

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
WITH INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) AND
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
WITH INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

The Shareholders

Al Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)
Al Khobar
Kingdom of Saudi Arabia

INTRODUCTION

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

SCOPE OF REVIEW

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

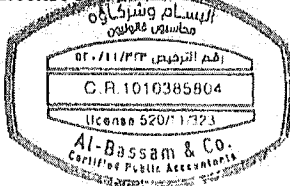
CONCLUSION

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

For Al-Bassam & Co.

P.O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 237



June 10, 2020
18 Shawwal 1441H

For Associated Accountants,
(Member of Geneva Group
International)

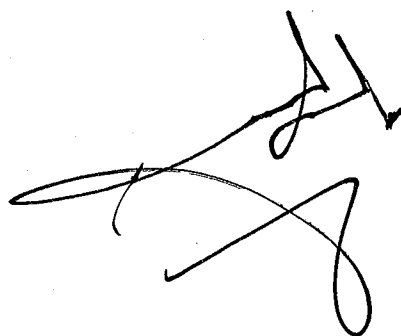

P.O. Box 60930
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AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

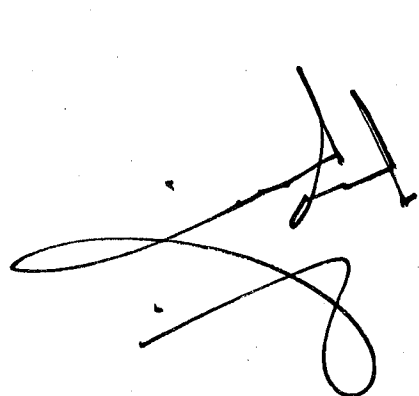
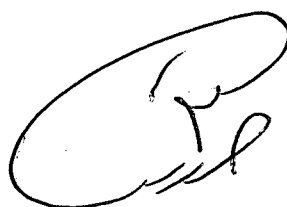
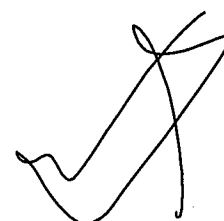
		SAR	
		March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Cash and cash equivalents	4	472,632,019	383,064,299
Premiums and reinsurance receivable, net	5	145,360,465	180,494,131
Reinsurers' share of unearned premiums	7,10	24,193,197	22,133,245
Reinsurers' share of outstanding claims	7,10	91,141,199	65,545,868
Reinsurers' share of claims incurred but not reported	7,10	14,023,851	14,164,512
Deferred policy acquisition costs	10	20,859,908	23,166,791
Investments	6,9	122,801,481	144,598,049
Prepaid expenses and other assets		35,489,847	30,701,130
Long term/fixed income deposits		441,101,267	558,242,012
Property and equipment		16,158,404	14,136,473
Right of use assets		1,476,316	1,629,039
Goodwill		4,496,500	4,496,500
Statutory deposit		40,000,000	40,000,000
Accrued income on statutory deposit		4,750,094	4,531,789
TOTAL ASSETS		1,434,484,548	1,486,903,838


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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT MARCH 31, 2020

		SAR	
	Notes	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
LIABILITIES			
Accounts payable		37,381,677	39,533,628
Accrued and other liabilities		79,839,308	81,326,347
Lease liability		1,244,321	1,230,703
Reinsurers' balances payable		16,567,170	12,084,964
Unearned premiums	7, 10	420,593,956	474,721,686
Unearned reinsurance commission	10	5,477,934	4,931,416
Outstanding claims	7, 10	205,078,578	185,346,838
Claims incurred but not reported	7, 10	122,628,686	129,434,499
Additional premium reserves	7, 10	7,434,262	22,756,206
Other technical reserves	7, 10	6,230,768	6,167,162
End-of-service indemnities		14,699,640	15,001,591
Zakat and income tax	12	25,327,161	26,675,204
Accrued commission income payable to SAMA		4,750,094	4,531,789
TOTAL LIABILITIES		947,253,555	1,003,742,033
Accumulated surplus payable		6,875,068	5,449,616
Re-measurement actuarial loss on end of service indemnities		(2,577,578)	(2,577,578)
TOTAL ACCUMULATED SURPLUS AND RESERVES		4,297,490	2,872,038
SHAREHOLDERS' EQUITY			
Share capital	1,13	400,000,000	400,000,000
Statutory reserve		24,088,829	24,088,829
Retained earnings		66,642,624	51,640,901
Fair value reserve gain on investments		(7,797,950)	4,560,037
TOTAL SHAREHOLDERS' EQUITY		482,933,503	480,289,767
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,434,484,548	1,486,903,838
COMMITMENTS AND CONTINGENCIES			
	8		

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

	Notes	SAR	
		2020	2019
			(Restated - Note 3)
REVENUES			
Gross premiums written	10	153,108,553	204,222,116
Reinsurance premiums ceded – local	10	(359,006)	(802,959)
Reinsurance premiums ceded – foreign	10	(14,976,338)	(19,562,274)
Excess of loss premium	10	(3,961,215)	(4,168,352)
Net premiums written		133,811,994	179,688,531
Changes in unearned premiums, net	10	56,187,682	26,598,991
Net premiums earned		189,999,676	206,287,522
Reinsurance commissions income	10	3,082,874	2,993,867
Other underwriting income	10	2,221,955	2,206,032
TOTAL REVENUES		195,304,505	211,487,421
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	10	(177,433,169)	(167,127,445)
Reinsurers' share of claims paid	10	5,341,827	8,713,096
Net claims and other benefits paid		(172,091,342)	(158,414,349)
Changes in outstanding claims, net	10	5,863,591	(11,873,487)
Changes in claims incurred but not reported	10	6,665,152	20,010,182
Change in other technical reserves movement	10	(63,606)	1,259,896
Net claims and other benefits incurred		(159,626,205)	(149,017,758)
Additional premium reserves	10	15,321,944	(13,894,212)
Policy acquisition costs	10	(10,600,114)	(11,456,416)
Other underwriting expenses	10	(4,496,121)	(4,495,248)
TOTAL UNDERWRITING COSTS AND EXPENSES		(159,400,496)	(178,863,634)
NET UNDERWRITING INCOME		35,904,009	32,623,787

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

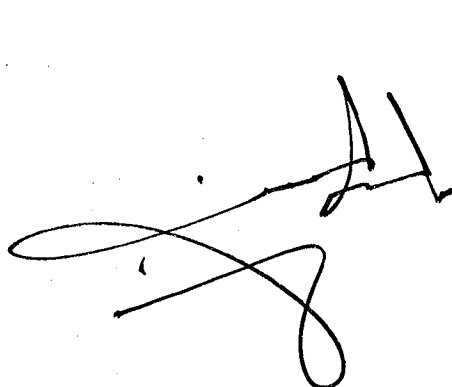
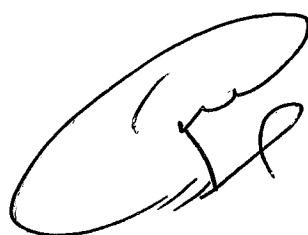
AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INCOME (UNAUDITED) (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

