

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2020**

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

INDEX	PAGE
Independent auditors' review report	1
Interim condensed statement of financial position	2 – 3
Interim condensed statement of income	4
Interim condensed statement of comprehensive income	5
Interim condensed statement of changes in equity	6
Interim condensed statement of cash flows	7
Notes to the interim condensed financial statements	8-35

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED
FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Al Alamiya for Cooperative Insurance Company** (the "Company") as at 31 March 2020, the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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 that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

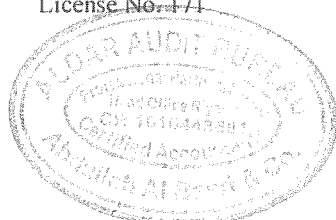
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 31 March 2020 of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Aldar Audit Bureau
Abdullah Al Basri & Co
P. O. Box 2195
Riyadh 11451
Kingdom of Saudi Arabia



Abdullah M. Al Basri
Certified Public Accountant
License No. 171



KPMG Al Fozan & Partners
Certified Public Accountants
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia



Hani Hamzah A. Bedairi
Certified Public Accountant
License No. 460



24 Shawwal 1441H
16 June 2020

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

		SAR '000	
		March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	Notes		
ASSETS			
Cash and cash equivalents	4	53,377	14,919
Term deposits		382,136	431,765
Premiums and reinsurer' receivable, net	5	43,863	44,107
Reinsurers' share of unearned premiums	7.2	41,527	41,006
Deferred excess of loss premiums	7.2	2,863	--
Reinsurers' share of outstanding claims	7.1	60,167	50,799
Reinsurers' share of claims incurred but not reported	7.1	7,936	9,178
Deferred policy acquisition costs		4,987	4,159
Investments	6	143,118	157,850
Due from related parties	11	69	69
Prepaid expenses and other assets		12,622	10,629
Deferred tax asset	12	1,078	1,064
Property and equipment		1,608	1,145
Intangible assets		2,051	1,561
Statutory deposit		40,000	40,000
Accrued commission income on statutory deposit		4,151	4,151
TOTAL ASSETS		801,553	812,402


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 MARCH 2020

		SAR' 000	
		March 31, 2020	December 31, 2019
	Notes	(Unaudited)	(Audited)
LIABILITIES			
Outstanding claims reserve	7.1	89,756	82,315
Claims incurred but not reported	7.1	33,711	36,575
Other technical reserves	7.1	4,382	4,787
Accrued expenses and other liabilities		36,673	35,893
Reinsurers' balances payable		66,377	81,420
Unearned premiums	7.2	67,823	73,610
Accounts payables		14,810	15,060
Unearned reinsurance commission		4,240	4,360
Due to related parties	11	2,223	1,788
End-of-service benefits		11,054	10,616
Zakat and income tax	12	46,533	44,267
Accrued commission income payable to SAMA		4,151	4,151
Accumulated surplus		9,958	9,852
TOTAL LIABILITIES		391,691	404,694
EQUITY			
Share capital	13	400,000	400,000
Statutory reserve		1,398	1,161
Accumulated profits		5,592	4,643
Fair value reserve for available for sale investments	6	3,136	2,168
Actuarial reserve for employee benefits		(264)	(264)
TOTAL EQUITY		409,862	407,708
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY			
		801,553	812,402
COMMITMENTS AND CONTINGENCIES			
	8	1,131	1,046


Khalid Alagamy
CEO and Managing Director


Fadi Aboul Hoss
Chief Financial Officer

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH

	SAR '000	
	2020	2019
	(Restated)	
REVENUES		
Gross premiums written		
- Direct	51,767	71,083
- Reinsurance	332	429
	52,099	71,512
Reinsurance premiums ceded		
- Local	(815)	(897)
- Foreign	(31,568)	(26,708)
	(32,383)	(27,605)
Excess of loss premium		
- Local	(195)	(206)
- Foreign	(3,701)	(4,599)
	(3,896)	(4,805)
Total reinsurance premium ceded	(36,279)	(32,410)
NET PREMIUMS WRITTEN	15,820	39,102
Changes in unearned premiums	5,787	(5,081)
Changes in reinsurers' share of unearned premiums	521	(3,764)
Changes in deferred excess of loss premiums	2,863	3,201
NET PREMIUMS EARNED	24,991	33,458
Reinsurance commissions	7,008	2,403
TOTAL REVENUES	31,999	35,861
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	(23,673)	(24,932)
Reinsurers' share of claims paid	6,026	5,143
NET CLAIMS PAID	(17,647)	(19,789)
Changes in outstanding claims	(7,441)	4,377
Changes in reinsurers' share of outstanding claims	9,368	(2,601)
Changes in claims incurred but not reported, net	1,622	5,304
Changes in other technical reserves	405	155
NET CLAIMS INCURRED	(13,693)	(12,554)
Policy acquisition costs	(4,795)	(4,812)
Other underwriting expenses	(257)	(363)
TOTAL UNDERWRITING COSTS AND EXPENSES	(18,745)	(17,729)
NET UNDERWRITING INCOME	13,254	18,132
OTHER OPERATING (EXPENSES) / INCOME		
Reversal for doubtful debts	5	591
General and administrative expenses	(14,620)	(15,307)
Investment income on term deposits	2,597	3,026
Investment income on bonds and sukuk	1,068	696
Other income	719	--
TOTAL OTHER OPERATING EXPENSES	(9,645)	(9,682)
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	3,609	8,450
ZAKAT CHARGE FOR THE PERIOD	(2,135)	(1,960)
INCOME TAX CHARGE FOR THE PERIOD	(117)	(355)
TOTAL INCOME FOR THE PERIOD AFTER ZAKAT AND INCOME TAX	1,357	6,135
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	15B	(171)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	1,186	5,462
BASIC AND DILUTED EARNINGS PER SHARE(SAR)	0.03	0.14

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.


