

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

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

**FOR THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2021**

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

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**INDEPENDENT AUDITORS' REVIEW REPORT ON THE 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 30 September 2021, the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended and interim condensed statements of changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes. 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") that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 30 September 2021 are not prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Hani Hamzah A. Badairi
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04 Rabi' al-Thani 1443H
09 November 2021



Ibrahim Ahmed Al-Bassam & Partners Co. Chartered Accountants Al-Bassam & Partners
is a joint liability company with a paid-up capital of SAR 1,000,000.



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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

		SAR '000	
		September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	Notes		
ASSETS			
Bank balances and cash	4	46,280	23,056
Term deposits	5	421,890	411,015
Premiums and reinsurer' receivable, net	6	53,138	36,052
Reinsurers' share of unearned premiums	8.2	39,216	42,241
Deferred excess of loss premiums	8.2	2,870	--
Reinsurers' share of outstanding claims	8.1	99,860	60,296
Reinsurers' share of claims incurred but not reported	8.1	4,995	3,386
Deferred policy acquisition costs		3,452	2,527
Investments	7	129,048	130,016
Due from related parties	12	--	734
Prepaid expenses and other assets		32,575	11,947
Deferred tax asset	13	1,092	1,072
Property and equipment		2,497	1,413
Intangible assets		3,345	4,029
Statutory deposit		40,000	40,000
Accrued commission income on statutory deposit		5,572	5,297
TOTAL ASSETS		885,830	773,081


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 19 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 30 SEPTEMBER 2021**

		SAR' 000	
		September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>Notes</i>		
LIABILITIES			
Outstanding claims reserve	8.1	123,181	74,096
Claims incurred but not reported	8.1	24,121	26,047
Other technical reserves	8.1	6,497	5,568
Accrued expenses and other liabilities		43,342	37,879
Reinsurers' balances payable		98,906	74,048
Unearned premiums	8.2	108,072	60,932
Accounts payables		3,013	4,569
Unearned reinsurance commission		7,231	7,168
Due to related parties	12	9,899	3,763
End-of-service benefits		11,378	10,713
Zakat and income tax	13	55,906	50,916
Accrued commission income payable to SAMA		5,572	5,297
Accumulated surplus		8,223	8,404
TOTAL LIABILITIES		505,341	369,400
EQUITY			
Share capital	14	400,000	400,000
Statutory reserve	17	1,161	1,161
Accumulated losses		(23,961)	(1,503)
Fair value reserve for available for sale investments	7	3,034	3,768
Actuarial reserve for employee benefits		255	255
TOTAL EQUITY		380,489	403,681
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY		885,830	773,081
COMMITMENTS AND CONTINGENCIES	9	758	851



Khalid Allagany
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Chief Financial Officer

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

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited) FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

	SAR '000			
	For the three month period ended September 30		For the nine month period ended September 30	
<u>Note</u>				
REVENUES				
Gross premiums written				
- Direct	95,105	52,565	202,915	136,039
- Reinsurance	60	110	279	442
	95,165	52,675	203,194	136,481
Reinsurance premiums ceded				
- Local	(405)	(2,238)	(1,869)	(3,772)
- Foreign	(41,600)	(37,501)	(87,827)	(90,578)
	(42,005)	(39,739)	(89,696)	(94,350)
Excess of loss premium				
- Local	--	--	(456)	(195)
- Foreign	--	--	(8,667)	(3,701)
	--	--	(9,123)	(3,896)
Total reinsurance premium ceded	(42,005)	(39,739)	(98,819)	(98,246)
NET PREMIUMS WRITTEN	53,160	12,936	104,375	38,235
Changes in unearned premiums	(30,041)	(4,884)	(41,400)	17,194
Changes in reinsurers' share of unearned premiums	4,443	7,449	(8,765)	382
Changes in deferred excess of loss premiums	(2,088)	(681)	2,870	1,003
NET PREMIUMS EARNED	25,474	14,820	57,080	56,814
Reinsurance commissions	2,430	2,746	11,010	12,490
TOTAL REVENUES	27,904	17,566	68,090	69,304
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(18,951)	(15,711)	(51,547)	(64,100)
Reinsurers' share of claims paid	4,836	6,137	24,389	27,042
NET CLAIMS PAID	(14,115)	(9,574)	(27,158)	(37,058)
Changes in outstanding claims	(37,106)	(6,815)	(49,085)	8,301
Changes in reinsurers' share of outstanding claims	33,797	8,470	39,564	7,730
Changes in claims incurred but not reported, net	(1,081)	6,433	3,536	4,182
Changes in other technical reserves	(2,442)	11	(929)	(1,254)
NET CLAIMS INCURRED	(20,947)	(1,475)	(34,072)	(18,099)
Policy acquisition costs	(3,136)	(3,613)	(7,992)	(11,737)
Other underwriting expenses	(8,380)	(173)	(12,551)	(684)
TOTAL UNDERWRITING COSTS AND EXPENSES	(32,463)	(5,261)	(54,615)	(30,520)
NET UNDERWRITING INCOME	(4,559)	12,305	13,475	38,784
OTHER OPERATING (EXPENSES) / INCOME				
(Charge) / Reversal for doubtful debts	(870)	(879)	1,306	(422)
General and administrative expenses	(12,638)	(13,123)	(39,744)	(42,726)
Investment income on term deposits	721	1,430	1,852	5,994
Investment income on bonds and sukuk	917	918	2,752	2,930
Other income	(934)	1,796	3,821	5,996
TOTAL OTHER OPERATING EXPENSES	(12,804)	(9,858)	(30,013)	(28,228)
TOTAL (LOSS) / INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	(17,363)	2,447	(16,538)	10,556
ZAKAT CHARGE FOR THE PERIOD	(2,287)	(1,404)	(5,940)	(5,780)
INCOME TAX CHARGE FOR THE PERIOD	7	(85)	20	(394)
TOTAL (LOSS) / INCOME FOR THE PERIOD AFTER ZAKAT AND INCOME TAX	(19,643)	958	(22,458)	4,382
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	16B	-	(119)	--
NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(19,643)	839	(22,458)	3,783
BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE(SAR)	(0.49)	0.02	(0.56)	0.09

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.


Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER**

	SAR '000			
	For the three month period ended September 30		For the nine month period ended September 30	
	2021	2020	2021	2020
Total (loss) / income for the period after zakat and income tax	(19,643)	958	(22,458)	4,382
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	(750)	(612)	(734)	1,367
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(20,393)	346	(23,192)	5,749
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	16C	—	(119)	—
NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(20,393)	227	(23,192)	5,150


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

FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

Unaudited - SAR in '000'

2021	Note	Share capital	Statutory Reserve	Accumulated Losses	Fair value reserve for available for sale investments	Actuarial reserve for employees benefits	Total Equity
Balance at January 1, 2021 (Audited)		400,000	1,161	(1,503)	3,768	255	403,681
Total comprehensive income for the period							
Changes in fair values of available for sale investments	7	--	--	--	(734)	--	(734)
Net loss after zakat and income tax for the period attributable to shareholders		--	--	(22,458)	--	--	(22,458)
Balance at September 30, 2021 (Unaudited)		400,000	1,161	(23,961)	3,034	255	380,489

2020		Share capital	Statutory Reserve	Retained Earnings	Fair value reserve for available for sale investments	Actuarial reserve for employees 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							
Changes in fair values of available for sale investments		--	--	--	1,367	--	1,367
Net income after zakat and income tax for the period attributable to shareholders		--	--	3,783	--	--	3,783
Transfer to statutory reserve		--	757	(757)	--	--	--
Balance at September 30, 2020 (Unaudited)		400,000	1,918	7,669	3,535	(264)	412,858



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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER**

SAR '000

2021 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Total (loss) / income for the period before Zakat & Income Tax	(16,538)	10,556
Adjustments for non-cash items:		
Amortization of intangible assets / depreciation of property and equipment	1,974	1,112
Amortization of investments	234	258
(Reversal) / charge of provisions for doubtful debts	(1,306)	422
Provision for end-of-service indemnities	1,314	1,369
	(14,322)	13,717
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	(15,780)	(13,978)
Reinsurers' share of unearned premiums	3,025	(382)
Reinsurers' share of outstanding claims	(39,564)	(7,730)
Reinsurers' share of claims Incurred but not reported	(1,609)	3,893
Deferred policy acquisition costs	(925)	694
Deferred excess of loss premiums	(2,870)	(1,003)
Due from related parties	734	(676)
Prepaid expenses and other assets	(20,628)	(872)
Accrued income on statutory deposits	(275)	(1,146)
Accounts payables	(1,556)	(8,770)
Accrued expenses and other liabilities	5,463	(3,299)
Reinsurers' balances payable	24,858	(5,185)
Unearned premiums	47,140	(17,194)
Unearned reinsurance commission	63	1,536
Outstanding claims reserve	49,085	(8,301)
Claims incurred but not reported	(1,926)	(8,075)
Other technical reserves	929	1,254
Accrued commission income payable to SAMA	275	1,146
Due to related parties	6,136	1,349
	38,253	(53,022)
Zakat & income tax paid	(950)	(953)
End-of-service benefits paid	(649)	(563)
Surplus paid to policy holders	(181)	(1,422)
Net cash generated / (used) in operating activities	36,473	(55,960)


CASH FLOWS FROM INVESTING ACTIVITIES

Disposals in investments, net	—	29,100
Disposals in term deposits, net	(10,875)	30,309
Additions in intangible assets / property and equipment	(2,374)	(3,494)
Net cash (used) / generated from investing activities	(13,249)	55,915

Net change in cash and cash equivalents	23,224	(45)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	22,356	14,219
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	45,580	14,174

NON-CASH INFORMATION

Change in fair value of available for sale investments	(734)	1,367
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The accompanying notes 1 to 19 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 AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

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 the Saudi Central Bank (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 period ended September 30, 2021 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 for Chartered and Professional Accountants (SOCPA).

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments end of service at present value of future obligations using projected unit credit method. 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, due from related parties, 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, available for sale investments in insurance operations, and deferred tax assets.

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 is 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 16 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 16 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

2. BASIS OF PREPERATION (CONTINUED)

(a) Basis of presentation (continued)

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 SAMA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

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 information as of and for the year ended December 31, 2020.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) 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 2020. 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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**

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 2020.

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.

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.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) IFRS 9 Financial Instruments (continued)

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. 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.

Impact assessment

The Company is currently assessing the impact of the 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. 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.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) IFRS 17 Insurance Contracts (continued)

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.

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:

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) IFRS 17 Insurance Contracts (continued)

Measurement (continued)

- 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. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Transition

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 and reinsurance contracts, together with amendments to presentation and disclosures.

Impact assessment:

The Company has recently completed the design phase of IFRS 17 implementation which required developing and designing new processes for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase and status of the progress made so far by the Company:

Impact Area	Summary of Impact
Reinsurance contracts held	Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Detailed assessment has also been performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, company has opted to apply PAA for eligible products.
Financial Impact	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company has assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all of the portfolio are eligible for PAA measurement model.
Data Impact	IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3, in which the data elements were categorized into 16 different datasets, containing all elements required by the engine.
IT Systems Impact	Assessment was performed on 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. Cost estimates were also evaluated along with the cost structures, and it was decided by the IFRS 17 Steering committee to adopt Tagetik at the Company level in KSA.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation Plan	<p>Governance and Control Framework</p> <p>The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders</p> <p>Operational Framework</p> <p>The Company has designed operational aspects of the design phase which included:</p> <ul style="list-style-type: none"> • Establishing comprehensive data policy and data dictionary. • Company obtained the software license of Tagetik to install their calculation engine in line with the Company's group decision and also identified the future state architectural design and the requirements, which need to be embedded in the calculation engine to meet the requirements of IFRS 17. • Finalizing various key processes needed for IFRS 17 transition. • Carrying out assessment of new resources, if any, to be recruited due to Adoption of IFRS 17, and creation of a recruitment plan. <p>Technical and Financial Framework</p> <p>The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions have been taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.</p>
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After the design phase, the company has started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs, and has started the implementation, to come up with IFRS 17 numbers by performing the dry runs, on a timely basis.

