

**THE COMPANY FOR COOPERATIVE INSURANCE**  
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2019**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2019**

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الدكتور محمد العمري وشركاه  
Dr. Mohamed Al-Amri & Co.

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

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at June 30, 2019 and the related interim statement of income, interim statement of comprehensive income for the three and six months period then ended, and interim statement of changes in equity and interim statement of cash flows for 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 these 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.

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Dhu Al-Hijjah 4, 1440H  
August 5, 2019

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
SAR'000			
<b>ASSETS</b>			
Statutory deposit	10	125,000	125,000
Accrued income on statutory deposit		2,383	2,254
Property and equipment, net		256,089	266,233
Intangible assets		5,244	3,633
Investment property		9,861	9,861
Investments in associates		89,068	95,116
Available for sale investments	4	2,600,090	2,905,130
Mudaraba deposits	5	3,257,611	2,239,125
Prepaid expenses and other assets		322,513	261,088
Deferred excess of loss premiums		8,005	8,775
Deferred policy acquisition costs		138,595	130,651
Reinsurers' share of gross outstanding claims	7	2,662,439	2,725,809
Reinsurers' share of incurred but not reported claims	7	245,195	191,837
Reinsurers' share of unearned premiums	7	639,143	544,839
Receivables, net	3	1,631,665	1,517,987
Accrued investment income		29,534	-
Cash and cash equivalents	6	1,442,443	1,600,240
<b>TOTAL ASSETS</b>		<b>13,464,878</b>	<b>12,627,578</b>
<b>LIABILITIES</b>			
Reserve for discontinued operations		1,621	1,621
Defined benefit obligations		135,449	133,276
Return payable on statutory deposit		2,383	2,254
Claims payable, accrued expenses and other liabilities		1,460,218	1,513,102
Reserve for takaful activities		7,390	8,690
Gross outstanding claims	7	3,174,972	3,271,156
Incurred but not reported claims reserve	7	1,647,014	1,684,183
Premium deficiency reserve	7	1,915	7,272
Unearned commission income		40,264	39,299
Gross unearned premiums	7	4,305,868	3,820,293
Reinsurers' balances payable		254,775	94,720
Dividends payable		6,411	6,411
Accumulated surplus		6,348	-
Zakat		271,248	237,080
<b>TOTAL LIABILITIES</b>		<b>11,315,876</b>	<b>10,819,357</b>
<b>EQUITY</b>			
Share capital	8	1,250,000	1,250,000
Legal reserve	11	1,000,000	1,000,000
Fair value reserve for investments		61,465	(198,724)
Remeasurement of defined benefit obligation		(12,226)	(12,226)
Retained earnings		(150,237)	(230,829)
<b>TOTAL EQUITY</b>		<b>2,149,002</b>	<b>1,808,221</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,464,878</b>	<b>12,627,578</b>
<b>CONTINGENT LIABILITIES</b>			
	9		

CONTINGENT LIABILITIES

9

Board Director

Chief Financial Officer

Chief Executive Officer

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

THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF INCOME

	Three months ended June 30, 2019 (Unaudited)	Three months ended June 30, 2018 (Unaudited) (Restated)	Six months ended June 30, 2019 (Unaudited)	Six months ended June 30, 2018 (Unaudited) (Restated)
<b>SAR'000</b>				
<b>REVENUES</b>				
Gross premiums written	1,999,514	1,755,864	4,456,547	3,851,576
Reinsurance ceded - local	(54,673)	(19,593)	(62,028)	(23,447)
Reinsurance ceded - international	(407,527)	(332,658)	(636,841)	(514,811)
Fee income from takaful	1,740	2,008	2,538	3,241
Excess of loss premiums	(5,977)	(8,168)	(12,393)	(15,866)
Net premiums written	1,533,077	1,397,453	3,747,823	3,300,693
Changes in unearned premiums	17,895	325,490	(485,575)	306,510
Changes in reinsurers' share of unearned premiums	157,646	82,108	94,304	(7,887)
Net premiums earned	1,708,618	1,805,051	3,356,552	3,599,316
Reinsurance commissions	23,084	21,189	49,903	46,632
Other underwriting income	2,107	2,027	5,627	5,928
<b>TOTAL REVENUES</b>	<b>1,733,809</b>	<b>1,828,267</b>	<b>3,412,082</b>	<b>3,651,876</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>				
Gross claims paid	1,571,130	1,970,458	3,392,533	4,176,179
Expenses incurred related to claims	5,171	5,924	10,485	11,682
Reinsurers' share of claims paid	(108,156)	(304,809)	(427,610)	(565,042)
Net claims and other benefits paid	1,468,145	1,671,573	2,975,408	3,622,819
Changes in outstanding claims	105,626	(226,434)	(96,184)	(500,036)
Changes in reinsurance share of outstanding claims	(138,521)	255,186	63,370	73,446
Changes in incurred but not reported claims reserve	(13,178)	(63,149)	(37,169)	(137,695)
Changes in reinsurance share of incurred but not reported claims	(19,679)	(2,584)	(53,358)	188,476
Changes in premium deficiency reserve	100	12,888	(5,357)	(18,859)
Net claims and other benefits incurred	1,402,493	1,647,480	2,846,710	3,228,151
Changes in reserves for takaful activities	(420)	(424)	(1,300)	(1,172)
Policy acquisition costs	85,598	101,465	172,470	201,794
Other underwriting expenses	28,442	31,719	68,647	74,131
Manafeth insurance share distribution	11,477	11,061	30,659	32,349
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,527,590</b>	<b>1,791,301</b>	<b>3,117,186</b>	<b>3,535,253</b>
Net underwriting income	206,219	36,966	294,896	116,623
<b>OTHER OPERATING (EXPENSES) / INCOME</b>				
General and administrative expenses	(126,659)	(109,218)	(250,183)	(202,487)
Allowance for doubtful debts	(76,123)	(9,598)	(58,323)	(17,098)
Dividend and realized gain on investments, net	60,609	104,867	114,870	159,568
Share of profit from investments in associates, net	6,365	8,223	11,350	14,646
Other income, net	4,295	4,604	10,172	8,945
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(131,513)</b>	<b>(1,122)</b>	<b>(172,114)</b>	<b>(36,426)</b>
Net income before attribution and zakat	74,706	35,844	122,782	80,197
Net (income)/ loss for the period attributed to the insurance operations	(4,300)	2,425	(6,348)	-
Net income for the period attributable to the shareholders before Zakat	70,406	38,269	116,434	80,197
Zakat charge for the period	(18,858)	(14,810)	(35,842)	(29,661)
Net income attributable to the shareholders after Zakat	51,548	23,459	80,592	50,536
Earnings per share				
Basic and diluted earnings per share (in SAR)	0.41	0.19	0.64	0.40
Weighted average number of shares in issue	125,000,000	125,000,000	125,000,000	125,000,000

Board Director

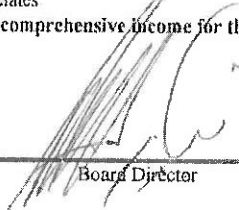
Chief Financial Officer

Chief Executive Officer

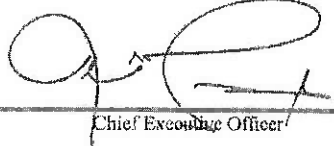
The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

Notes	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
		Restated		Restated
SAR'000				
Net income attributable to the shareholders after Zakat	51,548	23,459	80,592	50,536
<b>Other comprehensive income:</b>				
<i>To be recycled back to interim statement of income in subsequent periods:</i>				
<i>Available for sale investments:</i>				
- Net change in fair value	4 76,563	(177,763)	257,689	(146,843)
- Net amounts transferred to interim statement of income	4 -	(259)	1,145	(902)
Share of other comprehensive income of investment in associates	(281)	(1,711)	1,355	(809)
<b>Total comprehensive income for the period</b>	<u>127,830</u>	<u>(156,274)</u>	<u>340,781</u>	<u>(98,018)</u>

  
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 Board Director

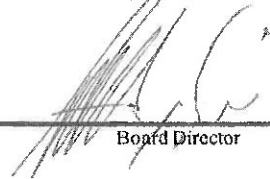
  
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 Chief Financial Officer

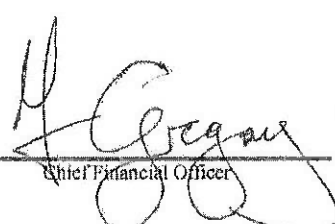
  
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 Chief Executive Officer

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**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF CHANGES IN EQUITY**