Khalid Alagany
CEO and Managing Director


Fadi About Hoss
Chief Financial Officer

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH

	SAR '000	
<i>Notes</i>	2020	2019 (Restated)
Total income for the period after zakat and income tax	1,357	6,135
OTHER COMPREHENSIVE INCOME		
<i>-Items that may be reclassified to interim condensed statement of income in subsequent periods</i>		
Change in fair value of available for sale investments	968	1,642
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,325	7,777
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	15C (171)	(673)
NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	2,154	7,104


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH
Unaudited - SAR in '000'

2020	Notes	Share capital	Statutory Reserve	Accumulated profits	Fair value reserve for sale investments	Actuarial reserve for employee benefits	Total Equity
Balance at January 1, 2020 (Audited)		400,000	1,161	4,643	2,168	(264)	407,708
Total comprehensive income for the period	6	--	--	--	968	--	968
Changes in fair values of available for sale investments		--	--	1,186	--	--	1,186
Net income after zakat and income tax for the period attributable to shareholders		--	--	--	--	--	--
Remeasurement of defined benefit liability		--	237	(237)	--	--	--
Transfer to statutory reserve		--	1,398	5,592	3,136	(264)	409,862
Balance at March 31, 2020 (Unaudited)		400,000	1,398	5,592	3,136	(264)	409,862
2019							
Balance at January 1, 2019 - Audited (Restated)		400,000	--	(9,215)	(1,669)	(457)	388,659
Total comprehensive income for the period		--	--	--	1,642	--	1,642
Changes in fair values of available for sale investments		--	--	5,462	--	--	5,462
Net income after zakat and income tax for the period attributable to shareholders		--	--	--	--	--	--
Remeasurement of defined benefit liability		--	--	--	--	--	--
Transfer to statutory reserve		--	--	--	--	--	--
Balance at March 31, 2019 - (Unaudited) (Restated)		400,000	--	(3,753)	(27)	(457)	395,763

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.


Khalid Allagany
CEO and Managing Director


Fadi About Hoss
Chief Financial Officer

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH

	SAR '000	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Total Income for the period before Zakat & Income Tax	3,609	8,450
Adjustments for non-cash items:		
Depreciation of property and equipment	361	111
Amortization of investments	100	(19)
Reversal of provisions for doubtful debts	(591)	(1,903)
Provision for end-of-service indemnities	494	400
	3,973	7,039
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	835	10,956
Reinsurers' share of unearned premiums	(521)	3,764
Reinsurers' share of outstanding claims	(9,368)	2,601
Reinsurers' share of claims Incurred but not reported	1,242	(997)
Deferred policy acquisition costs	(828)	(3,112)
Deferred excess of loss premiums	(2,863)	(3,201)
Due from related parties	--	630
Prepaid expenses and other assets	(1,993)	(1,614)
Accounts payables	(250)	(1,251)
Accrued expenses and other liabilities	780	239
Reinsurers' balances payable	(15,043)	21,481
Unearned premiums	(5,787)	5,081
Unearned reinsurance commission	(120)	1,718
Outstanding claims reserve	7,441	(4,377)
Claims incurred but not reported	(2,864)	(4,307)
Other technical reserves	(405)	(155)
Due to related parties	435	478
	(25,336)	34,973
End-of-service indemnities paid	(56)	(720)
Surplus paid to policy holders	(65)	(13)
Net cash (used in) / generated from operating activities	(25,457)	34,240
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals / (Additions) in investments, net	15,600	(35,965)
Disposals in term deposits, net	49,629	17,571
Additions in property and equipment	(1,314)	(560)
Net cash generated from / (used in) from investing activities	63,915	(18,954)
Net change in cash and cash equivalents	38,458	15,286
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	14,219	54,976
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	52,677	70,262
NON-CASH INFORMATION		
Change in fair value of available for sale investments	968	1,642


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company ("the Company" or "Al Alamiya") is a Saudi Joint Stock Company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939). The registered address of the Company's head office is as follows:

Al Alamiya for cooperative insurance company
Prince Mohammed bin Abdul Aziz Road,
Home Centre Building, P.O. Box: 6393,
Riyadh 11442, Kingdom of Saudi Arabia

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from Saudi Arabian Monetary Authority (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

2. BASIS OF PREPERATION

(a) Basis of presentation

The interim condensed financial information of the Company as at and for the three month period ended 31 March 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 the Saudi Organization of Certified Public Accountants (SOCPA).

The interim condensed financial statements as at and for the three month period ended 31 March 2019 were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS"), as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligned with the IFRS and its interpretations as issued by the International Accounting Standards Board (IASB) and as endorsed in the Kingdom of Saudi Arabia (collectively referred to as IFRS as endorsed in KSA).

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3) and the effects of this change are disclosed in note 12 to the interim condensed financial statements.

The interim condensed financial statement are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments end of service at present value. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, term deposits, premiums and reinsurers' receivable, net, reinsurance share of unearned premiums, reinsurance share of outstanding claims, deferred policy acquisition costs, deferred excess of loss premiums, prepaid expenses and other assets and investments with the exception of available for sale investments in insurance operations. The following balances would generally be classified as non-current property and equipment, intangible, statutory deposit, accrued income on statutory deposit and available for sale investments in insurance operations.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

2. BASIS OF PREPERATION (CONTINUED)

(a) Basis of presentation (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the interim condensed financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts.

The interim condensed statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 15 of the interim condensed financial statement have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders Operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 15 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and 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. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Accumulated Surplus in the statement of financial position and as Actuarial reserve for employee benefits in the statement of equity.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% is to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Authority (SAMA). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The interim condensed financial information do not include all of the information required for full annual financial information and should be read in conjunction with the annual financial information as of and for the year ended December 31, 2019.