4. BANK BALANCES AND CASH

Cash and cash equivalents comprise the following:

SAR'000	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Bank balances and cash – Insurance operations	43,498	20,174
Bank balances and cash – Shareholders' operations	2,082	2,182
Total	45,580	22,356
Cash and cash equivalents in statement of cashflows	45,580	22,356
Deposits against letters of guarantee – Insurance operations*	700	700
Total	46,280	23,056

* The Company holds an amount of SAR 0.7 million (31 December 2020: SAR 0.7 million) as letters of guarantee in favor of the Company's service providers.

5. TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ ratings under Standards and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average of 0.6% per annum (2020: 1.5% per annum).

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6. PREMIUMS AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

SAR'000	Insurance operations	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Policyholders	38,285	21,276
Brokers and agents	16,265	16,656
Related parties (note 12)	5,570	4,958
Receivables from reinsurers	2,820	4,270
	62,940	47,160
Provision for doubtful receivables	(9,802)	(11,108)
Premiums and reinsurers' receivable – net	53,138	36,052

Allowance for impairment of receivables includes SAR 0.21 million (31 December 2020: SAR 0.15 million) against receivables from related parties.

Movement in provision for doubtful receivables:

SAR '000	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at 1 January	11,108	10,030
(Reversals) / charge of provision for the period / year	(1,306)	1,078
Closing balance	9,802	11,108

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7. INVESTMENTS

Investments are classified as follows:

SAR'000	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	127,125	128,093
Total available for sale investments	129,048	130,016

* 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 30 September 2021 and during the year ended 31 December 2020.

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

	Shareholders' operations	
SAR'000	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance	128,093	155,927
Purchases	--	--
Maturities	--	(29,100)
Amortization of investments	(234)	(334)
Changes in fair value of investments	(734)	1,600
Closing balance	127,125	128,093

The geographical split of investments held as available for sale comprise of sukuk/bonds issued by Government of the Kingdom of Saudi Arabia.

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 3.03 million (31 December 2020: SR 3.77 million) is presented within the equity in the statement of interim condensed financial position.

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8. TECHNICAL RESERVES

8.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Outstanding claims	139,780	92,192
Less: Realizable value of salvage and subrogation	(16,599)	(18,096)
- Outstanding claims reserve	123,181	74,096
- Claims incurred but not reported	24,121	26,047
- Other technical reserves	6,497	5,568
	153,799	105,711
Less:		
- Reinsurers' share of outstanding claims	(99,860)	(60,296)
- Reinsurers' share of claims Incurred but not reported	(4,995)	(3,386)
	(104,855)	(63,682)
Net outstanding claims and reserves	48,944	42,029

8.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SAR'000	Nine months ended September 30, 2021 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	60,932	(42,241)	18,691
Premium written during the period	203,194	*(98,819)	104,375
Premium earned during the period	(156,054)	98,974	(57,080)
Balance as at the end of the period	108,072	* * (42,086)	65,986

*This amount includes SR 87.8 million for reinsurance premium ceded abroad, SR 1.9 million for reinsurance premium ceded locally and SR 8.7 million for excess of loss expenses ceded abroad, and SR 0.4 million for excess of loss expenses ceded locally.

**This amount includes SR 39.2 million for Reinsurers' share of unearned premiums and SR 2.9 million for Deferred excess of loss premiums.

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8.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)

SAR'000	Year ended December 31, 2020 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	73,610	(41,006)	32,604
Premium written during the year	191,170	*(137,580)	53,590
Premium earned during the year	(203,848)	136,345	(67,503)
Balance as at the end of the year	60,932	(42,241)	18,691

*This amount includes SR 127.7 million for reinsurance premium ceded abroad, SR 4.7 million for reinsurance premium ceded locally and SR 4.9 million for excess of loss expenses ceded abroad and, SR 0.3 million ceded locally.

9. COMMITMENTS AND CONTINGENCIES

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

SAR'000	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Letters of guarantee	700	700
Commitments for the rents	58	151
Total	758	851

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.

10. 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.

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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 September 30, 2021 (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 Sukuk	127,125	127,125	--	--	127,125
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	129,048	127,125	--	1,923	129,048

SAR'000s December 31, 2020 (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 Sukuk	128,093	128,093	--	--	128,093
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	130,016	128,093	--	1,923	130,016

The unlisted security of SR 1.92 million (December 31, 2020: SR 1.92 million) held as part of the Company's insurance operations, was stated at cost in the absence of active markets or other means of reliably measuring its fair value.

During the period ended September 30, 2021, 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 period ended September 30, 2021.

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11. 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, 2020.

Segment assets do not include (in respect of insurance operations) property and equipment, term deposits, investments, due from shareholders' operations, bank balances and cash, 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.

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11. 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 September 30, 2021 and December 31, 2020, its total revenues, expenses, and net income for the three months and nine months period then ended, are as follows:

	As at September 30, 2021 (Unaudited)									
	Insurance operations									
Operating segments	Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations	Shareholders' operations	Total
	SAR'000									
Assets										
Reinsurers' share of unearned premiums	25,305	1,899	4,176	--	4,197	332	6,177	42,086	--	42,086
Reinsurers' share of outstanding claims	22,816	2,082	4,591	8	2,475	58,584	9,304	99,860	--	99,860
Reinsurers' share of claims Incurred but not reported	1,273		45	(502)	880	3,299		4,995	--	4,995
Deferred policy acquisition costs	762	1,853	94	-	513	40	190	3,452	--	3,452
Unallocated assets	--	--	--	--	--	--	--	334,959	445,722	780,681
Total assets	50,156	5,834	8,906	(494)	8,065	62,255	15,671	485,330	445,722	931,074
Liabilities and equity										
Outstanding claim reserve	27,125	1,714	5,954	11	3,613	75,195	9,569	123,181	--	123,181
Claims incurred but not reported	1,579	17,089	103	(12)	1,052	4,211	99	24,121	--	24,121
Other technical reserves	1,040	3,322	370	--	1,735	30	--	6,497	--	6,497
Unearned premiums	28,885	59,269	4,479	--	6,718	345	8,376	108,072	--	108,072
Unearned reinsurance commission	5,642	--	548	--	1,170	10	(139)	7,231	--	7,231
Unallocated liabilities	--	--	--	--	--	--	--	216,250	445,722	661,972
Total liabilities, insurance operations' surplus and equity	64,271	81,394	11,454	(1)	14,288	79,791	17,905	485,352	445,722	931,074

