

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 30 JUNE 2020**

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020

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KPMG Al Fozan & Partners
Certified Public Accountants

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 condensed statement of financial position of The Company for Cooperative Insurance (the "Company") as at June 30, 2020 and the related interim condensed statement of income, interim condensed statement of comprehensive income for the three and six month periods then ended, and interim condensed statement of changes in equity and interim condensed statement of cash flows for six month period then ended and other explanatory notes (collectively referred to as "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 condensed 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 as at June 30, 2020 of the Company is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

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

Omar Mohammed Al Sagga
Certified Public Accountant
License no.: 369

KPMG Al Fozan & Partners
Certified Public Accountants

P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
Certified Public Accountant
License No.: 371

4 Muharram 1442H
23 August 2020

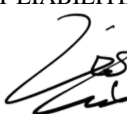


THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000			
<u>ASSETS</u>			
Statutory deposit	10	125,000	125,000
Accrued income on statutory deposit		2,642	2,513
Property and equipment, net		251,069	260,119
Intangible assets		6,147	3,971
Investment property		9,861	9,861
Investments in associates		81,935	101,520
Available for sale investments	4	2,894,332	2,746,748
Mudaraba/ Murabaha deposits	5	3,089,349	3,539,376
Prepaid expenses and other assets		338,771	243,912
Deferred excess of loss premiums		10,306	7,714
Deferred policy acquisition costs		154,756	120,845
Reinsurers' share of gross outstanding claims	7	2,310,131	3,100,446
Reinsurers' share of incurred but not reported claims	7	288,507	327,724
Reinsurers' share of unearned premiums	7	693,369	715,959
Receivables, net	3	3,046,968	1,495,894
Accrued investment income		52,849	6,333
Cash and cash equivalents	6	828,628	1,306,550
<u>TOTAL ASSETS</u>		14,184,620	14,114,485
<u>LIABILITIES</u>			
Surplus distribution payable		34,283	34,283
Defined benefit obligations		133,810	129,480
Return payable on statutory deposit		2,642	2,513
Claims payable, accrued expenses and other liabilities		1,456,631	1,174,982
Reserve for takaful activities		4,566	5,006
Gross outstanding claims	7	2,864,616	3,684,891
Incurred but not reported claims reserve	7	1,572,479	1,925,584
Premium deficiency reserve	7	209,165	2,830
Unearned commission income		45,214	43,323
Gross unearned premiums	7	4,570,066	3,826,119
Reinsurers' balances payable		469,526	523,820
Dividends payable		6,411	6,411
Accumulated surplus		31,583	-
Zakat payable		295,676	255,554
<u>TOTAL LIABILITIES</u>		11,696,668	11,614,796
<u>EQUITY</u>			
Share capital	8	1,250,000	1,250,000
Statutory reserve	11	1,065,517	1,065,517
Fair value reserve for investments		(99,309)	167,472
Remeasurement of defined benefit obligation		(14,540)	(14,540)
Retained earnings		286,284	31,240
<u>TOTAL EQUITY</u>		2,487,952	2,499,689
<u>TOTAL LIABILITIES AND EQUITY</u>		14,184,620	14,114,485

CONTINGENT LIABILITIES

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Abdulaziz Abdulrahman AlKhamis

Board Director


Fraser David Gregory

Chief Financial Officer


Abdulaziz Hasan Al Boug

Chief Executive Officer

The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

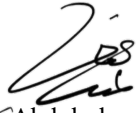
THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

	Three months ended June 30, 2020 (Unaudited)	Three months ended June 30, 2019 (Unaudited)	Six months ended June 30, 2020 (Unaudited)	Six months ended June 30, 2019 (Unaudited)
SAR'000				
<u>REVENUES</u>				
Gross premiums written	2,469,827	1,999,514	5,042,534	4,456,547
Reinsurance ceded – local	(60,838)	(54,673)	(66,408)	(62,028)
Reinsurance ceded – international	(517,610)	(407,527)	(669,418)	(636,841)
Fee income from takaful	2,270	1,740	2,955	2,538
Excess of loss premiums	(6,579)	(5,977)	(15,551)	(12,393)
Net premiums written	1,887,070	1,533,077	4,294,112	3,747,823
Changes in unearned premiums	(462,669)	17,895	(743,947)	(485,575)
Changes in reinsurers' share of unearned premiums	185,470	157,646	(22,590)	94,304
Net premiums earned	1,609,871	1,708,618	3,527,575	3,356,552
Reinsurance commissions	24,187	23,084	54,965	49,903
Other underwriting income	1,629	2,107	5,864	5,627
TOTAL REVENUES	1,635,687	1,733,809	3,588,404	3,412,082
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	1,651,761	1,571,130	3,402,290	3,392,533
Expenses incurred related to claims	920	5,171	57,205	10,485
Reinsurers' share of claims paid	(455,030)	(108,156)	(692,342)	(427,610)
Net claims and other benefits paid	1,197,651	1,468,145	2,767,153	2,975,408
Changes in outstanding claims	(613,894)	105,626	(820,275)	(96,184)
Changes in reinsurance share of outstanding claims	589,226	(138,521)	790,315	63,370
Changes in incurred but not reported claims reserve	(257,556)	(13,178)	(353,105)	(37,169)
Changes in reinsurance share of incurred but not reported claims	16,299	(19,679)	39,217	(53,358)
Changes in premium deficiency reserve	192,312	100	206,335	(5,357)
Net claims and other benefits incurred	1,124,038	1,402,493	2,629,640	2,846,710
Changes in reserves for takaful activities	(334)	(420)	(440)	(1,300)
Policy acquisition costs	92,224	85,598	195,739	172,470
Other underwriting expenses	41,887	28,442	91,146	68,647
Insurance share distribution	23,733	11,477	124,417	30,659
TOTAL UNDERWRITING COSTS AND EXPENSES	1,281,548	1,527,590	3,040,502	3,117,186
Net underwriting income	354,139	206,219	547,902	294,896
<u>OTHER OPERATING (EXPENSES) / INCOME</u>				
General and administrative expenses	(143,974)	(126,659)	(298,495)	(250,183)
Allowance for doubtful debts	(16,990)	(76,123)	(32,610)	(58,323)
Dividend and realized gain on investments, net	35,730	60,609	98,013	114,870
Share of profit from investments in associates, net	4,566	6,365	7,730	11,350
Impairment of available for sale investments	-	-	(4,812)	-
Other income, net	2,048	4,295	9,021	10,172
TOTAL OTHER OPERATING EXPENSES	(118,620)	(131,513)	(221,153)	(172,114)
Net income before attribution and zakat	235,519	74,706	326,749	122,782
Net income for the period attributed to the insurance operations	(25,412)	(4,300)	(31,583)	(6,348)
Net income for the period attributable to the shareholders before Zakat	210,107	70,406	295,166	116,434
Zakat charge for the period	(21,908)	(18,858)	(40,122)	(35,842)
Net income attributable to the shareholders after Zakat	188,199	51,548	255,044	80,592
Earnings per share				
Basic and diluted earnings per share (in SAR)	1.51	0.41	2.04	0.64
Weighted average number of shares in issue	125,000,000	125,000,000	125,000,000	125,000,000
Abdulaziz Abdulrahman AlKhamis Board Director	Fraser David Gregory Chief Financial Officer	Abdulaziz Hasan Al Boug Chief Executive Officer		

The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

	Notes	Three months ended June 30, 2020 (Unaudited)	Three months ended June 30, 2019 (Unaudited)	Six months ended June 30, 2020 (Unaudited)	Six months ended June 30, 2019 (Unaudited)
SAR'000					
Net income attributable to the shareholders after Zakat		188,199	51,548	255,044	80,592
Other comprehensive income:					
<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	(257,747)	76,563	(268,465)	257,689
- Net amounts transferred to interim statement of income	4	18,485	-	5,081	1,145
Share of other comprehensive income of investment in Associates		(3,631)	(281)	(3,397)	1,355
Total comprehensive (loss)/ income for the period		(54,694)	127,830	(11,737)	340,781


