| Changes in premium deficiency reserve | 3,620,474 | 2,281,135 | (213,878) | - | 5,687,731 | - | 5,687,731 |
| Changes in additional premium reserve | - | - | 32,236 | - | 32,236 | - | 32,236 |
| Changes in claims incurred but not reported, net | 3,910,959 | (590,091) | (109,359) | 296,241 | 3,507,750 | - | 3,507,750 |
| Unrealized gain on unit linked investments | - | - | - | 14,075,807 | 14,075,807 | - | 14,075,807 |
| Change in unit linked liabilities | - | - | - | 8,524,304 | 8,524,304 | - | 8,524,304 |
| Policy acquisition costs | (14,014,912) | (2,420,463) | (9,014,985) | (1,738,859) | (27,189,219) | - | (27,189,219) |
| Inspection and supervision fees | - | - | - | - | (3,204,977) | - | (3,204,977) |
| Net underwriting income | - | - | - | - | 74,924,613 | - | 74,924,613 |
| Provision for doubtful debts | - | - | - | - | (3,631,173) | - | (3,631,173) |
| General and administrative expenses | - | - | - | - | (56,399,122) | (503,114) | (56,902,236) |
| Investment income | - | - | - | - | 1,951,501 | 3,089,599 | 5,041,100 |
| Other income | - | - | - | - | 1,641,832 | - | 1,641,832 |
| Net income for the period before attribution and zakat and income tax | - | - | - | - | - | - | 21,074,136 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period June 30, 2019

14. Related party transactions and balances

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:

| | Transactions for the six months period ended | | Balance as at | |
|--|--|-------------|---------------|--------------|
| | 2019 | 2018 | June 30, | December 31, |
| | SR | SR | 2019 | 2018 |
| | | | SR | SR |
| <u>Major shareholders</u> | | | | |
| - Insurance premium written | 132,895,160 | 104,996,346 | | |
| - Claims paid | 21,379,923 | 26,556,434 | | |
| - Commission expense | 1,001,705 | 1,776,369 | | |
| - Premium receivable, net | | | 85,945,358 | 24,739,135 |
| - Outstanding claims | | | 38,610,151 | 29,355,121 |
| - Cash and cash equivalents | | | 128,073,832 | 70,449,496 |
| - Unit linked investments managed by related party | | | 548,192,261 | 559,766,029 |
| - Receivable for unit linked investments | | | 7,644,162 | 8,941,411 |
| <u>Entities controlled, jointly controlled or significantly influenced by related parties</u> | | | | |
| - Insurance premium ceded | 93,810,996 | 29,386,638 | | |
| - Reinsurers' share of claims paid | 27,687,180 | 17,532,492 | | |
| - Commission income | 4,673,889 | 2,906,391 | | |
| - Third party administrator expenses | 3,879,209 | 5,889,709 | | |
| - Accrued third party administrator | | | 5,266,902 | 8,457,690 |
| - Reinsurance balance payable, net | | | 88,120,749 | 13,907,150 |
| - Investments in equity of Saudi NextCare | | | 800,000 | 800,000 |

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, Allianz France, Allianz Global Corporate and Specialty AG, Allianz World Wide Care, Allianz Global risks U.S Insurance, Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand, Saudi Fransi Insurance Agency, Banque Saudi Fransi, Saudi Fransi Leasing Company, Saudi NextCare, Saudi Fransi Capital.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, and the Chief Financial Officer of the Company.

The compensation of key management personnel during the period is as follows:

| June 30, 2019 | BOD members | Top executives including the CEO and CFO |
|----------------------------|----------------|--|
| | SR | SR |
| Salaries and compensation | - | 3,891,406 |
| Allowances | 87,000 | - |
| Annual remuneration | 450,000 | - |
| End of service obligations | - | 243,505 |
| | 537,000 | 4,134,911 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period June 30, 2019

14. Related party transactions and balances (continued)

| December 31, 2018 | BOD members SR | Top executives including the CEO and CFO SR |
|----------------------------|-------------------|--|
| Salaries and compensation | - | 5,945,484 |
| Allowances | 279,000 | - |
| Annual remuneration | 764,219 | - |
| End of service obligations | - | 456,532 |
| | 1,043,219 | 6,402,016 |

15. Zakat and income tax

A summary of the Company's share capital and percentages of ownership are as follows:

| | June 30, 2019 | | December 31, 2018 | |
|----------------------------|---------------|--------|-------------------|--------|
| | SR | % | SR | % |
| Saudi and GCC Shareholders | 93,820,000 | 46.91% | 93,820,000 | 46.91% |
| Non-Saudi Shareholders | 106,180,000 | 53.09% | 106,180,000 | 53.09% |
| | 200,000,000 | 100% | 200,000,000 | 100% |

As at 30 June 2019 and 31 December 2018, the authorized, issued and fully paid-in share capital of the Company consists of 20 million shares of SR 10 each. The Company's zakat and income tax calculations and corresponding accruals and payments of zakat and income tax are based on the above ownership percentages in accordance with the relevant provisions of the Saudi Arabian zakat and income tax regulations.