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11. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2020 (Audited)

Operating segments	Insurance operations							Total - Insurance operations	Shareholders' operations	Total
	Property	Motor	Engineering	Medical	Marine	Group life	Others			
	SAR'000									
Assets										
Reinsurers' share of unearned premiums	31,333	--	4,490	--	3,093	526	2,799	42,241	--	42,241
Reinsurers' share of outstanding claims	10,204	2,082	1,427	10	2,767	41,526	2,280	60,296	--	60,296
Reinsurers' share of claims Incurred but not reported	116	--	319	(502)	(182)	3,635	--	3,386	--	3,386
Deferred policy acquisition costs	830	701	276	--	354	127	239	2,527	--	2,527
Unallocated assets	--	--	--	--	--	--	--	266,428	464,583	731,001
Total assets	42,483	2,783	6,512	(492)	6,032	45,814	5,318	374,878	464,583	839,461
Liabilities and equity										
Outstanding claim reserve	10,978	(1,103)	1,889	62	4,451	54,414	3,405	74,096	--	74,096
Claims incurred but not reported	159	21,083	449	(11)	(291)	4,634	24	26,047	--	26,047
Other technical reserves	2,063	2,630	--	--	783	92	--	5,568	--	5,568
Unearned premiums	34,766	10,438	4,956	--	3,651	868	6,253	60,932	--	60,932
Unearned reinsurance commission	5,090	--	1,142	--	987	--	(51)	7,168	--	7,168
Unallocated liabilities								201,067	464,583	665,650
Total Liabilities, Insurance operations' surplus and equity	53,056	33,048	8,436	51	9,581	60,008	9,631	374,878	464,583	839,461

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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the nine months ended September 30, 2021 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
	SAR'000							
REVENUES								
Gross premiums written	42,741	87,516	7,081	-	13,109	41,251	11,496	203,194
Reinsurance premiums ceded	(36,603)	-	(5,948)	-	(9,228)	(29,910)	(8,007)	(89,696)
Excess of loss premium	(2,320)	(4,741)	(219)	-	(678)	(788)	(377)	(9,123)
Net premiums written	3,818	82,775	914	-	3,203	10,553	3,112	104,375
Changes in unearned premiums, net	(147)	(46,932)	163	-	(1,963)	329	1,255	(47,295)
Net premiums earned	3,671	35,843	1,077	-	1,240	10,882	4,367	57,080
Reinsurance commissions	5,731	163	2,113	-	2,613	(9)	399	11,010
TOTAL REVENUES	9,402	36,006	3,190	-	3,853	10,873	4,766	68,090
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(15,048)	(20,649)	(1,158)	(174)	(1,475)	(12,222)	(821)	(51,547)
Reinsurers' share of claims paid	12,612	-	931	156	1,245	9,332	113	24,389
Net claims paid	(2,436)	(20,649)	(227)	(18)	(230)	(2,890)	(708)	(27,158)
Changes in outstanding claims, IBNR & technical reserves	(2,775)	485	(1,199)	50	(687)	(3,574)	786	(6,914)
Net claims incurred	(5,211)	(20,164)	(1,426)	32	(917)	(6,464)	78	(34,072)
Policy acquisition costs	(1,412)	(3,321)	(388)	-	(940)	(1,562)	(369)	(7,992)
Other underwriting expenses								(12,551)
TOTAL UNDERWRITING COSTS AND EXPENSES								(54,615)
NET UNDERWRITING INCOME								13,475
OTHER OPERATING (EXPENSES)/ INCOME								
Reversal for doubtful debts								1,306
General and administrative expenses								(39,744)
Investment income on term deposits								1,852
Investment income on bonds, sukuks and others								2,752
Other income								3,821
TOTAL OTHER OPERATING EXPENSES								(30,013)
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								(16,538)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								-
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								(16,538)

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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the nine months ended September 30, 2020 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
	SAR'000							
REVENUES								
Gross premiums written	51,680	13,939	13,017	162	10,442	37,189	10,052	136,481
Reinsurance premiums ceded	(44,761)	--	(10,875)	--	(8,502)	(24,813)	(5,399)	(94,350)
Excess of loss premium	(610)	(1,242)	(188)	--	(737)	(750)	(369)	(3,896)
Net premiums written	6,309	12,697	1,954	162	1,203	11,626	4,284	38,235
Changes in unearned premiums, net	(1,933)	19,932	(178)	289	(293)	119	643	18,579
Net premiums earned	4,376	32,629	1,776	451	910	11,745	4,927	56,814
Reinsurance commissions	6,038	--	2,643	--	3,802	1	6	12,490
TOTAL REVENUES	10,414	32,629	4,419	451	4,712	11,746	4,933	69,304
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(740)	(29,674)	(221)	(8,295)	(1,582)	(24,170)	582	(64,100)
Reinsurers' share of claims paid	530	--	210	7,366	1,208	18,427	(699)	27,042
Net claims paid	(210)	(29,674)	(11)	(929)	(374)	(5,743)	(117)	(37,058)
Changes in outstanding claims, IBNR & technical reserves	(64)	19,360	237	701	(520)	(187)	(568)	18,959
Net claims incurred	(274)	(10,314)	226	(228)	(894)	(5,930)	(685)	(18,099)
Policy acquisition costs	(3,079)	(3,045)	(813)	--	(812)	(3,378)	(610)	(11,737)
Other underwriting expenses								(684)
TOTAL UNDERWRITING COSTS AND EXPENSES								(30,520)
NET UNDERWRITING INCOME								38,784
OTHER OPERATING (EXPENSES)/ INCOME								
Charge for doubtful debts								(422)
General and administrative expenses								(42,726)
Investment income on term deposits								5,994
Investment income on bonds, sukuks and others								2,930
Other income								5,996
TOTAL OTHER OPERATING EXPENSES								(28,228)
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								10,556
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								(599)
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								9,957