Notes	Share capital	Legal reserve	Fair value reserve for investments	Remeasurements of defined benefit obligation	Retained earnings	Total
SAR'000						
<i>Unaudited</i>						
<b>Balance at January 1, 2018</b>	1,250,000	1,000,000	(166,244)	(5,879)	48,504	2,126,381
Total comprehensive income/ (loss) for the period (restated):						
Net income for the period attributable to the shareholders after zakat	18	-	-	-	50,536	50,536
Changes in fair value of available-for-sale investments	18	-	(146,843)	-	-	(146,843)
Net amount recycled to interim statement of income	18	-	(902)	-	-	(902)
Share of other comprehensive loss of investments in associates	-	-	(809)	-	-	(809)
<b>Total comprehensive income / (loss)</b>	-	-	(148,554)	-	50,536	(98,018)
<b>Balance at June 30, 2018</b>	1,250,000	1,000,000	(314,798)	(5,879)	99,040	2,028,363
<i>Unaudited</i>						
<b>Balance at January 1, 2019</b>	1,250,000	1,000,000	(198,724)	(12,226)	(230,829)	1,808,221
Total comprehensive income for the period:						
Net income for the period attributable to the shareholders after zakat	18	-	-	-	80,592	80,592
Changes in fair value of available-for-sale investments	18	-	257,689	-	-	257,689
Net amount recycled to interim statement of income	18	-	1,145	-	-	1,145
Share of other comprehensive income investments in associates	18	-	1,355	-	-	1,355
<b>Total comprehensive income</b>	-	-	260,189	-	80,592	340,781
<b>Balance at June 30, 2019</b>	1,250,000	1,000,000	61,465	(12,226)	(150,237)	2,149,002

  
Board Director

  
Chief Financial Officer

  
Chief Executive Officer

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

**THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF CASHFLOWS**

	Notes	Six months ended	Six months ended
		June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
SAR'000			
<b>Operating activities:</b>			
Net income before attribution and zakat		122,782	80,197
Adjustments for non-cash items:			
Depreciation of property and equipment		11,479	10,915
Amortization of intangible assets		2,657	2,791
Allowance for doubtful debts		58,323	17,098
Loss / (gain) on sale of investments		1,145	(902)
Share of profit from investments in associates, net		(11,350)	(14,646)
Provision for defined benefit obligations		8,046	6,216
		193,082	101,669
<b>Changes in operating assets and liabilities:</b>			
Prepaid expenses and others assets		(61,425)	18,969
Deferred excess of loss premiums		770	11,293
Deferred policy acquisition costs		(7,944)	22,310
Reinsurers' share of gross outstanding claims		63,370	73,446
Reinsurers' share of claims incurred but not reported		(53,358)	188,476
Reinsurers' share of unearned premiums		(94,304)	7,887
Receivables, net		(172,001)	(304,115)
Reinsurers' balances payable		160,055	(87,627)
Gross unearned premiums		485,575	(306,510)
Unearned commission income		965	(15,176)
Gross outstanding claims		(96,184)	(500,036)
Incurred but not reported claims reserve		(37,169)	(137,695)
Premium deficiency reserve		(5,357)	(18,859)
Reserve for takaful activities		(1,300)	(1,172)
Claims payable, accrued expenses and other liabilities		(52,884)	637,167
		321,891	(309,973)
Defined benefit obligations paid		(5,873)	(3,937)
<b>Net cash generated from/ (used in) operating activities</b>		<b>316,018</b>	<b>(313,910)</b>
<b>Investing activities:</b>			
Proceeds from sale of available-for-sale investments		1,171,317	329,792
Purchase of available-for-sale investments		(608,588)	(693,721)
Proceeds from maturity of mudaraba/ murabaha deposits		4,665,148	82,035
Placement in mudaraba deposits		(5,683,634)	-
Accrued investment income		(29,534)	54,606
Dividends received from investments in associates		18,753	22,986
Purchase of property and equipment		(1,335)	-
Purchase of intangible assets		(4,268)	(163)
<b>Net cash used in investing activities</b>		<b>(472,141)</b>	<b>(204,465)</b>
<b>Financing activities:</b>			
Zakat paid during the period		(1,674)	(7,429)
<b>Net cash used in financing activities</b>		<b>(1,674)</b>	<b>(7,429)</b>
<b>Net change in cash and cash equivalents</b>		<b>(157,797)</b>	<b>(525,804)</b>
Cash and cash equivalents, beginning of the period	6	1,600,240	1,397,203
<b>Cash and cash equivalents, end of the period</b>	6	<b>1,442,443</b>	<b>871,399</b>
<b>Non-cash supplemental information:</b>			
Changes in fair value for available-for-sale investments		258,834	(147,745)
Share of other comprehensive income of associates		1,355	(809)

Board Director

Chief Financial Officer

Chief Executive Officer

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



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**JUNE 30, 2019**

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**1. GENERAL**

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumada Al-Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on Thumamah Road (At Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003 corresponding to Jumada Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, 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 Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors 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.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The interim condensed financial information of the Company as at and for the period ended 30 June 2019 have 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 Organisation 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 18 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia 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 Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with *International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors* (as disclosed in note 2.2(e)) and the effects of this change are disclosed in note 17 to the interim condensed financial information.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments and investment in associates which is accounted for under the equity method and end of service benefits based on actuarial valuation techniques. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, property and equipment, intangible assets, investment property, investments in associates, available for sale investments, reserve for discontinued operations, end-of-service indemnities and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**JUNE 30, 2019**

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

**(a) Basis of presentation (continued)**

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 18). 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 statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. 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 income or losses of the respective operations.

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

The interim condensed financial information does not include all of the information required for full annual financial information and should be read in conjunction with the annual financial statement as of and for the year ended December 31, 2018. This interim condensed financial information is expressed in Saudi Arabian Riyals (SAR) and is rounded off to the nearest thousands.

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

The preparation of the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018.

Following are the accounting judgments and estimates that are critical in preparation of this interim condensed financial information:

i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**(continued)**  
**JUNE 30, 2019**

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

ii) Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost. The determination of what is significant or prolonged requires judgment. For equity and mutual funds, a period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company also evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Please refer fair value of financial instruments disclosure in note 14.

**(c) Significant accounting policies**

The accounting policies used in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of the new standards mentioned in note 2(c)(i) and change in the accounting for zakat and income tax as mentioned in 2(c)(iii) below:

**i) Standard effective from January 1, 2019**

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as lease applying IAS 17 and IFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. During the period the Company has performed an assessment of IFRS 16 and resolved that impact of difference as compared to leases accounted for applying IAS 17 & IFRIC 4 is not material to the Company's financial statements as a whole.

**ii) 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 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.

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

**(c) 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 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities for the period ended June 30, 2019 and 2018.

The Company is eligible and have chosen to apply the temporary exemption 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. IASB through its amendments to IFRS 4 issued in September 2016 had allowed temporary exemption if a Company meets the following criteria:

- the Company has not previously applied any version of IFRS 9; and
- its activities are predominantly connected with insurance that is defined as total percentage of carrying amount of insurance liabilities is greater than 90% of its total liabilities.

The Company performed a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. Further, the Company believes that IFRS 9 would have an impact on the classification of financial instruments required to be mandatorily mentioned at fair value i.e investments classified under available for sale investments in Note 5. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, 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.

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

**(c) Significant accounting policies (continued)**

**iii) Change in accounting policy in relation to accounting for zakat**

As mentioned in note 2(a), the basis of preparation has been changed for the period ended 30 June 2019, based on latest instructions from SAMA dated 18 July 2019. Previously, zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. As per SAMA instructions dated 18 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 retrospectively and the effects of the above change are disclosed in note 17 to the interim condensed financial information. 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 14.8 million and SR 29.6 million, respectively. The change has had no impact on the interim statement of cash flows for the period ended 30 June 2018.

**Zakat:**

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income 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.

**(d) Segmental reporting**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Manafeth - third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.
- Protection & Savings.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the period.

**(e) Seasonality of operations**

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

**3. RECEIVABLES, NET**

Receivables comprise net amounts due from the following:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Policyholders	1,166,637	778,456
Brokers and agents	568,871	757,943
Related parties (note 13)	30,893	55,506
	1,766,401	1,591,905
Receivables from reinsurers	67,689	62,517
Administrative service plan	15,438	23,105
	1,849,528	1,677,527
Provision for doubtful receivables	(217,863)	(159,540)
Receivables, net	1,631,665	1,517,987

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**4. AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments comprise the following:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
<b><u>Insurance Operations</u></b>		
Mutual funds	218,211	191,404
Fixed income portfolio (Governments and corporations securities )	978,700	790,304
Sukuks	90,825	225,140
Funds placed with portfolio manager	-	28,059
Total	<u>1,287,736</u>	<u>1,234,907</u>
<b><u>Shareholders' Operations</u></b>		
Mutual funds	843,679	1,210,899
Fixed income portfolio (Governments and corporations securities )	468,675	358,556
Sukuks	-	90,000
Funds placed with portfolio manager	-	10,768
Total	<u>1,312,354</u>	<u>1,670,223</u>
Total available-for-sale investments	<u>2,600,090</u>	<u>2,905,130</u>

Movements in available-for-sale investments are as follows:

	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
	SAR'000					
<b><u>Insurance Operations</u></b>						
Balance at the beginning of the period / year	-	1,234,907	1,234,907	41,245	2,919,185	2,960,430
Purchases	-	261,088	261,088	-	1,784,785	1,784,785
Disposals	-	(334,303)	(334,303)	(42,932)	(3,436,511)	(3,479,443)
Changes in fair value of investments	-	126,044	126,044	1,687	(32,552)	(30,865)
Balance as at the end of the period/ year	<u>-</u>	<u>1,287,736</u>	<u>1,287,736</u>	<u>-</u>	<u>1,234,907</u>	<u>1,234,907</u>
<b><u>Shareholders' Operations</u></b>						
Balance at the beginning of the period/ year	-	1,670,223	1,670,223	39,340	2,525,439	2,564,779
Purchases	-	347,500	347,500	-	2,076,116	2,076,116
Disposals	-	(837,014)	(837,014)	(40,007)	(2,952,467)	(2,992,474)
Changes in fair value of investments	-	131,645	131,645	667	21,135	21,802
Balance as at the end of the period/ year	<u>-</u>	<u>1,312,354</u>	<u>1,312,354</u>	<u>-</u>	<u>1,670,223</u>	<u>1,670,223</u>
Total	<u>-</u>	<u>2,600,090</u>	<u>2,600,090</u>	<u>-</u>	<u>2,905,130</u>	<u>2,905,130</u>

As at June 30, 2019 the Company invested in Shariah Notes amounting to SAR 2.2 billion (December 31, 2018 SAR 2.3 billion). The Shariah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Dubai International Financial Center in Dubai. The underlying investments of Shariah Notes include mutual funds, private equity funds and fixed income portfolios. The legal ownership of these underlying investments is not with the Company, however, the Company is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes and underlying investments. The custody of the underlying investments is in the custody account of the SPV or its nominee account opened with fund and portfolio managers.

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**5. AVAILABLE-FOR-SALE INVESTMENTS (continued)**

The movement of changes in fair value of investments is as follows:

	<b>Three months ended June 30, 2019 (Unaudited)</b>	<b>Three months ended June 30, 2018 (Unaudited)</b>	<b>Six months ended June 30, 2019 (Unaudited)</b>	<b>Six months ended June 30, 2018 (Unaudited)</b>
<b>SAR'000</b>				
<b><u>Insurance Operations</u></b>				
Change in fair value	45,457	(82,936)	126,044	(99,192)
Net amount recycled to interim statement of income - insurance operations	-	(259)	-	2,614
	<u>45,457</u>	<u>(83,195)</u>	<u>126,044</u>	<u>(96,578)</u>
<b><u>Shareholders' Operations</u></b>				
Change in fair value	31,106	(94,827)	131,645	(47,651)
Net amount recycled to interim statement of income - shareholders' operations	-	-	1,145	(3,516)
	<u>31,106</u>	<u>(94,827)</u>	<u>132,790</u>	<u>(51,167)</u>
Total	<u>76,563</u>	<u>(178,022)</u>	<u>258,834</u>	<u>(147,745)</u>

**6. MUDARABA DEPOSITS**

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in Mudaraba structures. These deposits are denominated in US Dollars and have an original maturity of more than three months to one year and yield on average financial incomes at rates 4.08%.

The movements in deposits during the period/ year is as follows:

	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
<b>SAR'000</b>		
<b><u>Insurance Operations</u></b>		
Balance at the beginning of the period/ year	1,387,500	-
Placed during the period/ year	3,033,192	1,387,500
Proceeds during the period/ year	(2,908,014)	-
Balance at the end of the period/ year	<u>1,512,678</u>	<u>1,387,500</u>
<b><u>Shareholders' Operations</u></b>		
Balance at the beginning of the period/ year	851,625	82,035
Placed during the period/ year	2,650,442	851,625
Matured during the period/ year	(1,757,134)	(82,035)
Balance at the end of the period/ year	<u>1,744,933</u>	<u>851,625</u>
Total	<u>3,257,611</u>	<u>2,239,125</u>

**7. CASH AND CASH EQUIVALENTS**

	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
<b>SAR'000</b>		
<b><u>Insurance Operations</u></b>		
Mudaraba deposits	-	210,000
Bank balances and cash	1,288,803	907,258
	<u>1,288,803</u>	<u>1,117,258</u>
<b><u>Shareholders' Operations</u></b>		
Mudaraba deposits	76,660	400,000
Bank balances and cash	76,980	82,982
	<u>153,640</u>	<u>482,982</u>
Total cash and cash equivalents	<u>1,442,443</u>	<u>1,600,240</u>

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**6. CASH AND CASH EQUIVALENTS (continued)**

Mudaraba deposits are maintained with banks and financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission at an average rate of 3.99% per annum as at June 30, 2019 and December 31, 2018.

Bank balances and cash includes call account balance of SAR 43 million (December 31, 2018: SAR 65 million). Both bank balances and mudaraba deposits (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

**8. UNEARNED PREMIUM AND GROSS OUTSTANDING CLAIMS AND RESERVES, NET**

(i) The movement in unearned premiums is as follows:

	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	SAR'000					
Balance as at the beginning of the period / year	3,820,293	(544,839)	3,275,454	4,405,244	(591,125)	3,814,119
Premiums written during the period / year	4,456,547	(698,869)	3,757,678	7,641,245	(1,098,103)	6,543,142
Premiums earned during the period / year	(3,970,972)	604,565	(3,366,407)	(8,226,196)	1,144,389	(7,081,807)
Balance as at the end of the period / year	<u>4,305,868</u>	<u>(639,143)</u>	<u>3,666,725</u>	<u>3,820,293</u>	<u>(544,839)</u>	<u>3,275,454</u>

(ii) Gross outstanding claims and reserves, net comprise of the following:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000	
Gross outstanding claims	3,214,137	3,330,828
Less: Realizable value of salvage and subrogation	(39,165)	(59,672)
	3,174,972	3,271,156
Add: Incurred but not reported claims reserve	1,647,014	1,684,183
Add: Premium deficiency reserve	1,915	7,272
Gross outstanding claims and reserves	4,823,901	4,962,611
Less: Reinsurers' share of gross outstanding claims	(2,662,439)	(2,725,809)
Less: Reinsurers' share of incurred but not reported claims	(245,195)	(191,837)
Reinsurers' share of outstanding claims and reserves	(2,907,634)	(2,917,646)
Net outstanding claims and reserves	<u>1,916,267</u>	<u>2,044,965</u>

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The management and external actuary had made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

As at June 30, 2019, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves) which amounted to SAR 4.82 billion (2018: SAR 4.96 billion). Significant portion of reserves relates to medical line of business which are a best-estimate of the expected ultimate claim trends as at June 30, 2019.



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**9. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at June 30, 2019 (December 31, 2018: SAR 1.25 billion) consisting of 125 million shares (December 31, 2018: 125 million shares) of SAR 10 each.

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

	June 30, 2019		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	<b>125,000,000</b>	<b>1,250,000</b>	<b>1,250,000</b>
	December 31, 2018		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	66,713,009	667,130	667,130
Public Pension Agency	29,737,685	297,377	297,377
General Organization for Social Insurance	28,549,306	285,493	285,493
	<b>125,000,000</b>	<b>1,250,000</b>	<b>1,250,000</b>

**10. CONTINGENT LIABILITIES**

As at June 30, 2019, the Company had contingencies related to outstanding letters of guarantee amounting to SAR 396 million (December 31, 2018: SAR 449 million) issued in favour of GAZT related to Zakat assessment raised for previous years (Note 17).

As at June 30, 2019, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SAR 174 million (December 31, 2018: SAR 143 million) occurring in the normal course of business.

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. Appropriate provisions have been made in relation to pending cases and management believes that finalization of these court cases is not expected to have a material impact on the financial information.

**11. STATUTORY DEPOSIT**

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2018: SAR 125 million), in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

**12. LEGAL RESERVE**

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the legal reserve until it equals the value of share capital. This transfer is only made at the year end. The legal reserve is not available for distribution to the shareholders until the liquidation of the Company.

**13. MANAFETH SHARED AGREEMENT**

On January 13, 2015 together with 25 related insurance companies, the Company signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from 1 January 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia. The agreement has subsequently been renewed for two years from January 1, 2019 to December 31, 2020 with 25 related insurance companies.

The main terms of the above mentioned agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.

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**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 period ended		Balance receivable / (payable) as at	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SAR'000			
<b><u>Major shareholders</u></b>				
Insurance premium written	562	1,355	5,608	4,091
General Organization for Social Insurance - Other services	45	-	-	-
<b><u>Associates</u></b>				
Insurance premium written/ (reversed)	(52)	49	(122)	210
Najm fees paid	4,417	15,265	2,709	-
Waseel fees paid	5,150	4,208	-	-
United Insurance Co. fees and claims, net	2,950	2,142	4,742	3,712
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
Insurance premium written	9,831	5,536	25,407	51,205
Rent expenses paid	166	60	-	-
Amount of claims paid to hospitals	12,419	6,408	(4,354)	(12,088)

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

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

	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
	SAR'000	
Salaries and other allowances	5,071	4,573
End of service indemnities	338	321

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**14. 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 in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial information. The estimated fair values of financial instruments are based on quoted market prices, when available.

**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 market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- 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.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The fair values of bank balances, cash and other financial assets in statement of financial position which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed financial information due to the short term nature of balances.