		SAR	
	Notes	2020	2019
		(Restated - Note 3)	
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful debts		(6,449,026)	(6,237,138)
General and administrative expenses		(18,854,479)	(18,944,792)
Murahaba income on deposits		4,747,389	7,905,973
Realized gain on investments, net		1,255,578	123,080
Dividend and investments income		2,464,491	960,575
Investments expenses		(127,169)	(158,746)
Finance cost		(13,618)	(19,990)
TOTAL OTHER OPERATING EXPENSES, NET		(16,976,834)	(16,371,038)
Total income for the period before surplus attribution and zakat and income tax			
Surplus attributed to the insurance operations	16	18,927,175	16,252,749
Total income for the period before zakat and income tax		(1,425,452)	(1,269,941)
Zakat and income tax expense		17,501,723	14,982,808
Total income for the period attributable to the shareholders		(2,500,000)	(3,000,000)
Total income for the period attributable to the shareholders and insurance operations		15,001,723	11,982,808
Earnings per share			
Weighted average number of outstanding shares		16,427,175	13,252,749
Basic and diluted earnings per share	15	40,000,000	40,000,000
		0.38	0.30

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

	Notes	SAR	
		2020	2019
			(Restated - Note 3)
Total income for the period attributable to the Shareholders and insurance operations		16,427,175	13,252,749
Other comprehensive income			
<i>Items that are or may be reclassified to interim statements of income in subsequent periods</i>			
- Realization of gain on disposal of available for sale investments		(1,096,184)	(824,100)
- Unrealised fair value changes in available-for-sale investments		(11,261,803)	4,493,276
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,069,188	16,921,925
Total comprehensive income attributed to the insurance operations	16	(1,425,452)	(1,269,941)
Total comprehensive income for the period attributable to the shareholders	16	2,643,736	15,651,984

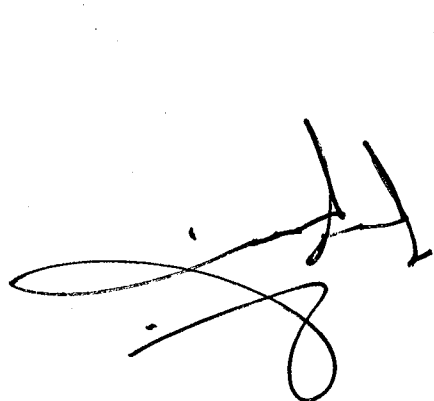
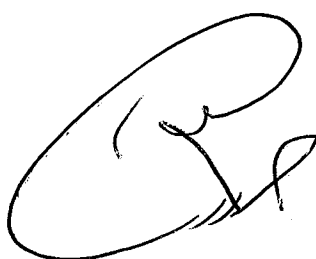




The accompanying notes form an integral part of these interim condensed financial information.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

	Notes	SAR			
		Share capital	Statutory reserve	Retained earnings	Fair value reserve gain/(loss) on investments
2020					
Balance at the beginning of the period		400,000,000	24,088,829	51,640,901	4,560,037
Net loss for the period attributable to shareholders		-	-	15,001,723	-
Realization of gain on disposal of available for sale investments	6	-	-	-	(1,096,184)
Unrealized fair value changes in available-for-sale investments	6	-	-	-	(11,261,803)
Balance at the end of the period		400,000,000	24,088,829	66,642,624	(7,797,950)

	Notes	SAR			
		Share capital	Statutory reserve	Retained earnings	Fair value reserve gain on investments
2019					
Balance at the beginning of the period		275,000,000	43,281,433	107,140,055	6,990,823
Net income for the period attributable to shareholders		-	-	11,982,808	-
Realization of gain on disposal of available for sale investments	6	-	-	-	(824,100)
Unrealized fair value changes in available-for-sale investments	6	-	-	-	4,493,276
Balance at the end of the period		275,000,000	43,281,433	119,122,863	10,659,999


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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

	SAR	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Total income for the period before surplus attribution and zakat and income tax	18,927,175	16,252,749
Adjustments for non-cash items:		
Depreciation of property and equipment	693,177	753,420
Depreciation charge of right to use assets	152,723	152,723
Allowance for doubtful debts	6,449,026	6,237,138
Realized (gain)/loss on available for sale investments	(1,255,578)	35,666
Dividends reinvested	(273,473)	(121,646)
Finance cost	13,618	19,990
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	28,684,640	44,434,596
Reinsurers' share of unearned premiums	(2,059,952)	(2,980,922)
Reinsurers' share of outstanding claims	(25,595,331)	(3,316,027)
Reinsurers' share of claims Incurred but not reported	140,661	10,257,852
Deferred policy acquisition costs	2,306,883	870,571
Due from related parties	-	(18,000)
Prepaid expenses and other assets	(4,788,717)	(3,553,886)
Accounts payables	(2,151,951)	(7,162,525)
Accrued and other liabilities	(1,487,039)	(10,935,490)
Reinsurers' balances payable	4,482,206	4,251,864
Unearned premiums	(54,127,730)	(23,618,069)
Unearned reinsurance commission	546,518	1,317,292
Outstanding claims	19,731,740	15,189,515
Claims incurred but not reported	(6,805,813)	(30,268,034)
Additional premium reserves	(15,321,944)	13,894,212
Other technical reserves	63,606	(1,259,896)
	(31,675,555)	30,433,093
End-of-service indemnities paid	(301,951)	(119,991)
Zakat and income tax paid	(3,848,043)	-
Net cash (used in)/ generated from operating activities	(35,825,549)	30,313,102
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in investments	10,967,632	(248,418)
Net movement in long term/fixed income deposits	117,140,745	(10,553,639)
Additions/disposals of property and equipment	(2,715,108)	(573,460)
Net cash generated from/(used in) investing activities	125,393,269	(11,375,517)
Net change in cash and cash equivalents	89,567,720	18,937,585
Cash and cash equivalents, beginning of the period	383,064,299	151,889,704
Cash and cash equivalents, end of the period	472,632,019	170,827,289
NON-CASH INFORMATION		
Realization of losses on disposal of AFS investments	(1,096,184)	(824,100)
Unrealized gain on available for sale investments	(11,261,803)	4,493,276
Impact on adoption of IFRS 16 (Note 3)	-	2,239,931
Prepaid rent transferred to right of use assets (IFRS adoption)	-	433,333

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

1. GENERAL

Al-EtiHAD Cooperative Insurance Company, (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. M/25 dated 15 Rabea I 1428H corresponding to 3 April 2007. The Company operates under Commercial Registration no. 2051036304 dated 21 Muharram 1429H corresponding to 30 January 2008. The registered address of the Company's head office is as follows:

Al-EtiHAD Cooperative Insurance Company
Head Office
King Fahad Road
P.O. Box 1022
Khobar 31952, Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the "Law") and its implementing regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, property, engineering, general accident and others.