Change in accounting treatment in relation to zakat and income tax

The change in the accounting treatment for zakat and income tax (as explained in note 3) has the following impact on the line items of the interim statements of income, statement of financial position and changes in equity.

As at and for the three month period ended June 30, 2018:

| Financial statement impacted | Account | SR | | |
|---|---|---|-----------------------|--|
| | | As previously stated for three months ended June 30, 2018 | Effect of restatement | As restated for three months ended June 30, 2018 |
| Interim statement of income | Zakat charge for the period | - | (813,062) | (813,062) |
| Interim statement of income | Income tax charge for the period, net | - | (1,226,273) | (1,226,273) |
| Interim statement of income | Basic and diluted earning per share | 0.48 | (0.10) | 0.38 |
| Interim statement of comprehensive income | Deferred tax relating to change in fair value | - | 97,130 | 97,130 |

As at and for the six month period ended June 30, 2018:

| Financial statement impacted | Account | SR | | |
|---|--|---|-----------------------|--|
| | | As previously stated for six months ended June 30, 2018 | Effect of restatement | As restated as at and for six months ended June 30, 2018 |
| Interim statement of income | Zakat charge for the period | - | (1,776,203) | (1,776,203) |
| Interim statement of income | Income tax charge for the period, net | - | 524,972 | 524,972 |
| Interim statement of income | Basic and diluted earning per share | 0.96 | (0.06) | 0.90 |
| Interim statement of changes in equity | Net income for the period attributable to the shareholders | 19,225,371 | (1,251,231) | 17,974,140 |
| Interim statement of changes in equity | Zakat charge for the period | (1,776,203) | 1,776,203 | - |
| Interim statement of changes in equity | Income tax charge for the period, net | (2,001,662) | 2,001,662 | - |
| Interim statement of changes in equity | Deferred tax relating to changes in fair value | - | 748,834 | 748,834 |
| Interim statement of comprehensive income | Deferred tax relating to change in fair value | - | 748,834 | 748,834 |

15. Zakat and income tax (continued)

The recognition of deferred tax as result in change in accounting treatment for zakat and income tax (as explained in note 3) has the following impact:

As at 31 December 2018:

| Financial statement impacted | Account | SR | | |
|---------------------------------|-----------------------------------|--|-----------------------|-------------------------------------|
| | | As previously stated as at 31 December 2018: | Effect of restatement | As restated as at 31 December 2018: |
| Statement of financial position | Deferred tax asset, net | - | 9,350,189 | 9,350,189 |
| Statement of financial position | Fair value reserve on investments | (11,673,980) | 1,301,161 | (10,372,819) |
| Statement of financial position | Retained earnings | 41,575,546 | 8,049,028 | 49,624,574 |
| Statement of changes in equity | Impact of adopting IAS 12 | - | 9,350,189 | 9,350,189 |

As at 1 January 2018:

| Financial statement impacted | Account | SR | | |
|---------------------------------|---------------------------|--|-----------------------|-----------------------------------|
| | | Before the restatement as at 1 January 2018: | Effect of restatement | As restated as at 1 January 2018: |
| Statement of financial position | Deferred tax asset, net | - | 5,587,701 | 5,587,701 |
| Statement of financial position | Retained earnings | 19,902,207 | 5,587,701 | 25,489,908 |
| Statement of changes in equity | Impact of adopting IAS 12 | - | 5,587,701 | 5,587,701 |

The zakat and income tax provision as at the period / year end is as follows:

| SR | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|--------------------------|------------------------------|--------------------------------|
| Provision for zakat | 22,955,249 | 21,297,046 |
| Provision for income tax | 1,607,724 | 2,549,628 |
| | 24,562,973 | 23,846,674 |

The zakat and income tax charge for the six months period is as follows:

| SR | June 30, 2019 (Unaudited) | June 30, 2018 (Unaudited) |
|--------------------------------------|------------------------------|------------------------------|
| Zakat for the six months period | 2,099,518 | 1,776,203 |
| Income tax for the six months period | | |
| - Current tax | 2,312,129 | 2,001,662 |
| - Deferred tax | (185,492) | (2,526,634) |
| | 4,226,155 | 1,251,231 |

15. Zakat and income tax (continued)

The zakat and income tax charge for the three months period is as follows:

| SR | June 30, 2019 (Unaudited) | June 30, 2018 (Unaudited) |
|--|------------------------------|------------------------------|
| Zakat for the three months period | 1,009,265 | 813,062 |
| Income tax for the three months period | | |
| - Current tax | 1,002,106 | 1,371,055 |
| - Deferred tax | (134,931) | (144,782) |
| | 1,876,440 | 2,039,335 |

Status of assessments

The Company has filed tax and zakat declarations for the years ended 31 December 2014 to 31 December 2018 and the assessments for these years are still outstanding. The Company has filed appeals against the General Authority for Zakat and Tax (GAZT) assessments of additional zakat arising from disallowance of long term investments and the statutory deposits from zakat base for the years 2010 to 2013. The Company has accounted for the additional zakat provision in the financial statements, however has not paid the same. The finalisation of the assessment is not expected to have material impact on the financial statements.