The table below presents the available-for-sale investments based on the fair value hierarchy:

	SAR'000			
	Level 1	Level 2	Level 3	Total
<b>June 30, 2019 (Unaudited)</b>				
Available-for- sale investments				
<b><u>Insurance Operations</u></b>				
Mutual funds	-	218,211	-	218,211
Fixed income portfolio (Governments and corporations securities )	-	978,700	-	978,700
Sukuks	-	-	90,825	90,825
	-	1,196,911	90,825	1,287,736
<b><u>Shareholders' Operations</u></b>				
Mutual funds	-	195,389	648,290	843,679
Fixed income portfolio (Governments and corporations securities )	-	468,675	-	468,675
Funds placed with portfolio manager	-	-	-	-
	-	664,064	648,290	1,312,354
<b>Total</b>	-	1,860,975	739,115	2,600,090
<b>December 31, 2018 (Audited)</b>				
Available-for-sale investments				
<b><u>Insurance Operations</u></b>				
Mutual funds	-	191,404	-	191,404
Fixed income portfolio (Governments and corporations securities )	-	790,304	-	790,304
Sukuks	-	-	225,140	225,140
Funds placed with portfolio manager	28,059	-	-	28,059
	28,059	981,708	225,140	1,234,907
<b><u>Shareholders' Operations</u></b>				
Mutual funds	-	609,270	601,629	1,210,899
Fixed income portfolio (Governments and corporations securities )	-	358,556	-	358,556
Sukuks	-	-	90,000	90,000
Funds placed with portfolio manager	10,768	-	-	10,768
<b>Total</b>	10,768	967,826	691,629	1,670,223
	38,827	1,949,534	916,769	2,905,130

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**14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

June 30, 2019 (Unaudited)	SAR'000					Balance June 30
	Balance January 1	Purchases	Sales	Statement of income	Other comprehensive income	
<b>Insurance Operations</b>						
Sukuks	225,140	-	(134,315)	-	-	90,825
	225,140	-	(134,315)	-	-	90,825
<b>Shareholders' operations</b>						
Mutual funds	601,629	-	(4,514)	-	51,175	648,290
Sukuks	90,000	-	(90,000)	-	-	-
	691,629	-	(94,514)	-	51,175	648,290
<b>Total</b>	<b>916,769</b>	<b>-</b>	<b>(228,829)</b>	<b>-</b>	<b>51,175</b>	<b>739,115</b>

December 31, 2018 (Audited)	SAR'000					Balance December 31
	Balance January 1	Purchases	Sales	Statement of income	Other comprehensive income	
<b>Insurance Operations</b>						
Mutual funds	2,637,325	928,066	(3,667,918)	16,318	86,209	-
Sukuks	281,860	-	(56,720)	-	-	225,140
	2,919,185	928,066	(3,724,638)	16,318	86,209	225,140
<b>Shareholders' operations</b>						
Mutual funds	2,425,439	937,028	(3,005,602)	185,388	59,376	601,629
Sukuks	100,000	-	(10,000)	-	-	90,000
	2,525,439	937,028	(3,015,602)	185,388	59,376	691,629
<b>Total</b>	<b>5,444,624</b>	<b>1,865,094</b>	<b>(6,740,240)</b>	<b>201,706</b>	<b>145,585</b>	<b>916,769</b>

**15. OPERATING SEGMENTS**

Consistent with the Company's internal reporting process; operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include property and equipment, prepayments and other assets, receivables, net and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include reserve for discontinued operations, surplus distribution payable, due to shareholders operations, reinsurance balances payable, claims payable, accrued expenses and other liabilities and fair value reserve for available-for-sale investments. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums receivable and depreciation on the property and equipments) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

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**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended June 30, 2019							Total
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
	(Unaudited)							
	SAR'000							
<b>REVENUES</b>								
Gross premiums written								
- Retail	5,579	117,414	34,851	6,487	-	164,331		164,331
- Micro Enterprises	93,413	3,669	-	11,142	-	108,224		108,224
- Small Enterprises	95,282	2,995	-	6,694	15	104,986		104,986
- Medium Enterprises	92,407	4,443	-	6,323	209	103,382		103,382
- Corporates	1,060,538	4,565	-	451,123	2,365	1,518,591		1,518,591
	1,347,219	133,086	34,851	481,769	2,589	1,999,514		1,999,514
Reinsurance ceded - local	-	-	-	(53,327)	(1,346)	(54,673)		(54,673)
Reinsurance ceded - international	(40)	-	-	(406,831)	(656)	(407,527)		(407,527)
Fees income from takaful	-	-	-	-	1,740	1,740		1,740
Excess of loss premiums	-	(4,264)	(478)	(1,235)	-	(5,977)		(5,977)
<b>Net premiums written</b>	<b>1,347,179</b>	<b>128,822</b>	<b>34,373</b>	<b>20,376</b>	<b>2,327</b>	<b>1,533,077</b>		<b>1,533,077</b>
Changes in unearned premiums, net	148,768	25,022	(1,107)	2,913	(55)	175,541		175,541
<b>Net premiums earned</b>	<b>1,495,947</b>	<b>153,844</b>	<b>33,266</b>	<b>23,289</b>	<b>2,272</b>	<b>1,708,618</b>		<b>1,708,618</b>
Reinsurance commissions	586	148	-	22,350	-	23,084		23,084
Other underwriting income	-	2,107	-	-	-	2,107		2,107
<b>TOTAL REVENUES</b>	<b>1,496,533</b>	<b>156,099</b>	<b>33,266</b>	<b>45,639</b>	<b>2,272</b>	<b>1,733,809</b>		<b>1,733,809</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	1,395,466	79,601	7,124	90,604	3,506	1,576,301		1,576,301
Reinsurers' share of claims paid	(17,208)	(1,344)	-	(86,361)	(3,243)	(108,156)		(108,156)
<b>Net claims paid</b>	<b>1,378,258</b>	<b>78,257</b>	<b>7,124</b>	<b>4,243</b>	<b>263</b>	<b>1,468,145</b>		<b>1,468,145</b>
Changes in outstanding claims, net	(48,533)	14,345	1,475	274	(456)	(32,895)		(32,895)
Changes in incurred but not reported claims reserve, net	(20,431)	(8,914)	(746)	(2,770)	4	(32,857)		(32,857)
Changes in premium deficiency reserves	-	-	-	100	-	100		100
<b>Net claims and other benefits incurred</b>	<b>1,309,294</b>	<b>83,688</b>	<b>7,853</b>	<b>1,847</b>	<b>(189)</b>	<b>1,402,493</b>		<b>1,402,493</b>
Changes in reserve for takaful activities	-	-	-	-	(420)	(420)		(420)
Policy acquisition costs	49,070	19,888	7,304	9,102	234	85,598		85,598
Other underwriting expenses	20,211	666	2,281	4,510	774	28,442		28,442
Manafeth insurance share distribution	-	-	11,477	-	-	11,477		11,477
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,378,575</b>	<b>104,242</b>	<b>28,915</b>	<b>15,459</b>	<b>399</b>	<b>1,527,590</b>		<b>1,527,590</b>
<b>NET UNDERWRITING INCOME</b>	<b>117,958</b>	<b>51,857</b>	<b>4,351</b>	<b>30,180</b>	<b>1,873</b>	<b>206,219</b>		<b>206,219</b>
General and administrative expenses						(126,410)	(249)	(126,659)
Allowance for doubtful debts						(76,123)	-	(76,123)
Dividend and realized gain on investments, net						35,012	25,597	60,609
Share of profit from investments in associates, net						-	6,365	6,365
Other income						4,295	-	4,295
<b>NET INCOME FOR THE PERIOD</b>						<b>42,993</b>	<b>31,713</b>	<b>74,706</b>