On 31 July 2003, corresponding to 2 Jumada II 1424 H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On 23 Rabea I 1429H, corresponding to 31 March 2008, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On April 18, 2018 corresponding to 2 Sha'ban 1439, an Extraordinary General Assembly meeting was held to approve changing the name of the Company from "Trade Union Cooperative Insurance Company" to "Al-EtiHAD Cooperative Insurance Company". SAMA's approval on the change was obtained on 5 November 2017 corresponding to 16 Safar 1439H. In 2019, all legal requirements were completed.

Al-EtiHAD Cooperative Insurance Company announced its receipt on Tuesday 30 Jamada Al Awal, 1440H corresponding to February 5, 2019 of the letter of the Saudi Arabian Monetary Agency No. 34002/89 containing its decision to prevent the Company from accepting new subscribers in motor insurance as of the date of the letter due to the existence of a number of violations related to the settlement of motor claims and customer care. The Company announced its receipt on Tuesday 23 Ramadan, 1440H corresponding to May 28, 2019 of the letter of the Saudi Arabian Monetary Agency No. 58658/89 containing its decision to lift this suspension.

The Company announced the recommendation of the Board of Directors on Jumada Al Thani 15, 1440H corresponding to February 20, 2019, to increase the capital of the company through the grant of shares from SR 275 million to SR 400 million by issuance of bonus issue. The reason for the increase is to support the capital base of the company and to enhance its ability to afford a greater proportion of insurance premiums and planning new insurance products while maintaining the margin of solvency at an appropriate level and able to bear expansion plans in the near future. The number of shares granted per share will be 5 shares per 11 shares. The nature and value of the reserves to be used in the capitalization issue are SR 95,745,747 from the retained earnings account and SR 29,254,253 from the statutory reserve. The Company received approvals from SAMA as on April 29, 2019. In 2019, the bonus shares have been distributed.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial information of the Company as at and for the period ended March 31, 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed financial information of the Company as at and for the three-month period ended March 31, 2019, were prepared in accordance with IAS 34 and the International Financial Reporting Standards ("IFRS"), respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 - 'Income Taxes' and IFRIC 21 - 'Levies' so far as these relate to zakat and income tax).

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

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 information).

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investments available for sale and defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method. The Company's statement of financial position is not presented using a current/non-current classification. Except for property and equipment, intangibles, statutory deposit, goodwill, end-of-service indemnities, accrued income on statutory deposit and engineering related unearned premiums, unearned reinsurance commission, deferred policy acquisition cost, outstanding claims, claims incurred but not reported and technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

The Company presents its interim statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly under Note 16. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholder's operations which are presented in Note 16 of the financial information 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 shareholder's operations. Accordingly, the interim statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-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 unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholder's operations are uniform for like transactions and events in similar circumstances.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

2. BASIS OF PREPARATION (Continued)

(a) Basis of presentation (Continued)

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim statement of financial position, the statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial information represents additional supplementary information required as required by the implementing regulations.

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, 2019.

This interim condensed financial information is expressed in Saudi Arabian Riyals (SAR).

(b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial information 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 information, 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 applied to the annual financial information as at and for the year ended December 31, 2019 except for the adoption of new standards effective as of January 1, 2020 (Note 3). Further, the Company has considered the following:

- On March 11, 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 country and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
 - the health and safety of its employees and the wider community where it is operating
 - the continuity of its business throughout the Kingdom is protected and kept intact.
- Also refer subsequent event note 17 in relation to SAMA Circular 189 issued on May 8, 2020 in response to the Covid-19 pandemic.

Impact of Covid-19 on the medical technical reserves and financial assets

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

2. BASIS OF PREPARATION (Continued)

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

Impact of Covid-19 on the medical technical reserves and financial assets (Continued)

Medical technical reserves (Continued)

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 March 31, 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 are 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 March 31, 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 certain sector like construction, education, hospitality industry, etc. being impacted significantly by the Covid-19 pandemic and lower oil prices.

(c) Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial information are consistent with those used in the preparation of the annual financial information for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1 New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

There are no new standards issued, however there are a number of amendments to standards which are effective from January 1, 2020, however, management anticipates that these amendments will not have any material effect on the Company's interim condensed financial information.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020****3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.2 New Standards, amendments and interpretations not yet applied by the Company**

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial information are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 17	Insurance Contracts	See the note below
IFRS 9	Financial Instruments	See the note below

The Company does not expect any significant impact on the financial statements except for the application of IFRS 17 and IFRS 9 as mentioned below.

IFRS 17 – Insurance Contracts**Overview**

This standard has been 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 re-measured 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New Standards, amendments and interpretations not yet applied by the Company (Continued)

IFRS 17 – Insurance Contracts (Continued)

The General Measurement Model (GMM) (Continued)

The CSM is adjusted subsequently for changes in cash flows related to future services. Since 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 change in discount rates will be reported in either profit or loss or other comprehensive income, determined by any 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 under GMM, the CSM is also adjusted for:

- i. the entity’s share of the changes in 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 the 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 IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2023. This is a deferral of 2 years compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New Standards, amendments and interpretations not yet applied by the Company (Continued)

IFRS 17 – Insurance Contracts (Continued)

Impact

During the period, the Company has completed its financial impact assessment on moving from IFRS 4 to IFRS 17. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

Impact Area	Summary of Impact
Financial Impact	Increase in value of net assets and profit before zakat and income tax by SR 7.2 million for the financial year 2018. The assessment includes motor, medical and engineering line of business which constitutes significant portion of the Company's operations.
Data Impact / IT Systems	<ul style="list-style-type: none"> • New chart of accounts to be developed for PAA/ GMM • Actuarial and accounting data will be needed at more granular level • Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM • Confidence interval numbers to be sourced for risk adjustment • Embedded risk adjustment calculation in the actuarial system • Identification of key inputs for onerous contracts test as well as defining 'facts and circumstance' for PAA contracts • Calculation and tracking of contractual service margin • Calculation of coverage period of risk attaching reinsurance contract
Process Impact	<ul style="list-style-type: none"> • Finance, actuarial, underwriting and IT processes to be built suitable for IFRS 17 together with new set of controls and governance framework • For recognition, advance premium receipts to be compared to contract inception date • New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources • Cash receipts for premiums need to be tracked at policy level • Setting up new accounting policies each suitable for measurement model and technical decisions for each area • Monitor terms and conditions attaching to insurance and reinsurance contracts • New expense allocation process acquisition costs, claims settlement costs and underwriting costs to be put in place to identify profitability at a contract level. • System to track coverage period for future products need to be put in place
Impact on RI Arrangements	<ul style="list-style-type: none"> • Insurance contract liabilities / assets is required to be reported gross of reinsurance and a separate reinsurance asset / liability shall be reported • The cash flows (after factoring any expected credit loss) shall be reported gross (before reinsurance) and undiscounted • Cancellation clauses to be reviewed to assess the impact on measurement models relevant for these contracts
Impact on Policies and Control Frameworks	Policies may need to be changed to accommodate requirements of IFRS 17. Policies and control framework will be required to reflect the aggregation requirements. IFRS 17 requirements for onerous contracts will affect the different policies and frameworks such as accounting and audit. Control frameworks such as liquidity management will need to allow for future cash flows projections.

