

**WATANIYA INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021**

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

To the shareholders of Wataniya Insurance Company  
(A Saudi Joint Stock Company)

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Wataniya Insurance Company (the "Company") as at September 30, 2021 and the related interim statements of income, comprehensive income for the three-month and nine-month periods then ended, and interim statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes (collectively referred to as the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### **Scope of review**

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

### **Conclusion**

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

### **Emphasis of matter**

We draw attention to note 1 to the interim condensed financial statements, which indicates that the Company has incurred net losses attributable to the shareholders of Saudi Riyals 27.2 million and Saudi Riyals 54.78 million for the three-month and nine-month periods ended September 30, 2021 respectively, and as of that date, its accumulated losses amounted to Saudi Riyals 4.55 million and the Company's solvency margin is below the minimum solvency requirements as mandated by the Saudi Central Bank ("SAMA"). The Company's financial position as at September 30, 2021, together with the uncertainty as to whether the Board of Directors' proposed remediation actions described in note 1 will be successful or not, indicate that a material uncertainty exists that may cast significant doubts on the Company's ability to continue as a going concern. Our conclusion above is not modified in respect of this matter.

**Ernst & Young & Co.**  
(Public Accountants)

**Hussain Saleh Asiri**  
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**Rabi' al-Thani 5, 1443 H**  
**Corresponding to November 10, 2021 G**  
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**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of financial position**  
**As at September 30, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

|   |      | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|---|------|--------------------------------------|-----------------------------------|
|   | Note |                                      |                                   |
| <b>ASSETS</b>   |      |                                      |                                   |
| Cash and cash equivalents   | 4    | 122,745                              | 80,733                            |
| Short-term deposits   | 5    | 190,247                              | 242,250                           |
| Premiums receivable – net   | 6    | 252,035                              | 194,538                           |
| Due from reinsurers – net   | 7    | 34,684                               | 44,039                            |
| Reinsurers' share of unearned premiums                            | 8    | 180,148                              | 129,371                           |
| Reinsurers' share of outstanding claims                           | 8    | 276,022                              | 559,837                           |
| Reinsurers' share of claims incurred but not reported             | 8    | 31,705                               | 52,863                            |
| Deferred policy acquisition costs                                 |      | 40,264                               | 32,299                            |
| Investments   | 9    | 174,202                              | 166,952                           |
| Prepaid expenses and other assets                                 | 10   | 24,724                               | 19,893                            |
| Property and equipment  |      | 17,095                               | 12,371                            |
| Intangible assets   |      | 40,617                               | 38,113                            |
| Statutory deposit   | 11   | 20,000                               | 20,000                            |
| Accrued income on statutory deposit                               | 11   | 1,591                                | 1,469                             |
| <b>TOTAL ASSETS</b>   |      | <b>1,406,079</b>                     | <b>1,594,728</b>                  |
| <b>LIABILITIES</b>  |      |                                      |                                   |
| Policyholders payable   |      | 61,892                               | 22,681                            |
| Accrued expenses and other liabilities                            |      | 72,766                               | 68,699                            |
| Due to reinsurers, agents, brokers and third-party administrators | 12   | 129,052                              | 105,695                           |
| Unearned premiums   | 8    | 431,219                              | 329,632                           |
| Unearned reinsurance commission                                   |      | 29,813                               | 30,386                            |
| Outstanding claims  | 8    | 379,502                              | 641,948                           |
| Claims incurred but not reported                                  | 8    | 69,410                               | 101,491                           |
| Premium deficiency reserve  | 8    | 10,173                               | 12,966                            |
| Additional unexpired risk reserve                                 | 8    | 1,518                                | 203                               |
| Unallocated loss adjustment expense provision                     | 8    | 4,704                                | 4,654                             |
| Surplus distribution payable                                      |      | -                                    | 2,468                             |
| Zakat and income tax payable                                      | 13   | 3,636                                | 6,604                             |
| Accrued income on statutory deposit                               | 11   | 1,591                                | 1,469                             |
| <b>TOTAL LIABILITIES</b>  |      | <b>1,195,276</b>                     | <b>1,328,896</b>                  |
| <b>EQUITY</b>   |      |                                      |                                   |
| Share capital   | 14   | 200,000                              | 200,000                           |
| Statutory reserve   | 15   | 15,354                               | 15,354                            |
| (Accumulated losses) / retained earnings                          |      | (4,551)                              | 50,478                            |
| <b>TOTAL EQUITY</b>   |      | <b>210,803</b>                       | <b>265,832</b>                    |
| <b>TOTAL LIABILITIES AND EQUITY</b>                               |      | <b>1,406,079</b>                     | <b>1,594,728</b>                  |
| <b>COMMITMENTS AND CONTINGENCIES</b>                              |      |                                      |                                   |
|   | 16   | 32,780                               | 36,302                            |


The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.


**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**

**Interim statement of income**

**For the three-month and nine-month periods ended September 30, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

|   | Note | Three-month<br>period ended<br>September 30,<br>2021<br>(Unaudited) | Three-month<br>period ended<br>September 30,<br>2020<br>(Unaudited) | Nine-month<br>period ended<br>September 30,<br>2021<br>(Unaudited) | Nine-month<br>period ended<br>September 30,<br>2020<br>(Unaudited) |
|---|------|---|---|--|--|
| <b>REVENUES</b>   |      |   |   |  |  |
| Gross premiums written  | 17   | 178,012   | 159,385   | 713,192  | 641,847  |
| Reinsurance premiums<br>ceded   | 18   | (68,961)  | (74,752)  | (279,130)  | (271,477)  |
| Excess of loss expenses   | 18   | (4,805)   | (4,232)   | (17,234)   | (14,456)   |
| <b>Net premiums written</b>   |      | <b>104,246</b>  | <b>80,401</b>   | <b>416,828</b>   | <b>355,914</b>   |
| Changes in unearned<br>premium, net                                     |      | 24,169  | 21,945  | (50,810)   | (48,866)   |
| <b>Net premiums earned</b>  |      | <b>128,415</b>  | <b>102,346</b>  | <b>366,018</b>   | <b>307,048</b>   |
| Reinsurance commissions   |      | 12,039  | 12,334  | 36,312   | 43,321   |
| Other underwriting income   |      | 79  | 33  | 331  | 114  |
| <b>TOTAL REVENUES</b>   |      | <b>140,533</b>  | <b>114,713</b>  | <b>402,661</b>   | <b>350,483</b>   |
| <b>COST AND EXPENSES</b>  |      |   |   |  |  |
| Gross claims paid and loss<br>adjustment expenses, net<br>of recoveries |      | 438,219   | 99,554  | 658,972  | 242,875  |
| Reinsurers' share of claims<br>paid                                     |      | (338,556)   | (27,630)  | (390,150)  | (66,806)   |
| <b>Net claims paid</b>  |      | <b>99,663</b>   | <b>71,924</b>   | <b>268,822</b>   | <b>176,069</b>   |
| Changes in outstanding<br>claims, net                                   |      | 11,110  | 1,918   | 21,369   | 12,359   |
| Changes in claims incurred<br>but not reported, net                     |      | (9,152)   | 890   | (10,923)   | 2,817  |
| <b>Net claims incurred</b>  |      | <b>101,621</b>  | <b>74,732</b>   | <b>279,268</b>   | <b>191,245</b>   |
| Premium deficiency reserve  |      | 413   | (1,204)   | (2,793)  | 4,019  |
| Additional unexpired risk<br>reserve                                    |      | 323   | 28  | 1,315  | (234)  |
| Unallocated loss<br>adjustment expense<br>provision                     |      | 292   | (75)  | 50   | 218  |
| Policy acquisition costs  |      | 17,485  | 14,234  | 49,507   | 46,439   |
| Other underwriting<br>expenses  | 19   | 5,798   | 3,678   | 21,416   | 5,574  |
| <b>TOTAL UNDERWRITING<br/>COST AND EXPENSES</b>                         |      | <b>125,932</b>  | <b>91,393</b>   | <b>348,763</b>   | <b>247,261</b>   |
| <b>NET UNDERWRITING<br/>INCOME</b>                                      |      | <b>14,601</b>   | <b>23,320</b>   | <b>53,898</b>  | <b>103,222</b>   |