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

(b) Critical accounting judgments, estimates and assumptions

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

In preparing these interim condensed financial statement, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that were applied to the annual financial statement as at and for the year ended 31 December 2019. Further, the Company has considered the following:

- 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 where the Company operates and its consequential disruption to the social and economic activities, 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.
- Also refer to subsequent event and impact of Covid-19 note 17 in relation to SAMA circular 189 issued on 8 May 2020 in response to the COVID-19 pandemic.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

2. BASIS OF PREPERATION (CONTINUED)

(c) Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019. Financial statements are consistent with those used in the preparation of the unaudited interim condensed financial statements as at and for the period ended 31 March 2019 except for the changes described below:

Change in the accounting for zakat and income tax:

As mentioned above, the basis of preparation changed after the period ended 31 March 2019 as a result of the issuance of instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no. 381000074519 dated 11 April 2017. With the instructions issued by SAMA dated 23 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 12 to the interim condensed financial statements. The change has resulted in reduction of reported income of the Company for the period ended 31 March 2019 by SAR 2.31 million. The change has had no impact on the statement of cash flows for the period ended 31 March 2019.

Standards issued but not yet effective

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

i) *IFRS 9 Financial Instruments*

This standard was published on July 24, 2014 to replace 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, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- ii) 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 would be recycled through profit or loss upon sale, if both conditions are met:

- i) 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;
- ii) the contractual terms of cash flows are SPPI.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IFRS 9 Financial Instruments (continued)

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.

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.

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.

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 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:

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - a) the effective date of a new insurance contract standard; or
 - b) 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 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
- 2) 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 preliminary assessment which included below:

- (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 interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) *IFRS 9 Financial Instruments (continued)* Impact assessment

The Company is currently assessing the impact of the application and implementation of IFRS 9. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

As at March 31, 2020, the Company has total financial assets and insurance related assets amounting to SR 586 million and SR 161 million, respectively. Financial assets mainly represent investments held at amortized cost which consist of cash and cash equivalents, term deposits and accrued income on term deposits amounting to SR 441 million (2019: SR 452 million). Other financial assets consist of available for sale investments and accrued income on such investments amounting to SR 145 million (2019: SR 159 million). However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. The Company is currently assessing the impact on application and implementation of IFRS 9, however, the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9.

ii) *IFRS 17 Insurance Contracts*

Overview

This standard was published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- i) embedded derivatives, if they meet certain specified criteria;
- ii) distinct investment components; and
- iii) any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model (GMM) is based on the following “building blocks”:

- a) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) IFRS 17 Insurance Contracts (continued)

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to adjustment under GMM, the CSM is also adjusted for:

- i) the entity's share of the changes in the fair value of underlying items;
- ii) the effect of changes in the time value of money and in financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance and investment contracts with discretionary participating features, if applicable together with amendments to presentation and disclosures.

Impact assessment:

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key gaps, and their impact are as follows:

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) IFRS 17 Insurance Contracts (continued)

Impact Area	Summary of Impact
<i>Initial recognition</i>	For insurance contracts issued, the initial recognition date is the earliest of the (1) premium due date, or where there is no due date specified, the date of receipt (2) the date the group of contracts is deemed to be onerous, (3) the date the group of contracts incepts. A formal process needs to be implemented to identify onerous contracts prior to inception.
<i>Product assessment</i>	The need for the BBA (Building Block Approach) depends on the business mix and any changes in the business mix in future and would require a substantial effort to implement. There are currently no plans for material change in business mix. Therefore, it is unlikely that Al Alamiya will require integrated BBA functionality.
<i>Level of aggregation</i>	Portfolios will need to be disaggregated into annual cohorts and classified (in groups) as either onerous or profitable, with no significant risk of becoming onerous or profitable, with significant possibility of becoming onerous (remaining contracts), on initial recognition Al Alamiya will need a process for the identification and monitoring of onerous contracts over time. Insurance and reinsurance contracts grouping needs to be reengineered in accordance with the aggregation criteria defined in IFRS 17.
<i>Best Estimate Liabilities ("BEL"):</i>	"BEL" calculations will be required under IFRS 17 which needs a different level of granularity, depending on Al Alamiya's IFRS 17 level of aggregation. Some of the inputs of "BEL" calculation will need improved data flows compared to current standards particularly around expense allocation.
<i>Premium Allocation Approach Liability For Remaining Coverage ("PAA LFRC")</i>	Premium receipt data, coming from the Treasury system, is not readily linked to the core insurance system at the level of aggregation required under IFRS 17 (i.e. "Analyst" class) which is an important element of LFRC calculation under the IFRS 17 requirement.
<i>Discounting</i>	If Al Alamiya elects to discount its LFIC, then new functionality and new processes will be required to perform the necessary calculations. Cash-flows and yield curves need to be stored at the required level of aggregation. More complex functionality will be required if OCI is used.
<i>Risk Adjustment</i>	Al Alamiya will need to calculate an explicit Risk Adjustment in accordance with the IFRS 17 requirements, ensuring that it is available at the required level of aggregation. Further, the Risk Adjustment and resulting confidence level will need to be disclosed in the financial statements. Currently Al Alamiya does not calculate anything similar to the Risk Adjustment and there is no existing methodology.
<i>Contractual Service Margin ("CSM")</i>	Financial impact assessment to assess PAA qualification of Al Alamiya is currently being carried out and if required to use BBA approach, the CSM would be required. Use of BBA and requirement of CSM depend on Al Alamiya's business mix and would require substantial effort to implement.
<i>Reinsurance contracts held</i>	Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Al Alamiya will need to ensure that all the measurement principles mentioned above are also assessed for its reinsurance held and that presentation and disclosure and transition requirements are met. Systems and processes will need to be developed to account for them appropriately
<i>Presentation and Disclosure</i>	IFRS 17 will fundamentally change the presentation of the primary financial statements and many of the notes and will result in a number of additional detailed disclosure requirements. This will be the case, in particular, for the requirements. New analysis/reports, disaggregation in the chart of accounts, level of aggregation, and system capability requires amendment to present and disclose information in line with the requirements of IFRS 17.
<i>Financial Impact</i>	Work is in progress to calculate the Financial impact of IFRS 17 in comparison to IFRS 4.
<i>Data Impact</i>	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held break down into risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17).
<i>IT Systems Impact</i>	Assessment is being done of existing systems capabilities for IFRS 17 calculations and user requirements specification needs to be anticipated prior to the setup and configuration of the new IT platform, storage and reporting and whether new systems/calculation engines should be implemented. Calculation engine is expected to be able to deliver the IFRS 17 required calculations, such as discounting (with OCI) and the LFRC. Therefore, Al Alamiya need to have the required data and assumptions to feed the calculation engine.