The Company has started with their implementation process and have set up a project team supervised by a steering committee.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New Standards, amendments and interpretations not yet applied by the Company (Continued)
IFRS 9 – Financial Instruments

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

a) Classification and measurement:

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

- 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 are 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.

b) 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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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New Standards, amendments and interpretations not yet applied by the Company (Continued)
IFRS 9 – Financial Instruments (Continued)

c) 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, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 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 detailed assessment beginning January 01, 2017:

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New Standards, amendments and interpretations not yet applied by the Company (Continued)

IFRS 9 – Financial Instruments (Continued)

Impact assessment

As at March 31, 2020, the Company has total financial assets and insurance related assets amounting to SR 1,246 million (December 31, 2019 SR 1,329 million) and SR 150 million (December 31, 2019 SR 125 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 1,143 million (December 2019: SR 1,204 million). The company does not have any unit linked investments held at fair value through statement of income as at March 31, 2020 and December 31, 2019 respectively. Other financial assets consist of available for sale investments amounting to SR 103 million (December 31, 2019: SR 125 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. 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. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are as disclosed in the financial statements for the year ended December 31, 2019. The Company financial assets have low credit risk as at March 31, 2020 and December 31, 2019. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

3.3 Change in the accounting for zakat and income tax:

As mentioned above, the basis of preparation has been changed for the period ended March 31, 2020 as a result of the issuance of latest instructions from SAMA dated July 23, 2019. Upto March 31, 2019 and prior, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017. With the instructions issued by SAMA dated July 23, 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 (see Note 2) and the effects of the above change are disclosed in note 12 to the interim condensed financial information. The change has resulted in reduction of reported income of the Company for the three month period ended March 31, 2019 by SR 3 million. The change has had no impact on the interim statement of cash flows for the period ended March 31, 2019.

Accounting Policy:

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction.

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

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate.

Zakat:

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the interim statement of income.

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4. CASH AND CASH EQUIVALENTS

	<i>Insurance operations</i>		<i>Shareholders' operations</i>	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash at banks				
- Current accounts	163,291,426	76,056,722	12,096,883	15,670,513
- Money market fund	264,015,787	258,301,875	33,227,923	33,035,189
	427,307,213	334,358,597	45,324,806	48,705,702

Cash at bank and units in money market funds are placed with counterparties that have high credit reliability.

5. PREMIUMS AND REINSURANCE RECEIVABLE, NET

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Policyholders	245,414,428	276,409,049
Brokers and agents	17,934,077	19,171,520
Receivables from insurance and reinsurance companies	13,034,228	9,537,420
Premiums and reinsurance receivables from related parties (note 11)	257,163	206,547
Premiums and reinsurers' receivable – gross	276,639,896	305,324,536
Less: allowance for doubtful debts, net	(131,279,431)	(124,830,405)
Premiums and reinsurers' receivable – net	145,360,465	180,494,131

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6. INVESTMENTS

	Shareholders' operations	
	March 31,	December 31,
	2020	2019
	(Unaudited)	(Audited)
Available-for-sale investment	103,113,981	124,910,549
Held to maturity	19,687,500	19,687,500
Total	122,801,481	144,598,049

Movement in the investment balance is as follows:

	Shareholders' operations	
	March 31,	December 31,
	2020	2019
	(Unaudited)	(Audited)
Opening balance	144,598,049	132,316,495
Purchases	3,984,618	84,839,214
Disposals	(14,952,250)	(72,792,144)
Realization of losses on disposal of available for sale investments	(1,096,184)	(2,209,739)
Unrealized fair value changes in available for sale investments	(11,261,803)	(221,047)
Realized gain	1,255,578	6,103,858
Impairment recognized during the period/year	-	(3,812,433)
Dividends re-invested	273,473	373,845
Closing balance	122,801,481	144,598,049

Investments include the following:

	March 31, 2020		
	Quoted	Unquoted	Total
Available for sale investment	34,423,229	68,690,752	103,113,981
Held to maturity	19,687,500	-	19,687,500
Total	54,110,729	68,690,752	122,801,481

	December 31, 2019		
	Quoted	Unquoted	Total
Available for sale investment	52,704,329	72,206,220	124,910,549
Held to maturity	19,687,500	-	19,687,500
Total	72,391,829	72,206,220	144,598,049

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7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Outstanding claims	256,707,786	239,979,427
Less: Realizable value of salvage and subrogation	(51,629,208)	(54,632,589)
	205,078,578	185,346,838
Claims incurred but not reported	122,628,686	129,434,499
Additional premium reserves	7,434,262	22,756,206
Other technical reserves	6,230,768	6,167,162
	341,372,294	343,704,705
Less:		
- Reinsurers' share of outstanding claims	(91,141,199)	(65,545,868)
- Reinsurers' share of claims incurred but not reported	(14,023,851)	(14,164,512)
	(105,165,050)	(79,710,380)
Net outstanding claims and reserves	236,207,244	263,994,325

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three month ended March 31, 2020 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	474,721,686	(22,133,245)	452,588,441
Premium written during the period	153,108,553	(19,296,559)	133,811,994
Premium earned during the period	(207,236,283)	17,236,607	(189,999,676)
Balance as at the end of the period	420,593,956	(24,193,197)	396,400,759

	Year ended December 31, 2019 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	488,953,035	(23,229,716)	465,723,319
Premium written during the year	861,936,426	(81,550,838)	780,385,588
Premium earned during the year	(876,167,775)	82,647,309	(793,520,466)
Balance as at the end of the year	474,721,686	(22,133,245)	452,588,441

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8. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Letters of guarantee	15,290,660	14,290,660
Total	15,290,660	14,290,660

b) The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at December 31, 2019.

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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

SHAREHOLDERS OPERATIONS:

SHAREHOLDERS OPERATIONS:	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
March 31, 2020 (Unaudited)					
Financial assets measured at fair value					
- Investments available for sale	103,113,981	34,423,232	57,317,824	11,372,925	103,113,981
	103,113,981	34,423,232	57,317,824	11,372,925	103,113,981

Investments available for sale amounting to SR. 11,372,925 (December 2019: SR. 11,372,925) are carried at cost because the investments are not quoted in any active market nor there is any level of input directly or indirectly observable and there are no other significant observable inputs available. The management does not have any intention to dispose of this available for sale investment in the foreseeable future.

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10. OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segment has been approved by Board of Directors in their function as Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess its performance.

For management purposes, the Company is organized into business segments classified as: Medical, Property, Engineering, Motor, Casualty and Others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information.