  
 S. F. Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of income (continued)**  
**For the three-month and nine-month periods ended September 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

|   |      | Three-month<br>period<br>ended<br>September<br>30,<br>2021<br>(Unaudited) | Three-month<br>period ended<br>September<br>30,<br>2020<br>(Unaudited) | Nine-month<br>period ended<br>September<br>30,<br>2021<br>(Unaudited) | Nine-month<br>period ended<br>September<br>30,<br>2020<br>(Unaudited) |
|---|------|---|--|---|---|
| <b>OTHER OPERATING INCOME/<br/>(EXPENSES)</b>   | Note |   |  |   |   |
| Allowance for impairment of<br>doubtful premium, reinsurers<br>and other receivables                            |      | (8,258)   | (2,328)  | (15,306)  | (13,180)  |
| General and administration<br>expenses  |      | (33,226)  | (30,413)   | (94,411)  | (96,501)  |
| Commission income on deposits   |      | 437   | 413  | 1,120   | 2,251   |
| Unrealized (loss) / gain on<br>investments  |      | (80)  | 184  | 2,250   | (345)   |
| Dividends and realized gain on<br>investments   |      | 89  | -  | 166   | -   |
| Other income  |      | 362   | 4,167  | 606   | 7,051   |
| <b>TOTAL OTHER OPERATING<br/>EXPENSES, NET</b>  |      | <b>(40,676)</b>   | <b>(27,977)</b>  | <b>(105,575)</b>  | <b>(100,724)</b>  |
| <b>(Loss) / Income for the period<br/>Income attributed to the policy<br/>holders</b>                           |      | <b>(26,075)</b>   | <b>(4,657)</b>   | <b>(51,677)</b>   | <b>2,498</b>  |
| <b>(Loss) / income for the period<br/>attributable to the<br/>shareholders, before zakat<br/>and income tax</b> |      | <b>(26,075)</b>   | <b>(4,657)</b>   | <b>(51,677)</b>   | <b>1,657</b>  |
| Zakat   | 13.2 | (1,116)   | (1,200)  | (3,086)   | (4,556)   |
| Income tax  | 13.2 | (16)  | (55)   | (16)  | (1,300)   |
| <b>Net loss for the<br/>period attributable to the<br/>shareholders</b>   |      | <b>(27,207)</b>   | <b>(5,912)</b>   | <b>(54,779)</b>   | <b>(4,199)</b>  |
| <b>Loss per share<br/>(Expressed in SAR per share)</b>  | 14   | <b>(1.36)</b>   | <b>(0.30)</b>  | <b>(2.74)</b>   | <b>(0.21)</b>   |

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S. F Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of comprehensive income**  
**For the three-month and nine-month periods ended September 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Three-month<br>period ended<br>September<br>30,<br>2021<br>(Unaudited) | Three-month<br>period ended<br>September<br>30,<br>2020<br>(Unaudited) | Nine-month<br>period ended<br>September<br>30,<br>2021<br>(Unaudited) | Nine-month<br>period ended<br>September<br>30,<br>2020<br>(Unaudited) |
|--|--|--|---|---|
| Net loss for the period<br>attributable to the shareholders  | (27,207)   | (5,912)  | (54,779)  | (4,199)   |
| Other comprehensive income / (loss)<br><i>Items that will not be reclassified to<br/>statement of income in subsequent years</i> |  |  |   |   |
| Remeasurement gain / (loss) on defined<br>benefit obligation   | 18   | (353)  | (250)   | (703)   |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE<br/>PERIOD</b>   | <b>(27,189)</b>  | <b>(6,265)</b>   | <b>(55,029)</b>   | <b>(4,902)</b>  |

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S.F Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of changes in equity**  
**For nine-month period ended September 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

| <u>Nine-month period ended September 30, 2021</u>  |               |                   |  |          |
|--|---------------|-------------------|--|----------|
|  | Share capital | Statutory reserve | Retained earnings/(accumulated losses) | Total    |
| Balance at the beginning of the period (audited)   | 200,000       | 15,354            | 50,478                                 | 265,832  |
| Net loss for the period attributable to shareholders                                       | -             | -                 | (54,779)                               | (54,779) |
| Other comprehensive loss for the period - remeasurement loss on defined benefit obligation | -             | -                 | (250)                                  | (250)    |
| <b>Total comprehensive loss for the period attributable to shareholders</b>                | -             | -                 | (55,029)                               | (55,029) |
| Balance at the end of the period (unaudited)   | 200,000       | 15,354            | (4,551)                                | 210,803  |

| <u>Nine-month period ended September 30, 2020</u>  |               |                   |                   |         |
|--|---------------|-------------------|-------------------|---------|
|  | Share capital | Statutory reserve | Retained earnings | Total   |
| Balance at the beginning of the period (audited)   | 200,000       | 13,787            | 44,483            | 258,270 |
| Net loss for the period attributable to shareholders                                       | -             | -                 | (4,199)           | (4,199) |
| Other comprehensive loss for the period - remeasurement loss on defined benefit obligation | -             | -                 | (703)             | (703)   |
| <b>Total comprehensive loss for the period attributable to shareholders</b>                | -             | -                 | (4,902)           | (4,902) |
| Adjustment against income tax reimbursable from foreign shareholders                       | -             | -                 | (38)              | (38)    |
| Balance at the end of the period (unaudited)   | 200,000       | 13,787            | 39,543            | 253,330 |

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S. F. Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of cash flows**  
**For the nine-month period ended September 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

|   | Note | Nine-month<br>period ended<br>September 30,<br>2021<br>(Unaudited) | Nine-month<br>period ended<br>September 30,<br>2020<br>(Unaudited) |
|---|------|--|--|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |      |  |  |
| Net (loss) / income for the period attributable to shareholders before zakat and income tax |      | (51,677)   | 1,657  |
| Adjustments for non-cash items:   |      |  |  |
| Income attributable to insurance operations   |      | -  | 841  |
| Depreciation and amortisation of property and equipment and intangible assets               |      | 5,150  | 4,333  |
| Impairment allowance for doubtful premiums, reinsurers and other receivables                |      | 15,306   | 13,180   |
| Unrealized (loss) / gain on investments   | 9    | (2,250)  | 345  |
| Dividends and realized gain on investments  |      | (166)  | -  |
|   |      | (33,637)   | 20,356   |
| <b><u>Changes in operating assets and liabilities:</u></b>                                  |      |  |  |
| Premiums receivable   |      | (71,766)   | (79,473)   |
| Due from reinsurers   |      | 8,289  | 111,512  |
| Reinsurers' share of unearned premiums  |      | (50,777)   | (51,641)   |
| Reinsurers' share of outstanding claims   |      | 283,815  | 3,538  |
| Reinsurers' share of claims incurred but not reported                                       |      | 21,158   | 2,868  |
| Deferred policy acquisition costs   |      | (7,965)  | (9,568)  |
| Prepaid expenses and other assets   |      | (4,831)  | (6,242)  |
| Policyholders payables  |      | 39,211   | (125,715)  |
| Accrued expenses and other liabilities  |      | 3,846  | 12,518   |
| Due to reinsurers, agents, brokers and third-party administrators                           |      | 23,357   | 34,296   |
| Unearned premiums   |      | 101,587  | 100,507  |
| Unearned reinsurance commission   |      | (573)  | 9,230  |
| Outstanding claims  |      | (262,446)  | 8,821  |
| Claims incurred but not reported  |      | (32,081)   | (51)   |
| Premium deficiency reserve  |      | (2,793)  | 4,019  |
| Additional unexpired risk reserve   |      | 1,315  | (234)  |
| Unallocated loss adjustment expense provision   |      | 50   | 218  |
|   |      | 15,759   | 34,959   |
| Surplus paid to policyholders   |      | (2,468)  | (2,512)  |
| Zakat and income tax paid, net of recovery  |      | (6,070)  | (5,848)  |
| <b>Net cash generated from operating activities</b>   |      | <b>7,221</b>   | <b>26,599</b>  |

  
 S. F. Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of cash flows (continued)**  
**For the nine-month period ended September 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Nine-month<br>period ended<br>September 30,<br>2021<br>(Unaudited) | Nine-month<br>period ended<br>September 30,<br>2020<br>(Unaudited) |
|--|--|--|
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |  |  |
| Additions to property, equipment and intangible assets   | (12,378)   | (8,657)  |
| Addition to investments  | (5,000)  | (50,000)   |
| Short-term deposits liquidated   | 52,003   | -  |
| Investment income received   | 166  | -  |
| <b>Net cash generated from / (used in) investing activities</b>  | <b>34,791</b>  | <b>(58,657)</b>  |
| Net change in cash and cash equivalents  | 42,012   | (32,058)   |
| Cash and cash equivalents, beginning of the period   | 80,733   | 354,707  |
| <b>Cash and cash equivalents, end of the period</b>  | <b>122,745</b>   | <b>322,649</b>   |
| <b>SUPPLEMENTAL SCHEDULE OF NON CASH INFORMATION</b>   |  |  |
| Income tax receivable from foreign shareholders adjusted against prepaid expenses and other assets       | 359  | 359  |
| Remeasurement loss on defined benefit obligation adjusted against accrued expenses and other liabilities | (250)  | (703)  |

  
 S.F. Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim condensed financial statements**  
**September 30, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**1 General information**

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 4030200981 dated 1 Jumada Jumad-ul-Thani 1431H (corresponding to May 15, 2010) and Ministry of Commerce & Investment's Resolution number 158/K dated Jumad-ul-Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

The Company is licensed to conduct insurance business in Saudi Arabia under Cooperative insurance principles in accordance with Royal Decree No M/53 dated 21 Shawwal 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16, 1430H (corresponding to October 5, 2009). The Company has obtained Saudi Central Bank ("SAMA") license number TMN/29/20106 valid up to Rajab 2, 1446H (corresponding to January 2, 2022). The Company was listed on the Saudi stock exchange (Tadawul) on June 6, 2010.

The objectives of the Company are to provide general insurance and related services in accordance with its by-laws and applicable regulations in the Kingdom of Saudi Arabia.