The Company has started its implementation process and has set up a project team, supervised by a steering committee.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

SAR'000	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Bank balances and cash – Insurance operations	25,995	13,312
Bank balances and cash – Shareholders' operations	26,682	907
Total	52,677	14,219
Cash and cash equivalents in statement of cashflows	52,677	14,219
Deposits against letters of guarantee – Insurance operations	700	700
Total	53,377	14,919

The Company holds an amount of SAR 0.7 million (31 December 2019: SAR 0.7 million) as letters of guarantee in favor of the Company's service providers.

5. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

SAR'000	Insurance operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Policyholders	8,366	15,494
Brokers and agents	21,345	16,193
Related parties (note 11)	14,425	9,815
Receivables from reinsurers	9,166	12,635
	53,302	54,137
Provision for doubtful receivables	(9,439)	(10,030)
Premiums and reinsurers' receivable – net	43,863	44,107

Allowance for impairment of receivables includes SAR 0.14 million (31 December 2019: SAR Nil) against receivables from related parties.

Movement in provision for doubtful receivables:

SAR '000	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at 1 January	10,030	16,857
Reversals of provision for the period / year	(591)	(6,827)
Closing balance	9,439	10,030

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three month period ended March 31, 2020

6. INVESTMENTS

Investments are classified as follows:

SAR'000	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	141,195	155,927
Total available for sale investments	143,118	157,850

* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment between the period ended 31 March 2020 and during the year ended 31 December 2019.

Movement in the investment balance for shareholders' operations is as follows:

SAR'000	Shareholders' operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Opening balance	155,927	91,059
Purchases	--	61,105
Maturities	(15,600)	--
Amortization of investments	(100)	(74)
Changes in fair value of investments	968	3,837
Closing balance	141,195	155,927

The geographical split of investments held as available for sale comprise of sukuks/bonds issued by Government of Kingdom of Saudi Arabia and GCC (Gulf Cooperation Council) based companies through international stock exchanges.

These investments include Bonds and Sukuks amounting to SAR 13.5 million which are maturing in the next twelve months.

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 3.14 million (31 December 2019: SR 2.17 million) is presented within the equity in the statement of interim condensed financial position.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

7. TECHNICAL RESERVES

7.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Outstanding claims	119,351	109,275
Less: Realizable value of salvage and subrogation	(29,595)	(26,960)
- Outstanding claims reserve	89,756	82,315
- Claims incurred but not reported	33,711	36,575
- Other technical reserves	4,382	4,787
	127,849	123,677
Less:		
- Reinsurers' share of outstanding claims	(60,167)	(50,799)
- Reinsurers' share of claims Incurred but not reported	(7,936)	(9,178)
	(68,103)	(59,977)
Net outstanding claims and reserves	59,746	63,700

7.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SAR'000	Three months ended March 31, 2020 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	73,610	(41,006)	32,604
Premium written during the period	52,099	*(36,279)	15,820
Premium earned during the period	(57,886)	32,895	(24,991)
Balance as at the end of the period	67,823	** (44,390)	23,433

* This amount includes SR 32.1 million for reinsurance premium ceded abroad, SR 0.1 million for reinsurance premium ceded locally and SR 3.7 million for excess of loss expenses ceded abroad, and SR 0.2 million for excess of loss expenses ceded locally.

**This amount includes SR 41.5 million for Reinsurers' share of unearned premiums and SR 2.9 million for Deferred excess of loss premiums.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

7.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)

SAR'000	Year ended December 31, 2019		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	112,473	(56,537)	55,936
Premium written during the year	219,941	*(117,532)	102,409
Premium earned during the year	(258,804)	133,063	(125,741)
Balance as at the end of the year	73,610	(41,006)	32,604

* This amount includes SR 111 million for reinsurance premium ceded abroad, SR 2.2 million for reinsurance premium ceded locally and SR 4.2 million for excess of loss expenses ceded abroad and, SR 0.2 million ceded locally.

8. COMMITMENTS AND CONTINGENCIES

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

SAR'000	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Letters of guarantee	700	700
Commitments for the rents	431	346
Total	1,131	1,046

b) The Company is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed financial information.

Determination of fair value and fair value hierarchy

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

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

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

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three month period ended March 31, 2020

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

SAR'000s March 31, 2020 (Unaudited) Available for sale investments measured at fair value <u>Shareholders' operations</u>	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Bonds and Sukuks	141,195	141,195	--	--	141,195
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	143,118	141,195	--	1,923	143,118

SAR'000s December 31, 2019 (Audited) Available for sale investments measured at fair value <u>Shareholders' operations</u>	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Bonds and Sukuks	155,927	155,927	--	--	155,927
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	157,850	155,927	--	1,923	157,850

The unlisted security of SR 1.92 million (31 December 2019: SR 1.92 million) held as part of Company's insurance operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the three month period ended 31 March 2020, there were no transfers into or out of level 3 fair value measurements. Further, there were no transfers from Level 1 to Level 2 during the three month period ended 31 March 2020.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

10. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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

Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2019.

Segment assets do not include (in respect of insurance operations) property and equipment, term deposits, investments, due from shareholders' operations, cash and cash equivalents, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralized basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, Reinsurers balances payable, accrued expenses and other liabilities, due to related parties, zakat and income tax, accrued commission income payable to SAMA and due from insurance operations. Accordingly, these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralized basis.