16. Share capital

The authorised and issued share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2018: SR 200 million divided into 20 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 13 million shares with a nominal value of SR 10 each, which represents 65% of the shares of the Company's capital and the remaining 7 million shares with a nominal value of SR 10 each have been subscribed by general public.

On 25th October 2017, Allianz Europe BV (a 100% subsidiary of Allianz SE) entered in a legally binding agreement with Banque Saudi Fransi (BSF) to purchase from BSF 57% of its shareholding in the Company, representing 18.5% of the share capital of the Company. This agreement received SAMA's no-objection and was completed by Allianz Europe BV on 29 March 2018. Accordingly, Group holds 51.0% of the share capital of Allianz Saudi Fransi Cooperative Insurance Company (Allianz Europe BV holds 18.5%, Allianz France International holds 16.25% and Allianz Mena Holding Bermuda holds 16.25%) and BSF holds 14.0% of the share capital.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

| | June 30, 2019 | |
|------------------------------|-------------------|--|
| | No. of Shares | Authorized, issued and paid up capital |
| | SR | |
| Allianz Europe BV | 3.70 Million | 37 Million |
| Allianz France International | 3.25 Million | 32.5 Million |
| Allianz Mena Holding Bermuda | 3.25 Million | 32.5 Million |
| Banque Saudi Fransi | 2.80 Million | 28 Million |
| Public | 7.00 Million | 70 Million |
| | 20 Million | 200 Million |
| | December 31, 2018 | |
| | No. of Shares | Authorized, issued and paid up capital |
| | SR | |
| Allianz Europe BV | 3.70 Million | 37 Million |
| Allianz France International | 3.25 Million | 32.5 Million |
| Allianz Mena Holding Bermuda | 3.25 Million | 32.5 Million |
| Banque Saudi Fransi | 2.80 Million | 28 Million |
| Public | 7.00 Million | 70 Million |
| | 20 Million | 200 Million |

16. Share capital (continued)

The Board of Directors in its meeting on 4 June 2018 recommended to increase the Company's share capital through rights issue with a total value of SR 400,000,000, subject to the approval of the regulatory authorities and the Extraordinary General Assembly. The Company has received SAMA non-objection through letter no. 89/18551 dated 22/03/1440H corresponding to 30 November 2018 on the Company's proposed capital increase from SR 200,000,000 to SR 600,000,000 through rights issue. The Company is in the process of submitting application to Capital Management Authority (CMA).

17. Capital management

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

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.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company has fully complied with the externally imposed capital requirements during the reported financial year.