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended September 30, 2021 - (Unaudited)						
	Property	Motor	Engineering	Medical	Marine	Group Life	Others
	SAR'000						
REVENUES							
Gross premiums written	21,627	41,911	1,344	--	6,718	13,865	9,700
Reinsurance premiums ceded	(18,750)	--	(1,048)	--	(4,006)	(10,399)	(7,802)
Excess of loss premium	--	--	--	--	--	--	--
Net premiums written	2,877	41,911	296	--	2,712	3,466	1,898
Changes in unearned premiums, net	(992)	(23,553)	(14)	--	(2,420)	(92)	(615)
Net premiums earned	1,885	18,358	282	--	292	3,374	1,283
Reinsurance commissions	314	163	514	--	997	10	432
TOTAL REVENUES	2,199	18,521	796	--	1,289	3,384	1,715
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(1,066)	(12,125)	(413)	(6)	(305)	(4,522)	(514)
Reinsurers' share of claims paid	768	--	294	5	241	3,539	(11)
Net claims paid	(298)	(12,125)	(119)	(1)	(64)	(983)	(525)
Changes in outstanding claims, IBNR & technical reserves	(3,853)	(157)	(538)	--	(1,636)	(1,389)	741
Net claims incurred	(4,151)	(12,282)	(657)	(1)	(1,700)	(2,372)	216
Policy acquisition costs	(378)	(1,882)	(102)	--	(577)	(46)	(151)
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, sukuks 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'							

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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended September 30, 2020 - (Unaudited)							Total
	Property	Motor	Engineering	Medical	Marine	Group Life	Others	
	SAR'000							
REVENUES								
Gross premiums written	20,942	4,656	2,580	--	5,345	12,133	7,019	52,675
Reinsurance premiums ceded	(19,539)	--	(2,265)	--	(4,384)	(8,250)	(5,301)	(39,739)
Excess of loss premium	--	--	--	--	--	--	--	-
Net premiums written	1,403	4,656	315	--	961	3,883	1,718	12,936
Changes in unearned premiums, net	185	1,804	390	54	(397)	108	(260)	1,884
Net premiums earned	1,588	6,460	705	54	564	3,991	1,458	14,820
Reinsurance commissions	2,145	-	103	--	620	230	(352)	2,746
TOTAL REVENUES	3,733	6,460	808	54	1,184	4,221	1,106	17,566
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(446)	(7,449)	--	(385)	(586)	(6,776)	(69)	(15,711)
Reinsurers' share of claims paid	315	--	--	317	437	4,977	91	6,137
Net claims paid	(131)	(7,449)	--	(68)	(149)	(1,799)	22	(9,574)
Changes in outstanding claims, IBNR & technical reserves	58	7,476	972	188	(212)	(1,595)	1,212	8,099
Net claims incurred	(73)	27	972	120	(361)	(3,394)	1,234	(1,475)
Policy acquisition costs	(1,007)	(646)	(248)	--	(248)	(1,255)	(209)	(3,613)
Other underwriting expenses								(173)
TOTAL UNDERWRITING COSTS AND EXPENSES								(5,261)
NET UNDERWRITING INCOME								12,305
OTHER OPERATING (EXPENSES)/ INCOME								
Reversal for doubtful debts								(879)
General and administrative expenses								(13,123)
Investment income on term deposits								1,430
Investment income on bonds, sukuks and others								918
Other income								1,796
TOTAL OTHER OPERATING EXPENSES								(9,858)
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX								2,447
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS								(119)
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'								2,328

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11. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

For the nine months ended September 30, 2021 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	--	2,461	56,514	41,042	100,017
Medium	--	5,739	13,647	170	19,556
Micro	--	150	217	--	367
Small	--	2,170	3,748	39	5,957
Individual	--	76,996	301	--	77,297
	--	87,516	74,427	41,251	203,194

For the nine months ended September 30, 2020 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	156	2,924	69,401	37,115	109,596
Medium	(21)	5,147	10,703	41	15,870
Micro	--	--	18	--	18
Small	27	1,653	4,421	33	6,134
Individual	--	4,215	648	--	4,863
	162	13,939	85,191	37,189	136,481

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11. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

For the three months ended September 30, 2021 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	--	346	31,561	13,856	45,763
Medium	--	2,176	6,350	(3)	8,523
Micro	--	72	173	--	245
Small	--	565	1,278	12	1,855
Individual	--	38,752	27	--	38,779
	--	41,991	39,389	13,865	95,165
For the three months ended September 30, 2020 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	--	1,547	28,849	12,128	42,524
Medium	--	1,305	5,382	--	6,687
Micro	--	--	(2)	--	(2)
Small	--	598	1,588	5	2,191
Individual	--	1,206	69	--	1,275
	--	4,656	35,886	12,133	52,675

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12. 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 nine-month period ended	
	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
	SAR' 000	
Gross premiums written	58,440	53,593
Gross claims paid	11,367	49,471
Brokerage commission paid	1,631	3,708
Reinsurance premium ceded	24,341	27,886
Reinsurance share of gross claim paid	10,854	962
Reinsurance commission income	9,454	10,434
Investment income on term deposits	836	2,905
Technical service charges	4,552	4,973
Brand fees	23	23
Operational expenses paid on behalf of affiliates and reinsurance placements	1,626	886
Operational expenses paid by affiliates on behalf of Company	(1,579)	(1,215)
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Balance receivable / (payable) as at	
	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
	SAR'000	
Bank balances	4,121	2,237
Term deposits	230,309	142,810
Statutory deposit and accrued commission	45,572	45,297
Accrued interest receivable	370	254
Premium receivable	5,570	4,958
Reinsurance balance payable	(22,812)	(15,912)
Accrued expenses and other liabilities	(14,421)	(10,253)
Reinsurance share of gross outstanding claims	17,214	6,908
Gross outstanding claim	(74,488)	(53,028)
Due from related parties	--	734
Due to related parties	(9,899)	(3,763)