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

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

10. OPERATING SEGMENTS (CONTINUED)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at March 31, 2020 and December 31, 2019, its total revenues, expenses, and net income for the three month periods then ended, are as follows:

As at March 31, 2020 (Unaudited)										
Operating segments	Insurance operations							Shareholders' operations	Total	
	Property	Motor	Engineering	Medical	Marine	Group life	Others			Total - Insurance operations
Assets										
Reinsurers' share of unearned premiums	31,100	874	5,742	265	2,804	1,409	2,196	44,390	44,390	
Reinsurers' share of outstanding claims	13,707	2,082	3,171	54	2,100	36,780	2,273	60,167	60,167	
Reinsurers' share of claims Incurred but not reported	465	---	1,062	1,485	50	4,535	339	7,936	7,936	
Deferred policy acquisition costs	1,950	1,489	730	---	222	239	357	4,987	4,987	
Unallocated assets	---	---	---	---	---	---	---	291,623	465,629	
Total assets	47,222	4,445	10,705	1,804	5,176	42,963	5,165	409,103	874,732	
Outstanding claim reserve	16,197	13,373	4,104	112	4,547	48,099	3,324	89,756	89,756	
Claims incurred but not reported	530	23,624	1,284	1,937	(126)	5,838	624	33,711	33,711	
Other technical reserves	1,609	2,215	122	20	---	87	329	4,382	4,382	
Unearned premiums	33,372	17,978	6,695	379	2,643	1,787	4,969	67,823	67,823	
Unearned reinsurance commission	3,403	---	541	---	607	---	(311)	4,240	4,240	
Unallocated liabilities	---	---	---	---	---	---	---	209,191	465,629	
Total liabilities, insurance operations' surplus and equity	55,111	57,190	12,746	2,448	7,671	55,811	8,935	409,103	874,732	

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

10. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2019 (Audited)

Operating segments	Insurance operations							Shareholders' operations	Total	
	Property	Motor	Engineering	Medical	Marine	Group life	Others			Total - Insurance operations
Assets										
Reinsurers' share of unearned premiums	31,320	--	3,621	678	1,772	501	3,114	41,006	--	41,006
Reinsurers' share of outstanding claims	9,072	2,082	1,959	1	2,834	32,629	2,222	50,799	--	50,799
Reinsurers' share of claims Incurred but not reported	27	--	101	3,115	331	5,255	349	9,178	--	9,178
Deferred policy acquisition costs	869	2,295	214	--	341	109	331	4,159	--	4,159
Unallocated assets	--	--	--	--	--	--	--	317,253	461,490	778,743
Total assets	41,288	4,377	5,895	3,794	5,278	38,494	6,016	422,395	461,490	883,885
Liabilities and equity										
Outstanding claim reserve	10,903	17,080	2,842	52	5,271	42,872	3,295	82,315	--	82,315
Claims incurred but not reported	18	25,375	172	3,763	79	6,796	372	36,575	--	36,575
Other technical reserves	1,161	3,434	--	9	183	--	--	4,787	--	4,787
Unearned premiums	32,525	26,799	4,027	967	2,227	811	6,254	73,610	--	73,610
Unearned reinsurance commission	2,797	--	905	--	687	1	(30)	4,360	--	4,360
Unallocated liabilities	--	--	--	--	--	--	--	220,748	461,490	682,238
Total Liabilities, Insurance operations' surplus and equity	47,404	72,688	7,946	4,791	8,447	50,480	9,891	422,395	461,490	883,885

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

10. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended March 31, 2020 - (Unaudited)					
	Property	Motor	Engineering	Medical	Marine	Group Life
REVENUES						
Gross premiums written	19,059	8,446	6,999	(38)	2,643	13,046
Reinsurance premiums ceded	(16,066)	--	(5,423)	25	(2,191)	(8,696)
Excess of loss premium	(610)	(1,242)	(188)	--	(737)	(750)
Net premiums written	2,383	7,204	1,388	(13)	(285)	3,600
Changes in unearned premiums, net	(1,066)	9,695	(546)	174	616	(67)
Net premiums earned	1,317	16,899	842	161	331	3,533
Reinsurance commissions	2,432	--	1,239	--	2,574	484
TOTAL REVENUES	3,749	16,899	2,081	161	2,905	4,017
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(226)	(16,566)	(199)	(5,364)	(698)	(522)
Reinsurers' share of claims paid	176	--	188	4,783	482	392
Net claims paid	(50)	(16,566)	(11)	(581)	(216)	(130)
Changes in outstanding claims, IBNR & technical reserves	(1,220)	6,678	(323)	178	97	(921)
Net claims incurred	(1,270)	(9,888)	(334)	(403)	(119)	(1,051)
Policy acquisition costs	(1,064)	(1,704)	(286)	--	(341)	(1,209)
Other underwriting expenses						
TOTAL UNDERWRITING COSTS AND EXPENSES						
NET UNDERWRITING INCOME						
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal for doubtful debts						
General and administrative expenses						
Investment income on term deposits						
Investment income on bonds, sukuk and others						
Other income						
TOTAL OTHER OPERATING EXPENSES						
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX						
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS						
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'						

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three month period ended March 31, 2020