The Company has incurred a net loss attributable to the shareholders of Saudi Riyals 54.78 million for the nine-month period ended September 30, 2021 (Net loss of Saudi Riyals 4.19 million for the nine-period ended September 30, 2020), and as of that date, its accumulated losses amounted to Saudi Riyals 4.55 million (Retained earnings of Saudi Riyals 50.48 million as at December 31, 2020) and the Company's solvency margin stayed below the minimum solvency requirements set by the SAMA (refer note 23) for the second quarter in succession. Management has performed a detailed assessment of its going concern assumption and based on the business plan and cash flow projections, management believes that the Company will be able to continue business and meet its obligation as they fall due over the next twelve months. However, management's assessment is based on a number of estimates and assumptions including successful subscription of the rights issue, expansion in business, improvement of claims ratios and other cost saving measures. The Company's Board of Directors in their meeting held on September 16, 2021, recommended to increase the share capital by offering rights issue amounting to Saudi Riyals 200 million in order to immediately improve the solvency margin and to provide the financial support necessary for the Company to undertake management's proposed initiatives to reduce loss ratios and improve business profitability. Such rights issue is subject to obtaining relevant approval from SAMA, the Capital Market Authority and other regulatory authorities in addition to the approval of the Company's shareholders in the Extraordinary General Assembly of the Company. These events and conditions indicate that a material uncertainty exists that may cast significant doubts on the Company's ability to continue as a going concern which is dependent upon the successful subscription of rights issue, expansion in business, improvement of claims ratios and other cost saving measures. However, these interim condensed financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

Subsequent to the period ended September 30, 2021, the Company received SAMA approval via letter dated November 6, 2021 relating to rights issue, subject to completion of other regulatory procedures and Company's shareholders' approval and has a validity of one year from the date of the letter to complete the remaining formalities relating to the rights issue.

**2 Basis of preparation**

**(a) Statement of compliance**

The interim condensed financial statements of the Company 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 pronouncement issued by 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 of investments at their fair value. The Company's interim statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, investments, statutory deposit, end-of-service indemnities and warranty 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.

## 2 Basis of preparation (continued)

### (a) Statement of compliance (continued)

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts. The interim statements of financial position, statement of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 24 have been provided as supplementary information to comply with requirements of the guidelines issued by SAMA Implementing Regulations.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

The interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands, except where otherwise stated.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statement as of and for the year ended December 31, 2020.

### (b) Critical accounting judgments estimates and assumptions

The preparation of interim condensed financial statements 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, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the latest annual financial statements against the backdrop of the COVID-19 pandemic. (note 25). Management will continue to assess the situation and reflect any required changes in future reporting periods.

### (c) Seasonality of operations

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

## 3 Significant accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020 except as explained below:

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

A number of new standards and amendments became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

### **Standards issued but not yet effective**

Standards and interpretation issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements 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 are effective

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

### **3 Significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

##### **IFRS 9 – Financial Instruments**

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

##### **a) 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 on disposal), dividends being recognized in statement of income.

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 statement of income.

##### **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.

##### **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.

### **3 Significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

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

###### **Impact assessment**

Overall, the Company expects some impact of applying the impairment requirements of IFRS 9 on the financial statements of the Company. 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 Significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

##### **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:

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

##### **a) the fulfilment cash flows (FCF), which comprises:**

- 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 statement of income. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into statement of income based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group

### **3 Significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

#### **IFRS 17 – Insurance Contracts (continued)**

##### **2) The Variable Fee Approach (VFA):**

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, the CSM is also adjusted for in addition to adjustment under general model:

- i. changes in the entity's share of the fair value of underlying items; and
- ii. changes in the effect of the time value of money and 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 model 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 model remains applicable for the measurement of 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 effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend 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 together with amendments to presentation and disclosures.

##### **Impact assessment**

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

### 3 Significant accounting policies (continued)

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

#### IFRS 17 – Insurance contracts (continued)

| Impact area                               | Summary of impact   |
|---|---|
| Financial impact                          | A limited financial impact review was done, as required by the SAMA, for under writing during the year 2018. The financial impact of applying requirements of IFRS 17 compared to IFRS 4 was not significant. A more detailed review is planned for the last quarter of 2021.   |
| Data impact                               | The Company believes that the data impact is not likely to be significant as a major proportion of the Company's business would qualify for measurement under the premium allocation approach.  |
| IT systems                                | Oracle Financial Analyzer tool (OFSAA) has been procured by the Company to implement IFRS 17. Oracle Corporation has been awarded the contract to implement the OFSAA tool. Technical discussions between the Source core systems and the impacted systems have started. The impact analysis is in progress including the data benchmarking to comply IFRS 17 reporting.  |
| Process impact                            | The process impact is under evaluation, but no significant process changes are anticipated. However, should the Company shift its focus to majority long term business, the process impact would be significant.  |
| Impact on reinsurance arrangements        | The Company's reinsurance arrangements have been evaluated under the requirements of the IFRS 17 standard. The initial conclusion is that the reinsurance arrangements qualify for the PAA assessment. The initial conclusion is under constant review.   |
| Impact on policies & control's frameworks | <p>The Company is in the process of updating Accounting and Finance Policies and Procedures to cover the new and additional requirements:</p> <ul style="list-style-type: none"> <li>• Unbundling</li> <li>• Level of aggregation</li> <li>• Measurement models</li> <li>• Risk Adjustment Methodologies</li> <li>• New presentation and disclosure requirement</li> </ul> <p>The revised manual will be followed by Finance function to ensure that financial statements are in conformity with IFRS 17 on the effective date.</p> |
| Human resources                           | <p>The Company has recruited several key personnel, including the Deputy CFO, Chief Technical Officer, who will play a key role in the IFRS 17 implementation. It has also developed a training plan and 3 training sessions have already been completed as following:</p> <ol style="list-style-type: none"> <li>1- IFRS 17 overview to all stakeholders</li> <li>2- PAA Measurement Model</li> <li>3- GMM Measurement Model</li> </ol> <p>Remaining sessions are planned to be completed during 2021.</p>                         |

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

The Company has completed Phase 3 requirements of SAMA and has submitted its report on April 15, 2021. Feedback received has been incorporated in the Phase 3 documents. The Company has also hired an independent consultant to do a detailed review of the Phase 3 documentation and report their findings to the Audit Committee governance. The Company is now in the process of completing SAMA's Phase 4 requirements.

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**4 Cash and cash equivalents**

|   | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|---|---|-----------------------------------|
| Cash in hand  | 20  | 26                                |
| Bank balances   | 72,725  | 67,707                            |
| Deposits maturing within 3 months from the acquisition date | 50,000  | 13,000                            |
|   | <b>122,745</b>                                | <b>80,733</b>                     |

Except for balances amounting to SAR 0.67 million (December 31, 2020: SAR 0.33 million), the bank balances and deposits are with a bank which is a related party (see note 22), registered in Saudi Arabia and are denominated in Saudi Riyals and US Dollars. The deposits have an original maturity of less than three months and yield income at rates of 0.6% to 0.8% per annum (December 31, 2020: 0.6% to 0.8% per annum).

**5 Short-term deposits**

Short-term deposits with original maturity exceeding 3 months are held with the following:

|   | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|---|---|-----------------------------------|
| Commercial bank - related party (Note 22) | 80,000  | 192,250                           |
| Other commercial banks                    | 110,247                                       | 50,000                            |
|   | <b>190,247</b>                                | <b>242,250</b>                    |

These short-term deposits are placed with commercial banks, registered in Saudi Arabia and yield income at rates of 0.6% to 0.8% per annum (December 31, 2020: 0.2% to 0.9% per annum).

**6 Premiums receivable - net**

|   | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|---|---|-----------------------------------|
| Receivable from policy-holders                        | 300,830                                       | 235,313                           |
| Impairment allowance for doubtful premium receivables | (48,795)                                      | (40,775)                          |
|   | <b>252,035</b>                                | <b>194,538</b>                    |

Movement in the impairment allowance for doubtful premiums receivable is as follows:

|                                 | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|---------------------------------|---|-----------------------------------|
| Opening                         | 40,775  | 33,838                            |
| Provision for the period / year | 14,270  | 10,625                            |
| Write-offs                      | (6,250)                                       | (3,688)                           |
| Closing                         | <b>48,795</b>                                 | <b>40,775</b>                     |

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**7 Due from reinsurers – net**

|  | <b>September 30, 2021 (Unaudited)</b> | <b>December 31, 2020 (Audited)</b> |
|--|---------------------------------------|------------------------------------|
| Receivable from reinsurers                               | 35,820                                | 45,039                             |
| Impairment allowance for doubtful reinsurers receivables | (1,136)                               | (1,000)                            |
|  | <b>34,684</b>                         | <b>44,039</b>                      |

During the period ended September 30, 2021, the Company has presented net receivable from reinsurers after adjusting with various payables to reinsurers as the settlement of these balances will be on a net basis. The following table presents the recognized amounts subject to enforceable netting arrangements and gross amounts, that are not subject to offsetting arrangements, as at September 30, 2021:

| <b>September 30, 2021 (Unaudited)</b> | <b>Gross amounts</b> | <b>Amounts set off in the statement of financial position</b> | <b>Net amount presented in the statement of financial position</b> |
|---------------------------------------|----------------------|---|--|
| Due from reinsurers – net             | 84,845               | (50,161)  | 34,684   |
| Due to reinsurers (see note 12)       | 148,011              | (50,161)  | 97,850   |

Movement in impairment allowance for doubtful reinsurers receivables is as follows:

|                                 | <b>September 30, 2021 (Unaudited)</b> | <b>December 31, 2020 (Audited)</b> |
|---------------------------------|---------------------------------------|------------------------------------|
| Opening                         | 1,000                                 | 1,500                              |
| Provision for the period / year | 1,036                                 | -                                  |
| Write-offs                      | (900)                                 | (500)                              |
| Closing balance                 | <b>1,136</b>                          | <b>1,000</b>                       |