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 cash and cash equivalents, investments held for trading, available for sale and held to maturity, premiums and insurance balances receivable, prepayments and other assets, amounts due from related parties, amounts due from shareholders' operations, time deposits, property and equipment, intangible assets and goodwill and shareholders' operations assets. Accordingly, they are included in unallocated assets.

Segment liabilities and accumulated surplus do not include accounts payables, reinsurance balances payable, accrued expenses, other liabilities, lease liabilities, due to related parties, accrued commission income payable to SAMA, amounts due to shareholders' operations and end-of-service indemnities and shareholders' liabilities. Accordingly, they are included in unallocated liabilities.

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

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 the three-month period ended March 31, 2020 and March 31, 2019, are as follows:

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10. OPERATING SEGMENTS (Continued)

Interim statement of financial position

As at March 31, 2020
(Unaudited)

	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property and casualty	Total insurance operations		
	SAR	SAR	SAR	SAR	SAR	SAR
Assets						
Reinsurers' share of unearned premiums	-	3,657,808	20,535,389	24,193,197	-	24,193,197
Reinsurers' share of outstanding claims	2,531,530	20,740,381	67,869,288	91,141,199	-	91,141,199
Reinsurers' share of claims incurred but not reported	-	949,397	13,074,454	14,023,851	-	14,023,851
Deferred policy acquisition costs	7,458,231	10,357,005	3,044,672	20,859,908	-	20,859,908
Unallocated assets	9,989,761	35,704,591	104,523,803	782,430,565	501,835,828	1,284,266,393
Total assets				932,648,720	501,835,828	1,434,484,548
Liabilities						
Unearned premiums	102,300,189	287,765,088	30,528,679	420,593,956	-	420,593,956
Unearned reinsurance commission	-	1,019,562	4,458,372	5,477,934	-	5,477,934
Outstanding claim	33,272,244	63,203,937	108,602,397	205,078,578	-	205,078,578
Claims incurred but not reported	9,577,433	94,935,803	18,115,450	122,628,686	-	122,628,686
Additional premium reserves	4,244,255	1,567,735	1,622,272	7,434,262	-	7,434,262
Other technical reserves	262,135	3,796,133	2,172,500	6,230,768	-	6,230,768
Unallocated liabilities	149,656,256	452,288,258	165,499,670	152,375,470	31,731,391	184,106,861
Total liabilities				919,819,654	31,731,391	951,551,045

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

10. OPERATING SEGMENTS (Continued)

Interim statement of financial position (Continued)

As at December 31, 2019
(Audited)

	Insurance operations				Shareholders' operations	Total
	Property and casualty		Total insurance operations			
Medical	Motor	SAR		SAR	SAR	SAR
SAR	SAR	SAR		SAR	SAR	SAR
Assets						
Reinsurers' share of unearned premiums	-	4,214,236	17,919,009	22,133,245	-	22,133,245
Reinsurers' share of outstanding claims	2,908,139	19,986,510	42,651,219	65,545,868	-	65,545,868
Reinsurers' share of claims incurred but not reported	-	1,012,735	13,151,777	14,164,512	-	14,164,512
Deferred policy acquisition costs	8,706,335	11,830,012	2,630,444	23,166,791	-	23,166,791
Unallocated assets	-	-	-	897,782,644	464,110,778	1,361,893,422
Total assets	11,614,474	37,043,493	76,352,449	1,022,793,060	464,110,778	1,486,903,838
Liabilities						
Unearned premiums	122,859,120	323,331,355	28,531,211	474,721,686	-	474,721,686
Unearned reinsurance commission	-	1,158,925	3,772,491	4,931,416	-	4,931,416
Outstanding claims	33,808,540	74,285,202	77,253,096	185,346,838	-	185,346,838
Claims incurred but not reported	7,899,515	103,098,057	18,436,927	129,434,499	-	129,434,499
Additional premium reserves	10,211,300	10,017,693	2,527,213	22,756,206	-	22,756,206
Other technical reserves	248,038	4,207,220	1,711,904	6,167,162	-	6,167,162
Unallocated liabilities	-	-	-	150,388,705	32,867,559	183,256,264
Total liabilities	175,026,513	516,098,452	132,232,842	973,746,512	32,867,559	1,006,614,071

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain investments held in countries domiciled in the Gulf Cooperation Council ("GCC").

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

10. OPERATING SEGMENTS – (Continued)
Interim statement of income

	For the three month ended March 31, 2020 (Unaudited)			
	Medical	Motor	Property and casualty	Total
	SAR			
REVENUES				
Gross premiums written				
Individual	-	34,037,218	434,692	34,471,910
Micro Entities	25,804,014	540,974	357,811	26,702,799
Small Entities	4,134,932	76,371	81,483	4,292,786
Medium Entities	1,516,166	7,268,142	8,998,965	17,783,273
Large Organizations	2,258,707	61,663,285	5,935,793	69,857,785
	33,713,819	103,585,990	15,808,744	153,108,553
Reinsurance premiums ceded – local	-	(39,228)	(319,778)	(359,006)
Reinsurance premiums ceded – foreign	-	(1,517,610)	(13,458,728)	(14,976,338)
Excess of loss premium	(1,675,000)	(1,873,715)	(412,500)	(3,961,215)
Net premiums written	32,038,819	100,155,437	1,617,738	133,811,994
Changes in unearned premiums, net	20,558,931	35,009,839	618,912	56,187,682
Net premiums earned	52,597,750	135,165,276	2,236,650	189,999,676
Reinsurance commissions	-	582,939	2,499,935	3,082,874
Other underwriting income	301,150	1,928,814	(8,009)	2,221,955
TOTAL REVENUES	52,898,900	137,677,029	4,728,576	195,304,505
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(56,058,982)	(118,878,274)	(2,495,913)	(177,433,169)
Reinsurers' share of claims paid	3,515,620	781,068	1,045,139	5,341,827
Net claims and other benefits paid	(52,543,362)	(118,097,206)	(1,450,774)	(172,091,342)
Changes in outstanding claims, net	159,687	11,835,136	(6,131,232)	5,863,591
Changes in claims incurred but not reported, net	(1,677,918)	8,098,916	244,154	6,665,152
Change in other technical reserves movement	(14,097)	411,087	(460,596)	(63,606)
Net claims and other benefits incurred	(54,075,690)	(97,752,067)	(7,798,448)	(159,626,205)
Additional premium reserves	5,967,045	8,449,958	904,941	15,321,944
Policy acquisition costs	(4,028,651)	(5,210,312)	(1,361,151)	(10,600,114)
Other underwriting expenses	(2,829,606)	(1,599,228)	(67,287)	(4,496,121)
TOTAL UNDERWRITING COSTS AND EXPENSES	(54,966,902)	(96,111,649)	(8,321,945)	(159,400,496)
NET UNDERWRITING INCOME	(2,068,002)	41,565,380	(3,593,369)	(35,904,009)
OTHER OPERATING (EXPENSES)/ INCOME				
General and administrative expenses				(18,854,479)
Allowance for doubtful debts				(6,449,026)
Murabaha income on deposits				4,747,389
Realized gain on investments				1,255,578
Dividend and investments income				2,464,491
Investment expenses				(127,169)
Finance cost				(13,618)
Total other operating expenses				(16,976,834)
Total income for the period before surplus attribution and zakat and income tax				18,927,175
Surplus attributed to the insurance operations				(1,425,452)
Total income for the period before Zakat and income tax				17,501,723
Zakat and income tax expense				(2,500,000)
Total income for the period attributable to the Shareholders				15,001,723