	For the three months ended March 31, 2019 - (Unaudited)					
Operating segments	Property	Motor	Engineering	Medical	Marine	Group Life
	SAR'000					
						Total
REVENUES						
Gross premiums written	16,131	34,698	6,945	658	2,706	8,354
Reinsurance premiums ceded	(14,302)	--	(5,451)	(615)	(2,054)	(5,066)
Excess of loss premium	(878)	(1,758)	(434)	--	(812)	(691)
Net premiums written	951	32,940	1,060	43	(160)	2,597
Changes in unearned premiums, net	2,716	(10,217)	(273)	831	1,003	495
Net premiums earned	3,667	22,723	787	874	843	3,092
Reinsurance commissions	1,351	--	886	--	241	70
TOTAL REVENUES	5,018	22,723	1,673	874	1,084	2,947
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(140)	(17,759)	(811)	(818)	(2,162)	(2,685)
Reinsurers' share of claims paid	82	--	711	352	2,038	1,976
Net claims paid	(58)	(17,759)	(100)	(466)	(124)	(709)
Changes in outstanding claims, IBNR & technical reserves	(573)	8,237	257	(402)	(286)	(357)
Net claims incurred	(631)	(9,522)	157	(868)	(410)	(1,066)
Policy acquisition costs	(956)	(2,100)	(579)	1	8	(1,018)
Other underwriting expenses	--	--	--	--	--	--
TOTAL UNDERWRITING COSTS AND EXPENSES	--	--	--	--	--	--
NET UNDERWRITING INCOME						18,132
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts						1,903
General and administrative expenses						(15,307)
Investment income on term deposits						3,026
Other investment income						696
TOTAL OTHER OPERATING EXPENSES						(9,682)
TOTAL INCOME FOR THE PERIOD						8,450
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS						(673)
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'						7,777

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

10. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

For the three months ended March 31, 2020 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	(14)	783	24,975	12,959	38,703
Medium	(24)	4,870	3,463	87	8,396
Micro	--	--	--	--	--
Small	--	675	1,778	--	2,453
Individual	--	2,118	429	--	2,547
	(38)	8,446	30,645	13,046	52,099

For the three months ended March 31, 2019 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	--	3,424	671	--	4,095
Medium	(3,489)	28,618	21,641	8,211	54,981
Micro	1,869	1,941	3,669	143	7,622
Small	15	--	20	--	35
Individual	2,263	715	1,801	--	4,779
	658	34,698	27,802	8,354	71,512

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Transactions for the three month period ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	SAR' 000	
Gross premiums written	12,707	20,067
Gross claims paid	9,325	12,357
Brokerage commission paid	1,200	924
Reinsurance premium ceded	9,925	8,194
Reinsurance share of gross claim paid	282	594
Reinsurance commission income	3,593	2,552
Investment income on term deposits	1,104	1,494
Technical service charges	1,763	1,908
Brand fees	30	8
Operational expenses paid on behalf of affiliates and reinsurance placements	3	24
Operational expenses paid by affiliates on behalf of Company	(439)	(819)
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Balance receivable / (payable) as at	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Bank balances	15,620	1,008
Term deposits	156,745	171,523
Statutory deposit	44,151	44,151
Accrued interest receivable	3,772	2,974
Premium receivable	14,425	9,815
Reinsurance balance payable	(2,662)	(6,405)
Accrued expenses and other liabilities	(11,141)	(9,692)
Reinsurance share of gross outstanding claims	7,322	2,914
Gross outstanding claim	(56,495)	(53,351)
Due from related parties	69	69
Due to related parties	(2,223)	(1,788)

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

	Transactions for the three month period ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	1,843	1,864
End of service indemnities	94	96
	1,937	1,960

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

12. ZAKAT AND INCOME TAX

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

As at and for the three month period ended 31 March 2019:

Financial statement impacted	Account	Before the restatement for the three-month period ended 31 March 2019	Effect of restatement	As restated as at and for the three-month period ended 31 March 2019
SAR ('000')				
Statement of changes in equity	Provision for Zakat and Income tax (retained earnings)	2,197	2,197	--
Statement of income	Zakat and Income tax expenses	--	(2,315)	(2,315)
Statement of income	Earnings per share	0.19	(0.06)	0.13
Statement of financial position	Deferred tax asset	--	1,503	1,503

As at 1 January 2019

Financial statement impacted	Account	Before the restatement as at 1 January 2019	Effect of restatement	As restated as at 1 January 2019
SAR ('000')				
Statement of financial position	Deferred tax asset	--	1,621	1,621
Statement of financial position	Retained earnings	--	1,621	1,621

Status of assessments

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax.

The Company has submitted its zakat and tax returns up to the period / years ended 31 December 2018 and obtained the required certificates and acknowledgements. General Authority of Zakat and Tax (GAZT) has raised final assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million respectively. The Company has submitted an appeal against the GAZT's assessments and GAZT's review is awaited.

The zakat and tax charge for the three-month period ended are as follows:

	31 March 2020 (Unaudited) SAR ('000')	31 December 2019 (Audited) SAR ('000')
Charge for zakat for the period / year	2,135	7,486
Charge for income tax for the period / year	131	597
Reversal/ Charge for deferred tax for the period / year	(14)	557
	117	1,154
Zakat and tax provision at the end of period / year	2,252	8,640

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

12. ZAKAT AND INCOME TAX (CONTINUED)

Deferred Tax

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
	SAR ('000')		
Opening deferred tax asset	1,064	1,621	1,621
Deferred tax income / (expense)	14	(557)	(118)
Closing deferred tax asset	1,078	1,064	1,503

	Three-month period ended 31 March 2020 (Unaudited)	Year ended 31 December 2019 (Audited)	Three-month period ended 31 March 2019 (Unaudited)
	SAR ('000')		
Opening zakat, income tax liability and deferred tax Asset	43,203	36,532	36,532
Charge for the period / year			
Current charge for zakat tax for the period / year	2,135	7,486	1,960
Current charge for income tax for the period / year	131	597	237
Deferred tax (income) / expense for the period / year	(14)	557	118
Settled during the period / year	--	(1,969)	--
Closing zakat, income tax liability and deferred tax asset	45,455	43,203	38,847

13. SHARE CAPITAL

The authorized and paid up share capital of the Company is SAR 400 million divided into 40 million shares of SAR 10 each (31 December 2019: SAR 400 million divided into 40 million shares of SAR 10 each).

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

	March 31, 2020 (Unaudited)	
	No. of Shares '000	Authorized, issued and paid up capital SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000
	December 31, 2019 (Audited)	
	No. of Shares '000	Authorized, issued and paid up capital SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

14. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per SAMA Implementing Regulations.