Abdulaziz Abdulrahman AlKhamis

Board Director


Fraser David Gregory
Chief Financial Officer

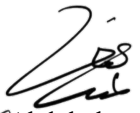

Abdulaziz Hasan Al Boug

Chief Executive Officer


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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

Notes	Share capital	Statutory reserve	Fair value reserve for investments	Remeasurements of defined benefit obligation	Retained earnings	Total
	SAR'000					
Balance at January 1, 2019 – audited	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 of investments in associates		-	1,355	-	-	1,355
Total comprehensive income	-	-	260,189	-	80,592	340,781
Balance at June 30, 2019 - unaudited	1,250,000	1,000,000	61,465	(12,226)	(150,237)	2,149,002
Balance at January 1, 2020 – audited	1,250,000	1,065,517	167,472	(14,540)	31,240	2,499,689
Total comprehensive income for the period:						
Net income for the period attributable to the shareholders after zakat	18	-	-	-	255,044	255,044
Changes in fair value of available-for-sale investments	18	-	(268,465)	-	-	(268,465)
Net amount recycled to interim statement of income	18	-	5,081	-	-	5,081
Share of other comprehensive income of investments in associates	18	-	(3,397)	-	-	(3,397)
Total comprehensive income	-	-	(266,781)	-	255,044	(11,737)
Balance at June 30, 2020 - unaudited	1,250,000	1,065,517	(99,309)	(14,540)	286,284	2,487,952

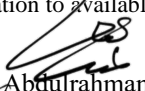
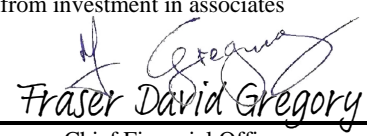
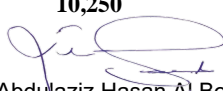

Abdulaziz Abdulrahman AlKhamis
Board Director


Fraser David Gregory
Chief Financial Officer


Abdulaziz Hasan Al Boug
Chief Executive Officer

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASHFLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

	Notes	Six months ended June 30, 2020 (Unaudited)	Six months ended June 30, 2019 (Unaudited)
SAR'000			
Operating activities:			
Net income before attribution and zakat for the period		326,749	122,782
Adjustments for non-cash items:			
Depreciation of property and equipment		15,351	11,479
Amortization of intangible assets		558	2,657
Allowance for doubtful debts		32,610	58,323
Gain on sale of investments		269	1,145
Impairment of available-for-sale investments		4,812	-
Share profit from investments in associates, net		(7,730)	(11,350)
Provision for defined benefit obligations		12,438	8,046
		<u>385,057</u>	<u>193,082</u>
Changes in operating assets and liabilities:			
Prepaid expenses and others assets		(94,859)	(61,425)
Deferred excess of loss premiums		(2,592)	770
Deferred policy acquisition costs		(33,911)	(7,944)
Reinsurers' share of gross outstanding claims		790,315	63,370
Reinsurers' share of claims incurred but not reported		39,217	(53,358)
Reinsurers' share of unearned premiums		22,590	(94,304)
Receivables, net		(1,583,684)	(172,001)
Reinsurers' balances payable		(54,294)	160,055
Gross unearned premiums		743,947	485,575
Unearned commission income		1,891	965
Gross outstanding claims		(820,275)	(96,184)
Incurred but not reported claims reserve		(353,105)	(37,169)
Premium deficiency reserve		206,335	(5,357)
Reserve for takaful activities		(440)	(1,300)
Claims payable, accrued expenses and other liabilities		281,649	(52,884)
		<u>(472,159)</u>	<u>321,891</u>
Defined benefit obligations paid		(8,108)	(5,873)
Net cash (used in) / generated from operating activities		<u>(480,267)</u>	<u>316,018</u>
Investing activities:			
Proceeds from sale of available-for-sale investments		1,300,653	1,171,317
Purchase of available-for-sale investments		(1,706,452)	(608,588)
Proceeds from maturity of mudaraba/ murabaha deposits		7,395,129	4,665,148
Placement in mudaraba / murabaha deposits		(6,945,102)	(5,683,634)
Accrued investment income		(46,516)	(29,534)
Dividends received from investments in associates		13,668	18,753
Purchase of property and equipment		(6,301)	(1,335)
Purchase of intangible assets		(2,734)	(4,268)
Net cash generated from / (used in) investing activities		<u>2,345</u>	<u>(472,141)</u>
Financing activities:			
Zakat paid during the period		-	(1,674)
Net cash used in financing activities		<u>-</u>	<u>(1,674)</u>
Net change in cash and cash equivalents		<u>(477,922)</u>	<u>(157,797)</u>
Cash and cash equivalents, beginning of the period	6	<u>1,306,550</u>	<u>1,600,240</u>
Cash and cash equivalents, end of the period	6	<u>828,628</u>	<u>1,442,443</u>
Non-cash supplemental information:			
Changes in fair value for available-for-sale investments		(263,384)	258,834
Share of other comprehensive income of associates		(3,397)	1,355
Reclassification to available-for-sale investments from investment in associates		10,250	--
 Abdulaziz Abdulrahman AlKhamis Board Director	 Fraser David Gregory Chief Financial Officer	 Abdulaziz Hasan Al Boug Chief Executive Officer	

The accompanying notes 1 to 22 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)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

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 June 30, 2020 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 Saudi Organization for Certified Public Accountants (“SOCPA”)

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, end-of-service indemnities and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

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 COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (continued) FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The interim statement of financial position, statement of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 18 of the financial statement 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, 2019. 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 statements 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.

In preparing this interim condensed financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management will continue to assess the situation and reflect any required changes in future reporting periods.

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 analysing 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) FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

2. BASIS OF PREPARATION (continued)

(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.

v) Impact of Covid-19 on technical reserves

- On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“Covid-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia including the GCC region, where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
 - the health and safety of its employees and the wider community where it is operating
 - the continuity of its business throughout the Kingdom is protected and kept intact.
- The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

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2. BASIS OF PREPARATION (continued)

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

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at June 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 193.8 mn (December 31, 2019: Nil ; March 31, 2020: Nil) as a premium deficiency reserve.

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period. The Company's actuary has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at a segmented level for motor line of business and no additional liability recorded as premium deficiency reserve as at June 30, 2020.

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy. There is no significant impact of two month extension in earned premium as of June 30, 2020 as no material amounts of premium have been written during the one month period.

Other financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost .

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three and six-month periods ended 30 June 2020. The Company's management continues to monitor the situation closely.

(c) Significant accounting policies

The accounting and risk management policies adopted in the preparation of these condensed interim financial information are consistent with the Company's audited financial statements for the year ended December 31, 2019, except for adoption of the amendments to existing standards which has had no material impact on the financial information of the Company.

d) Standards issued but not yet effective

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)

(d) Standards issued but not yet effective (continued)

IFRS 9 - "Financial instruments"

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The financial asset is measured at fair value through other comprehensive income and realized gains or losses are recycled through profit or loss upon sale, if both conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and
- the contractual terms of cash flows are SPPI,

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

ii) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

iii) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model.

The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

iv) Effective date

The published effective date of IFRS 9 was 1st January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12th September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after January 1, 2023. On 17 March 2020, the International Accounting Standards Board ("IASB") decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in

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2. BASIS OF PREPARATION (continued)

(d) Standards issued but not yet effective (continued)

IFRS 4 from January 1, 2021 to January 1, 2023. . Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

- Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2018: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

IFRS 17 - "Insurance Contracts", the effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023, 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.

(e) 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 eight reportable segments as follows:

- Medical - coverage for health insurance.
- Medical Umrah - coverage for health insurance for pilgrims.
- Motor insurance.
- Manafeth - third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.

General accidents insurance - coverage for pilgrims.