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

10. OPERATING SEGMENTS (Continued)
Interim statement of income (Continued)

	For the three month ended March 31, 2019 (Unaudited)			
	Medical	Motor	Property and casualty	Total
	SAR			
REVENUES				
Gross premiums written				
Individual	-	38,023,173	749,427	38,772,600
Micro Entities	18,791,528	447,722	186,868	19,426,118
Small Entities	1,432,558	3,118,575	2,753,074	7,304,207
Medium Entities	2,976,499	7,070,232	5,910,980	15,957,711
Large Organizations	6,957,603	106,887,773	8,916,104	122,761,480
	30,158,188	155,547,475	18,516,453	204,222,116
Reinsurance premiums ceded – local	-	(113,846)	(689,113)	(802,959)
Reinsurance premiums ceded – foreign	(325,174)	(2,146,751)	(17,090,349)	(19,562,274)
Excess of loss expenses	(1,325,000)	(2,278,852)	(564,500)	(4,168,352)
Net premiums written	28,508,014	151,008,026	172,491	179,688,531
Changes in unearned premiums, net	8,347,349	13,321,711	4,929,931	26,598,991
Net premiums earned	36,855,363	164,329,737	5,102,422	206,287,522
Reinsurance commissions	-	672,219	2,321,648	2,993,867
Other underwriting income	706,032	1,461,793	38,207	2,206,032
TOTAL REVENUES	37,561,395	166,463,749	7,462,277	211,487,421
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(29,445,220)	(135,346,120)	(2,336,105)	(167,127,445)
Reinsurers' share of claims paid	6,406,367	983,860	1,322,869	8,713,096
Net claims and other benefits paid	(23,038,853)	(134,362,260)	(1,013,236)	(158,414,349)
Changes in outstanding claims, net	(8,978,624)	(2,217,578)	(677,285)	(11,873,487)
Changes in claims incurred but not reported, net	3,013,238	15,491,216	1,505,728	20,010,182
Change in other technical reserves movement	19,041	1,023,600	217,255	1,259,896
Net claims and other benefits incurred	(28,985,198)	(120,065,022)	32,462	(149,017,758)
Additional premium reserves	(8,188,922)	(6,330,555)	625,265	(13,894,212)
Policy acquisition costs	(3,317,193)	(6,740,959)	(1,398,264)	(11,456,416)
Other underwriting expenses	(2,330,575)	(2,081,331)	(83,342)	(4,495,248)
TOTAL UNDERWRITING COSTS AND EXPENSES	(42,821,888)	(135,217,867)	(823,879)	(178,863,634)
NET UNDERWRITING INCOME	(5,260,493)	31,245,882	6,638,398	32,623,787
OTHER OPERATING (EXPENSES)/ INCOME				
General and administrative expenses				(18,944,792)
Allowance for doubtful debts				(6,237,138)
Murabaha income on deposits				7,905,973
Realized gain on investments				123,080
Dividend and investments income				960,575
Investment expenses				(158,746)
Finance cost				(19,990)
Total other operating expenses				(16,371,038)
Total income for the period before surplus attribution and zakat and income tax				16,252,749
Surplus attributed to the insurance operations				(1,269,941)
Total income for the period before Zakat and income tax				14,982,808
Zakat and income tax expense				(3,000,000)
Total income for the period attributable to the shareholders				11,982,808

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

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:

	Transactions for the period ended	
	SAR	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Major shareholders		
Gross premium written from Directors and their related parties	128,327	237,201
Reinsurance premium ceded	49,431	149,624
	Balance receivable / (payables) as at	
	SAR	
	March 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)
Due to Directors	(56,574)	(106,299)

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

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	SAR	
Salaries and other allowances	1,577,380	1,479,580
End of service indemnities	208,998	244,054
	<u>1,786,378</u>	<u>1,723,634</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

12. ZAKAT AND INCOME TAX**Provision for Zakat and income tax**

Provision for zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

The movement in zakat and income tax provision is as follows:

	March, 31 2020 SR	December 31, 2019 SR
At January 1	26,675,204	51,620,542
Provision for the period / year	2,500,000	14,000,000
Paid during the period / year	(3,848,043)	(38,945,338)
At period / year end	25,327,161	26,675,204

Status of zakat and income tax certificate

The Company has submitted its zakat and tax returns up to the year ended December 31, 2019.

The Company has received final zakat assessments from the GAZT for the years through 2015 and assessments for the years 2016 to 2019 is under review of GAZT.

Additionally, the zakat assessments of Trade Union Insurance Company (B.S.C.) (closed) have been finalized by the GAZT for the years 2000 to 2008 claiming zakat and income tax liability amounting to SR 10.6 million and withholding tax dues amounting to SR 8.9 million. Management has filed an objection against these assessments and the primary objection committee concluded the same in favor of GAZT. However, the management filed an objection to the Appeal Committee of Zakat and Income Tax following the regulatory procedures.

In 2015, the GAZT has issued an adjusted assessment for the same years 2000-2008 claiming the same amount as per the Preliminary Committee's decision. The Company has appealed against these assessments and management expects to receive a favorable ruling. Subsequently, the Company paid an additional amount of SR 8.8 million and the case is still under discussion of the Appellate Committee.

Payment has been made with the provision of continuation of the appeals, keeping the right to refund or reconcile the excess payment when the company receives a favorable ruling for the cases.

Effect of change in accounting policies for zakat and income tax

The change in the accounting treatment for zakat and income tax (as explained in Note 3.3) has the following impact on the line items of the statements of income and changes in equity:

As at period ended March 31, 2019:

Financial statement impacted	Account	Before the restatement for the period ended March 31, 2019:	Effect of Restatement	Restated as at and for the period ended March 31, 2019:
Interim statement of changes in equity	Provision for zakat and income tax (retained earnings)	3,000,000	(3,000,000)	-
Interim statement of income	Zakat and income tax expenses	-	3,000,000	3,000,000
Interim statement of income	Earnings per share	0.375	(0.075)	0.300

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

13. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 400,000,000 at March 31, 2020 (December 31, 2019: SAR 400,000,000) consisting of 40,000,000 shares (December 31, 2019: 40,000,000 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.