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period June 30, 2019

18. Supplementary information
a) Interim statements of financial position

| | <i>SR</i> | | | | | |
|--|-------------------------|----------------------------------|----------------------|--------------------------|----------------------------------|----------------------|
| | <i>June 30, 2019</i> | | | <i>December 31, 2018</i> | | |
| | Insurance operations | Share- holders' operations | Total | Insurance operations | Share- holders' operations | Total |
| ASSETS | | | | | | |
| Cash and cash equivalents | 94,139,943 | 107,501,550 | 201,641,493 | 47,722,503 | 45,412,035 | 93,134,538 |
| Prepaid expenses and other assets | 50,144,963 | 8,925,130 | 59,070,093 | 47,297,623 | 5,243,586 | 52,541,209 |
| Premiums receivable, net | 556,021,304 | - | 556,021,304 | 408,903,758 | - | 408,903,758 |
| Reinsurers' balance receivable, net | 78,071,493 | - | 78,071,493 | 71,653,440 | - | 71,653,440 |
| Reinsurers' share of outstanding claims | 355,790,230 | - | 355,790,230 | 269,420,744 | - | 269,420,744 |
| Reinsurers' share of claims incurred but not reported | 100,643,606 | - | 100,643,606 | 99,412,249 | - | 99,412,249 |
| Reinsurers' share of unearned premiums | 207,013,536 | - | 207,013,536 | 148,911,143 | - | 148,911,143 |
| Deferred policy acquisition costs | 34,576,736 | - | 34,576,736 | 27,002,293 | - | 27,002,293 |
| Right-of-use assets | 8,317,506 | - | 8,317,506 | - | - | - |
| Financial assets at fair value through statement of income (unit linked investments) | 548,192,261 | - | 548,192,261 | 559,766,029 | - | 559,766,029 |
| Available for sale investments | 116,807,228 | 210,078,924 | 326,886,152 | 115,206,519 | 216,172,505 | 331,379,024 |
| Deferred tax assets, net | - | 7,466,516 | 7,466,516 | - | 9,350,189 | 9,350,189 |
| Property and equipment, net | 5,077,131 | - | 5,077,131 | 4,570,353 | - | 4,570,353 |
| Statutory deposit | - | 20,000,000 | 20,000,000 | - | 20,000,000 | 20,000,000 |
| Accrued income on statutory deposit | - | 1,302,300 | 1,302,300 | - | 1,090,636 | 1,090,636 |
| Due to/from insurance operation/shareholders operation* | 23,369,528 | (23,369,528) | - | (9,301,853) | 9,301,853 | - |
| TOTAL ASSETS | 2,178,165,465 | 331,904,892 | 2,510,070,357 | 1,790,564,801 | 306,570,804 | 2,097,135,605 |
| LIABILITIES | | | | | | |
| Accrued and other liabilities | 138,356,259 | 282,359 | 138,638,618 | 125,022,838 | 336,810 | 125,359,648 |
| Surplus distribution payable | 13,490,226 | - | 13,490,226 | 12,344,873 | - | 12,344,873 |
| Reinsurers' balances payable | 253,348,040 | - | 253,348,040 | 144,725,743 | - | 144,725,743 |
| Unearned premiums | 568,058,243 | - | 568,058,243 | 390,422,335 | - | 390,422,335 |
| Unearned reinsurance commission | 7,093,479 | - | 7,093,479 | 7,609,280 | - | 7,609,280 |
| Outstanding claims | 435,469,019 | - | 435,469,019 | 334,372,482 | - | 334,372,482 |
| Claims incurred but not reported | 184,003,905 | - | 184,003,905 | 200,132,876 | - | 200,132,876 |
| Lease liabilities | 5,945,272 | - | 5,945,272 | - | - | - |
| Premium deficiency reserve | 8,454,145 | - | 8,454,145 | 4,852,555 | - | 4,852,555 |
| Additional premium reserves | 1,211,085 | - | 1,211,085 | 1,006,819 | - | 1,006,819 |
| Unit linked liabilities | 542,618,603 | - | 542,618,603 | 557,723,772 | - | 557,723,772 |
| End-of-service obligations | 17,782,588 | - | 17,782,588 | 16,750,349 | - | 16,750,349 |
| Zakat and income tax | - | 24,562,973 | 24,562,973 | - | 23,846,674 | 23,846,674 |
| Accrued income payable to SAMA | - | 1,302,300 | 1,302,300 | - | 1,090,636 | 1,090,636 |
| TOTAL LIABILITIES | 2,175,830,864 | 26,147,632 | 2,201,978,496 | 1,794,963,922 | 25,274,120 | 1,820,238,042 |
| EQUITY | | | | | | |
| Share capital | - | 200,000,000 | 200,000,000 | - | 200,000,000 | 200,000,000 |
| Share premium | - | 22,711,315 | 22,711,315 | - | 22,711,315 | 22,711,315 |
| Statutory reserve | - | 14,393,656 | 14,393,656 | - | 14,393,656 | 14,393,656 |
| Retained earnings | - | 63,399,602 | 63,399,602 | - | 49,624,574 | 49,624,574 |
| Actuarial reserve for end-of-service obligations | 540,837 | - | 540,837 | 540,837 | - | 540,837 |
| Fair value reserve on investments | 1,793,764 | 5,252,687 | 7,046,451 | (4,939,958) | (5,432,861) | (10,372,819) |
| TOTAL EQUITY | 2,334,601 | 305,757,260 | 308,091,861 | (4,399,121) | 281,296,684 | 276,897,563 |
| TOTAL LIABILITIES AND EQUITY | 2,178,165,465 | 331,904,892 | 2,510,070,357 | 1,790,564,801 | 306,570,804 | 2,097,135,605 |

* These items are not included in the interim statement of financial position.