**8 Technical reserves**

**8.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

|   | <b>September 30, 2021 (Unaudited)</b> | <b>December 31, 2020 (Audited)</b> |
|---|---------------------------------------|------------------------------------|
| Outstanding claims                                    | 379,502                               | 641,948                            |
| Claims incurred but not reported                      | 69,410                                | 101,491                            |
| Premium deficiency reserve                            | 10,173                                | 12,966                             |
| Additional unexpired risk reserve                     | 1,518                                 | 203                                |
| Unallocated loss adjustment expense provision         | 4,704                                 | 4,654                              |
|   | <b>465,307</b>                        | <b>761,262</b>                     |
| Less:   |                                       |                                    |
| Reinsurers' share of outstanding claims               | (276,022)                             | (559,837)                          |
| Reinsurers' share of claims incurred but not reported | (31,705)                              | (52,863)                           |
|   | <b>(307,727)</b>                      | <b>(612,700)</b>                   |
| Net outstanding claims and reserves                   | <b>157,580</b>                        | <b>148,562</b>                     |

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**8 Technical reserves (continued)**

**8.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

|  | <b>Nine-month period ended September 30, 2021</b> |                    |                |
|--|---|--------------------|----------------|
|  | <b>(Unaudited)</b>                                |                    |                |
|  | <b>Gross</b>                                      | <b>Reinsurance</b> | <b>Net</b>     |
| Balance at the beginning of the period | 329,632   | (129,371)          | 200,261        |
| Premium written during the period      | 713,192   | (296,364)          | 416,828        |
| Premium earned during the period       | (611,605)   | 245,587            | (366,018)      |
| Balance at the end of the period       | <b>431,219</b>                                    | <b>(180,148)</b>   | <b>251,071</b> |

|                                      | <b>Year ended December 31, 2020</b> |                    |                |
|--------------------------------------|-------------------------------------|--------------------|----------------|
|                                      | <b>(Audited)</b>                    |                    |                |
|                                      | <b>Gross</b>                        | <b>Reinsurance</b> | <b>Net</b>     |
| Balance at the beginning of the year | 259,887                             | (104,944)          | 154,943        |
| Premium written during the year      | 785,881                             | (322,901)          | 462,980        |
| Premium earned during the year       | (716,136)                           | 298,474            | (417,662)      |
| Balance at the end of the year       | <b>329,632</b>                      | <b>(129,371)</b>   | <b>200,261</b> |

**9 Investments**

|  | <b>Note</b> | <b>September 30, 2021</b> | <b>December 31, 2020</b> |
|--|-------------|---------------------------|--------------------------|
|  |             | <b>(Unaudited)</b>        | <b>(Audited)</b>         |
| Fair value through income statement investments (FVSI) | 9.1         | 164,279                   | 162,029                  |
| Held-to-maturity investment                            | 9.2         | 8,000                     | 3,000                    |
| Available-for-sale investment                          | 9.3         | 1,923                     | 1,923                    |
|  |             | <b>174,202</b>            | <b>166,952</b>           |

**9.1 Fair value through statement of income investments (FVSI)**

Movement in FVSI is as follows:

|                                      | <b>Nine-month period ended September 30, 2021</b> | <b>Year ended December 31, 2020</b> |
|--------------------------------------|---|-------------------------------------|
|                                      | <b>(Unaudited)</b>                                | <b>(Audited)</b>                    |
| Opening balance                      | 162,029   | 110,645                             |
| Additions during the period / year   | -   | 50,000                              |
| Changes in fair value of investments | 2,250   | 1,384                               |
| Closing balance                      | <b>164,279</b>                                    | <b>162,029</b>                      |

FVSI includes investments managed by a Fund manager under the discretionary portfolio of investments where all such investments are carried at fair value as provided by the Fund manager. Fund manager keeps such investments in various fixed income securities, mutual funds, equity investments, Sukuks and Murabaha placements.



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**9 Investments (continued)**

**9.2 Held to maturity investments**

|  | <b>Note</b> | <b>Nine-month<br/>period ended<br/>September 30,<br/>2021<br/>(Unaudited)</b> | <b>Year ended<br/>December 31,<br/>2020<br/>(Audited)</b> |
|--|-------------|---|---|
| Saudi Fransi Bank Sukuks                   | a           | 3,000   | 3,000   |
| Saudi Real Estate Refinance Company Sukuks | b           | 5,000   | -   |
|  |             | <u>8,000</u>  | <u>3,000</u>  |

- a) This represents the Company's investment in Saudi Fransi Tier 1 Sukuks. These represent 3 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 4.50% per annum. These Sukuks have a maturity duration of 5 years commencing from November 3, 2020. The Company has earned commission income of SAR 0.101 million during the period (December 31, 2020: Nil)
- b) This represents the Company's investment in Saudi Real Estate Refinance Company Sukuks. These represent 5 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 2.11% per annum. These Sukuks have a maturity duration of 7 years commencing from March 3, 2021. The Company has earned commission income of SAR 0.053 million during the period (December 31, 2020: Nil)

**9.3 Available-for-sale investment**

This represents the Company's 3.85% (December 31, 2020: 3.85%) holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at cost. In the absence of reliable financial information, management believe that fair value cannot be ascertained reliably.

**10 Prepaid expense and other assets**

Prepaid expense and other assets are stated net of impairment allowance for salvage and subrogation of SAR 0.25 million (December 31, 2020: SAR 0.25 million).

**11 Statutory deposit**

In compliance with Article 58 of the Implementing Regulations of SAMA, the Company has deposited 10% of its share capital, amounting to Saudi Riyals 20 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank which is also a related party. The Company cannot withdraw this deposit without SAMA's approval. Commission accruing on this deposit is payable to SAMA.

In accordance with instructions received from SAMA via their circular dated March 1, 2016; the Company has disclosed the commission due on the statutory deposit as an asset and a liability in these interim condensed financial statements.

**12 Due to reinsurers, agents, brokers and third-party administrators**

|                           | <b>September 30,<br/>2021<br/>(Unaudited)</b> | <b>December 31,<br/>2020<br/>(Audited)</b> |
|---------------------------|---|--|
| Reinsurers                | 97,850  | 78,676                                     |
| Agents and brokers        | 30,765  | 26,477                                     |
| Third party administrator | 437   | 542  |
|                           | <u>129,052</u>                                | <u>105,695</u>                             |

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**13 Zakat and income tax**

**13.1 Components of zakat base**

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are shareholders' equity at the beginning of the period, adjusted net income and certain other items. Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the Zakat, Tax and Customs Authority ("ZATCA") could be different from the declaration filed by the Company.

**13.2 Provision for zakat and income tax**

|   | <b>Zakat</b>   | <b>Income tax</b> | <b>Total</b>   |
|---|----------------|-------------------|----------------|
| January 1, 2021                         | <b>5,113</b>   | <b>1,491</b>      | <b>6,604</b>   |
| Provision for the current period        | <b>2,973</b>   | <b>-</b>          | <b>2,973</b>   |
| Additional amounts due for priors years | <b>113</b>     | <b>16</b>         | <b>129</b>     |
| Payments during the period              | <b>(5,016)</b> | <b>(1,054)</b>    | <b>(6,070)</b> |
| September 30, 2021                      | <b>3,183</b>   | <b>453</b>        | <b>3,636</b>   |

|                                | <b>Zakat</b> | <b>Income tax</b> | <b>Total</b> |
|--------------------------------|--------------|-------------------|--------------|
| January 1, 2020                | 4,669        | 1,184             | 5,853        |
| Provision for the current year | 4,999        | 1,453             | 6,452        |
| Other adjustments              | 769          | 165               | 934          |
| Payments during the year       | (5,324)      | (1,311)           | (6,635)      |
| December 31, 2020              | 5,113        | 1,491             | 6,604        |

Zakat is payable at 2.578% of the approximate zakat base (excluding adjusted net income for the period) and 2.5% of adjusted net income for the period / year attributable to Saudi shareholders.

Provision for income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company, less allowances for foreign shareholders' share in the losses carry forwarded from previous year calculated in accordance with the guidelines provided in the income tax regulations. No provision for income tax has been charged in these interim condensed financial statements as the Company has incurred a taxable loss of SAR 8.2 million during the nine-month period ended September 30, 2021 (September 30, 2020: loss of SAR 1.30 million).

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**13 Zakat and income tax (continued)**

**13.2 Provision for zakat and income tax (continued)**

The shareholding percentage subject to zakat and income tax is as follows:

|                             | <b>September 30,<br/>2021<br/>(Unaudited)<br/>%</b> | December 31,<br>2020<br>(Audited)<br>% |
|-----------------------------|---|--|
| Zakat share in capital      | <b>76.24</b>  | 75.33                                  |
| Zakat share in profit       | <b>76.24</b>  | 75.34                                  |
| Income tax share in capital | <b>23.76</b>  | 24.67                                  |
| Income tax share in profit  | <b>23.76</b>  | 24.66                                  |

**13.3 Status of assessments**

The Company has filed its tax returns with ZATCA from inception up to 2020. The Company's tax and zakat position has been finalized up to and including the year ended December 31, 2018, except for the assessment for withholding tax as explained in the paragraph below. Subsequent to the period ended September 30, 2021, the Company has received final tax and zakat assessments for the years 2019 and 2020, whereby additional tax, zakat and penalties of SAR 0.9 million has been charged. Management has accepted the assessment and has provided for the additional amount in these interim condensed financial statements.