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**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended June 30, 2018							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
SAR'000								
<b>REVENUES</b>								
Gross premiums written								
- Retail	5,513	144,156	34,074	6,099	-	189,842		189,842
- Micro Enterprises	63,187	3,906	-	5,073	-	72,166		72,166
- Small Enterprises	58,031	3,497	-	2,822	29	64,379		64,379
- Medium Enterprises	63,465	6,801	-	3,972	302	74,540		74,540
- Corporates	981,967	8,242	-	355,752	8,976	1,354,937		1,354,937
	1,172,163	166,602	34,074	373,718	9,307	1,755,864		1,755,864
Reinsurance ceded - local	-	-	-	(19,593)	-	(19,593)		(19,593)
Reinsurance ceded - international	(534)	-	-	(324,048)	(8,076)	(332,658)		(332,658)
Fees income from takaful	-	-	-	-	2,008	2,008		2,008
Excess of loss premiums	-	(4,620)	(1,198)	(2,350)	-	(8,168)		(8,168)
<b>Net premiums written</b>	<b>1,171,629</b>	<b>161,982</b>	<b>32,876</b>	<b>27,727</b>	<b>3,239</b>	<b>1,397,453</b>		<b>1,397,453</b>
Changes in unearned premiums, net	286,281	117,688	(199)	3,901	(73)	407,598		407,598
<b>Net premiums earned</b>	<b>1,457,910</b>	<b>279,670</b>	<b>32,677</b>	<b>31,628</b>	<b>3,166</b>	<b>1,805,051</b>		<b>1,805,051</b>
Reinsurance commissions	683	1	-	20,505	-	21,189		21,189
Other underwriting income	-	2,027	-	-	-	2,027		2,027
<b>TOTAL REVENUES</b>	<b>1,458,593</b>	<b>281,698</b>	<b>32,677</b>	<b>52,133</b>	<b>3,166</b>	<b>1,828,267</b>		<b>1,828,267</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	1,517,473	162,847	5,908	281,269	8,885	1,976,382		1,976,382
Reinsurers' share of claims paid	(21,568)	(2,244)	-	(272,581)	(8,416)	(304,809)		(304,809)
<b>Net claims paid</b>	<b>1,495,905</b>	<b>160,603</b>	<b>5,908</b>	<b>8,688</b>	<b>469</b>	<b>1,671,573</b>		<b>1,671,573</b>
Changes in outstanding claims, net	25,852	1,775	1,779	(859)	205	28,752		28,752
Changes in incurred but not reported claims reserve, net	(69,849)	786	(910)	4,240	-	(65,733)		(65,733)
Changes in premium deficiency reserves	17,735	-	-	(4,847)	-	12,888		12,888
<b>Net claims and other benefits incurred</b>	<b>1,469,643</b>	<b>163,164</b>	<b>6,777</b>	<b>7,222</b>	<b>674</b>	<b>1,647,480</b>		<b>1,647,480</b>
Changes in reserve for takaful activities	-	-	-	-	(424)	(424)		(424)
Policy acquisition costs	52,125	29,053	8,094	11,943	250	101,465		101,465
Other underwriting expenses	21,039	2,632	2,198	5,397	453	31,719		31,719
Manafeth insurance share distribution	-	-	11,061	-	-	11,061		11,061
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,542,807</b>	<b>194,849</b>	<b>28,130</b>	<b>24,562</b>	<b>953</b>	<b>1,791,301</b>		<b>1,791,301</b>
<b>NET UNDERWRITING (LOSS)/ INCOME</b>	<b>(84,214)</b>	<b>86,849</b>	<b>4,547</b>	<b>27,571</b>	<b>2,213</b>	<b>36,966</b>		<b>36,966</b>
General and administrative expenses						(106,888)	(2,330)	(109,218)
Allowance for doubtful debts						(9,598)	-	(9,598)
Dividend and realized gain on investments, net						12,068	92,799	104,867
Share of profit from investments in associates, net						255	7,968	8,223
Other income						4,604	-	4,604
<b>NET (LOSS)/ INCOME FOR THE PERIOD</b>						<b>(62,593)</b>	<b>98,437</b>	<b>35,844</b>

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**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the six months period ended June 30, 2019							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
SAR'000								
<b>REVENUES</b>								
Gross premiums written								
- Retail	13,884	265,767	77,755	11,950	-	369,356		369,356
- Micro Enterprises	149,410	8,254	-	26,495	-	184,159		184,159
- Small Enterprises	164,004	7,439	-	12,394	95	183,932		183,932
- Medium Enterprises	214,277	11,775	-	9,783	529	236,364		236,364
- Corporates	2,784,364	18,413	-	675,004	4,955	3,482,736		3,482,736
	3,325,939	311,648	77,755	735,626	5,579	4,456,547		4,456,547
Reinsurance ceded - local	-	-	-	(60,317)	(1,711)	(62,028)		(62,028)
Reinsurance ceded - international	(4,556)	-	-	(629,301)	(2,984)	(636,841)		(636,841)
Fees income from takaful	-	-	-	-	2,538	2,538		2,538
Excess of loss premiums	-	(8,757)	(955)	(2,681)	-	(12,393)		(12,393)
<b>Net premiums written</b>	<b>3,321,383</b>	<b>302,891</b>	<b>76,800</b>	<b>43,327</b>	<b>3,422</b>	<b>3,747,823</b>		<b>3,747,823</b>
Changes in unearned premiums, net	(405,218)	10,568	(1,223)	4,367	235	(391,271)		(391,271)
<b>Net premiums earned</b>	<b>2,916,165</b>	<b>313,459</b>	<b>75,577</b>	<b>47,694</b>	<b>3,657</b>	<b>3,356,552</b>		<b>3,356,552</b>
Reinsurance commissions	1,426	148	-	48,329	-	49,903		49,903
Other underwriting income	-	5,627	-	-	-	5,627		5,627
<b>TOTAL REVENUES</b>	<b>2,917,591</b>	<b>319,234</b>	<b>75,577</b>	<b>96,023</b>	<b>3,657</b>	<b>3,412,082</b>		<b>3,412,082</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	2,832,438	162,831	13,759	385,471	8,519	3,403,018		3,403,018
Reinsurers' share of claims paid	(40,579)	(3,626)	-	(375,590)	(7,815)	(427,610)		(427,610)
<b>Net claims paid</b>	<b>2,791,859</b>	<b>159,205</b>	<b>13,759</b>	<b>9,881</b>	<b>704</b>	<b>2,975,408</b>		<b>2,975,408</b>
Changes in outstanding claims, net	(62,723)	29,450	1,146	(210)	(477)	(32,814)		(32,814)
Changes in incurred but not reported claims reserve, net	(49,956)	(39,032)	(1,096)	(447)	4	(90,527)		(90,527)
Changes in premium deficiency reserves	(4,510)	-	-	(847)	-	(5,357)		(5,357)
<b>Net claims and other benefits incurred</b>	<b>2,674,670</b>	<b>149,623</b>	<b>13,809</b>	<b>8,377</b>	<b>231</b>	<b>2,846,710</b>		<b>2,846,710</b>
Changes in reserve for takaful activities	-	-	-	-	(1,300)	(1,300)		(1,300)
Policy acquisition costs	98,211	40,059	15,781	17,928	491	172,470		172,470
Other underwriting expenses	50,117	1,558	6,016	9,636	1,320	68,647		68,647
Manafeth insurance share distribution	-	-	30,659	-	-	30,659		30,659
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>2,822,998</b>	<b>191,240</b>	<b>66,265</b>	<b>35,941</b>	<b>742</b>	<b>3,117,186</b>		<b>3,117,186</b>
<b>NET UNDERWRITING INCOME</b>	<b>94,593</b>	<b>127,994</b>	<b>9,312</b>	<b>60,082</b>	<b>2,915</b>	<b>294,896</b>		<b>294,896</b>
General and administrative expenses						(249,713)	(470)	(250,183)
Allowance for doubtful debts						(58,323)	-	(58,323)
Dividend and realized gain on investments, net						66,020	48,850	114,870
Share of profit from investments in associates, net						425	10,925	11,350
Other income						10,172	-	10,172
<b>NET INCOME FOR THE PERIOD</b>						<b>63,477</b>	<b>59,305</b>	<b>122,782</b>

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**15. OPERATING SEGMENTS (continued)**