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period June 30, 2019

18. Supplementary information (continued)
b) Interim statement of income

| | <i>SR</i> | | | | | |
|---|---------------------------------------|-------------------|-----------------------------|---------------------------------|-------------------|----------------------|
| | <i>For the six month period ended</i> | | | | | |
| | <i>June 30, 2019</i> | | | <i>June 30, 2018</i> | | |
| Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total | |
| REVENUES | | | | | | |
| Gross premiums written | 647,312,061 | - | 647,312,061 | 523,309,703 | - | 523,309,703 |
| Reinsurance premiums ceded abroad | (197,275,909) | - | (197,275,909) | (169,633,589) | - | (169,633,589) |
| Reinsurance premiums ceded locally | (3,362,080) | - | (3,362,080) | (9,238,937) | - | (9,238,937) |
| Excess of loss expenses | (3,030,801) | - | (3,030,801) | (2,854,640) | - | (2,854,640) |
| Fee income from unit linked investments | 576,345 | - | 576,345 | 539,957 | - | 539,957 |
| Net premiums written | 444,219,616 | - | 444,219,616 | 342,122,494 | - | 342,122,494 |
| Changes in unearned premiums | (177,635,908) | - | (177,635,908) | (81,429,851) | - | (81,429,851) |
| Changes in reinsurers' share of unearned premiums | 58,102,393 | - | 58,102,393 | 40,929,309 | - | 40,929,309 |
| Net premiums earned | 324,686,101 | - | 324,686,101 | 301,621,952 | - | 301,621,952 |
| Reinsurance commissions | 7,629,555 | - | 7,629,555 | 9,432,122 | - | 9,432,122 |
| NET REVENUES | 332,315,656 | - | 332,315,656 | 311,054,074 | - | 311,054,074 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (230,074,641) | - | (230,074,641) | (205,523,183) | - | (205,523,183) |
| Surrenders and maturities | (78,797,838) | - | (78,797,838) | (69,722,906) | - | (69,722,906) |
| Expenses incurred related to claims | (14,733,106) | - | (14,733,106) | (13,284,486) | - | (13,284,486) |
| Reinsurers' share of claims paid | 71,791,363 | - | 71,791,363 | 57,160,595 | - | 57,160,595 |
| Net claims and other benefits paid | (251,814,222) | - | (251,814,222) | (231,369,980) | - | (231,369,980) |
| Changes in outstanding claims | (101,096,537) | - | (101,096,537) | (13,879,956) | - | (13,879,956) |
| Changes in reinsurers' share of outstanding claims | 86,369,486 | - | 86,369,486 | 7,686,843 | - | 7,686,843 |
| Change in premium deficiency reserve | (3,601,590) | - | (3,601,590) | 5,687,731 | - | 5,687,731 |
| Changes in additional premium reserve | (204,266) | - | (204,266) | 32,236 | - | 32,236 |
| Changes in claims incurred but not reported | 16,128,971 | - | 16,128,971 | 19,908,725 | - | 19,908,725 |
| Changes in reinsurers' share of claim incurred but not reported | 1,231,357 | - | 1,231,357 | (16,400,975) | - | (16,400,975) |
| Net claims and other benefits incurred | (252,986,801) | - | (252,986,801) | (228,335,376) | - | (228,335,376) |
| Changes in unit linked liabilities | 15,105,169 | - | 15,105,169 | 8,524,304 | - | 8,524,304 |
| Unrealized gain on unit linked investments | 14,086,757 | - | 14,086,757 | 14,075,807 | - | 14,075,807 |
| Policy acquisition costs | (32,160,344) | - | (32,160,344) | (27,189,219) | - | (27,189,219) |
| Inspection and supervision fees | (4,400,716) | - | (4,400,716) | (3,204,977) | - | (3,204,977) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (260,355,935) | - | (260,355,935) | (236,129,461) | - | (236,129,461) |
| NET UNDERWRITING INCOME | 71,959,721 | - | 71,959,721 | 74,924,613 | - | 74,924,613 |
| OTHER (EXPENSES) / INCOME | | | | | | |
| Reversal / (provision) of doubtful debts | 180,648 | - | 180,648 | (3,631,173) | - | (3,631,173) |
| General and administrative expenses | (59,235,713) | (394,840) | (59,630,553) | (56,399,122) | (503,114) | (56,902,236) |
| Investment income | 1,766,266 | 3,219,121 | 4,985,387 | 1,951,501 | 3,089,599 | 5,041,100 |
| Other income | 2,192,303 | - | 2,192,303 | 1,641,832 | - | 1,641,832 |
| TOTAL OTHER EXPENSES | (55,096,496) | 2,824,281 | (52,272,215) | (56,436,962) | 2,586,485 | (53,850,477) |
| Net income for the period before attribution and zakat and income tax | 16,863,225 | 2,824,281 | 19,687,506 | 18,487,651 | 2,586,485 | 21,074,136 |
| Net surplus transferred to shareholders' operation | (15,176,902) | 15,176,902 | - | (16,638,886) | 16,638,886 | - |
| Net income for the period after shareholders' appropriations | 1,686,323 | 18,001,183 | 19,687,506 | 1,848,765 | 19,225,371 | 21,074,136 |
| Zakat charge for the period | - | (2,099,518) | (2,099,518) | - | (1,776,203) | (1,776,203) |
| Income tax charge for the period | - | (2,126,637) | (2,126,637) | - | 524,972 | 524,972 |
| Net income attributable to the shareholders after zakat and income tax | - | 13,775,028 | 15,461,351 | - | 17,974,140 | 19,822,905 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period June 30, 2019