- 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.

(f) Seasonality of operations

Other than normal seasonality in Medical Insurance Business in the Kingdom of Saudi Arabia, there are no seasonal changes that may affect insurance operations of the Company.

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3. RECEIVABLES, NET

Receivables comprise net amounts due from the following:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Policyholders	2,638,998	668,599
Brokers and agents	423,624	806,205
Related parties (note 13)	50,333	122,283
	<u>3,112,955</u>	<u>1,597,087</u>
Receivables from reinsurers	112,502	45,015
Administrative service plan	5,763	5,434
	<u>3,231,220</u>	<u>1,647,536</u>
Provision for doubtful receivables	(184,252)	(151,642)
Receivables, net	<u><u>3,046,968</u></u>	<u><u>1,495,894</u></u>

4. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise the following:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Mutual funds	173,369	53,165
Fixed income portfolio (Governments and corporations securities)	1,520,403	1,213,310
Discretionary Portfolio Management – Equity shares	318,813	157,084
Private equity investment	10,250	-
Sukuks	-	6,341
Funds placed with portfolio manager	-	81,624
Total	<u>2,022,835</u>	<u>1,511,524</u>
<u>Shareholders' Operations</u>		
Mutual funds	321,919	651,917
Fixed income portfolio (Governments and corporations securities)	275,194	388,344
Discretionary Portfolio Management – Equity shares	274,384	122,723
Funds placed with portfolio manager	-	72,240
Total	<u>871,497</u>	<u>1,235,224</u>
Total available-for-sale investments	<u><u>2,894,332</u></u>	<u><u>2,746,748</u></u>

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4. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Quoted securities	Unquoted securities	Total	Quoted securities	Unquoted securities	Total
SAR'000						
Insurance Operations						
Balance at the beginning of the period / year	162,837	1,348,687	1,511,524	-	1,234,907	1,234,907
Purchases	299,470	1,032,135	1,331,605	153,750	360,277	514,027
Reclassification from investment in associates	-	10,250	10,250	-	-	-
Disposals	(150,000)	(482,628)	(632,628)	-	(430,787)	(430,787)
Changes in fair value of Investments	6,506	(204,422)	(197,916)	9,087	184,290	193,377
Balance as at the end of the period/ year	318,813	1,704,022	2,022,835	162,837	1,348,687	1,511,524
Shareholders' Operations						
Balance at the beginning of the period/ year	194,980	1,040,244	1,235,224	-	1,670,223	1,670,223
Purchases	134,165	240,682	374,847	179,939	234,552	414,491
Disposals	(106,808)	(561,217)	(668,025)	-	(992,865)	(992,865)
Changes in fair value of Investments	(11,657)	(58,892)	(70,549)	15,041	128,334	143,375
Balance as at the end of the period/ year	210,680	660,817	871,497	194,980	1,040,244	1,235,224
Total	529,493	2,364,839	2,894,332	357,817	2,388,931	2,746,748

As at June 30, 2020 the Company investment in Shraiah Notes amounting to SAR 2.8 billion (2019: SAR 2.5 billion). The Shraiah 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, discretionary portfolio management – equity shares 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 entity opened with fund and portfolio managers.

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

	Three months ended June 30, 2020 (Unaudited)	Three months ended June 30, 2019 (Unaudited)	Six months ended June 30, 2020 (Unaudited)	Six months ended June 30, 2019 (Unaudited)
	SAR'000			
Insurance Operations				
Change in fair value	(202,494)	45,457	(197,916)	126,044
Net amount recycled to interim statement of income	(22,581)	-	(22,581)	-
Impairment on available-for-sale investments	-	-	2,637	-
	(225,075)	45,457	(217,860)	126,044
Shareholders' Operations				
Change in fair value	(55,253)	31,106	(70,549)	131,645
Net amount recycled to interim statement of income	41,066	-	22,850	1,145
Impairment on available-for-sale investments	-	-	2,175	-
	(14,187)	31,106	(45,524)	132,790
Total	(239,262)	76,563	(263,384)	258,834

4.1 This represents the Company's 3.85% holding in Najm for Insurance Services Company ("Najm"), a Saudi Closed Joint Stock Company. Due to change in board structure of Najm, the Company lost significant influence and resultantly classified as available for sale investments. These shares are unquoted and carried at cost. In the absence of reliable financial information, management believe that the fair values cannot be measures reliably.

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5. MUDARABA/ MURABAHA 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 SAR and have an original maturity of more than three months to one year and yield on average financial incomes at rates 2.6% (31 December 2019: 2.24%).

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Balance at the beginning of the period/ year	1,577,912	1,387,500
Placed during the period/ year	3,244,764	5,534,846
Proceeds during the period/ year	(3,450,720)	(5,344,434)
Balance at the end of the period/ year	1,371,956	1,577,912
<u>Shareholders' Operations</u>		
Balance at the beginning of the period/ year	1,961,464	851,625
Placed during the period/ year	3,700,338	5,362,907
Matured during the period/ year	(3,944,409)	(4,253,068)
Balance at the end of the period/ year	1,717,393	1,961,464
Total	3,089,349	3,539,376

6. CASH AND CASH EQUIVALENTS

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
<u>Insurance Operations</u>		
Bank balances and cash	707,706	1,297,401
	707,706	1,297,401
<u>Shareholders' Operations</u>		
Bank balances and cash	120,922	9,149
	120,922	9,149
Total cash and cash equivalents	828,628	1,306,550

Bank balances and cash includes call account balance of SAR 113 million (December 31, 2019: SAR 1.2 million). Bank balances (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

7. UNEARNED PREMIUM AND GROSS OUTSTANDING CLAIMS AND RESERVES, NET

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

	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	SAR'000					
Balance as at the beginning of the period / year	3,826,119	(715,959)	3,110,160	3,820,293	(544,839)	3,275,454
Premiums written during the period / year	5,042,534	(735,826)	4,306,708	8,375,860	(1,650,188)	6,725,672
Premiums earned during the period / year	(4,298,587)	758,416	(3,540,171)	(8,370,034)	1,479,068	(6,890,966)
Balance as at the end of the period / year	4,570,066	(693,369)	3,876,697	3,826,119	(715,959)	3,110,160

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7. UNEARNED PREMIUM AND GROSS OUTSTANDING CLAIMS AND RESERVES, NET (continued)

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Gross outstanding claims	2,897,682	3,717,931
Less: Realizable value of salvage and subrogation	(33,066)	(33,040)
	2,864,616	3,684,891
Add: Incurred but not reported claims reserve	1,572,479	1,925,584
Add: Premium deficiency reserve	209,165	2,830
Gross outstanding claims and reserves	4,646,260	5,613,305
Less: Reinsurers' share of gross outstanding claims	(2,310,131)	(3,100,446)
Less: Reinsurers' share of incurred but not reported claims	(288,507)	(327,724)
Reinsurers' share of outstanding claims and reserves	(2,598,638)	(3,428,170)
Net outstanding claims and reserves	2,047,622	2,185,135

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, 2020, based on the recommendations of external actuary, management had recorded technical reserves (Gross outstanding claims and reserves including premium deficiency reserves) which amounted to SAR 4.65 billion (December 31, 2019: SAR 5.61 billion). Significant portion of reserves relates to medical and property and casualty line of business which are a best-estimate of the expected ultimate claim trends as at June 30, 2020.

8. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 1.25 billion at June 30, 2020 (December 31, 2019: SAR 1.25 billion) consisting of 125 million shares (December 31, 2019: 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, 2020		
	Authorized and issued	Paid up	
	No. of Shares	SAR'000	
Held by the public	79,025,509	790,255	790,255
Public Pension Agency	23,612,685	236,127	236,127
General Organization for Social Insurance	22,361,806	223,618	223,618
	125,000,000	1,250,000	1,250,000
	December 31, 2019		
	Authorized and issued	Paid up	
	No. of Shares	SAR'000	
Held by the public	79,025,509	790,255	790,255
Public Pension Agency	23,612,685	236,127	236,127
General Organization for Social Insurance	22,361,806	223,618	223,618
	125,000,000	1,250,000	1,250,000

9. CONTINGENT LIABILITIES

As at June 30, 2020, the Company was contingently liable for letters of guarantees, issued on its behalf by the banks, amounting to SAR 218 million (December 31, 2019: SAR 200 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 interim condensed financial information.