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

	Transactions for the nine month period ended	
	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
	SAR'000	
Salaries and other allowances	4,938	5,554
End of service indemnities	301	308
	5,239	5,862

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

13. ZAKAT AND INCOME TAX

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 years ended 31 December 2020. Zakat, Tax and Custom Authority (ZATCA) has raised 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 (together with 1% delay fine for each 30 days of delay) respectively. The Committee for Resolution of Tax Violations and Disputes (CRTVD) of the General Secretariat of Tax Committees (GSTC) has issued its decision on the above years accepting certain points and reducing the zakat liability to SR 7.1 million and no change in WHT liability. The Company has submitted an appeal to Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") against CRTVD's decision. Based on ZATCA's amnesty scheme, the Company settled additional WHT of SR 8.9 million to remove associated delay fines, such settled liability will be refunded by ZATCA in case of a favorable decision by ACTVDR. ACTVDR's decision is awaited.

In respect of the assessment for the year 2014, the ZATCA has issued a revised assessment with an additional zakat liability of SR 1.98 million. The Company has registered the case with CRTVD and submitted an appeal against ZATCA's review points no hearing has been conducted yet.

The ZATCA has also issued assessments for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company filed appeal against ZATCA's assessment with CRTVD no hearing has been conducted yet.

On 21 October 2021, The ZATCA has also issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 17 million and SR 0.72 million and penalties of SR 95,540 till the date of assessment (the penalties will increase by 1% for every 30 days of delay) respectively. The Company will file an appeal against the ZATCA's assessment.

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

	30 September 2021 (Unaudited) SAR ('000')	31 December 2020 (Audited) SAR ('000')
Charge for zakat for the period / year	5,940	7,477
Charge for income tax for the period / year	--	125
Reversal of deferred tax for the period / year	(20)	(8)
	(20)	117
Zakat and tax provision at the end of period / year	5,920	7,594

Deferred Tax

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
	SAR ('000')		
Opening deferred tax asset	1,072	1,064	1,064
Deferred tax income	20	8	29
Closing deferred tax asset	1,092	1,072	1,093
	SAR ('000')		
Opening zakat, income tax liability and deferred tax asset	49,844	43,203	43,203
Charge for the period / year			
Current charge for zakat tax for the period / year	5,940	7,477	5,780
Current charge for income tax for the period / year	--	125	423
Deferred tax (income) expense for the period / year	(20)	(8)	(29)
Settled during the period / year	(950)	(953)	(953)

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Closing zakat, income tax liability and deferred tax
asset

54,814

49,844

48,424

14. 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 2020: 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.

September 30, 2021 (Unaudited)		
No. of Shares	Authorized, issued and paid up capital	
'000	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, 2020 (Audited)		
No. of Shares	Authorized, issued and paid up capital	
'000	SAR'000	
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

15. 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.

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16. SUPPLEMENTARY INFORMATION

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

SAR '000

	September 30, 2021 - (Unaudited)			December 31, 2020 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Bank balances and cash	44,198	2,082	46,280	20,874	2,182	23,056
Term deposits	199,678	222,212	421,890	190,845	220,170	411,015
Premiums and reinsurers' receivable, net	53,138	--	53,138	36,052	--	36,052
Reinsurers' share of unearned premiums	39,216	--	39,216	42,241	--	42,241
Deferred excess of loss premiums	2,870	--	2,870	--	--	--
Reinsurers' share of outstanding claims	99,860	--	99,860	60,296	--	60,296
Reinsurers' share of claims Incurred but not reported	4,995	--	4,995	3,386	--	3,386
Deferred policy acquisition costs	3,452	--	3,452	2,527	--	2,527
Investments	1,923	127,125	129,048	1,923	128,093	130,016
Due from related parties	--	--	--	734	--	734
Prepaid expenses and other assets	30,160	2,415	32,575	10,558	1,389	11,947
Deferred tax asset	--	1,092	1,092	--	1,072	1,072
Property and equipment	2,497	--	2,497	1,413	--	1,413
Intangible assets	3,345	--	3,345	4,029	--	4,029
Statutory deposit	--	40,000	40,000	--	40,000	40,000
Accrued commission income on statutory deposit	--	5,572	5,572	--	5,297	5,297
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	485,332	400,498	885,830	374,878	398,203	773,081
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from shareholders' / insurance operations	--	45,244	45,244	--	66,380	66,380
TOTAL ASSETS	485,332	445,742	931,074	374,878	464,583	839,461

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

SAR '000

	September 30, 2021 - (Unaudited)			December 31, 2020 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Outstanding claims reserve	123,181	--	123,181	74,096	--	74,096
Claims incurred but not reported	24,121	--	24,121	26,047	--	26,047
Other technical reserves	6,497	--	6,497	5,568	--	5,568
Accrued expenses and other liabilities	39,725	3,617	43,342	33,348	4,531	37,879
Reinsurers' balances payable	98,906	--	98,906	74,048	--	74,048
Unearned premiums	108,072	--	108,072	60,932	--	60,932
Accounts payables	3,013	--	3,013	4,569	--	4,569
Unearned reinsurance commission	7,231	--	7,231	7,168	--	7,168
Due to related parties	9,486	413	9,899	3,350	413	3,763
End-of-service indemnities	11,378	--	11,378	10,713	--	10,713
Zakat and income tax	--	55,906	55,906	--	50,916	50,916
Accrued commission income payable to SAMA	--	5,572	5,572	--	5,297	5,297
Accumulated surplus	8,223	--	8,223	8,404	--	8,404
TOTAL LIABILITIES	439,833	65,508	505,341	308,243	61,157	369,400
EQUITY						
Share capital	--	400,000	400,000	--	400,000	400,000
Statutory reserve	--	1,161	1,161	--	1,161	1,161
Accumulated losses	--	(23,961)	(23,961)	--	(1,503)	(1,503)
Fair value reserve for available for sale investments	--	3,034	3,034	--	3,768	3,768
Actuarial reserve for employee benefits	255	--	255	255	--	255
TOTAL EQUITY	255	380,234	380,489	255	403,426	403,681
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	440,088	445,742	885,830	308,498	464,583	773,081
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to shareholders operations	45,244	--	45,244	66,380	--	66,380
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	485,332	445,742	931,074	374,878	464,583	839,461