18. Supplementary information (continued)
b) Interim statement of income (continued)

| | <i>SR</i> | | | | | |
|---|---|------------------|-----------------------------|---------------------------------|------------------|----------------------|
| | <i>For the three month period ended</i> | | | | | |
| | <i>June 30, 2019</i> | | | <i>June 30, 2018</i> | | |
| Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total | |
| REVENUES | | | | | | |
| Gross premiums written | 288,390,092 | - | 288,390,092 | 224,828,765 | - | 224,828,765 |
| Reinsurance premiums ceded abroad | (130,104,250) | - | (130,104,250) | (111,161,385) | - | (111,161,385) |
| Reinsurance premiums ceded locally | (1,678,684) | - | (1,678,684) | (5,294,683) | - | (5,294,683) |
| Excess of loss expenses | (1,683,778) | - | (1,683,778) | (713,660) | - | (713,660) |
| Fee income from unit linked investments | 286,615 | - | 286,615 | 273,329 | - | 273,329 |
| Net premiums written | 155,209,995 | - | 155,209,995 | 107,932,366 | - | 107,932,366 |
| Changes in unearned premiums | (45,754,116) | - | (45,754,116) | (70,650) | - | (70,650) |
| Changes in reinsurers' share of unearned premiums | 60,409,546 | - | 60,409,546 | 40,574,144 | - | 40,574,144 |
| Net premiums earned | 169,865,425 | - | 169,865,425 | 148,435,860 | - | 148,435,860 |
| Reinsurance commissions | 4,160,751 | - | 4,160,751 | 1,924,706 | - | 1,924,706 |
| NET REVENUES | 174,026,176 | - | 174,026,176 | 150,360,566 | - | 150,360,566 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (99,505,142) | - | (99,505,142) | (84,533,912) | - | (84,533,912) |
| Surrenders and maturities | (49,572,434) | - | (49,572,434) | (37,929,353) | - | (37,929,353) |
| Expenses incurred related to claims | (7,243,696) | - | (7,243,696) | (7,992,757) | - | (7,992,757) |
| Reinsurers' share of claims paid | 33,269,646 | - | 33,269,646 | 29,287,533 | - | 29,287,533 |
| Net claims and other benefits paid | (123,051,626) | - | (123,051,626) | (101,168,489) | - | (101,168,489) |
| Changes in outstanding claims | 290,738 | - | 290,738 | (18,421,215) | - | (18,421,215) |
| Changes in reinsurers' share of outstanding claims | (13,771,909) | - | (13,771,909) | 11,390,556 | - | 11,390,556 |
| Change in premium deficiency reserve | (2,857,051) | - | (2,857,051) | 3,514,448 | - | 3,514,448 |
| Changes in additional premium reserve | (65,955) | - | (65,955) | (53,994) | - | (53,994) |
| Changes in claims incurred but not reported | 12,884,020 | - | 12,884,020 | 6,488,505 | - | 6,488,505 |
| Changes in reinsurers' share of claim incurred but not reported | (8,564,525) | - | (8,564,525) | (9,473,842) | - | (9,473,842) |
| Net claims and other benefits incurred | (135,136,308) | - | (135,136,308) | (107,724,031) | - | (107,724,031) |
| Changes in unit linked liabilities | 7,414,320 | - | 7,414,320 | 5,027,126 | - | 5,027,126 |
| Unrealized gain on unit linked investments | 6,951,938 | - | 6,951,938 | 6,983,582 | - | 6,983,582 |
| Policy acquisition costs | (15,965,444) | - | (15,965,444) | (13,534,693) | - | (13,534,693) |
| Inspection and supervision fees | (2,083,531) | - | (2,083,531) | (1,422,075) | - | (1,422,075) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (138,819,025) | - | (138,819,025) | (110,670,091) | - | (110,670,091) |
| NET UNDERWRITING INCOME | 35,207,151 | - | 35,207,151 | 39,690,475 | - | 39,690,475 |
| OTHER (EXPENSES) / INCOME | | | | | | |
| Provision of doubtful debts | (461,458) | - | (461,458) | (3,655,550) | - | (3,655,550) |
| General and administrative expenses | (31,067,049) | (182,220) | (31,249,269) | (28,299,333) | (233,128) | (28,532,461) |
| Investment income | 829,038 | 1,471,881 | 2,300,919 | 991,066 | 1,702,679 | 2,693,745 |
| Other income | 1,593,177 | - | 1,593,177 | 253,015 | - | 253,015 |
| TOTAL OTHER EXPENSES | (29,106,292) | 1,289,661 | (27,816,631) | (30,710,802) | 1,469,551 | (29,241,251) |
| Net income for the period before attribution and zakat and income tax | 6,100,859 | 1,289,661 | 7,390,520 | 8,979,673 | 1,469,551 | 10,449,224 |
| Net surplus transferred to shareholders' operation | (5,490,773) | 5,490,773 | - | (8,081,706) | 8,081,706 | - |
| Net income for the period after shareholders' appropriations | 610,086 | 6,780,434 | 7,390,520 | 897,967 | 9,551,257 | 10,449,224 |
| Zakat charge for the period | - | (1,009,265) | (1,009,265) | - | (813,062) | (813,062) |
| Income tax charge for the period | - | (867,175) | (867,175) | - | (1,226,273) | (1,226,273) |
| Net income attributable to the shareholders after zakat and income tax | - | 4,903,994 | 5,514,080 | - | 7,511,922 | 8,409,889 |