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10. 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, 2019: 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.

11. STATUTORY 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 statutory reserve until it equals the value of share capital. This transfer is only made at the year end. The statutory reserve is not available for distribution to the shareholders until the liquidation of the Company.

12. INSURANCE SHARED AGREEMENTS

(i) 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.

(ii) Umrah shared agreement:

On January 01, 2020 together with 28 related insurance companies, the Company signed the Umrah shared agreement relating to medical and general accident insurance which is effective from 1 January 2020. The agreement relates to insurance of pilgrims who entering the Kingdom of Saudi Arabia.

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

- The Company obtains 2% management fee of the net result of the Umrah portfolio;
- The Company obtains 2.5% of Umrah's gross premiums written to cover the related indirect expenses;
- The Company obtains 0.3% of investing portfolio funds;
- The company pays 7.5% brokerage commission of Umrah's gross premiums written to broker;
- The company pays 10% of Umrah's portfolio surplus to Ministry of Hajj and Umrah; and
- The net result of the Umrah portfolio after deducting all the above mentioned items is due to be shared equally by the Company and its related insurers.

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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, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000				
<u>Major shareholders</u>				
Insurance premium written	704	562	3,023	3,862
General Organization for Social Insurance - Other services	-	45	-	-
<u>Associates</u>				
Insurance premium written/ (reversed)	14,624	(52)	15,496	674
Najm fees paid	-	4,417	-	-
Waseel fees paid	77	5,150	-	-
United Insurance Co. fees and claims, net	2,021	2,950	5,431	2,663
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Insurance premium written	11,539	9,831	31,814	117,747
Rent expenses paid	28	166	561	561
Amount of claims paid to hospitals	-	12,419	-	(4,197)

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, 2020 (Unaudited)	June 30, 2019 (Unaudited)
SAR'000		
Salaries and other allowances	5,171	5,071
End of service indemnities	473	338

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 financial statements due to the short term nature of balances.

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

June 30, 2020 (Unaudited)	SAR'000			
	Level 1	Level 2	Level 3	Total
Available-for- sale investments				
Insurance Operations				
Mutual funds	-	173,369	-	173,369
Fixed income portfolio (Governments and corporations securities)	-	1,520,403	-	1,520,403
Discretionary Portfolio Management – Equities	318,813	-	-	318,813
Private equity investment	-	-	10,250	10,250
	318,813	1,693,772	10,250	2,022,835
Shareholders' Operations				
Mutual funds	-	-	321,919	321,919
Fixed income portfolio (Governments and corporations securities)	-	275,194	-	275,194
Discretionary Portfolio Management – Equities	210,680	-	63,704	274,384
	210,680	275,194	385,623	871,497
Total	529,493	1,968,966	395,873	2,894,332

December 31, 2019 (Audited)	SAR'000			
	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
Insurance Operations				
Mutual funds	-	53,165	-	53,165
Fixed income portfolio (Governments and corporations securities)	-	1,213,310	-	1,213,310
Discretionary Portfolio Management – Equities	157,084	-	-	157,084
Sukuks	-	-	6,341	6,341
Funds placed with portfolio manager	81,624	-	-	81,624
	238,708	1,266,475	6,341	1,511,524
Shareholders' Operations				
Mutual funds	-	-	651,917	651,917
Fixed income portfolio (Governments and corporations securities)	-	388,344	-	388,344
Discretionary Portfolio Management – Equities	122,723	-	-	122,723
Funds placed with portfolio manager	72,240	-	-	72,240
	194,963	388,344	651,917	1,235,224
Total	433,671	1,654,819	658,258	2,746,748

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

June 30, 2020 (Unaudited)	SAR'000						Balance June 30
	Balance January 1	Purchases	Reclassification from investment in associates (Note 4.1)	Disposals	Statement of income	Other comprehensive income	
Insurance Operations							
Sukuks	6,341	-	-	(6,341)	-	-	-
Private equity investment	-	-	10,250	-	-	-	10,250
	6,341	-	10,250	(6,341)	-	-	10,250
Shareholders' operations							
Mutual funds	651,917	128,181	-	(439,169)	(46,751)	27,741	321,919
Discretionary Portfolio Management – Equities	-	63,704	-	-	-	-	63,704
	651,917	191,885	-	(439,169)	(46,751)	27,741	385,623
Total	658,258	191,885	10,250	(445,510)	(46,751)	27,741	395,873

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (continued)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020****14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

December 31, 2019 (Audited)	Balance January 1	Purchases	Disposals	SAR'000		Balance December 31
				Statement of income	Other comprehensive income	
<u>Insurance Operations</u>						
Sukuks	225,140	-	(218,799)	-	-	6,341
	225,140	-	(218,799)	-	-	6,341
<u>Shareholders' operations</u>						
Mutual funds	601,629	37,500	(55,154)	(26,846)	94,788	651,917
Sukuks	90,000	-	(90,000)	-	-	-
	691,629	37,500	(145,154)	(26,846)	94,788	651,917
Total	916,769	37,500	(363,953)	(26,846)	94,788	658,258

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 equipment) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended June 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
REVENUES										
Gross premiums written										
- Retail	5,089	-	139,867	5,930	3,880	-	-	154,766		154,766
- Micro Enterprises	68,406	-	3,801	-	4,691	-	-	76,898		76,898
- Small Enterprises	59,233	-	3,466	-	6,188	-	26	68,913		68,913
- Medium Enterprises	54,886	-	12,366	-	10,333	-	285	77,870		77,870
- Corporates	1,502,965	-	8,198	-	569,323	-	10,894	2,091,380		2,091,380
	1,690,579	-	167,698	5,930	594,415	-	11,205	2,469,827		2,469,827
Reinsurance ceded – local	-	-	-	-	(50,981)	-	(9,857)	(60,838)		(60,838)
Reinsurance ceded – international	(250)	-	-	-	(517,028)	-	(332)	(517,610)		(517,610)
Fees income from takaful	-	-	-	-	-	-	2,270	2,270		2,270
Excess of loss premiums	-	-	(830)	(666)	(2,833)	(2,250)	-	(6,579)		(6,579)
Net premiums written	1,690,329	-	166,868	5,264	23,573	(2,250)	3,286	1,887,070		1,887,070
Changes in unearned premiums, net	(268,738)	442	(15,779)	7,980	(1,187)	86	(3)	(277,199)		(277,199)
Net premiums earned	1,421,591	442	151,089	13,244	22,386	(2,164)	3,283	1,609,871		1,609,871
Reinsurance commissions	575	-	-	-	23,612	-	-	24,187		24,187
Other underwriting income	311	-	1,226	-	92	-	-	1,629		1,629
TOTAL REVENUES	1,422,477	442	152,315	13,244	46,090	(2,164)	3,283	1,635,687		1,635,687
UNDERWRITING COSTS AND EXPENSES										
Gross claims paid and related expenses	1,158,584	-	37,604	3,281	448,774	1,932	2,506	1,652,681		1,652,681
Reinsurers' share of claims paid	(9,602)	-	(978)	-	(442,134)	-	(2,316)	(455,030)		(455,030)
Net claims paid	1,148,982	-	36,626	3,281	6,640	1,932	190	1,197,651		1,197,651
Changes in outstanding claims, net	(19,016)	376	1,937	(1,393)	(5,171)	(1,933)	532	(24,668)		(24,668)
Changes in incurred but not reported claims reserve, net	(200,718)	(19,386)	(7,549)	(5,956)	1,635	(9,283)	-	(241,257)		(241,257)
Changes in premium deficiency reserves	193,775	-	-	-	(1,463)	-	-	192,312		192,312
Net claims and other benefits incurred	1,123,023	(19,010)	31,014	(4,068)	1,641	(9,284)	722	1,124,038		1,124,038
Changes in reserve for takaful activities	-	-	-	-	-	-	(334)	(334)		(334)
Policy acquisition costs	55,182	44	18,954	6,783	11,064	7	190	92,224		92,224
Other underwriting expenses	25,372	5,792	839	1,255	4,949	3,173	507	41,887		41,887
Insurance share distribution	-	13,196	-	6,678	-	3,859	-	23,733		23,733
TOTAL UNDERWRITING COSTS AND EXPENSES	1,203,577	22	50,807	10,648	17,654	(2,245)	1,085	1,281,548		1,281,548