Trade Union Holding Co. – Bahrain
Al Ahleia Insurance Co. – Kuwait
Others

March 31, 2020		
Authorized and issued		Paid up
No. of Shares	SAR	
8,944,000	89,440,000	89,440,000
4,000,000	40,000,000	40,000,000
27,056,000	270,560,000	270,560,000
40,000,000	400,000,000	400,000,000

Trade Union Holding Co. – Bahrain
Al Ahleia Insurance Co. – Kuwait
Others

December 31, 2019		
Authorized and issued		Paid up
No. of Shares	SAR	
8,944,000	89,440,000	89,440,000
4,000,000	40,000,000	40,000,000
27,056,000	270,560,000	270,560,000
40,000,000	400,000,000	400,000,000

14. CAPITAL MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, 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. 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.

15. EARNINGS PER SHARE ("EPS")

Basic and diluted Income per share from shareholders' income is calculated by dividing net income from shareholders' operations for the period by weighted average number of ordinary shares outstanding during the year, unless there is a dilution effect.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SUPPLEMENTARY INFORMATION

Interim financial position

	SAR				
	As at March 31, 2020 - (Unaudited)		As at December 31, 2019 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations
ASSETS					
Cash and cash equivalents	427,307,213	45,324,806	472,632,019	334,358,597	48,705,702
Premiums and reinsurance receivable, net	145,360,465	-	145,360,465	180,494,131	-
Reinsurers' share of unearned premiums	24,193,197	-	24,193,197	22,133,245	-
Reinsurers' share of outstanding claims	91,141,199	-	91,141,199	65,545,868	-
Reinsurers' share of claims Incurred but not reported	14,023,851	-	14,023,851	14,164,512	-
Deferred policy acquisition costs	20,859,908	-	20,859,908	23,166,791	-
Investments	-	122,801,481	122,801,481	-	144,598,049
Due from insurance operations	-	12,829,066	12,829,066	-	49,046,548
Prepaid expenses and other assets	32,128,167	3,361,680	35,489,847	30,023,659	677,471
Long term/fixed income deposits	160,000,000	281,101,267	441,101,267	337,140,745	221,101,267
Property and equipment	16,158,404	-	16,158,404	14,136,473	-
Right of use assets	1,476,316	-	1,476,316	1,629,039	-
Goodwill	-	4,496,500	4,496,500	-	4,496,500
Statutory deposit	-	40,000,000	40,000,000	-	40,000,000
Accrued income on statutory deposit	-	4,750,094	4,750,094	-	4,531,789
TOTAL ASSETS	932,648,720	514,664,894	1,447,313,614	1,022,793,060	513,157,326
					1,535,950,386
Less: inter-operations elimination	-	(12,829,066)	(12,829,066)	-	(49,046,548)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	932,648,720	501,835,828	1,434,484,548	1,022,793,060	464,110,778
					1,486,903,838

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SUPPLEMENTARY INFORMATION – (Continued)

	SAR			
	As at March 31, 2020 - (Unaudited)		As at December 31, 2019 (Audited)	
	Insurance operations	Shareholders' operations	Total	Total
LIABILITIES				
Accounts payable	37,381,677	-	37,381,677	39,533,628
Accrued and other liabilities	78,185,172	1,654,136	79,839,308	81,326,347
Lease liability	1,244,321	-	1,244,321	1,230,703
Reinsurers' balances payable	16,567,170	-	16,567,170	12,084,964
Unearned premiums	420,593,956	-	420,593,956	474,721,686
Unearned reinsurance commission	5,477,934	-	5,477,934	4,931,416
Outstanding claims	205,078,578	-	205,078,578	185,346,838
Claims incurred but not reported	122,628,686	-	122,628,686	129,434,499
Additional premium reserves	7,434,262	-	7,434,262	22,756,206
Other technical reserves	6,230,768	-	6,230,768	6,167,162
Due to shareholders' operations	12,829,066	-	12,829,066	49,046,548
End-of-service indemnities	14,699,640	-	14,699,640	15,001,591
Zakat and income tax	-	25,327,161	25,327,161	26,675,204
Accrued commission income payable to SAMA	-	4,750,094	4,750,094	4,531,789
TOTAL LIABILITIES	928,351,230	31,731,391	960,082,621	1,019,921,022
Less: Interoperations elimination	(12,829,066)	-	(12,829,066)	(49,046,548)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	915,522,164	31,731,391	947,253,555	970,874,474
Accumulated surplus payable	6,875,068	-	6,875,068	5,449,616
Re-measurement actuarial (loss) / gain on end of service indemnities	(2,577,578)	-	(2,577,578)	(2,577,578)
TOTAL ACCUMULATED SURPLUS AND RESERVES	4,297,490	-	4,297,490	2,872,038
SHAREHOLDERS' EQUITY				
Share capital	-	400,000,000	400,000,000	400,000,000
Statutory reserve	-	24,088,829	24,088,829	24,088,829
Retained earnings	-	66,642,624	66,642,624	51,640,901
Fair value reserve gain on investments	-	(7,797,950)	(7,797,950)	4,560,037
TOTAL EQUITY	-	482,933,503	482,933,503	480,289,767
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	919,819,654	514,664,894	1,434,484,548	1,486,903,838

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SUPPLEMENTARY INFORMATION (Continued)

Interim statement of income

	SAR			
	For the three month ended March 31, 2020 (Unaudited)		For the three month ended March 31, 2019 (Unaudited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	Total	Total	Total	Total
REVENUES				
Gross premiums written	153,108,553	-	153,108,553	-
Reinsurance premiums ceded-local	(359,006)	-	(802,959)	-
Reinsurance premiums ceded-foreign	(14,976,338)	-	(19,562,274)	-
Excess of loss premium	(3,961,215)	-	(4,168,352)	-
Net premiums written	133,811,994	-	133,811,994	-
Changes in unearned premiums, net	56,187,682	-	179,688,531	-
Net premiums earned	189,999,676	-	26,598,991	-
Reinsurance commissions	3,082,874	-	206,287,522	-
Other underwriting income	2,221,955	-	2,993,867	-
TOTAL REVENUES	195,304,505	-	2,206,032	-
			211,487,421	-
				211,487,421
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(177,433,169)	-	(167,127,445)	-
Reinsurers' share of claims paid	5,341,827	-	8,713,096	-
Net claims and other benefits paid	(172,091,342)	-	(158,414,349)	-
Changes in outstanding claims, net	5,863,591	-	(11,873,487)	-
Changes in claims incurred but not reported, net	6,665,152	-	20,010,182	-
Other technical reserves	(63,606)	-	1,259,896	-
Net claims and other benefits incurred	(159,626,205)	-	(149,017,758)	-
Additional premium reserves	15,321,944	-	(13,894,212)	-
Policy acquisition costs	(10,600,114)	-	(11,456,416)	-
Other underwriting expenses	(4,496,121)	-	(4,495,248)	-
TOTAL UNDERWRITING COSTS AND EXPENSES	(159,400,496)	-	(178,863,634)	-
				(178,863,634)
NET UNDERWRITING INCOME	35,904,009	-	32,623,787	-
				32,623,787

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SUPPLEMENTARY INFORMATION (Continued)