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the nine month period ended September 30					
	2021 - (Unaudited)			2020 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
- Direct	202,915	--	202,915	136,039	--	136,039
- Reinsurance	279	--	279	442	--	442
	203,194	--	203,194	136,481	--	136,481
Reinsurance premiums ceded	(89,696)	--	(89,696)	(94,350)	--	(94,350)
Excess of loss expenses	(9,123)	--	(9,123)	(3,896)	--	(3,896)
Net premiums written	104,375	--	104,375	38,235	--	38,235
Changes in unearned premiums	(41,400)	--	(41,400)	17,194	--	17,194
Changes in reinsurers' share of unearned premiums	(8,765)	--	(8,765)	382	--	382
Changes in deferred excess of loss premiums	2,870	--	2,870	1,003	--	1,003
Net premiums earned	57,080	--	57,080	56,814	--	56,814
Reinsurance commissions	11,010	--	11,010	12,490	--	12,490
TOTAL REVENUES	68,090	--	68,090	69,304	--	69,304
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(51,547)	--	(51,547)	(64,100)	--	(64,100)
Reinsurers' share of claims paid	24,389	--	24,389	27,042	--	27,042
Net claims paid	(27,158)	--	(27,158)	(37,058)	--	(37,058)
Changes in outstanding claims	(49,085)	--	(49,085)	8,301	--	8,301
Changes in reinsurers' share of outstanding claims	39,564	--	39,564	7,730	--	7,730
Changes in claims incurred but not reported, net	3,536	--	3,536	4,182	--	4,182
Changes in other technical reserves	(929)	--	(929)	(1,254)	--	(1,254)
Net claims incurred	(34,072)	--	(34,072)	(18,099)	--	(18,099)
Policy acquisition costs	(7,992)	--	(7,992)	(11,737)	--	(11,737)
Other underwriting expenses	(12,551)	--	(12,551)	(684)	--	(684)
TOTAL UNDERWRITING COSTS AND EXPENSES	(54,615)	--	(54,615)	(30,520)	--	(30,520)
NET UNDERWRITING INCOME	13,475	--	13,475	38,784	--	38,784

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the nine month period ended September 30					
	2021 - (Unaudited)			2020 - (Unaudited)		
	Insurance operation	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal / (charge) for doubtful debts	1,306	--	1,306	(422)	--	(422)
General and administrative expenses	(38,653)	(1,091)	(39,744)	(41,635)	(1,091)	(42,726)
Investment income on term deposits	755	1,097	1,852	3,265	2,729	5,994
Investment income on bonds and sukuk	--	2,752	2,752	--	2,930	2,930
Other income	3,821	--	3,821	5,996	--	5,996
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(32,771)	2,758	(30,013)	(32,796)	4,568	(28,228)
TOTAL (LOSS) / INCOME FOR THE PERIOD	(19,296)	2,758	(16,538)	5,988	4,568	10,556
Total income for the period attributed to the insurance operations	--	--	--	(599)	--	(599)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	19,296	(19,296)	--	(5,389)	5,389	--
TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	(16,538)	(16,538)	--	9,957	9,957
ZAKAT CHARGE FOR THE PERIOD	--	(5,940)	(5,940)	--	(5,780)	(5,780)
TAX CHARGE FOR THE PERIOD	--	20	20	--	(394)	(394)
NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	(22,458)	(22,458)	--	3,783	3,783
(Loss) / earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	(0.56)	(0.56)	--	0.09	0.09

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the nine month period ended September 30					
	2021 - (Unaudited)			2020 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total loss / income for the period	--	(22,458)	(22,458)	599	3,783	4,382
Other comprehensive Income						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	(734)	(734)	--	1,367	1,367
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	--	(23,192)	(23,192)	599	5,150	5,749
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'	--	--	--	(599)	--	(599)
NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	--	(23,192)	(23,192)	--	5,150	5,150

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(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended September 30					
	2021 - (Unaudited)			2020 - (Unaudited)		
	--			(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
- Direct	95,105	--	95,105	52,565	--	52,565
- Reinsurance	60	--	60	110	--	110
	95,165	--	95,165	52,675	--	52,675
Reinsurance premiums ceded	(42,005)	--	(42,005)	(39,739)	--	(39,739)
Excess of loss expenses				--	--	--
Net premiums written	53,160	--	53,160	12,936	--	12,936
Changes in unearned premiums	(30,041)	--	(30,041)	(4,884)	--	(4,884)
Changes in reinsurance share of unearned premium	4,443	--	4,443	7,449	--	7,449
Changes in excess of loss premiums	(2,088)	--	(2,088)	(681)	--	(681)
Net premiums earned	25,474	--	25,474	14,820	--	14,820
Reinsurance commissions	2,430	--	2,430	2,746	--	2,746
TOTAL REVENUES	27,904	--	27,904	17,566	--	17,566
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(18,951)	--	(18,951)	(15,711)	--	(15,711)
Reinsurers' share of claims paid	4,836	--	4,836	6,137	--	6,137
Net claims paid	(14,115)	--	(14,115)	(9,574)	--	(9,574)
Changes in outstanding claims	(37,106)	--	(37,106)	(6,815)	--	(6,815)
Changes in reinsurance share of outstanding claims	33,797	--	33,797	8,470	--	8,470
Changes in IBNR, net	(1,081)	--	(1,081)	6,433	--	6,433
Changes in other technical reserves	(2,442)	--	(2,442)	11	--	11
Net claims incurred	(20,947)	--	(20,947)	(1,475)	--	(1,475)
Policy acquisition costs	(3,136)	--	(3,136)	(3,613)	--	(3,613)
Other underwriting expenses	(8,380)	--	(8,380)	(173)	--	(173)
TOTAL UNDERWRITING COSTS AND EXPENSES	(32,463)	--	(32,463)	(5,261)	--	(5,261)
NET UNDERWRITING INCOME	(4,559)	--	(4,559)	12,305	--	12,305