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended June 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
NET UNDERWRITING INCOME	218,900	420	101,508	2,596	28,436	81	2,198	354,139		354,139
General and administrative expenses								(142,540)	(1,434)	(143,974)
Allowance for doubtful debts								(16,990)	-	(16,990)
Dividend and realized gain on investments, net								57,576	(21,846)	35,730
Share of (loss) / profit from investments in associates, net								(108)	4,674	4,566
Impairment of available for sale investments								-	-	-
Other income								2,048	-	2,048
NET INCOME FOR THE PERIOD BEFORE ZAKAT								254,125	(18,606)	235,519

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

15. OPERATING SEGMENTS (continued)

Operating Segments	For the three months period ended June 30, 2019							
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000								
REVENUES								
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)
Net premiums written	1,347,179	128,822	34,373	20,376	2,327	1,533,077		1,533,077
Changes in unearned premiums, net	148,768	25,022	(1,107)	2,913	(55)	175,541		175,541
Net premiums earned	1,495,947	153,844	33,266	23,289	2,272	1,708,618		1,708,618
Reinsurance commissions	586	148	-	22,350	-	23,084		23,084
Other underwriting income	-	2,107	-	-	-	2,107		2,107
TOTAL REVENUES	1,496,533	156,099	33,266	45,639	2,272	1,733,809		1,733,809
UNDERWRITING COSTS AND EXPENSES								
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)
Net claims paid	1,378,258	78,257	7,124	4,243	263	1,468,145		1,468,145
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
Net claims and other benefits incurred	1,309,294	83,688	7,853	1,847	(189)	1,402,493		1,402,493
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
Insurance share distribution	-	-	11,477	-	-	11,477		11,477
TOTAL UNDERWRITING COSTS AND EXPENSES	1,378,575	104,242	28,915	15,459	399	1,527,590		1,527,590
NET UNDERWRITING INCOME	117,958	51,857	4,351	30,180	1,873	206,219		206,219
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
NET INCOME FOR THE PERIOD						42,993	31,713	74,706

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the six months period ended June 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
REVENUES										
Gross premiums written										
- Retail	19,424	145,053	272,367	39,780	9,442	92,384	-	578,450		578,450
- Micro Enterprises	168,283	-	9,385	-	9,372	-	-	187,040		187,040
- Small Enterprises	121,422	-	6,414	-	10,897	-	133	138,866		138,866
- Medium Enterprises	147,195	-	17,598	-	15,055	-	575	180,423		180,423
- Corporates	3,199,286	-	14,597	-	730,993	-	12,879	3,957,755		3,957,755
	3,655,610	145,053	320,361	39,780	775,759	92,384	13,587	5,042,534		5,042,534
Reinsurance ceded – local	-	-	-	-	(55,831)	-	(10,577)	(66,408)		(66,408)
Reinsurance ceded – international	(1,229)	-	-	-	(666,494)	-	(1,695)	(669,418)		(669,418)
Fees income from takaful	-	-	-	-	-	-	2,955	2,955		2,955
Excess of loss premiums	-	-	(4,011)	(1,375)	(5,665)	(4,500)	-	(15,551)		(15,551)
Net premiums written	3,654,381	145,053	316,350	38,405	47,769	87,884	4,270	4,294,112		4,294,112
Changes in unearned premiums, net	(761,676)	-	(12,504)	10,273	(2,789)	-	159	(766,537)		(766,537)
Net premiums earned	2,892,705	145,053	303,846	48,678	44,980	87,884	4,429	3,527,575		3,527,575
Reinsurance commissions	1,150	-	-	-	53,815	-	-	54,965		54,965
Other underwriting income	1,185	-	3,364	-	1,315	-	-	5,864		5,864
TOTAL REVENUES	2,895,040	145,053	307,210	48,678	100,110	87,884	4,429	3,588,404		3,588,404
UNDERWRITING COSTS AND EXPENSES										
Gross claims paid and related expenses	2,583,379	54,083	133,081	9,839	670,600	1,991	6,522	3,459,495		3,459,495
Reinsurers' share of claims paid	(26,957)	-	(2,477)	-	(656,928)	-	(5,980)	(692,342)		(692,342)
Net claims paid	2,556,422	54,083	130,604	9,839	13,672	1,991	542	2,767,153		2,767,153
Changes in outstanding claims, net	(18,502)	821	(11,683)	1,506	(2,476)	-	374	(29,960)		(29,960)
Changes in incurred but not reported claims reserve, net	(292,950)	9,431	(9,791)	(6,040)	(21,816)	7,278	-	(313,888)		(313,888)
Changes in premium deficiency reserves	193,775	-	-	-	12,560	-	-	206,335		206,335
Net claims and other benefits incurred	2,438,745	64,335	109,130	5,305	1,940	9,269	916	2,629,640		2,629,640
Changes in reserve for takaful activities	-	-	-	-	-	-	(440)	(440)		(440)
Policy acquisition costs	102,796	10,879	38,142	14,897	21,609	6,929	487	195,739		195,739
Other underwriting expenses	54,752	13,123	1,602	3,563	6,612	10,857	637	91,146		91,146
Insurance share distribution	-	50,247	-	18,329	-	55,841	-	124,417		124,417
TOTAL UNDERWRITING COSTS AND EXPENSES	2,596,293	138,584	148,874	42,094	30,161	82,896	1,600	3,040,502		3,040,502

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15. OPERATING SEGMENTS (continued)

Operating Segments	For the six months period ended June 30, 2020									
	(Unaudited)									
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000										
NET UNDERWRITING INCOME	298,747	6,469	158,336	6,584	69,949	4,988	2,829	547,902		547,902
General and administrative expenses								(295,666)	(2,829)	(298,495)
Allowance for doubtful debts								(32,610)	-	(32,610)
Dividend and realized gain on investments, net								89,932	8,081	98,013
Share of (loss) / profit from investments in associates, net								(108)	7,838	7,730
Impairment of available for sale investments								(2,637)	(2,175)	(4,812)
Other income								9,021	-	9,021
NET INCOME FOR THE PERIOD BEFORE ZAKAT								315,834	10,915	326,749

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

15. OPERATING SEGMENTS (continued)

Operating Segments	For the six months period ended June 30, 2019							
	(Unaudited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
SAR'000								
REVENUES								
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)
Net premiums written	3,321,383	302,891	76,800	43,327	3,422	3,747,823		3,747,823
Changes in unearned premiums, net	(405,218)	10,568	(1,223)	4,367	235	(391,271)		(391,271)
Net premiums earned	2,916,165	313,459	75,577	47,694	3,657	3,356,552		3,356,552
Reinsurance commissions	1,426	148	-	48,329	-	49,903		49,903
Other underwriting income	-	5,627	-	-	-	5,627		5,627
TOTAL REVENUES	2,917,591	319,234	75,577	96,023	3,657	3,412,082		3,412,082
UNDERWRITING COSTS AND EXPENSES								
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)
Net claims paid	2,791,859	159,205	13,759	9,881	704	2,975,408		2,975,408
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)
Net claims and other benefits incurred	2,674,670	149,623	13,809	8,377	231	2,846,710		2,846,710
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
Insurance share distribution	-	-	30,659	-	-	30,659		30,659
TOTAL UNDERWRITING COSTS AND EXPENSES	2,822,998	191,240	66,265	35,941	742	3,117,186		3,117,186
NET UNDERWRITING INCOME	94,593	127,994	9,312	60,082	2,915	294,896		294,896
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
NET INCOME FOR THE PERIOD						63,477	59,305	122,782