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

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 199% to 198%. 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.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

15. SUPPLEMENTARY INFORMATION

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	March 31, 2020 - (Unaudited)			December 31, 2019 – (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	26,695	26,682	53,377	14,012	907	14,919
Term deposits	208,441	173,695	382,136	248,869	182,896	431,765
Premiums and reinsurers' receivable, net	43,863	--	43,863	44,107	--	44,107
Reinsurers' share of unearned premiums	41,527	--	41,527	41,006	--	41,006
Deferred excess of loss premiums	2,863	--	2,863	--	--	--
Reinsurers' share of outstanding claims	60,167	--	60,167	50,799	--	50,799
Reinsurers' share of claims Incurred but not reported	7,936	--	7,936	9,178	--	9,178
Deferred policy acquisition costs	4,987	--	4,987	4,159	--	4,159
Investments	1,923	141,195	143,118	1,923	155,927	157,850
Due from related parties	69	--	69	69	--	69
Prepaid expenses and other assets	6,973	5,649	12,622	5,567	5,062	10,629
Deferred tax asset	--	1,078	1,078	--	1,064	1,064
Property and equipment	1,608	--	1,608	1,145	--	1,145
Intangible assets	2,051	--	2,051	1,561	--	1,561
Statutory deposit	--	40,000	40,000	--	40,000	40,000
Accrued commission income on statutory deposit	--	4,151	4,151	--	4,151	4,151
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	409,103	392,450	801,553	422,395	390,007	812,402
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from shareholders' / insurance operations	--	73,179	73,179	--	71,483	71,483
TOTAL ASSETS	409,103	465,629	874,732	422,395	461,490	883,885

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	SAR '000					
	March 31, 2020 - (Unaudited)			December 31, 2019 – (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Outstanding claims reserve	89,756	--	89,756	82,315	--	82,315
Claims incurred but not reported	33,711	--	33,711	36,575	--	36,575
Other technical reserves	4,382	--	4,382	4,787	--	4,787
Accrued expenses and other liabilities	32,267	4,406	36,673	31,206	4,687	35,893
Reinsurers' balances payable	66,377	--	66,377	81,420	--	81,420
Unearned premiums	67,823	--	67,823	73,610	--	73,610
Accounts payables	14,810	--	14,810	15,060	--	15,060
Unearned reinsurance commission	4,240	--	4,240	4,360	--	4,360
Due to related parties	1,810	413	2,223	1,375	413	1,788
End-of-service indemnities	11,054	--	11,054	10,616	--	10,616
Zakat and income tax	--	46,533	46,533	--	44,267	44,267
Accrued commission income payable to SAMA	--	4,151	4,151	--	4,151	4,151
Accumulated surplus	9,958	--	9,958	9,852	--	9,852
TOTAL LIABILITIES	336,188	55,503	391,691	351,176	53,518	404,694
EQUITY						
Share capital	--	400,000	400,000	--	400,000	400,000
Statutory reserve	--	1,398	1,398	--	1,161	1,161
Accumulated profits	--	5,592	5,592	--	4,643	4,643
Fair value reserve for available for sale investments	--	3,136	3,136	--	2,168	2,168
Actuarial reserve for employee benefits	(264)	--	(264)	(264)	--	(264)
TOTAL EQUITY	(264)	410,126	409,862	(264)	407,972	407,708
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	335,924	465,629	801,553	350,912	461,490	812,402
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to shareholders operations	73,179	--	73,179	71,483	--	71,483
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	409,103	465,629	874,732	422,395	461,490	883,885

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the three month period ended March 31					
	2020 - (Unaudited)			2019 - (Unaudited)		
				Restated		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
- Direct	51,767	--	51,767	71,083	--	71,083
- Reinsurance	332	--	332	429	--	429
	52,099	--	52,099	71,512	--	71,512
Reinsurance premiums ceded	(32,383)	--	(32,383)	(27,605)	--	(27,605)
Excess of loss expenses	(3,896)	--	(3,896)	(4,805)	--	(4,805)
Net premiums written	15,820	--	15,820	39,102	--	39,102
Changes in unearned premiums	5,787	--	5,787	(5,081)	--	(5,081)
Changes in reinsurers' share of unearned premiums	521	--	521	(3,764)	--	(3,764)
Changes in deferred excess of loss premiums	2,863	--	2,863	3,201	--	3,201
Net premiums earned	24,991	--	24,991	33,458	--	33,458
Reinsurance commissions	7,008	--	7,008	2,403	--	2,403
TOTAL REVENUES	31,999	--	31,999	35,861	--	35,861
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(23,673)	--	(23,673)	(24,932)	--	(24,932)
Reinsurers' share of claims paid	6,026	--	6,026	5,143	--	5,143
Net claims paid	(17,647)	--	(17,647)	(19,789)	--	(19,789)
Changes in outstanding claims	(7,441)	--	(7,441)	4,377	--	4,377
Changes in reinsurers' share of outstanding claims	9,368	--	9,368	(2,601)	--	(2,601)
Changes in claims incurred but not reported, net	1,622	--	1,622	5,304	--	5,304
Changes in other technical reserves	405	--	405	155	--	155
Net claims incurred	(13,693)	--	(13,693)	(12,554)	--	(12,554)
Policy acquisition costs	(4,795)	--	(4,795)	(4,812)	--	(4,812)
Other underwriting expenses	(257)	--	(257)	(363)	--	(363)
TOTAL UNDERWRITING COSTS AND EXPENSES	(18,745)	--	(18,745)	(17,729)	--	(17,729)
NET UNDERWRITING INCOME	13,254	--	13,254	18,132	--	18,132