Operating Segments	For the six months period ended June 30, 2018							Total
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	
							SAR'000	
<b>REVENUES</b>								
Gross premiums written								
- Retail	11,803	310,998	71,884	11,494	-	406,179		406,179
- Micro Enterprises	126,361	11,394	-	11,458	-	149,213		149,213
- Small Enterprises	91,071	7,854	-	7,003	135	106,063		106,063
- Medium Enterprises	137,262	14,255	-	7,543	813	159,873		159,873
- Corporates	2,464,481	20,990	-	529,698	15,079	3,030,248		3,030,248
	2,830,978	365,491	71,884	567,196	16,027	3,851,576		3,851,576
Reinsurance ceded - local	-	-	-	(23,447)	-	(23,447)		(23,447)
Reinsurance ceded - international	(2,513)	-	-	(498,098)	(14,200)	(514,811)		(514,811)
Fees income from takaful	-	-	-	-	3,241	3,241		3,241
Excess of loss premiums	-	(9,392)	(1,777)	(4,697)	-	(15,866)		(15,866)
<b>Net premiums written</b>	<b>2,828,465</b>	<b>356,099</b>	<b>70,107</b>	<b>40,954</b>	<b>5,068</b>	<b>3,300,693</b>		<b>3,300,693</b>
Changes in unearned premiums, net	53,013	233,869	2,090	9,600	51	298,623		298,623
<b>Net premiums earned</b>	<b>2,881,478</b>	<b>589,968</b>	<b>72,197</b>	<b>50,554</b>	<b>5,119</b>	<b>3,599,316</b>		<b>3,599,316</b>
Reinsurance commissions	1,351	1	-	45,280	-	46,632		46,632
Other underwriting income	-	5,928	-	-	-	5,928		5,928
<b>TOTAL REVENUES</b>	<b>2,882,829</b>	<b>595,897</b>	<b>72,197</b>	<b>95,834</b>	<b>5,119</b>	<b>3,651,876</b>		<b>3,651,876</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid and related expenses	3,260,904	382,589	14,477	515,927	13,964	4,187,861		4,187,861
Reinsurers' share of claims paid	(47,705)	(6,117)	-	(498,062)	(13,158)	(565,042)		(565,042)
<b>Net claims paid</b>	<b>3,213,199</b>	<b>376,472</b>	<b>14,477</b>	<b>17,865</b>	<b>806</b>	<b>3,622,819</b>		<b>3,622,819</b>
Changes in outstanding claims, net	(435,631)	3,143	3,770	1,709	419	(426,590)		(426,590)
Changes in incurred but not reported claims reserve, net	63,253	859	(10,274)	(3,057)	-	50,781		50,781
Changes in premium deficiency reserves	(18,859)	-	-	-	-	(18,859)		(18,859)
<b>Net claims and other benefits incurred</b>	<b>2,821,962</b>	<b>380,474</b>	<b>7,973</b>	<b>16,517</b>	<b>1,225</b>	<b>3,228,151</b>		<b>3,228,151</b>
Changes in reserve for takaful activities	-	-	-	-	(1,172)	(1,172)		(1,172)
Policy acquisition costs	98,768	61,027	16,610	24,804	585	201,794		201,794
Other underwriting expenses	49,450	5,427	6,288	11,786	1,180	74,131		74,131
Manafeth insurance share distribution	-	-	32,349	-	-	32,349		32,349
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>2,970,180</b>	<b>446,928</b>	<b>63,220</b>	<b>53,107</b>	<b>1,818</b>	<b>3,535,253</b>		<b>3,535,253</b>
<b>NET UNDERWRITING (LOSS)/ INCOME</b>	<b>(87,351)</b>	<b>148,969</b>	<b>8,977</b>	<b>42,727</b>	<b>3,301</b>	<b>116,623</b>		<b>116,623</b>
General and administrative expenses						(198,776)	(3,711)	(202,487)
Allowance for doubtful debts						(17,098)	-	(17,098)
Dividend and realized gain on investments, net						51,178	108,390	159,568
Share of profit from investments in associates, net						781	13,865	14,646
Other income						8,945	-	8,945
<b>NET (LOSS)/ INCOME FOR THE PERIOD</b>						<b>(38,347)</b>	<b>118,544</b>	<b>80,197</b>



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**15. OPERATING SEGMENTS (continued)**

Operating Segments	As at June 30, 2019 (Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
	SAR'000							
<b>Assets</b>								
Reinsurer's share of unearned premiums	7,319	-	-	628,516	3,308	639,143		639,143
Reinsurer's share of incurred but not reported claims	31,629	14,596	-	196,673	2,297	245,195		245,195
Reinsurer's share of outstanding claims	128	20,898	2,100	2,618,339	20,974	2,662,439		2,662,439
Deferred excess of loss premiums	-	7,050	955	-	-	8,005		8,005
Deferred policy acquisition costs	103,710	21,793	1,484	11,129	479	138,595		138,595
Investments (including investment property)						2,835,545	3,150,619	5,986,164
Receivables, net						1,631,665	-	1,631,665
Cash and cash equivalents						1,288,803	153,640	1,442,443
Unallocated assets						583,646	127,583	711,229
<b>Total assets</b>	<b>142,786</b>	<b>64,337</b>	<b>4,539</b>	<b>3,454,657</b>	<b>27,058</b>	<b>10,033,036</b>	<b>3,431,842</b>	<b>13,464,878</b>
<b>Liabilities</b>								
Gross unearned premiums	3,269,694	316,942	25,286	689,858	4,088	4,305,868		4,305,868
Gross outstanding claims	193,133	184,591	15,338	2,759,289	22,621	3,174,972		3,174,972
Incurred but not reported claims reserve	1,240,130	170,265	12,826	221,227	2,566	1,647,014		1,647,014
Premium deficiency reserve	-	-	-	1,915	-	1,915		1,915
Unearned commission income	154	-	-	38,940	1,170	40,264		40,264
Reserve for takaful activities	-	-	-	-	7,390	7,390		7,390
Reinsurers' balances payable						254,775		254,775
Unallocated liabilities and accumulated surplus						1,595,814	287,864	1,883,678
<b>Total liabilities</b>	<b>4,703,111</b>	<b>671,798</b>	<b>53,450</b>	<b>3,711,229</b>	<b>37,835</b>	<b>11,028,012</b>	<b>287,864</b>	<b>11,315,876</b>

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**15. OPERATING SEGMENTS (continued)**

Operating Segments	As at December 31, 2018 (Audited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
	SAR'000							
<b>Assets</b>								
Reinsurer's share of unearned premiums	52,826	-	-	485,213	6,800	544,839		544,839
Reinsurer's share of incurred but not reported claims	23,327	-	-	166,213	2,297	191,837		191,837
Reinsurer's share of outstanding claims	667	18,382	2,000	2,680,763	23,997	2,725,809		2,725,809
Deferred excess of loss premiums	-	6,123	-	2,652	-	8,775		8,775
Deferred policy acquisition costs	93,533	22,520	1,312	12,793	493	130,651		130,651
Investments (including investment property)						2,640,189	2,609,043	5,249,232
Receivables, net						1,517,987	-	1,517,987
Cash and cash equivalents						1,117,258	482,982	1,600,240
Unallocated assets						530,954	127,254	658,208
<b>Total assets</b>	<b>170,353</b>	<b>47,025</b>	<b>3,312</b>	<b>3,347,634</b>	<b>33,587</b>	<b>9,408,299</b>	<b>3,219,279</b>	<b>12,627,578</b>
<b>Liabilities</b>								
Gross unearned premiums	2,909,983	327,510	24,063	550,922	7,815	3,820,293		3,820,293
Gross outstanding claims	256,395	152,625	14,092	2,821,923	26,121	3,271,156		3,271,156
Incurred but not reported claims reserve	1,281,784	194,701	13,922	191,214	2,562	1,684,183		1,684,183
Premium deficiency reserve	4,510	-	-	2,762	-	7,272		7,272
Unearned commission income	1,291	-	-	36,265	1,743	39,299		39,299
Reserve for takaful activities	-	-	-	-	8,690	8,690		8,690
Reinsurers' balances payable						94,720		94,720
Unallocated liabilities						1,640,177	253,567	1,893,744
<b>Total liabilities</b>	<b>4,453,963</b>	<b>674,836</b>	<b>52,077</b>	<b>3,603,086</b>	<b>46,931</b>	<b>10,565,790</b>	<b>253,567</b>	<b>10,819,357</b>

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**16. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated by dividing the income attributed to shareholders' by 125 million shares.

**17. ZAKAT**

**a) Status of assessments**

The Company had filed Zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2005 to 2018. In relation to 2005 and 2006, the final assessments had been finalized and the Company had filed an appeal against the assessments of GAZT which is raised to Board of Grievances. During the year ended December 31, 2018 GAZT, based on letter dated 6/2/1440H corresponding to 15/10/2018, demanded Zakat amounting to SR 53 million in relation to assessment years 2005 and 2006 which was paid by the Company from zakat provision. GAZT issued a final demand order amounting to SR 253 million pertaining to assessment years 2007 to 2013. The Company paid SR 235 million from the zakat and withholding tax provision during July 2019. Further, GAZT has yet to commence its review for the years 2014 and 2018. Management believes that, appropriate provisions have been made that finalization of the above mentioned assessments is not expected to have a material impact on the interim condensed financial information.

**b) Change in accounting treatment in relation to zakat**

The change in the accounting treatment for zakat (as explained in note 2(c)(iii)) has the following impact on the line items of the interim statements of income and changes in shareholders' equity.

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

Financial statement impacted	Account	As previously stated for three months ended June 30, 2018	Effect of restatement relating to zakat	As restated for three months ended June 30, 2018
SAR '000				
Statement of income	Zakat charge for the period	-	(14,810)	(14,810)
Statement of income	Basic and diluted earning per share	0.31	(0.12)	0.19

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

Financial statement impacted	Account	As previously stated for six months ended June 30, 2018	Effect of restatement relating to zakat	As restated for six months ended June 30, 2018
SAR '000				
Statement of income	Zakat charge for the period	-	(29,661)	(29,661)
Statement of income	Basic and diluted earning per share	0.64	(0.24)	0.40
Statement of changes in shareholders' equity	Net income for the period attributable to the shareholders	80,197	(29,661)	50,536
Statement of change in shareholders' equity	Zakat charge for the period	(29,661)	29,661	-

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**18. SUPPLEMENTARY INFORMATION**  
**i) Interim statement of financial position**