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

15. OPERATING SEGMENTS (continued)

Operating Segments	As at June 30, 2020										
	(Unaudited)										
	Medical	Medical - Umrah	Motor	Manafeth	Property & casualty	General Accident - Umrah	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total	
SAR'000											
Assets											
Reinsurer's share of unearned premiums	7,187	-	-	-	683,010	-	3,172	693,369		693,369	
Reinsurer's share of incurred but not reported Claims	25,315	-	9,558	-	249,107	-	4,527	288,507		288,507	
Reinsurer's share of outstanding claims	786	-	18,919	5,327	2,260,668	-	24,431	2,310,131		2,310,131	
Deferred excess of loss premiums	-	-	-	1,703	4,070	4,533	-	10,306		10,306	
Deferred policy acquisition costs	115,720	-	21,387	933	16,445	-	271	154,756		154,756	
Investments (including investment property, mudaraba/ murabaha deposit, investments in associates and accrued investment income)								3,451,591	2,676,735	6,128,326	
Receivables, net								3,046,968		3,046,968	
Cash and cash equivalents								707,706	120,922	828,628	
Unallocated assets								595,755	127,874	723,629	
Total assets								11,259,089	2,925,531	14,184,620	
Liabilities											
Gross unearned premiums	3,470,623	-	338,482	16,373	740,872	-	3,716	4,570,066		4,570,066	
Gross outstanding claims	238,651	821	183,280	22,476	2,393,576	-	25,812	2,864,616		2,864,616	
Incurred but not reported claims reserve	1,143,946	9,431	148,188	7,557	251,164	7,278	4,915	1,572,479		1,572,479	
Premium deficiency reserve	193,775	-	-	-	15,356	-	34	209,165		209,165	
Unearned commission income	151	-	-	-	44,202	-	861	45,214		45,214	
Reserve for takaful activities	-	-	-	-	-	-	4,566	4,566		4,566	
Reinsurers' balances payable								469,526		469,526	
Unallocated liabilities and accumulated surplus								1,649,805	311,231	1,961,036	
Total liabilities and surplus								11,385,437	311,231	11,696,668	

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (continued)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

15. OPERATING SEGMENTS (continued)

Operating Segments	As at December 31, 2019							
	(Audited)							
	Medical	Motor	Manafeth	Property & casualty	Protection & Savings	Total - Insurance operations	Total - Shareholders' operations	Total
SAR'000								
Assets								
Reinsurer's share of unearned Premiums	51,951	-	-	659,903	4,105	715,959		715,959
Reinsurer's share of incurred but not reported claims	24,365	13,017	-	285,815	4,527	327,724		327,724
Reinsurer's share of outstanding Claims	22	20,581	5,241	3,057,935	16,667	3,100,446		3,100,446
Deferred excess of loss premiums	-	2,650	-	5,064	-	7,714		7,714
Deferred policy acquisition costs	84,932	21,645	1,431	12,447	390	120,845		120,845
Unallocated assets:								
Investments (including investment property, mudaraba/ murabaha deposit, investments in associates and accrued investment income)						3,113,846	3,289,992	6,403,838
Receivables, net						1,495,894		1,495,894
Cash and cash equivalents						1,297,401	9,149	1,306,550
Other unallocated assets						508,002	127,513	635,515
Total assets						10,687,831	3,426,654	14,114,485
Liabilities								
Gross unearned premiums	2,753,711	325,978	26,646	714,976	4,808	3,826,119		3,826,119
Gross outstanding claims	256,389	196,625	20,884	3,193,319	17,674	3,684,891		3,684,891
Incurred but not reported claims Reserve	1,435,946	161,438	13,597	309,688	4,915	1,925,584		1,925,584
Premium deficiency reserve	-	-	-	2,796	34	2,830		2,830
Unearned commission income	1,271	-	-	41,170	882	43,323		43,323
Reserve for takaful activities	-	-	-	-	5,006	5,006		5,006
Unallocated liabilities:								
Reinsurers' balances payable						523,820		523,820
Other unallocated liabilities and accumulated surplus						1,334,585	268,638	1,603,223
Total liabilities and surplus						11,346,158	268,638	11,614,796

16. EARNINGS PER SHARE

Basic and diluted earnings per share for the three and six month periods ended 30 June 2020 and 30 June 2019 have been calculated by dividing the net income for the period attributed to shareholders' by the weighted average number of ordinary shares issued and outstanding at the end of the period.

17. ZAKAT

Status of assessments

The Company had filed Zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years till 2019. The Company filed Zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years 2014 through 2019. The GAZT raised queries for the years 2014 through 2018 and the Company submitted response, the GAZT's review and assessment for these years are awaited. The Zakat return for the year 2019 awaits GAZT's review. Management believes that, appropriate provisions have been created that finalization of the above mentioned assessments is not expected to have a material impact on the financial statements for the year ended 2019.

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

18. SUPPLEMENTARY INFORMATION

i) Interim statement of financial position

	As at June 30, 2020			As at December 31, 2019		
	(Unaudited)			(Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
ASSETS						
Statutory deposit	-	125,000	125,000	-	125,000	125,000
Accrued income on statutory deposit	-	2,642	2,642	-	2,513	2,513
Property and equipment, net	251,069	-	251,069	260,119	-	260,119
Intangible assets	6,147	-	6,147	3,971	-	3,971
Investment property	9,861	-	9,861	9,861	-	9,861
Investments in associates	-	81,935	81,935	10,358	91,162	101,520
Available for sale investments	2,022,835	871,497	2,894,332	1,511,524	1,235,224	2,746,748
Mudaraba/ Murabaha deposits	1,371,956	1,717,393	3,089,349	1,577,912	1,961,464	3,539,376
Due from/ to Shareholder's operations	8,719	(8,719)	-	758,558	(758,558)	-
Prepaid expenses and other assets	338,539	232	338,771	243,912	-	243,912
Deferred excess of loss premiums	10,306	-	10,306	7,714	-	7,714
Deferred policy acquisition costs	154,756	-	154,756	120,845	-	120,845
Reinsurers' share of gross outstanding claims	2,310,131	-	2,310,131	3,100,446	-	3,100,446
Reinsurers' share of incurred but not reported claims	288,507	-	288,507	327,724	-	327,724
Reinsurers' share of unearned premiums	693,369	-	693,369	715,959	-	715,959
Receivables, net	3,046,968	-	3,046,968	1,495,894	-	1,495,894
Accrued investment income	46,939	5,910	52,849	4,191	2,142	6,333
Cash and cash equivalents	707,706	120,922	828,628	1,297,401	9,149	1,306,550
TOTAL ASSETS	11,267,808	2,916,812	14,184,620	11,446,389	2,668,096	14,114,485
LIABILITIES						
Surplus distribution payable	34,283	-	34,283	34,283	-	34,283
Defined benefit obligations	133,810	-	133,810	129,480	-	129,480
Return payable on statutory deposit	-	2,642	2,642	-	2,513	2,513
Claims payable, accrued expenses and other liabilities	1,450,129	6,502	1,456,631	1,170,822	4,160	1,174,982
Reserve for takaful activities	4,566	-	4,566	5,006	-	5,006
Gross outstanding claims	2,864,616	-	2,864,616	3,684,891	-	3,684,891
Incurred but not reported claims reserve	1,572,479	-	1,572,479	1,925,584	-	1,925,584
Premium deficiency reserve	209,165	-	209,165	2,830	-	2,830
Unearned commission income	45,214	-	45,214	43,323	-	43,323
Gross unearned premiums	4,570,066	-	4,570,066	3,826,119	-	3,826,119
Reinsurers' balances payable	469,526	-	469,526	523,820	-	523,820
Dividends payable	-	6,411	6,411	-	6,411	6,411
Accumulated surplus	31,583	-	31,583	-	-	-
Zakat payable	-	295,676	295,676	-	255,554	255,554
TOTAL LIABILITIES	11,385,437	311,231	11,696,668	11,346,158	268,638	11,614,796
EQUITY						
Share capital	-	1,250,000	1,250,000	-	1,250,000	1,250,000
Statutory reserve	-	1,065,517	1,065,517	-	1,065,517	1,065,517
Fair value reserve for investments	(103,089)	3,780	(99,309)	114,771	52,701	167,472
Remeasurements of defined benefit obligation	(14,540)	-	(14,540)	(14,540)	-	(14,540)
Retained earnings	-	286,284	286,284	-	31,240	31,240
TOTAL EQUITY	(117,629)	2,605,581	2,487,952	100,231	2,399,458	2,499,689
TOTAL LIABILITIES AND EQUITY	11,267,808	2,916,812	14,184,620	11,446,389	2,668,096	14,114,485