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended March 31					
	2020 - (Unaudited)			2019 - (Unaudited)		
				Restated		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal for doubtful debts	591	--	591	1,903	--	1,903
General and administrative expenses	(14,256)	(364)	(14,620)	(14,923)	(384)	(15,307)
Investment income on term deposits	1,395	1,202	2,597	1,618	1,408	3,026
Investment income on bonds and sukuku	--	1,068	1,068	--	696	696
Other income	719	--	719	--	--	--
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(11,551)	1,906	(9,645)	(11,402)	1,720	(9,682)
TOTAL INCOME FOR THE PERIOD	1,703	1,906	3,609	6,730	1,720	8,450
Total income for the period attributed to the insurance operations	(171)	--	(171)	(673)	--	(673)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(1,532)	1,532	--	(6,057)	6,057	--
TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	3,438	3,438	--	7,777	7,777
ZAKAT CHARGE FOR THE PERIOD	--	(2,135)	(2,135)	--	(1,960)	(1,960)
TAX CHARGE FOR THE PERIOD	--	(117)	(117)	--	(355)	(355)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	1,186	1,186	--	5,462	5,462
Earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	0.03	0.03	--	0.14	0.14

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the three month period ended March 31					
	2020 - (Unaudited)			2019 - (Unaudited)		
				(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total income for the period						
Other comprehensive loss	171	1,186	1,357	673	5,462	6,135
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	968	968	--	1,642	1,642
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	171	2,154	2,325	673	7,104	7,777
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'	(171)	--	(171)	(673)	--	(673)
NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	--	2,154	2,154	--	7,104	7,104

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

D) INTERIM CONDENSED STATEMENT OF CASH FLOWS

SAR'000

	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	----- 2020 - (Unaudited) -----			----- 2019 - (Unaudited) -----		
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the period before Zakat and Income Tax	171	3,438	3,609	673	7,777	8,450
Adjustments for non-cash items:						
Depreciation of property and equipment	361	--	361	111	--	111
Amortization of investments	--	100	100	--	(19)	(19)
Reversal for provisions for doubtful debts	(591)	--	(591)	(1,903)	--	(1,903)
Provision for end-of-service indemnities	494	--	494	400	--	400
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' receivable	835	--	835	10,956	--	10,956
Reinsurers' share of unearned premiums	(521)	--	(521)	3,764	--	3,764
Reinsurers' share of outstanding claims	(9,368)	--	(9,368)	2,601	--	2,601
Reinsurers' share of claims Incurred but not reported	1,242	--	1,242	(997)	--	(997)
Deferred policy acquisition costs	(828)	--	(828)	(3,112)	--	(3,112)
Deferred excess of loss premiums	(2,863)	--	(2,863)	(3,201)	--	(3,201)
Due from related parties	--	--	--	630	--	630
Prepaid expenses and other assets	(1,406)	(587)	(1,993)	(1,275)	(339)	(1,614)
Accounts payables	(250)	--	(250)	(1,251)	--	(1,251)
Accrued and other liabilities	1,061	(281)	780	248	(9)	239
Reinsurers' balances payable	(15,043)	--	(15,043)	21,481	--	21,481
Unearned premiums	(5,787)	--	(5,787)	5,081	--	5,081
Unearned reinsurance commission	(120)	--	(120)	1,718	--	1,718
Outstanding claims reserve	7,441	--	7,441	(4,377)	--	(4,377)
Claims incurred but not reported	(2,864)	--	(2,864)	(4,307)	--	(4,307)
Other technical reserves	(405)	--	(405)	(155)	--	(155)
Due to related parties	435	--	435	478	--	478
	(28,006)	2,670	(25,336)	27,563	7,410	34,973
End-of-service indemnities paid	(56)	--	(56)	(720)	--	(720)
Surplus paid to policy holders	(65)	--	(65)	(13)	--	(13)
Net cash (used in)/generated from operating activities	(28,127)	2,670	(25,457)	26,830	7,410	34,240
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposals/(Additions) in investments, net	--	15,600	15,600	--	(35,965)	(35,965)
Disposals /(Additions) in term deposits, net	40,428	9,201	49,629	(21,563)	39,134	17,571
Additions in property and equipment	(1,314)	--	(1,314)	(560)	--	(560)
Net cash generated / (used in) from investing activities	39,114	24,801	63,915	(22,123)	3,169	(18,954)
Net change in cash and cash equivalents	10,987	27,471	38,458	4,707	10,579	15,286
Cash and cash equivalents, beginning of the period	13,312	907	14,219	12,175	42,801	54,976
Due from/ (to) insurance operations	1,696	(1,696)	--	9,052	(9,052)	--
Cash and cash equivalents, end of the period	25,995	26,682	52,677	25,934	44,328	70,262

16. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to establish a statutory reserve by appropriating 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2020

17. IMPACT OF COVID 19 OUTBREAK AND SUBSEQUENT EVENTS

The outbreak of novel coronavirus ("COVID-19") since early 2020, its spread across mainland China and then globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope; has led to significant disruptions in the retail, travel and hospitality industries, and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Medical technical reserves**

Notwithstanding these challenges, the Company's management believes that the technical reserves for medical line of business remain largely unaffected as the insurance industry is facilitated by the Saudi Arabian Government initiative of bearing all costs associated with Covid-19 pandemic, which include testing and treatment cost. Moreover, there is a general decrease in trend in medical claims which are of routine nature. Furthermore, the industry has not experienced significantly high number of reported claims and therefore has helped the Company to sustain the profitability. Based on these factors, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three-month period ended 31 March 2020. The Company's management continues to monitor the situation closely.

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. 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 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-month period ended 31 March 2020. The Company's management continues to monitor the situation closely.

- **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 sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Foods
- Airlines
- Freight companies
- Hotels
- Retail
- Construction
- Entertainment
- Tourism

- **Liquidity Risk**

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.

- **Subsequent events**

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. Among various other matters relating to the insurance sector, the Decree instructs all the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this Decree and allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. This shall have an impact on unearned premium reserve amounting to SR 0.55 million. The management believes that such requirements of the Decree are a non-adjusting event and therefore the interim condensed financial statements have not been adjusted.

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board on 16th Shawwal 1441H, corresponding to 8th June 2020.