18. Supplementary information (continued)

c) Interim statement of comprehensive income

| | <i>SR</i> | | | | | |
|--|---------------------------------------|-------------------|----------------------|--------------------------|-------------|-------------|
| | <i>For the six month period ended</i> | | | | | |
| | <i>June 30, 2019</i> | | | <i>June 30, 2018</i> | | |
| Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total | |
| Net income for the period after zakat and income tax | 1,686,323 | 13,775,028 | 15,461,351 | 1,848,765 | 17,974,140 | 19,822,905 |
| Other comprehensive income / (loss) | | | | | | |
| <i>Items that are or may be reclassified to statements of income in subsequent periods</i> | | | | | | |
| Available for sale investments: | | | | | | |
| - Net change in fair value | 6,733,723 | 12,754,712 | 19,488,435 | (3,505,109) | (3,547,790) | (7,052,899) |
| - Deferred tax relating to change in fair value | (714,946) | (1,354,219) | (2,069,165) | 372,151 | 376,683 | 748,834 |
| Total comprehensive income / (loss) for the period | 7,705,100 | 25,175,521 | 32,880,621 | (1,284,193) | 14,803,033 | 13,518,840 |

| | <i>SR</i> | | | | | |
|--|---|-------------------|----------------------|--------------------------|-----------|-----------|
| | <i>For the three month period ended</i> | | | | | |
| | <i>June 30, 2019</i> | | | <i>June 30, 2018</i> | | |
| Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total | |
| Net income for the period after zakat and income tax | 610,086 | 4,903,994 | 5,514,080 | 897,967 | 7,511,922 | 8,409,889 |
| Other comprehensive income / (loss) | | | | | | |
| <i>Items that are or may be reclassified to statements of income in subsequent periods</i> | | | | | | |
| Available for sale investments: | | | | | | |
| - Net change in fair value | 3,578,712 | 6,651,020 | 10,229,732 | (277,333) | (637,482) | (914,815) |
| - Deferred tax relating to change in fair value | (379,966) | (706,166) | (1,086,132) | 29,446 | 67,684 | 97,130 |
| Total comprehensive income for the period | 3,808,832 | 10,848,848 | 14,657,680 | 650,080 | 6,942,124 | 7,592,204 |

ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period June 30, 2019

18. Supplementary information (continued)
d) Interim statement of cash flows

| | <i>SR</i> | | | | | |
|---|---------------------------------------|---|--------------------|-----------------------------|---|---------------------|
| | <i>For the six month period ended</i> | | | | | |
| | <i>Insurance operations</i> | <i>June 30, 2019 Shareholders' operations</i> | <i>Total</i> | <i>Insurance operations</i> | <i>June 30, 2018 Shareholders' operations</i> | <i>Total</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Net income for the period before attribution and zakat and income tax | 1,686,323 | 18,001,183 | 19,687,506 | 1,848,765 | 19,225,371 | 21,074,136 |
| Adjustments for non-cash items and other items: | | | | | | |
| Depreciation of property and equipment | 1,471,474 | - | 1,471,474 | 893,717 | - | 893,717 |
| Amortization of investments premium | 133,014 | 160,793 | 293,807 | 131,089 | 378,720 | 509,809 |
| Reversal of doubtful reinsurance receivables | (565,006) | - | (565,006) | - | - | - |
| Gain on sale of property and equipment | (33,075) | - | (33,075) | - | - | - |
| Reversal for doubtful receivables/write-offs | 351,749 | - | 351,749 | 3,631,173 | - | 3,631,173 |
| Provision for end-of-service obligations | 2,012,858 | - | 2,012,858 | 2,682,240 | - | 2,682,240 |
| Unrealized gain on unit linked investments | (14,086,757) | - | (14,086,757) | (14,075,807) | - | (14,075,807) |
| Shareholders' appropriation from insurance operations' surplus* | 15,176,902 | (15,176,902) | - | 16,638,886 | (16,638,886) | - |
| | 6,147,482 | 2,985,074 | 9,132,556 | 11,750,063 | 2,965,205 | 14,715,268 |
| Changes in operating assets and liabilities: | | | | | | |
| Reinsurers' balance receivable | (5,853,047) | - | (5,853,047) | 16,510,637 | - | 16,510,637 |
| Premium receivable | (147,469,295) | - | (147,469,295) | (135,824,307) | - | (135,824,307) |
| Reinsurers' share of unearned premiums | (58,102,393) | - | (58,102,393) | (40,929,309) | - | (40,929,309) |
| Reinsurers' share of outstanding claims | (86,369,486) | - | (86,369,486) | (7,686,843) | - | (7,686,843) |
| Reinsurers' share of claims incurred but not reported | (1,231,357) | - | (1,231,357) | 16,400,975 | - | 16,400,975 |
| Deferred policy acquisition costs | (7,574,443) | - | (7,574,443) | (1,577,282) | - | (1,577,282) |
| Right-of-use assets | (8,317,506) | - | (8,317,506) | - | - | - |
| Unit linked investments | 25,660,525 | - | 25,660,525 | 21,522,238 | - | 21,522,238 |
| Prepaid expenses and other assets | (2,847,340) | (3,681,544) | (6,528,884) | (12,074,582) | (4,093,817) | (16,168,399) |
| Accrued and other liabilities | 13,333,421 | (54,451) | 13,278,970 | 18,308,006 | 67,000 | 18,375,006 |
| Reinsurers' balances payable | 108,622,297 | - | 108,622,297 | 40,804,626 | - | 40,804,626 |
| Unearned premiums | 177,635,908 | - | 177,635,908 | 81,429,851 | - | 81,429,851 |
| Unearned reinsurance commission | (515,801) | - | (515,801) | (2,039,396) | - | (2,039,396) |
| Lease liabilities | 5,945,272 | - | 5,945,272 | - | - | - |
| Unit linked liabilities | (15,105,169) | - | (15,105,169) | (8,524,304) | - | (8,524,304) |
| Outstanding claims | 101,096,537 | - | 101,096,537 | 13,879,956 | - | 13,879,956 |
| Claims incurred but not reported | (16,128,971) | - | (16,128,971) | (19,908,725) | - | (19,908,725) |
| Premium deficiency reserve | 3,601,590 | - | 3,601,590 | (5,687,731) | - | (5,687,731) |
| Additional premium reserves | 204,266 | - | 204,266 | (32,236) | - | (32,236) |
| | 92,732,490 | (750,921) | 91,981,569 | (13,678,363) | (1,061,612) | (14,739,975) |
| End-of-service obligations paid | (980,619) | - | (980,619) | (1,842,692) | - | (1,842,692) |
| Surplus paid to policyholders | (540,970) | - | (540,970) | (449,771) | - | (449,771) |
| Zakat and income tax paid | - | (3,695,348) | (3,695,348) | - | (4,744,142) | (4,744,142) |
| Net cash generated from (used in) operating activities | 91,210,901 | (4,446,269) | 86,764,632 | (15,970,826) | (5,805,754) | (21,776,580) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Additions in available for sale investments | - | - | - | (10,061,207) | (56,020,254) | (66,081,461) |
| Proceed from sale of available for sale investments | 5,000,000 | 18,687,500 | 23,687,500 | - | - | - |
| Proceeds from sale of property and equipment | 33,075 | - | 33,075 | - | - | - |
| Additions in property and equipment | (1,978,252) | - | (1,978,252) | (1,307,396) | - | (1,307,396) |
| Net cash from (used in) investing activities | 3,054,823 | 18,687,500 | 21,742,323 | (11,368,603) | (56,020,254) | (67,388,857) |
| CASH FLOWS FROM FINANCING ACTIVITY | | | | | | |
| Due from / to (insurance operations / shareholder operations)* | (47,848,284) | 47,848,284 | - | (40,484,240) | 40,484,240 | - |
| Net cash used in financing activity | (47,848,284) | 47,848,284 | - | (40,484,240) | 40,484,240 | - |
| Net change in cash and cash equivalents | 46,417,440 | 62,089,515 | 108,506,955 | (67,823,669) | (21,341,768) | (89,165,437) |
| Cash and cash equivalents at the beginning of the period | 47,722,503 | 45,412,035 | 93,134,538 | 107,246,209 | 26,084,656 | 133,330,865 |
| Cash and cash equivalents at the end of the period | 94,139,943 | 107,501,550 | 201,641,493 | 39,422,540 | 4,742,888 | 44,165,428 |
| NON-CASH INFORMATION: | | | | | | |
| Change in fair value of available for sale investments | (6,018,777) | (11,400,493) | (17,419,270) | 3,132,958 | 3,171,107 | 6,304,065 |

* These items are not included in the interim statement of cash flows

For the six month period June 30, 2019

19. Comparative figures

Certain prior period figures have been reclassified to conform to current period presentation.

20. Approval of the interim condensed financial statements

The interim condensed financial statements have been approved by the Company's Board of Directors on 7 Dhu al-Hijja 1440H, corresponding to 8 August 2019.