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (continued)

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

18. SUPPLEMENTARY INFORMATION (continued)

ii) Interim statement of income

	For the three months period ended June 30, 2020			For the three months period ended June 30, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
REVENUES						
Gross premiums written	2,469,827	-	2,469,827	1,999,514	-	1,999,514
Reinsurance premium ceded	(578,448)	-	(578,448)	(462,200)	-	(462,200)
Fees income from takaful	2,270	-	2,270	1,740	-	1,740
Excess of loss premiums	(6,579)	-	(6,579)	(5,977)	-	(5,977)
Net premiums written	1,887,070	-	1,887,070	1,533,077	-	1,533,077
Changes in unearned premiums, net	(277,199)	-	(277,199)	175,541	-	175,541
Net premiums earned	1,609,871	-	1,609,871	1,708,618	-	1,708,618
Reinsurance commissions	24,187	-	24,187	23,084	-	23,084
Other underwriting income	1,629	-	1,629	2,107	-	2,107
Total revenues	1,635,687	-	1,635,687	1,733,809	-	1,733,809
COST AND EXPENSES						
Gross claims paid	1,651,761	-	1,651,761	1,571,130	-	1,571,130
Expenses incurred related to claims	920	-	920	5,171	-	5,171
Reinsurance share of claims paid	(455,030)	-	(455,030)	(108,156)	-	(108,156)
Net claims and other benefits paid	1,197,651	-	1,197,651	1,468,145	-	1,468,145
Changes in outstanding claims, net	(24,668)	-	(24,668)	(32,895)	-	(32,895)
Changes in incurred but not reported claims, net	(241,257)	-	(241,257)	(32,857)	-	(32,857)
Changes in premium deficiency reserves	192,312	-	192,312	100	-	100
Net claims and other benefits incurred	1,124,038	-	1,124,038	1,402,493	-	1,402,493
Changes in reserves for takaful activities	(334)	-	(334)	(420)	-	(420)
Policy acquisition costs	92,224	-	92,224	85,598	-	85,598
Other underwriting expenses	41,887	-	41,887	28,442	-	28,442
Insurance share distribution	23,733	-	23,733	11,477	-	11,477
Total underwriting costs and expenses	1,281,548	-	1,281,548	1,527,590	-	1,527,590
Net underwriting income	354,139	-	354,139	206,219	-	206,219
General and administrative expenses	(142,540)	(1,434)	(143,974)	(126,410)	(249)	(126,659)
Allowance for doubtful debts	(16,990)	-	(16,990)	(76,123)	-	(76,123)
Dividend and realized gain on investments, net	57,576	(21,846)	35,730	35,012	25,597	60,609
Share of profit from investments in associates, net	(108)	4,674	4,566	-	6,365	6,365
Other income, net	2,048	-	2,048	4,295	-	4,295
Net income for the period before Zakat	254,125	(18,606)	235,519	42,993	31,713	74,706
Surplus transferred to Shareholders'	(228,713)	228,713	-	(38,693)	38,693	-
Net income for the period after						
Shareholders' appropriations before Zakat	25,412	210,107	235,519	4,300	70,406	74,706
Zakat charge for the period		(21,908)			(18,858)	
Net income for the period after Zakat		188,199			51,548	

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

18. SUPPLEMENTARY INFORMATION (continued)

iii) Interim statement of income (continued)

	For the six months period ended June 30, 2020			For the six months period ended June 30, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
SAR'000						
REVENUES						
Gross premiums written	5,042,534	-	5,042,534	4,456,547	-	4,456,547
Reinsurance premium ceded	(735,826)	-	(735,826)	(698,869)	-	(698,869)
Fees income from takaful	2,955	-	2,955	2,538	-	2,538
Excess of loss premiums	(15,551)	-	(15,551)	(12,393)	-	(12,393)
Net premiums written	4,294,112	-	4,294,112	3,747,823	-	3,747,823
Changes in unearned premiums, net	(766,537)	-	(766,537)	(391,271)	-	(391,271)
Net premiums earned	3,527,575	-	3,527,575	3,356,552	-	3,356,552
Reinsurance commissions	54,965	-	54,965	49,903	-	49,903
Other underwriting income	5,864	-	5,864	5,627	-	5,627
Total revenues	3,588,404	-	3,588,404	3,412,082	-	3,412,082
COST AND EXPENSES						
Gross claims paid	3,402,290	-	3,402,290	3,392,533	-	3,392,533
Expenses incurred related to claims	57,205	-	57,205	10,485	-	10,485
Reinsurance share of claims paid	(692,342)	-	(692,342)	(427,610)	-	(427,610)
Net claims and other benefits paid	2,767,153	-	2,767,153	2,975,408	-	2,975,408
Changes in outstanding claims, net	(29,960)	-	(29,960)	(32,814)	-	(32,814)
Changes in incurred but not reported claims, net	(313,888)	-	(313,888)	(90,527)	-	(90,527)
Changes in premium deficiency reserves	206,335	-	206,335	(5,357)	-	(5,357)
Net claims and other benefits incurred	2,629,640	-	2,629,640	2,846,710	-	2,846,710
Changes in reserves for takaful activities	(440)	-	(440)	(1,300)	-	(1,300)
Policy acquisition costs	195,739	-	195,739	172,470	-	172,470
Other underwriting expenses	91,146	-	91,146	68,647	-	68,647
Insurance share distribution	124,417	-	124,417	30,659	-	30,659
Total underwriting costs and expenses	3,040,502	-	3,040,502	3,117,186	-	3,117,186
Net underwriting income	547,902	-	547,902	294,896	-	294,896
General and administrative expenses	(295,666)	(2,829)	(298,495)	(249,713)	(470)	(250,183)
Allowance for doubtful debts	(32,610)	-	(32,610)	(58,323)	-	(58,323)
Dividend and realized gain on investments, net	89,932	8,081	98,013	66,020	48,850	114,870
Share of profit from investments in associates, net	(108)	7,838	7,730	425	10,925	11,350
Impairment of available for sale investments	(2,637)	(2,175)	(4,812)	-	-	-
Other income, net	9,021	-	9,021	10,172	-	10,172
Net income for the period before Zakat	315,834	10,915	326,749	63,477	59,305	122,782
Surplus transferred to Shareholders'	(284,251)	284,251	-	(57,129)	57,129	-
Net income for the period after						
Shareholders' appropriations before Zakat	31,583	295,166	326,749	6,348	116,434	122,782
Zakat charge for the period		(40,122)			(35,842)	
Net income for the period after Zakat		255,044			80,592	

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (continued)