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended September 30					
	2021 - (Unaudited)			2020 - (Unaudited)		
	--			(Restated)		
	Insurance operation	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
Charge for doubtful debts	(870)	--	(870)	(879)	--	(879)
General and administrative expenses	(12,275)	(363)	(12,638)	(12,760)	(363)	(13,123)
Investment income on term deposits	300	421	721	733	697	1,430
Investment income on bonds, sukuk and others	--	917	917	--	918	918
Other income	(934)	--	(934)	1,796	--	1,796
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(13,779)	975	(12,804)	(11,110)	1,252	(9,858)
TOTAL (LOSS) / INCOME FOR THE PERIOD	(18,338)	975	(17,363)	1,195	1,252	3,025
Total income for the period attributed to the insurance operations			--	(119)	--	(119)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	18,338	(18,338)	--	(1,076)	1,076	--
TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	(17,363)	(17,363)	--	2,328	2,328
ZAKAT CHARGE FOR THE PERIOD	--	(2,287)	(2,287)	--	(1,404)	(1,404)
TAX CHARGE FOR THE PERIOD	--	7	7	--	(85)	(85)
NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	(19,643)	(19,643)	--	839	839
(Loss) / earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	(0.49)	(0.49)	--	0.02	0.02

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the three month period ended September 30					
	2021 - (Unaudited)			2020 - (Unaudited)		
	--			(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total (loss) / income for the period	--	(19,643)	(19,643)	119	839	958
Other comprehensive loss						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	(750)	(750)	--	(612)	(612)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	--	(20,393)	(20,393)	119	227	346
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'	--	--	--	(119)	--	(119)
NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	--	(20,393)	(20,393)	--	227	227

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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16. SUPPLEMENTARY INFORMATION (CONTINUED)

D) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	SAR'000					
	Insurance operations	Shareholders ' operations	Total	Insurance operations	Shareholders ' operations	Total
	2021 - (Unaudited)			2020 - (Unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES						
Total (loss) / income for the period before						
Zakat and Income Tax	--	(16,538)	(16,538)	599	9,957	10,556
Adjustments for non-cash items:						
Amortization of Intangible Assets /						
Depreciation of property and equipment	1,974	--	1,974	1,112	--	1,112
Amortization of investments	--	234	234	--	258	258
Reversal / (charge) for provisions for						
doubtful debts	(1,306)	--	(1,306)	422	--	422
Provision for end-of-service indemnities	1,314	--	1,314	1,369	--	1,369
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(15,780)		(15,780)	(13,978)	--	(13,978)
Reinsurers' share of unearned premiums	3,025		3,025	(382)	--	(382)
Reinsurers' share of outstanding claims	(39,564)		(39,564)	(7,730)	--	(7,730)
Reinsurers' share of claims Incurred but not						
reported	(1,609)		(1,609)	3,893	--	3,893
Deferred policy acquisition costs	(925)		(925)	694	--	694
Deferred excess of loss premiums	(2,870)		(2,870)	(1,003)	--	(1,003)
Due from related parties	734		734	(676)	--	(676)
Prepaid expenses and other assets	(19,602)	(1,026)	(20,628)	(3,329)	2,457	(872)
Accrued income on statutory deposits	--	(275)	(275)	--	(1,146)	(1,146)
Accounts payables	(1,556)		(1,556)	(8,770)	--	(8,770)
Accrued and other liabilities	6,377	(914)	5,463	(2,781)	(518)	(3,299)
Reinsurers' balances payable	24,858		24,858	(5,185)	--	(5,185)
Unearned premiums	47,140		47,140	(17,194)	--	(17,194)
Unearned reinsurance commission	63		63	1,536	--	1,536
Outstanding claims reserve	49,085		49,085	(8,301)	--	(8,301)
Claims incurred but not reported	(1,926)		(1,926)	(8,075)	--	(8,075)
Other technical reserves	929		929	1,254	--	1,254
Accrued commission income payable to						
SAMA	--	275	275	--	1,146	1,146
Due to related parties	6,136		6,136	1,349	--	1,349
	56,497	(18,244)	38,253	(65,176)	12,154	(53,022)
Zakat & Tax paid	--	(950)	(950)	--	(953)	(953)
End-of-service indemnities paid	(649)	--	(649)	(563)	--	(563)
Surplus paid to policy holders	(181)	--	(181)	(1,422)	--	(1,422)
Net cash (used in)/generated from						
operating activities	55,667	(19,194)	36,473	(67,161)	11,201	(55,960)
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposals/(Additions) in investments, net	--	--	--	--	29,100	29,100
Disposals/(Additions) in term deposits, net	(8,833)	(2,042)	(10,875)	66,852	(36,543)	30,309
Additions in Intangible Assets / property						
and equipment	(2,374)	--	(2,374)	(3,494)	--	(3,494)
Net cash generated / (used in) from						
investing activities	(11,207)	(2,042)	(13,249)	63,358	(7,443)	55,915
Net change in cash and cash equivalents	44,460	(21,236)	23,224	(3,803)	3,758	(45)
Cash and cash equivalents, beginning of						
the period	20,174	2,182	22,356	13,312	907	14,219
Due from/ (to) insurance operations	(21,136)	21,136	--	4,459	(4,459)	--
Cash and cash equivalents, end of the						
period	43,498	2,082	45,580	13,968	206	14,174

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17. 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.

18. 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:

- **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 nine months ended September 30, 2021. 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.

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board on 26 Rabi Al Awal 1443H, corresponding to 1st November 2021.