During 2019, the Company had received an assessment for the 2018 withholding tax liability in which the ZATCA had imposed additional taxes, including penalties, of SAR 11.37 million. Management believes that the assessment raised is without merit and has appealed against this assessment. The Company's initial appeal was rejected by the ZATCA and was escalated to the General Secretariat of Tax Committee (GSTC) online portal in order to assign the hearing session by the Committee for Resolution of Tax Violations and Disputes ("CRTVD"). On August 5, 2021 the CRTVD issued its summary decision in which they agreed with the ZATCA's revised assessments. On September 21, 2021 the Company received the decision from CRTVD where the revised withholding tax liability assessed to SAR 9.75 in addition to its penalties. Subsequent to period ended September 30, 2021, the Company has appealed against the CRTVD decision and escalated its objection to the Advanced Committee for Tax Violations and Dispute Resolution (ACTVDR). Management believes that the Company has a strong position and the Company's view should prevail.

**14 Share capital and losses per share**

The authorized, issued and paid up capital of the Company is SAR 200 million divided into 20 million shares of SR 10 each (December 31, 2020: SAR 200 million divided into 20 million shares of SR 10 each).

Losses per share for the three-month and nine-month periods ended September 30, 2021 and 2020 have been calculated by dividing the net loss for the respective period attributable to the shareholders by the weighted average number of ordinary shares at the reporting date. Diluted loss per share is not applicable to the Company.

**15 Statutory reserve**

In compliance with the Insurance Implementing Regulations issued by SAMA, 20% of the income for the year after adjusting accumulated losses shall be set aside from net income as a statutory reserve until this amounts to 100% of the paid-up share capital. The required amount would be transferred at the year end, if applicable.

**16 Commitments and contingencies**

**16.1** The Company's bankers have issued payment guarantee of SAR 2.41 million (December 31, 2020: SR 2.2 million) to its suppliers on behalf of the Company.

**16.2** See note 13.3 for zakat and tax related contingencies.

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**16 Commitments and contingencies (continued)**

- 16.3** The Company is a defendant in a case that was filed by a client amounting to SAR 19 million (2020: SAR 19 million). The preliminary decision of the Primary Committee for Resolution of Insurance Disputes and Violations ruled in favor of the Company and dismissed the case brought by the claimant. The Appeal Committee for Settlement of Insurance Disputes and Violations has issued a verdict which cancels the preliminary decision and decided to return the case to the Primary Committee for Resolution of Insurance Disputes and Violations for consideration and review. The Primary Committees for Resolution of Insurance Disputes and Violation rejected the lawsuit filed by the Plaintiff against the Company. However, the Plaintiff has filed an appeal against such decision and The Appeal Committee for Settlement of Insurance Disputes and Violations has cancelled the verdict of Primary Committee for Resolution of Insurance Disputes and decided to return the case to Primary Committee for reconsideration. Primary Committee for Resolution of Insurance Disputes has scheduled another hearing in January 2022. Management believes that the case is without merit and has therefore not taken any provisions there against.
- 16.4** The Company has not discounted any letter of credits issued in its favor by any of its customers as at September 30, 2021 (December 31, 2020: SAR 3.7 million).

**17 Gross premiums written**

| Class                             | Nine-month period ended September 30, 2021 |        |         |         |            | Total gross premiums written |
|-----------------------------------|--|--------|---------|---------|------------|------------------------------|
|                                   | Corporate                                  |        |         |         |            |                              |
|                                   | Very Small                                 | Small  | Medium  | Large   | Individual |                              |
| Motor                             | 7,945                                      | 32,833 | 63,255  | 196,995 | 54,684     | 355,712                      |
| Property and accident             | 6,914                                      | 37,605 | 83,576  | 183,817 | 3,843      | 315,755                      |
| Protection and saving (term life) | 184  | 1,749  | 8,767   | 31,025  | -          | 41,725                       |
| Total                             | 15,043                                     | 72,187 | 155,598 | 411,837 | 58,527     | 713,192                      |

| Class                             | Nine-month period ended September 30, 2020 |        |         |         |            | Total Gross premiums written |
|-----------------------------------|--|--------|---------|---------|------------|------------------------------|
|                                   | Corporate                                  |        |         |         |            |                              |
|                                   | Very Small                                 | Small  | Medium  | Large   | Individual |                              |
| Motor                             | 5,916                                      | 45,707 | 53,829  | 174,862 | 47,841     | 328,155                      |
| Property and accident             | 3,440                                      | 38,245 | 98,694  | 113,168 | 5,057      | 258,604                      |
| Protection and saving (term life) | 114  | 2,014  | 7,354   | 45,606  | -          | 55,088                       |
| Total                             | 9,470                                      | 85,966 | 159,877 | 333,636 | 52,898     | 641,847                      |

**18 Reinsurance premiums ceded**

|   | Three-month period ended September 30, 2021 (Unaudited) | Three-month period ended September 30, 2020 (Unaudited) | Nine-month period ended September 30, 2021 (Unaudited) | Nine-month period ended September 30, 2020 (Unaudited) |
|---|---|---|--|--|
| Locally                                 | 1,695   | 2,921   | 14,821   | 11,405   |
| Internationally including local brokers | 67,266  | 71,831  | 264,309  | 260,072  |
|   | <b>68,961</b>   | <b>74,752</b>   | <b>279,130</b>   | <b>271,477</b>   |

All excess of loss premiums are placed internationally through local brokers.

**19 Other underwriting expenses**

This includes VAT on reinsurance commission income of SAR 5.45 million (September 30, 2020: SAR 3.05 million) and Najm fee for motor insurance services of SAR 15.97 million (September 30, 2020: SAR 2.52 million). Effective July 2020, Najm for Insurance Services Company started to charge fee on motor premium written basis which was previously charged on each motor claim.

**20 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 advantages 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 these interim condensed financial statements.

**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 Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the year end. There are no transfers between Level 1, Level 2 and Level 3 during the year.

As at September 30, 2021 and December 31, 2020, all financial instruments which are fair valued are Level 3 instruments except for investment in sukuks and equity amounting to SAR 28.17 million (December 31, 2020: SAR 28.42 million) and SAR 8.68 million (December 31, 2020: SAR 16.25 million) respectively, which are Level 1 investments. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the period end. There are no transfers between Level 1, Level 2 and Level 3 during the period. Significant unobservable inputs used in the valuation of level 3 investments include the Fund administrator report based on NAV and assumptions about rates for other investments as confirmed by the discretionary portfolio manager. Available-for-sale investment amounting to SAR 1.9 million (December 31, 2020: SAR 1.9 million) is carried at cost as its fair value cannot be measured reliably.

## **21 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 its 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 condensed income statement. 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 cash and cash equivalents, premiums receivables, investments, due from reinsurers, prepaid expenses and other assets, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include policy holders claims payable, accrued and other liabilities, due to reinsurers, agents, brokers and third-party administrators, surplus distribution payable, zakat and income tax, and accrued income on statutory deposit. 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 September 30, 2021 and December 31, 2020, its total revenues, expenses, and net income for the three-month and nine-month periods ended September 30, 2021 and September 30, 2020, are as follows:



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**21 Operating segments (continued)**