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

18. SUPPLEMENTARY INFORMATION (continued)

iv) Interim statement of comprehensive income

	For the three months period ended June 30, 2020 (Unaudited)			For the three months period ended June 30, 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income after Zakat	25,412	188,199	213,611	4,300	51,548	55,848
Other comprehensive income:						
<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	(202,494)	(55,253)	(257,747)	45,457	31,106	76,563
- Net amounts recycled to interim statement of income	(22,581)	41,066	18,485	-	-	-
Share of other comprehensive income of investments in associates	-	(3,631)	(3,631)	-	(281)	(281)
Total comprehensive (loss)/ income for the Period	(199,663)	170,381	(29,282)	49,757	82,373	132,130
Reconciliation:						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(25,412)			(4,300)
Total comprehensive (loss) / income for the period			(54,694)			127,830

	For the six months period ended June 30, 2020 (Unaudited)			For the six months period ended June 30, 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Net income after Zakat	31,583	255,044	286,627	6,348	80,592	86,940
Other comprehensive income:						
<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	(197,916)	(70,549)	(268,465)	126,044	131,645	257,689
- Net amounts recycled to interim statement of income	(19,944)	25,025	5,081	-	1,145	1,145
Share of other comprehensive income of investments in associates	-	(3,397)	(3,397)	-	1,355	1,355
Total comprehensive (loss) / income for the Period	(186,277)	206,123	19,846	132,392	214,737	347,129
Reconciliation:						
Less: Net income attributable to insurance operations transferred to accumulated surplus			(31,583)			(6,348)
Total comprehensive (loss) / income for the period			(11,737)			340,781

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (continued)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

18. SUPPLEMENTARY INFORMATION (continued)

v) **Interim statement of cash flows**

	For the six months period ended June 30, 2020			For the six months period ended June 30, 2019		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Operating activities:						
Net income before attribution and zakat	31,583	295,166	326,749	6,348	116,434	122,782
Adjustments for non-cash items:						
Depreciation of property and equipment	15,351	-	15,351	11,479	-	11,479
Amortization of intangible assets	558	-	558	2,657	-	2,657
Allowance for doubtful debts	32,610	-	32,610	58,323	-	58,323
Gain on sale of available-for-sale investments	(22,581)	22,850	269	-	1,145	1,145
Impairment of available-for-sale- investments	2,637	2,175	4,812	-	-	-
Share of profit from investments in associates, net	108	(7,838)	(7,730)	(425)	(10,925)	(11,350)
Provision for defined benefit obligation	12,438	-	12,438	8,046	-	8,046
	72,704	312,353	385,057	86,428	106,654	193,082
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	(94,627)	(232)	(94,859)	(61,225)	(200)	(61,425)
Deferred excess of loss premiums	(2,592)	-	(2,592)	770	-	770
Deferred policy acquisition costs	(33,911)	-	(33,911)	(7,944)	-	(7,944)
Reinsurers' share of outstanding claims	790,315	-	790,315	63,370	-	63,370
Reinsurers' share of claims incurred but not reported	39,217	-	39,217	(53,358)	-	(53,358)
Reinsurers' share of unearned premiums	22,590	-	22,590	(94,304)	-	(94,304)
Receivables, net	(1,583,684)	-	(1,583,684)	(172,001)	-	(172,001)
Reinsurers' balances payable	(54,294)	-	(54,294)	160,055	-	160,055
Gross unearned premiums	743,947	-	743,947	485,575	-	485,575
Unearned commission income	1,891	-	1,891	965	-	965
Gross outstanding claims	(820,275)	-	(820,275)	(96,184)	-	(96,184)
Claims incurred but not reported reserves	(353,105)	-	(353,105)	(37,169)	-	(37,169)
Premium deficiency reserve	206,335	-	206,335	(5,357)	-	(5,357)
Reserve for takaful activities	(440)	-	(440)	(1,300)	-	(1,300)
Claims payable, accrued expenses and other liabilities	279,307	2,342	281,649	(52,884)	-	(52,884)
	(786,622)	314,463	(472,159)	215,437	106,454	321,891
Defined benefit obligation paid	(8,108)	-	(8,108)	(5,873)	-	(5,873)
Net cash (used in) / generated from / operating activities	(794,730)	314,463	(480,267)	209,564	106,454	316,018
Investing activities:						
Proceeds from sale of available-for-sale investments	632,628	668,025	1,300,653	334,303	837,014	1,171,317
Purchase of available-for-sale investments	(1,331,605)	(374,847)	(1,706,452)	(261,088)	(347,500)	(608,588)
Proceeds from maturity of mudarabah/ murabaha deposits	3,450,720	3,944,409	7,395,129	2,908,014	1,757,134	4,665,148
Placement in mudarabah/ murabaha deposits	(3,244,764)	(3,700,338)	(6,945,102)	(3,033,192)	(2,650,442)	(5,683,634)
Accrued investment income	(42,748)	(3,768)	(46,516)	(16,924)	(12,610)	(29,534)
Dividends received from investments in associates	-	13,668	13,668	-	18,753	18,753
Purchase of property and equipment	(6,301)	-	(6,301)	(1,335)	-	(1,335)
Purchase of intangible assets	(2,734)	-	(2,734)	(4,268)	-	(4,268)
Net cash generated from / (used in) investing activities	(544,804)	547,149	2,345	(74,490)	(397,651)	(472,141)

THE COMPANY FOR COOPERATIVE INSURANCE

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (continued)

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

18. SUPPLEMENTARY INFORMATION (continued)

v) Interim statement of cash flows (continued)

	For the six months period ended June 30, 2020 (Unaudited)			For the six months period ended June 30, 2019 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000					
Financing activities:						
Zakat paid during the period	-	-	-	-	(1,674)	(1,674)
Due to shareholders	749,839	(749,839)	-	36,471	(36,471)	-
Net cash used in financing activities	749,839	(749,839)	-	36,471	(38,145)	(1,674)
Net change in cash and cash equivalents	(589,695)	111,773	(477,922)	171,545	(329,342)	(157,797)
Cash and cash equivalents, beginning of the period	1,297,401	9,149	1,306,550	1,117,258	482,982	1,600,240
Cash and cash equivalents, end of the period	707,706	120,922	828,628	1,288,803	153,640	1,442,443
Non-cash supplemental information:						
Changes in fair value for available-for-sale investments	(217,860)	(45,524)	(263,384)	126,044	132,790	258,834
Share of other comprehensive income of Associates	-	(3,397)	(3,397)	-	1,355	1,355
Reclassification to available-for-sale investments from investment in associates	10,250	-	10,250	-	-	-

19. RISK MANAGEMENT

The risk management 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 2019 except for the following:

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following major sectors, which are Food, Airlines, Freight Companies, Hotels, Retail, Construction, Entertainment, Tourism etc. being impacted significantly by the Covid-19 pandemic and lower oil prices.

Capital risk management

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. The Company's management has concluded that based on the stress testing performed the solvency margin of the Company can be reduced from 135% to 75%. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

Liquidity risk management

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance as well as the continued development of external economic factors.

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FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2020

20. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of other underwriting expenses of the previous quarter have been reclassified to the incurred claims to conform with the presentation in the current period. These changes were made for accurate presentation of transactions in the statement of income of the Company and does not have any financial impact.

21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information have been approved by the Audit Committee on behalf the Board of Directors, on Dhu'l-Hijja 12, 1441H, corresponding to August 12, 2020.

22. SUBSEQUENT EVENTS

The Company subsequent to the period ended June 30, 2020 has established a subsidiary named "Teejan Al-Khaleej" incorporated on July 21, 2020 under commercial registration No. 1010644057 with the objectives of developing technology based solutions and extending consultancy services for the insurance and healthcare businesses.

The Company also has entered into a credit facility on 30 June 2020 of 400 million with Riyadh Bank for SIBOR 3 months + 0.65%. This has been approved by the board of directors of the Company.