	As at June 30, 2019			As at December 31, 2018		
	(Unaudited)			(Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
<b>ASSETS</b>						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,383	2,383	-	2,254	2,254
Property and equipment, net	256,089	-	256,089	266,233	-	266,233
Intangible assets	5,244	-	5,244	3,633	-	3,633
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	8,346	80,722	89,068	7,921	87,195	95,116
Available for sale investments	1,287,736	1,312,354	2,600,090	1,234,907	1,670,223	2,905,130
Mudaraba deposits	1,512,678	1,744,933	3,257,611	1,387,500	851,625	2,239,125
Due from/ to Shareholder's operations	1,030,188	(1,030,188)	-	1,066,659	(1,066,659)	-
Prepaid expenses and other assets	322,313	200	322,513	261,088	-	261,088
Deferred excess of loss premiums	8,005	-	8,005	8,775	-	8,775
Deferred policy acquisition costs	138,595	-	138,595	130,651	-	130,651
Reinsurers' share of gross outstanding claims	2,662,439	-	2,662,439	2,725,809	-	2,725,809
Reinsurers' share of incurred but not reported claims	245,195	-	245,195	191,837	-	191,837
Reinsurers' share of unearned premiums	639,143	-	639,143	544,839	-	544,839
Receivables, net	1,631,665	-	1,631,665	1,517,987	-	1,517,987
Accrued investment income	16,924	12,610	29,534	-	-	-
Cash and cash equivalents	1,288,803	153,640	1,442,443	1,117,258	482,982	1,600,240
<b>TOTAL ASSETS</b>	<b>11,063,224</b>	<b>2,401,654</b>	<b>13,464,878</b>	<b>10,474,958</b>	<b>2,152,620</b>	<b>12,627,578</b>
<b>LIABILITIES</b>						
Reserve for discontinued operations	1,621	-	1,621	1,621	-	1,621
End-of-service indemnities	135,449	-	135,449	133,276	-	133,276
Return payable on statutory deposit	-	2,383	2,383	-	2,254	2,254
Claims payable, accrued expenses and other liabilities	1,452,396	7,822	1,460,218	1,505,280	7,822	1,513,102
Reserve for takaful activities	7,390	-	7,390	8,690	-	8,690
Gross outstanding claims	3,174,972	-	3,174,972	3,271,156	-	3,271,156
Incurred but not reported claims reserve	1,647,014	-	1,647,014	1,684,183	-	1,684,183
Premium deficiency reserve	1,915	-	1,915	7,272	-	7,272
Unearned commission income	40,264	-	40,264	39,299	-	39,299
Gross unearned premiums	4,305,868	-	4,305,868	3,820,293	-	3,820,293
Reinsurers' balances payable	254,775	-	254,775	94,720	-	94,720
Dividends payable	-	6,411	6,411	-	6,411	6,411
Accumulated surplus	6,348	-	6,348	-	-	-
Zakat	-	271,248	271,248	-	237,080	237,080
<b>TOTAL LIABILITIES</b>	<b>11,028,012</b>	<b>287,864</b>	<b>11,315,876</b>	<b>10,565,790</b>	<b>253,567</b>	<b>10,819,357</b>
<b>EQUITY</b>						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Legal reserve	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Fair value reserve for investments	47,438	14,027	61,465	(78,606)	(120,118)	(198,724)
Remeasurements of defined benefit obligation	(12,226)	-	(12,226)	(12,226)	-	(12,226)
Retained earnings	-	(150,237)	(150,237)	-	(230,829)	(230,829)
<b>TOTAL EQUITY</b>	<b>35,212</b>	<b>2,113,790</b>	<b>2,149,002</b>	<b>(90,832)</b>	<b>1,899,053</b>	<b>1,808,221</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,063,224</b>	<b>2,401,654</b>	<b>13,464,878</b>	<b>10,474,958</b>	<b>2,152,620</b>	<b>12,627,578</b>

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**18. SUPPLEMENTARY INFORMATION (continued)**

**ii) Interim statement of income**

	For the three months period ended June 30, 2019			For the three months period ended June 30, 2018		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<b>REVENUES</b>						
Gross premiums written	1,999,514		1,999,514	1,755,864		1,755,864
Reinsurance premium ceded	(462,200)		(462,200)	(352,251)		(352,251)
Fees income from takaful	1,740		1,740	2,008		2,008
Excess of loss premiums	(5,977)		(5,977)	(8,168)		(8,168)
Net premiums written	1,533,077		1,533,077	1,397,453		1,397,453
Changes in unearned premiums, net	175,541		175,541	407,598		407,598
Net premiums earned	1,708,618		1,708,618	1,805,051		1,805,051
Reinsurance commissions	23,084		23,084	21,189		21,189
Other underwriting income	2,107		2,107	2,027		2,027
<b>Total revenues</b>	<b>1,733,809</b>		<b>1,733,809</b>	<b>1,828,267</b>		<b>1,828,267</b>
<b>COST AND EXPENSES</b>						
Gross claims paid	1,571,130		1,571,130	1,970,458		1,970,458
Expenses incurred related to claims	5,171		5,171	5,924		5,924
Reinsurance share of claims paid	(108,156)		(108,156)	(304,809)		(304,809)
Net claims and other benefits paid	1,468,145		1,468,145	1,671,573		1,671,573
Changes in outstanding claims, net	(32,895)		(32,895)	28,752		28,752
Changes in incurred but not reported claims, net	(32,857)		(32,857)	(65,733)		(65,733)
Changes in premium deficiency reserves	100		100	12,888		12,888
Net claims and other benefits incurred	1,402,493		1,402,493	1,647,480		1,647,480
Changes in reserves for takaful activities	(420)		(420)	(424)		(424)
Policy acquisition costs	85,598		85,598	101,465		101,465
Other underwriting expenses	28,442		28,442	31,719		31,719
Manafeth insurance share distribution	11,477		11,477	11,061		11,061
<b>Total underwriting costs and expenses</b>	<b>1,527,590</b>		<b>1,527,590</b>	<b>1,791,301</b>		<b>1,791,301</b>
<b>Net underwriting income</b>	<b>206,219</b>		<b>206,219</b>	<b>36,966</b>		<b>36,966</b>
General and administrative expenses	(126,410)	(249)	(126,659)	(106,888)	(2,330)	(109,218)
Allowance for doubtful debts	(76,123)	-	(76,123)	(9,598)	-	(9,598)
Dividend and realized gain on investments, net	35,012	25,597	60,609	12,068	92,799	104,867
Share of profit from investments in associates, net	-	6,365	6,365	255	7,968	8,223
Other income, net	4,295	-	4,295	4,604	-	4,604
<b>Net income/ (loss) for the period before Zakat</b>	<b>42,993</b>	<b>31,713</b>	<b>74,706</b>	<b>(62,593)</b>	<b>98,437</b>	<b>35,844</b>
<b>Surplus transferred to Shareholders'</b>	<b>(38,693)</b>	<b>38,693</b>	<b>-</b>	<b>60,168</b>	<b>(60,168)</b>	<b>-</b>
<b>Net income/ (loss) for the period after Shareholders' appropriations before Zakat</b>	<b>4,300</b>	<b>70,406</b>	<b>74,706</b>	<b>(2,425)</b>	<b>38,269</b>	<b>35,844</b>
Zakat charge for the period		(18,858)			(14,810)	
<b>Net income for the period after Zakat</b>		<b>51,548</b>			<b>23,459</b>	

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**18. SUPPLEMENTARY INFORMATION (continued)**

**iii) Interim statement of income (continued)**

	For the six months period ended June 30, 2019 (Unaudited)			For the six months period ended June 30, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<b>REVENUES</b>						
Gross premiums written	4,456,547		4,456,547	3,851,576		3,851,576
Reinsurance premium ceded	(698,869)		(698,869)	(538,258)		(538,258)
Fees income from takaful	2,538		2,538	3,241		3,241
Excess of loss premiums	(12,393)		(12,393)	(15,866)		(15,866)
Net premiums written	3,747,823		3,747,823	3,300,693		3,300,693
Changes in unearned premiums, net	(391,271)		(391,271)	298,623		298,623
Net premiums earned	3,356,552		3,356,552	3,599,316		3,599,316
Reinsurance commissions	49,903		49,903	46,632		46,632
Other underwriting income	5,627		5,627	5,928		5,928
<b>Total revenues</b>	<b>3,412,082</b>		<b>3,412,082</b>	<b>3,651,876</b>		<b>3,651,876</b>
<b>COST AND EXPENSES</b>						
Gross claims paid	3,392,533		3,392,533	4,176,179		4,176,179
Expenses incurred related to claims	10,485		10,485	11,682		11,682
Reinsurance share of claims paid	(427,610)		(427,610)	(565,042)		(565,042)
Net claims and other benefits paid	2,975,408		2,975,408	3,622,819		3,622,819
Changes in outstanding claims, net	(32,814)		(32,814)	(426,590)		(426,590)
Changes in incurred but not reported claims, net	(90,527)		(90,527)	50,781		50,781
Changes in premium deficiency reserves	(5,357)		(5,357)	(18,859)		(18,859)
Net claims and other benefits incurred	2,846,710		2,846,710	3,228,151		3,228,151
Changes in reserves for takaful activities	(1,300)		(1,300)	(1,172)		(1,172)
Policy acquisition costs	172,470		172,470	201,794		201,794
Other underwriting expenses	68,647		68,647	74,131		74,131
Manafeth insurance share distribution	30,659		30,659	32,349		32,349
<b>Total underwriting costs and expenses</b>	<b>3,117,186</b>		<b>3,117,186</b>	<b>3,535,253</b>		<b>3,535,253</b>
<b>Net underwriting income</b>	<b>294,896</b>		<b>294,896</b>	<b>116,623</b>		<b>116,623</b>
General and administrative expenses	(249,713)	(470)	(250,183)	(198,776)	(3,711)	(202,487)
Allowance for doubtful debts	(58,323)	-	(58,323)	(17,098)	-	(17,098)
Dividend and realized gain on investments, net	66,020	48,850	114,870	51,178	108,390	159,568
Share of profit from investments in associates, net	425	10,925	11,350	781	13,865	14,646
Other income, net	10,172	-	10,172	8,945	-	8,945
<b>Net income/ (loss) for the period before Zakat</b>	<b>63,477</b>	<b>59,305</b>	<b>122,782</b>	<b>(38,347)</b>	<b>118,544</b>	<b>80,197</b>
<b>Surplus transferred to Shareholders'</b>	<b>(57,129)</b>	<b>57,129</b>	<b>-</b>	<b>38,347</b>	<b>(38,347)</b>	<b>-</b>
<b>Net income for the period after</b>						
<b>Shareholders' appropriations before Zakat</b>	<b>6,348</b>	<b>116,434</b>	<b>122,782</b>	<b>-</b>	<b>80,197</b>	<b>80,197</b>
Zakat charge for the period		(35,842)			(29,661)	
<b>Net income for the period after Zakat</b>		<b>80,592</b>			<b>50,536</b>	