|  | Marine       | Property      | Motor          | Engineering  | Accident<br>& liability | Extended<br>warranty | Term life    | Total           |
|--|--------------|---------------|----------------|--------------|-------------------------|----------------------|--------------|-----------------|
| <b>Three-month<br/>period ended September 30,<br/>2021(unaudited)</b>                                    |              |               |                |              |                         |                      |              |                 |
| <b>Revenues</b>  |              |               |                |              |                         |                      |              |                 |
| Gross premiums written   | 10,483       | 36,214        | 90,460         | 10,682       | 18,212                  | 5,782                | 6,179        | 178,012         |
| Reinsurance premiums<br>ceded  | (7,171)      | (30,313)      | (1)            | (7,968)      | (14,813)                | (4,403)              | (4,292)      | (68,961)        |
| Excess of loss expenses  | (723)        | (1,390)       | (1,970)        | (722)        | -                       | -                    | -            | (4,805)         |
| <b>Net premiums written</b>  | <b>2,589</b> | <b>4,511</b>  | <b>88,489</b>  | <b>1,992</b> | <b>3,399</b>            | <b>1,379</b>         | <b>1,887</b> | <b>104,246</b>  |
| Change in unearned<br>premiums, net  | (570)        | 920           | 22,732         | 67           | (1,187)                 | (951)                | 3,158        | 24,169          |
| <b>Net premiums earned</b>   | <b>2,019</b> | <b>5,431</b>  | <b>111,221</b> | <b>2,059</b> | <b>2,212</b>            | <b>428</b>           | <b>5,045</b> | <b>128,415</b>  |
| Reinsurance commissions  | 1,339        | 5,765         | 1              | 2,213        | 1,808                   | 912                  | 1            | 12,039          |
| Other underwriting income  | 21           | 4             | 41             | 3            | 7                       | -                    | 3            | 79              |
| <b>Total revenues</b>  | <b>3,379</b> | <b>11,200</b> | <b>111,263</b> | <b>4,275</b> | <b>4,027</b>            | <b>1,340</b>         | <b>5,049</b> | <b>140,533</b>  |
| <b>Cost and expenses</b>   |              |               |                |              |                         |                      |              |                 |
| Gross claims paid and loss<br>adjustment expenses, net of<br>recoveries                                  | 2,127        | 7,643         | 93,690         | 320,978      | 308                     | 1,217                | 12,256       | 438,219         |
| Reinsurer's share of claims paid   | (2,184)      | (6,155)       | (348)          | (318,909)    | (254)                   | (1,217)              | (9,489)      | (338,556)       |
| <b>Net claims paid</b>   | <b>(57)</b>  | <b>1,488</b>  | <b>93,342</b>  | <b>2,069</b> | <b>54</b>               | <b>-</b>             | <b>2,767</b> | <b>99,663</b>   |
| Changes in outstanding claims,<br>net  | 5            | (508)         | 14,178         | (1,934)      | (83)                    | -                    | (548)        | 11,110          |
| Changes in claims incurred but<br>not reported, net  | (41)         | 165           | (9,130)        | 64           | 118                     | -                    | (328)        | (9,152)         |
| <b>Net claims incurred</b>   | <b>(93)</b>  | <b>1,145</b>  | <b>98,390</b>  | <b>199</b>   | <b>89</b>               | <b>-</b>             | <b>1,891</b> | <b>101,621</b>  |
| Premium deficiency reserve   | -            | -             | 413            | -            | -                       | -                    | -            | 413             |
| Additional unexpired risk<br>reserve   | -            | -             | -              | 33           | 290                     | -                    | -            | 323             |
| Unallocated loss adjustment<br>expense provision   | (41)         | 28            | 209            | 60           | 94                      | -                    | (58)         | 292             |
| Policy acquisition costs   | 884          | 3,359         | 7,523          | 1,930        | 1,442                   | 938                  | 1,409        | 17,485          |
| Other underwriting expenses  | 201          | 865           | 3,993          | 332          | 271                     | 136                  | -            | 5,798           |
| <b>Total underwriting cost and<br/>expenses</b>  | <b>951</b>   | <b>5,397</b>  | <b>110,528</b> | <b>2,554</b> | <b>2,186</b>            | <b>1,074</b>         | <b>3,242</b> | <b>125,932</b>  |
| <b>Net underwriting income</b>   | <b>2,428</b> | <b>5,803</b>  | <b>735</b>     | <b>1,721</b> | <b>1,841</b>            | <b>266</b>           | <b>1,807</b> | <b>14,601</b>   |
| <b>Other operating income<br/>/(expenses)</b>  |              |               |                |              |                         |                      |              |                 |
| Impairment allowance for<br>doubtful premium, reinsurers<br>and other receivables                        |              |               |                |              |                         |                      |              | (8,258)         |
| General and administration<br>expenses   |              |               |                |              |                         |                      |              | (33,226)        |
| Commission income on deposits  |              |               |                |              |                         |                      |              | 437             |
| Unrealized gain on investments   |              |               |                |              |                         |                      |              | (80)            |
| Commission income on<br>investments  |              |               |                |              |                         |                      |              | 89              |
| Other income   |              |               |                |              |                         |                      |              | 362             |
| <b>Total other operating<br/>expenses, net</b>   |              |               |                |              |                         |                      |              | (40,676)        |
| <b>Net loss for the period<br/>attributable to the<br/>shareholders, before zakat<br/>and income tax</b> |              |               |                |              |                         |                      |              | (26,075)        |
| Income Tax   |              |               |                |              |                         |                      |              | (16)            |
| Zakat  |              |               |                |              |                         |                      |              | (1,116)         |
| <b>Net loss for the period</b>   |              |               |                |              |                         |                      |              | <b>(27,207)</b> |

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**21 Operating segments (continued)**

|  | Marine        | Property      | Motor          | Engineering   | Accident<br>& liability | Extended<br>warranty | Term life     | Total            |
|--|---------------|---------------|----------------|---------------|-------------------------|----------------------|---------------|------------------|
| <b>Nine-month period ended September 30, 2021 (unaudited)</b>                                |               |               |                |               |                         |                      |               |                  |
| <b>Revenues</b>  |               |               |                |               |                         |                      |               |                  |
| Gross premiums written   | 33,118        | 148,936       | 355,712        | 55,041        | 59,771                  | 18,889               | 41,725        | <b>713,192</b>   |
| Reinsurance premiums ceded   | (22,577)      | (124,001)     | 51             | (45,067)      | (50,386)                | (13,045)             | (24,105)      | <b>(279,130)</b> |
| Excess of loss expenses  | (2,830)       | (5,714)       | (6,528)        | (2,162)       | -                       | -                    | -             | <b>(17,234)</b>  |
| <b>Net premiums written</b>  | <b>7,711</b>  | <b>19,221</b> | <b>349,235</b> | <b>7,812</b>  | <b>9,385</b>            | <b>5,844</b>         | <b>17,620</b> | <b>416,828</b>   |
| Change in unearned premiums, net   | (744)         | (9,082)       | (26,269)       | (3,076)       | (3,372)                 | (5,146)              | (3,121)       | <b>(50,810)</b>  |
| <b>Net premiums earned</b>   | <b>6,967</b>  | <b>10,139</b> | <b>322,966</b> | <b>4,736</b>  | <b>6,013</b>            | <b>698</b>           | <b>14,499</b> | <b>366,018</b>   |
| Reinsurance commissions  | 5,463         | 15,850        | 197            | 6,428         | 5,589                   | 2,685                | 100           | <b>36,312</b>    |
| Other underwriting income  | 62            | 18            | 196            | 9             | 36                      | -                    | 10            | <b>331</b>       |
| <b>Total revenues</b>  | <b>12,492</b> | <b>26,007</b> | <b>323,359</b> | <b>11,173</b> | <b>11,638</b>           | <b>3,383</b>         | <b>14,609</b> | <b>402,661</b>   |
| <b>Cost and expenses</b>   |               |               |                |               |                         |                      |               |                  |
| Gross claims paid and loss adjustment expenses, net of recoveries                            | 5,265         | 28,010        | 256,011        | 331,897       | 1,187                   | 4,295                | 32,307        | <b>658,972</b>   |
| Reinsurer's share of claims paid   | (4,525)       | (23,323)      | (2,280)        | (329,038)     | (746)                   | (4,295)              | (25,943)      | <b>(390,150)</b> |
| <b>Net claims paid</b>   | <b>740</b>    | <b>4,687</b>  | <b>253,731</b> | <b>2,859</b>  | <b>441</b>              | <b>-</b>             | <b>6,364</b>  | <b>268,822</b>   |
| Changes in outstanding claims, net   | 406           | 2,456         | 21,183         | (2,270)       | 30                      | -                    | (436)         | <b>21,369</b>    |
| Changes in claims incurred but not reported, net   | (130)         | 408           | (9,439)        | (476)         | (269)                   | -                    | (1,017)       | <b>(10,923)</b>  |
| <b>Net claims incurred</b>   | <b>1,016</b>  | <b>7,551</b>  | <b>265,475</b> | <b>113</b>    | <b>202</b>              | <b>-</b>             | <b>4,911</b>  | <b>279,268</b>   |
| Premium deficiency reserve   | -             | -             | (2,793)        | -             | -                       | -                    | -             | <b>(2,793)</b>   |
| Additional unexpired risk reserve  | -             | -             | -              | 768           | 547                     | -                    | -             | <b>1,315</b>     |
| Unallocated loss adjustment expense provision  | 75            | 9             | 245            | (276)         | 127                     | -                    | (130)         | <b>50</b>        |
| Policy acquisition costs   | 3,313         | 9,338         | 21,298         | 5,270         | 3,970                   | 2,371                | 3,947         | <b>49,507</b>    |
| Other underwriting expenses  | 820           | 2,377         | 15,999         | 964           | 838                     | 403                  | 15            | <b>21,416</b>    |
| <b>Total underwriting cost and expenses</b>  | <b>5,224</b>  | <b>19,275</b> | <b>300,224</b> | <b>6,839</b>  | <b>5,684</b>            | <b>2,774</b>         | <b>8,743</b>  | <b>348,763</b>   |
| <b>Net underwriting income</b>   | <b>7,268</b>  | <b>6,732</b>  | <b>23,135</b>  | <b>4,334</b>  | <b>5,954</b>            | <b>609</b>           | <b>5,866</b>  | <b>53,898</b>    |
| <b>Other operating income / (expenses)</b>   |               |               |                |               |                         |                      |               |                  |
| Impairment allowance for doubtful premium, reinsurers and other receivables                  |               |               |                |               |                         |                      |               | <b>(15,306)</b>  |
| General and administration expenses  |               |               |                |               |                         |                      |               | <b>(94,411)</b>  |
| Commission income on deposits  |               |               |                |               |                         |                      |               | <b>1,120</b>     |
| Unrealized gain on investments   |               |               |                |               |                         |                      |               | <b>2,250</b>     |
| Realized gain on investments   |               |               |                |               |                         |                      |               | <b>166</b>       |
| Other income   |               |               |                |               |                         |                      |               | <b>606</b>       |
| <b>Total other operating expenses, net</b>   |               |               |                |               |                         |                      |               | <b>(105,575)</b> |
| <b>Net loss for the period attributable to the shareholders, before zakat and income tax</b> |               |               |                |               |                         |                      |               | <b>(51,677)</b>  |
| Zakat  |               |               |                |               |                         |                      |               | <b>(3,086)</b>   |
| Income Tax   |               |               |                |               |                         |                      |               | <b>(16)</b>      |
| <b>Net loss for the period</b>   |               |               |                |               |                         |                      |               | <b>(54,779)</b>  |