	SAR				
	For the three month ended March 31, 2020		For the three month ended March 31, 2019		
	Insurance operations	Shareholders' operations (Unaudited)	Total	Insurance operations	Shareholders' operations (Unaudited)
OTHER OPERATING (EXPENSES)/ INCOME					
Allowance for doubtful debts	(6,449,026)	-	(6,449,026)	(6,237,138)	-
General and administrative expenses	(18,803,379)	(51,100)	(18,854,479)	(18,867,915)	(76,877)
Murabaha income on deposits	1,844,777	2,902,612	4,747,389	4,723,463	3,182,510
Realized gain on investments	-	1,255,578	1,255,578	-	123,080
Dividend and realized gain on investments	1,771,755	692,736	2,464,491	477,207	483,368
Investment expenses	-	(127,169)	(127,169)	-	(158,746)
Finance cost	(13,618)	-	(13,618)	(19,990)	-
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(21,649,491)	4,672,657	(16,976,834)	(19,924,373)	3,553,335
NET INCOME FOR THE PERIOD BEFORE SURPLUS ATTRIBUTION AND ZAKAT AND INCOME TAX	14,254,518	4,672,657	18,927,175	12,699,414	3,553,335
Surplus transferred to shareholders	(12,829,066)	12,829,066	-	(11,429,473)	11,429,473
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	1,425,452	17,501,723	18,927,175	1,269,941	14,982,808
Zakat and income tax expense	-	(2,500,000)	(2,500,000)	-	(3,000,000)
TOTAL INCOME FOR THE PERIOD	1,425,452	15,001,723	16,427,175	1,269,941	11,982,808
Earnings per share					
Basic EPS	0.04	0.38	0.41	0.03	0.30
					0.33

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SUPPLEMENTARY INFORMATION (Continued)

Interim statement of other comprehensive income

	SAR					
	For the three month ended March 31, 2020 (Unaudited)			For the three month ended March 31, 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
TOTAL INCOME FOR THE PERIOD	1,425,452	15,001,723	16,427,175	1,269,941	11,982,808	13,252,749
Other comprehensive income						
Items that are classified or will be reclassified to statement of income in subsequent periods						
Realization of losses on disposal of available-for-sale investments	-	(1,096,184)	(1,096,184)	-	-	-
Unrealized fair value changes in available for sale investments	-	(11,261,803)	(11,261,803)	-	3,669,176	3,669,176
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,425,452	2,643,736	4,069,188	1,269,941	15,651,984	16,921,925

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SUPPLEMENTARY INFORMATION (Continued)

Interim statement of cash flows

SAR	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the period before surplus attribution and zakat and income tax	1,425,452	17,501,723	18,927,175	1,269,941	14,982,808	16,252,749
Adjustments for non-cash items:						
Depreciation of property and equipment	693,177	-	693,177	753,420	-	753,420
Depreciation charge of right to use assets	152,723	-	152,723	152,723	-	152,723
Allowance for doubtful debts	6,449,026	-	6,449,026	6,237,138	-	6,237,138
(Gain)/loss on available for sale investments	-	(1,255,578)	(1,255,578)	-	35,666	35,666
Dividends reinvested	-	(273,473)	(273,473)	-	(121,646)	(121,646)
Finance cost	13,618	-	13,618	19,990	-	19,990
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	28,684,640	-	28,684,640	44,434,596	-	44,434,596
Reinsurers' share of unearned premiums	(2,059,952)	-	(2,059,952)	(2,980,922)	-	(2,980,922)
Reinsurers' share of outstanding claims	(25,595,331)	-	(25,595,331)	(3,316,027)	-	(3,316,027)
Reinsurers' share of claims incurred but not reported	140,661	-	140,661	10,257,852	-	10,257,852
Deferred policy acquisition costs	2,306,883	-	2,306,883	870,571	-	870,571
Due from related parties	-	-	-	(18,000)	-	(18,000)
Prepaid expenses and other assets	(2,104,508)	(2,684,209)	(4,788,717)	(11,279,860)	7,725,974	(3,553,886)
Accounts payables	(2,151,951)	-	(2,151,951)	(7,162,525)	-	(7,162,525)
Accrued and other liabilities	(1,480,609)	(6,430)	(1,487,039)	(10,984,070)	48,580	(10,935,490)
Reinsurers' balances payable	4,482,206	-	4,482,206	4,251,864	-	4,251,864
Unearned premiums	(54,127,730)	-	(54,127,730)	(23,618,069)	-	(23,618,069)
Unearned reinsurance commission	546,518	-	546,518	1,317,292	-	1,317,292
Outstanding claims	19,731,740	-	19,731,740	15,189,515	-	15,189,515
Claims incurred but not reported	(6,805,813)	-	(6,805,813)	(30,268,034)	-	(30,268,034)
Additional premium reserves	(15,321,944)	-	(15,321,944)	13,894,212	-	13,894,212

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION - (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

16. SUPPLEMENTARY INFORMATION – (Continued)

Interim statement of cash flows– (Continued)

SAR	Insurance operations	2020		2019	
		Shareholders' operations	Total	Insurance operations	Shareholders' operations
Other technical reserves	63,606	-	63,606	(1,259,896)	-
Due from insurance operations	-	36,217,482	36,217,482	-	71,920,153
Due to shareholders' operations	(36,217,482)	-	(36,217,482)	(71,920,153)	-
End-of-service indemnities paid	(81,175,070)	49,499,515	(31,675,555)	(64,158,442)	94,591,535
Zakat and income tax paid	(301,951)	-	(301,951)	(119,991)	-
Net cash (used in)/ generated from operating activities	-	(3,848,043)	(3,848,043)	-	-
	(81,477,021)	45,651,472	(35,825,549)	(64,278,433)	94,591,535
					30,313,102
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions/disposals in investments	-	10,967,632	10,967,632	-	(248,418)
Additions/disposals in long term/fixed income deposits	177,140,745	(60,000,000)	117,140,745	78,125,000	(10,553,639)
Additions/disposals in property and equipment	(2,715,108)	-	(2,715,108)	(573,460)	-
Net cash generated from/(used in) investing activities	174,425,637	(49,032,368)	125,393,269	77,551,540	(11,375,517)
Net change in cash and cash equivalents	92,948,616	(3,380,896)	89,567,720	13,273,107	5,664,478
Cash and cash equivalents, beginning of the period	334,358,597	48,705,702	383,064,299	144,792,053	7,097,651
Cash and cash equivalents, end of the period	427,307,213	45,324,806	472,632,019	158,065,160	12,762,129
					170,827,289

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION – (Continued)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

17. SUBSEQUENT EVENT

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the “Decree”) dated May 8, 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. The management believes that such requirements of the Decree are a non-adjusting event and therefore the interim condensed financial information have not been adjusted.

18. COMPARATIVE FIGURES

As explained in Note 2, this interim condensed financial information was presented previously in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax (Also see Note 3.3).

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information has been approved by the Board, on June 7, 2020, corresponding to 15 Shawwal 1441 H.