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**18. SUPPLEMENTARY INFORMATION (continued)**

**iv) Interim statement of comprehensive income**

	For the three months period ended June 30, 2019 (Unaudited)			For the three months period ended June 30, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income after Zakat	4,300	51,548	55,848	(2,425)	23,459	21,034
<b>Other comprehensive income:</b>						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	45,457	31,106	76,563	(82,936)	(94,827)	(177,763)
- Net amounts recycled to interim statement of income	-	-	-	(259)	-	(259)
Share of other comprehensive income of investments in associates	-	(281)	(281)	-	(1,711)	(1,711)
<b>Total comprehensive income/ (loss) for the Period</b>	<b>49,757</b>	<b>82,373</b>	<b>132,130</b>	<b>(85,620)</b>	<b>(73,079)</b>	<b>(158,699)</b>
<b>Reconciliation:</b>						
Less: Net (income) / loss attributable to insurance operations transferred to accumulated surplus			(4,300)			2,425
<b>Total comprehensive income for the period</b>			<b>127,830</b>			<b>(156,274)</b>
	For the six months period ended June 30, 2019 (Unaudited)			For the six months period ended June 30, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income after Zakat	6,348	80,592	86,940	-	50,536	50,536
<b>Other comprehensive income:</b>						
<i>To be recycled back to interim statement of income in subsequent periods:</i>						
<u>Available for sale investments</u>						
- Net change in fair value	126,044	131,645	257,689	(99,192)	(47,651)	(146,843)
- Net amounts recycled to interim statement of income	-	1,145	1,145	2,614	(3,516)	(902)
Share of other comprehensive income of investments in associates	-	1,355	1,355	-	(809)	(809)
<b>Total comprehensive income / (loss) for the Period</b>	<b>132,392</b>	<b>214,737</b>	<b>347,129</b>	<b>(96,578)</b>	<b>(1,440)</b>	<b>(98,018)</b>
<b>Reconciliation:</b>						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(6,348)			-
<b>Total comprehensive income/ (loss) for the period</b>			<b>340,781</b>			<b>(98,018)</b>

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**18. SUPPLEMENTARY INFORMATION (continued)**

**v) Interim statement of cash flows**

	For the six months period ended June 30, 2019 (Unaudited)			For the six months period ended June 30, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
<b>Operating activities:</b>						
Net income before attribution and zakat	6,348	116,434	122,782	-	80,197	80,197
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	11,479	-	11,479	10,915	-	10,915
Amortization of intangible assets	2,657	-	2,657	2,791	-	2,791
Allowance for doubtful debts	58,323	-	58,323	17,098	-	17,098
Loss/ (gain) on sale of available-for-sale investments	-	1,145	1,145	2,614	(3,516)	(902)
Share of profit from investments in associates, net	(425)	(10,925)	(11,350)	(781)	(13,865)	(14,646)
Provision for defined benefit obligation	8,046	-	8,046	6,216	-	6,216
	<b>86,428</b>	<b>106,654</b>	<b>193,082</b>	<b>38,853</b>	<b>62,816</b>	<b>101,669</b>
<b>Changes in operating assets and liabilities:</b>						
Prepaid expenses and others assets	(61,225)	(200)	(61,425)	17,427	1,542	18,969
Deferred excess of loss premiums	770	-	770	11,293	-	11,293
Deferred policy acquisition costs	(7,944)	-	(7,944)	22,310	-	22,310
Reinsurers' share of outstanding claims	63,370	-	63,370	73,446	-	73,446
Reinsurers' share of claims incurred but not reported	(53,358)	-	(53,358)	188,476	-	188,476
Reinsurers' share of unearned premiums	(94,304)	-	(94,304)	7,887	-	7,887
Receivables, net	(172,001)	-	(172,001)	(304,115)	-	(304,115)
Reinsurers' balances payable	160,055	-	160,055	(87,627)	-	(87,627)
Gross unearned premiums	485,575	-	485,575	(306,510)	-	(306,510)
Unearned commission income	965	-	965	(15,176)	-	(15,176)
Gross outstanding claims	(96,184)	-	(96,184)	(500,036)	-	(500,036)
Claims incurred but not reported reserves	(37,169)	-	(37,169)	(137,695)	-	(137,695)
Premium deficiency reserve	(5,357)	-	(5,357)	(18,859)	-	(18,859)
Reserve for takaful activities	(1,300)	-	(1,300)	(1,172)	-	(1,172)
Claims payable, accrued expenses and other liabilities	(52,884)	-	(52,884)	634,055	3,112	637,167
	<b>215,437</b>	<b>106,454</b>	<b>321,891</b>	<b>(377,443)</b>	<b>67,470</b>	<b>(309,973)</b>
Defined benefit obligation paid	(5,873)	-	(5,873)	(3,937)	-	(3,937)
<b>Net cash from / (used in) operating activities</b>	<b>209,564</b>	<b>106,454</b>	<b>316,018</b>	<b>(381,380)</b>	<b>67,470</b>	<b>(313,910)</b>
<b>Investing activities:</b>						
Proceeds from sale of available-for-sale investments	334,303	837,014	1,171,317	140,503	189,289	329,792
Purchase of available-for-sale investments	(261,088)	(347,500)	(608,588)	(379,084)	(314,637)	(693,721)
Proceeds from maturity of murabaha deposits	2,908,014	1,757,134	4,665,148	-	82,035	82,035
Placement in mudarabah deposits	(3,033,192)	(2,650,442)	(5,683,634)	-	-	-
Accrued investment income	(16,924)	(12,610)	(29,534)	61,394	(6,788)	54,606
Dividends received from investments in associates	-	18,753	18,753	-	22,986	22,986
Purchase of property and equipment	(1,335)	-	(1,335)	-	-	-
Purchase of intangible assets	(4,268)	-	(4,268)	(163)	-	(163)
<b>Net cash (used in) / from investing activities</b>	<b>(74,490)</b>	<b>(397,651)</b>	<b>(472,141)</b>	<b>(177,350)</b>	<b>(27,115)</b>	<b>(204,465)</b>



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**18. SUPPLEMENTARY INFORMATION (continued)**

**iv) Interim statement of cash flows (continued)**

	For the six months period ended June 30, 2019 (Unaudited)			For the six months period ended June 30, 2018 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	<b>SAR'000</b>					
<b>Financing activities:</b>						
Zakat paid during the period	-	(1,674)	(1,674)	-	(7,429)	(7,429)
Due to shareholders	36,471	(36,471)	-	149,461	(149,461)	-
<b>Net cash from/ (used in) financing activities</b>	<b>36,471</b>	<b>(38,145)</b>	<b>(1,674)</b>	<b>149,461</b>	<b>(156,890)</b>	<b>(7,429)</b>
<b>Net change in cash and cash equivalents</b>	<b>171,545</b>	<b>(329,342)</b>	<b>(157,797)</b>	<b>(409,269)</b>	<b>(116,535)</b>	<b>(525,804)</b>
Cash and cash equivalents, beginning of the period	1,117,258	482,982	1,600,240	1,115,144	282,059	1,397,203
<b>Cash and cash equivalents, end of the period</b>	<b>1,288,803</b>	<b>153,640</b>	<b>1,442,443</b>	<b>705,875</b>	<b>165,524</b>	<b>871,399</b>
<b>Non-cash supplemental information:</b>						
Changes in fair value for available-for-sale investments	126,044	132,790	258,834	(96,578)	(51,167)	(147,745)
Share of other comprehensive income of associates	-	1,355	1,355	-	(809)	(809)

**19. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial information of the Company.

**20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION**

The interim condensed financial information have been approved by the Audit Committee on behalf of the Board of Directors, on Dhu'I-Qi'dah 26, 1440H, corresponding to July 29, 2019.