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**21 Operating segments (continued)**

|  | Marine       | Property     | Motor         | Engineering  | Accident & liability | Extended warranty | Term life    | Total           |
|--|--------------|--------------|---------------|--------------|----------------------|-------------------|--------------|-----------------|
| <b>Three-month period ended September 30, 2020 (unaudited)</b>                               |              |              |               |              |                      |                   |              |                 |
| <b>Revenues</b>  |              |              |               |              |                      |                   |              |                 |
| Gross premiums written   | 10,143       | 30,487       | 72,816        | 18,525       | 9,714                | 6,778             | 10,922       | 159,385         |
| Reinsurance premiums ceded   | (7,152)      | (28,219)     | 147           | (17,053)     | (8,749)              | (6,778)           | (6,948)      | (74,752)        |
| Excess of loss expenses  | (898)        | (922)        | (1,917)       | (495)        | -                    | -                 | -            | (4,232)         |
| <b>Net premiums written</b>  | <b>2,093</b> | <b>1,346</b> | <b>71,046</b> | <b>977</b>   | <b>965</b>           | <b>-</b>          | <b>3,974</b> | <b>80,401</b>   |
| Change in unearned premiums, net   | (1,453)      | 575          | 20,279        | (467)        | 1,268                | -                 | 1,743        | 21,945          |
| <b>Net premiums earned</b>   | <b>640</b>   | <b>1,921</b> | <b>91,325</b> | <b>510</b>   | <b>2,233</b>         | <b>-</b>          | <b>5,717</b> | <b>102,346</b>  |
| Reinsurance commissions  | 1,439        | 5,089        | 291           | 2,661        | 1,564                | 740               | 550          | 12,334          |
| Other underwriting income  | 19           | 4            | -             | 2            | 5                    | -                 | 3            | 33              |
| <b>Total revenues</b>  | <b>2,098</b> | <b>7,014</b> | <b>91,616</b> | <b>3,173</b> | <b>3,802</b>         | <b>740</b>        | <b>6,270</b> | <b>114,713</b>  |
| <b>Cost and expenses</b>   |              |              |               |              |                      |                   |              |                 |
| Gross claims paid and loss adjustment expenses, net of recoveries                            | 2,402        | 3,047        | 69,259        | 3,223        | 929                  | 1,168             | 19,526       | 99,554          |
| Reinsurer's share of claims paid   | (1,591)      | (2,965)      | (1,871)       | (3,103)      | (721)                | (1,168)           | (16,211)     | (27,630)        |
| <b>Net claims paid</b>   | <b>811</b>   | <b>82</b>    | <b>67,388</b> | <b>120</b>   | <b>208</b>           | <b>-</b>          | <b>3,315</b> | <b>71,924</b>   |
| Changes in outstanding claims, net   | (853)        | 171          | 1,198         | 469          | (100)                | -                 | 1,033        | 1,918           |
| Changes in claims incurred but not reported, net   | (131)        | (46)         | 1,051         | (38)         | (121)                | -                 | 175          | 890             |
| <b>Net claims incurred</b>   | <b>(173)</b> | <b>207</b>   | <b>69,637</b> | <b>551</b>   | <b>(13)</b>          | <b>-</b>          | <b>4,523</b> | <b>74,732</b>   |
| Premium deficiency reserve   | -            | -            | (1,204)       | -            | -                    | -                 | -            | (1,204)         |
| Additional unexpired risk reserve  | -            | -            | -             | 28           | -                    | -                 | -            | 28              |
| Unallocated loss adjustment expense provision/(reversal)                                     | 6            | (147)        | (217)         | 149          | 90                   | -                 | 44           | (75)            |
| Policy acquisition costs   | 498          | 2,801        | 6,070         | 1,370        | 924                  | 535               | 2,036        | 14,234          |
| Other underwriting expenses  | 282          | (336)        | 2,519         | 560          | 294                  | 367               | (8)          | 3,678           |
| <b>Total underwriting cost and expenses</b>  | <b>613</b>   | <b>2,525</b> | <b>76,805</b> | <b>2,658</b> | <b>1,295</b>         | <b>902</b>        | <b>6,595</b> | <b>91,393</b>   |
| <b>Net underwriting income/(loss)</b>  | <b>1,485</b> | <b>4,489</b> | <b>14,811</b> | <b>515</b>   | <b>2,507</b>         | <b>(162)</b>      | <b>(325)</b> | <b>23,320</b>   |
| <b>Other operating (expenses) / income</b>   |              |              |               |              |                      |                   |              |                 |
| Impairment allowance for doubtful premiums, reinsurers and other receivables                 |              |              |               |              |                      |                   |              | (2,328)         |
| General and administration expenses  |              |              |               |              |                      |                   |              | (30,413)        |
| Commission income on deposits  |              |              |               |              |                      |                   |              | 413             |
| Unrealized gain on investments   |              |              |               |              |                      |                   |              | 184             |
| Other income   |              |              |               |              |                      |                   |              | 4,167           |
| <b>Total other operating expenses, net</b>   |              |              |               |              |                      |                   |              | <b>(27,977)</b> |
| <b>Net loss for the period attributable to the shareholders, before zakat and income tax</b> |              |              |               |              |                      |                   |              | <b>(4,657)</b>  |
| Zakat  |              |              |               |              |                      |                   |              | (1,200)         |
| Income tax   |              |              |               |              |                      |                   |              | (55)            |
| <b>Net loss for the period</b>   |              |              |               |              |                      |                   |              | <b>(5,912)</b>  |

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**21 Operating segments (continued)**

|  | Marine        | Property      | Motor          | Engineering   | Accident<br>& liability | Extended<br>warranty | Term life     | Total          |
|--|---------------|---------------|----------------|---------------|-------------------------|----------------------|---------------|----------------|
| <b>Nine-month<br/>period ended September 30,<br/>2020 (unaudited)</b>                                      |               |               |                |               |                         |                      |               |                |
| <b>Revenues</b>  |               |               |                |               |                         |                      |               |                |
| Gross premiums written   | 34,777        | 110,735       | 328,155        | 54,166        | 39,769                  | 19,157               | 55,088        | 641,847        |
| Reinsurance premiums ceded   | (25,984)      | (100,911)     | (6,226)        | (50,755)      | (32,298)                | (19,157)             | (36,146)      | (271,477)      |
| Excess of loss expenses  | (3,768)       | (2,372)       | (7,041)        | (1,095)       | (180)                   | -                    | -             | (14,456)       |
| <b>Net premiums written</b>  | <b>5,025</b>  | <b>7,452</b>  | <b>314,888</b> | <b>2,316</b>  | <b>7,291</b>            | <b>-</b>             | <b>18,942</b> | <b>355,914</b> |
| Change in unearned<br>premiums, net  | 257           | (1,725)       | (41,407)       | (592)         | (575)                   | -                    | (4,824)       | (48,866)       |
| <b>Net premiums earned</b>   | <b>5,282</b>  | <b>5,727</b>  | <b>273,481</b> | <b>1,724</b>  | <b>6,716</b>            | <b>-</b>             | <b>14,118</b> | <b>307,048</b> |
| Reinsurance commissions  | 8,003         | 14,153        | 1,015          | 9,222         | 4,898                   | 1,836                | 4,194         | 43,321         |
| Other underwriting income  | 60            | 16            | -              | 9             | 22                      | -                    | 7             | 114            |
| <b>Total revenues</b>  | <b>13,345</b> | <b>19,896</b> | <b>274,496</b> | <b>10,955</b> | <b>11,636</b>           | <b>1,836</b>         | <b>18,319</b> | <b>350,483</b> |
| <b>Cost and expenses</b>   |               |               |                |               |                         |                      |               |                |
| Gross claims paid and loss<br>adjustment expenses, net of<br>recoveries                                    | 8,654         | 7,011         | 169,242        | 5,180         | 5,472                   | 3,707                | 43,609        | 242,875        |
| Reinsurer's share of claims<br>paid  | (6,441)       | (6,645)       | (4,699)        | (4,793)       | (4,390)                 | (3,707)              | (36,131)      | (66,806)       |
| <b>Net claims paid</b>   | <b>2,213</b>  | <b>366</b>    | <b>164,543</b> | <b>387</b>    | <b>1,082</b>            | <b>-</b>             | <b>7,478</b>  | <b>176,069</b> |
| Changes in outstanding claims,<br>net  | (1,158)       | 1,890         | 10,290         | 490           | (431)                   | -                    | 1,278         | 12,359         |
| Changes in claims incurred but<br>not reported, net  | (286)         | 95            | 2,563          | (261)         | (107)                   | -                    | 813           | 2,817          |
| <b>Net claims incurred</b>   | <b>769</b>    | <b>2,351</b>  | <b>177,396</b> | <b>616</b>    | <b>544</b>              | <b>-</b>             | <b>9,569</b>  | <b>191,245</b> |
| Premium deficiency reserve   | -             | -             | 4,019          | -             | -                       | -                    | -             | 4,019          |
| Additional unexpired risk<br>reserve   | -             | -             | -              | (234)         | -                       | -                    | -             | (234)          |
| Unallocated loss adjustment<br>expense provision   | 109           | (95)          | 8              | 144           | 78                      | -                    | (26)          | 218            |
| Policy acquisition costs   | 4,461         | 7,940         | 18,727         | 4,963         | 3,031                   | 1,326                | 5,991         | 46,439         |
| Other underwriting<br>expenses   | 468           | 282           | 2,556          | 948           | 514                     | 288                  | 518           | 5,574          |
| <b>Total underwriting cost and<br/>expenses</b>  | <b>5,807</b>  | <b>10,478</b> | <b>202,706</b> | <b>6,437</b>  | <b>4,167</b>            | <b>1,614</b>         | <b>16,052</b> | <b>247,261</b> |
| <b>Net underwriting income</b>   | <b>7,538</b>  | <b>9,418</b>  | <b>71,790</b>  | <b>4,518</b>  | <b>7,469</b>            | <b>222</b>           | <b>2,267</b>  | <b>103,222</b> |
| <b>Other operating (expenses) /<br/>income</b>   |               |               |                |               |                         |                      |               |                |
| Impairment allowance for<br>doubtful premiums, reinsurers<br>and other receivables                         |               |               |                |               |                         |                      |               | (13,180)       |
| General and administration<br>expenses   |               |               |                |               |                         |                      |               | (96,501)       |
| Commission income on<br>deposits   |               |               |                |               |                         |                      |               | 2,251          |
| Unrealized loss on investments   |               |               |                |               |                         |                      |               | (345)          |
| Other income   |               |               |                |               |                         |                      |               | 7,051          |
| <b>Total Other operating<br/>expenses, net</b>   |               |               |                |               |                         |                      |               | (100,724)      |
| <b>Net income for the period</b>   |               |               |                |               |                         |                      |               | <b>2,498</b>   |
| Total (loss) attributed to<br>policyholders  |               |               |                |               |                         |                      |               | (841)          |
| <b>Net income for the period<br/>attributable to the<br/>shareholders, before zakat<br/>and income tax</b> |               |               |                |               |                         |                      |               | <b>1,657</b>   |
| Zakat  |               |               |                |               |                         |                      |               | (4,556)        |
| Income tax   |               |               |                |               |                         |                      |               | (1,300)        |
| <b>Net loss for the period</b>   |               |               |                |               |                         |                      |               | <b>(4,199)</b> |

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**21 Operating segments (continued)**

|   | Marine | Property | Motor   | Engineering | Accident<br>&<br>Liability | Extended<br>warranty | Term<br>Life | Total            |
|---|--------|----------|---------|-------------|----------------------------|----------------------|--------------|------------------|
| <b>As at September 30, 2021</b><br><b>(Unaudited)</b> |        |          |         |             |                            |                      |              |                  |
| <b>Assets</b>   |        |          |         |             |                            |                      |              |                  |
| Reinsurers' share of unearned premiums                | 7,224  | 61,379   | -       | 25,087      | 33,098                     | 42,954               | 10,406       | <b>180,148</b>   |
| Reinsurers' share of outstanding claims               | 10,704 | 85,475   | 733     | 64,613      | 108,884                    | 41                   | 5,572        | <b>276,022</b>   |
| Reinsurers' share of claims incurred but not reported | 1,076  | 10,635   | 692     | 3,786       | 10,835                     | -                    | 4,681        | <b>31,705</b>    |
| Deferred policy acquisition costs                     | 1,009  | 6,056    | 12,246  | 3,620       | 3,017                      | 12,233               | 2,083        | <b>40,264</b>    |
| Unallocated assets                                    |        |          |         |             |                            |                      |              | <b>877,940</b>   |
| <b>Total assets</b>                                   |        |          |         |             |                            |                      |              | <b>1,406,079</b> |
| <b>Liabilities</b>                                    |        |          |         |             |                            |                      |              |                  |
| Unearned premiums                                     | 10,522 | 73,667   | 212,691 | 30,202      | 38,604                     | 48,100               | 17,433       | <b>431,219</b>   |
| Unearned reinsurance commission                       | 1,705  | 8,542    | -       | 4,608       | 2,964                      | 11,993               | 1            | <b>29,813</b>    |
| Outstanding claims                                    | 13,184 | 93,286   | 89,646  | 66,291      | 110,521                    | 41                   | 6,533        | <b>379,502</b>   |
| Claims incurred but not reported                      | 1,275  | 11,307   | 34,552  | 3,909       | 12,516                     | -                    | 5,851        | <b>69,410</b>    |
| Premium deficiency reserve                            | -      | -        | 10,173  | -           | -                          | -                    | -            | <b>10,173</b>    |
| Additional unexpired risk reserve                     | -      | -        | -       | 972         | 546                        | -                    | -            | <b>1,518</b>     |
| Unallocated loss adjustment expense provision         | 394    | 565      | 2,660   | 256         | 665                        | -                    | 164          | <b>4,704</b>     |
| Unallocated liabilities                               |        |          |         |             |                            |                      |              | <b>268,937</b>   |
| <b>Total liabilities</b>                              |        |          |         |             |                            |                      |              | <b>1,195,276</b> |

|   | Marine | Property | Motor   | Engineering | Accident<br>&<br>Liability | Extended<br>Warranty | Term<br>Life | Total            |
|---|--------|----------|---------|-------------|----------------------------|----------------------|--------------|------------------|
| <b>As at December 31, 2020</b><br><b>(Audited)</b>    |        |          |         |             |                            |                      |              |                  |
| <b>Assets</b>   |        |          |         |             |                            |                      |              |                  |
| Reinsurers' share of unearned premiums                | 8,730  | 33,873   | 1,287   | 21,169      | 20,118                     | 38,510               | 5,684        | <b>129,371</b>   |
| Reinsurers' share of outstanding claims               | 5,419  | 58,469   | 2,294   | 383,118     | 104,322                    | 41                   | 6,174        | <b>559,837</b>   |
| Reinsurers' share of claims incurred but not reported | 2,447  | 8,590    | 2,188   | 22,694      | 8,195                      | -                    | 8,749        | <b>52,863</b>    |
| Deferred policy acquisition costs                     | 1,074  | 3,641    | 11,860  | 2,875       | 1,972                      | 9,741                | 1,136        | <b>32,299</b>    |
| Unallocated assets                                    |        |          |         |             |                            |                      |              | <b>820,358</b>   |
| <b>Total assets</b>                                   |        |          |         |             |                            |                      |              | <b>1,594,728</b> |
| <b>Liabilities</b>                                    |        |          |         |             |                            |                      |              |                  |
| Unearned premiums                                     | 11,283 | 37,080   | 187,709 | 23,207      | 22,253                     | 38,510               | 9,590        | <b>329,632</b>   |
| Unearned reinsurance commission                       | 2,133  | 6,094    | 200     | 4,949       | 3,417                      | 13,487               | 106          | <b>30,386</b>    |
| Outstanding claims                                    | 7,493  | 63,824   | 70,024  | 387,067     | 105,929                    | 41                   | 7,570        | <b>641,948</b>   |
| Claims incurred but not reported                      | 2,778  | 8,854    | 45,486  | 23,292      | 10,144                     | -                    | 10,937       | <b>101,491</b>   |
| Premium deficiency reserve                            | -      | -        | 12,966  | -           | -                          | -                    | -            | <b>12,966</b>    |
| Additional unexpired risk reserve                     | -      | -        | -       | 203         | -                          | -                    | -            | <b>203</b>       |
| Unallocated loss adjustment expense provision         | 319    | 556      | 2,415   | 532         | 538                        | -                    | 294          | <b>4,654</b>     |
| Unallocated liabilities                               |        |          |         |             |                            |                      |              | <b>207,616</b>   |
| <b>Total liabilities</b>                              |        |          |         |             |                            |                      |              | <b>1,328,896</b> |

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**22 Related party balances and transactions**

**22.1 Related party transactions**

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The Company in the normal course of business carries out transactions with its related parties. The transactions are made on the agreed terms and are approved by the Board of Directors.

The significant transactions with related parties and the related amounts are as follows:

| Related Party  | Nature of Transactions                | Three-month<br>period ended<br>September 30,<br>2021<br>(Unaudited) | Three-month<br>period ended<br>September<br>30,<br>2020<br>(Unaudited) | Nine-month<br>period ended<br>September<br>30,<br>2021<br>(Unaudited) | Nine-month<br>period ended<br>September<br>30,<br>2020<br>(Unaudited) |
|--|---------------------------------------|---|--|---|---|
|  |                                       |   |  |   |   |
| Board Members  | -Fees and related expenses            | (76)  | 90   | 1,432   | 1,355   |
| Key management<br>personnel                                | -Remuneration and related<br>expenses | 2,607   | 2,775  | 8,319   | 8,355   |
|  | -Loans & advances                     | -   | 402  | -   | 652   |
| Shareholders' and<br>related parties<br>(common ownership) | -Insurance premiums<br>written        | 7,352   | 7,693  | 39,887  | 28,700  |
|  | -Claims paid                          | 2,803   | 2,965  | 9,026   | 7,868   |
|  | -Facultative premiums<br>ceded        | 68  | 14   | 1,464   | 1,739   |
|  | -Facultative commission<br>received   | 7   | (12)   | 30  | 285   |
|  | -Facultative claim<br>recovered       | 127   | 80   | 198   | 288   |
|  | -Expenses incurred                    | 1,599   | 798  | 4,950   | 3,618   |
|  | -Commission income on<br>deposits     | 257   | 413  | 712   | 2,251   |

**22.2 Related party balances**

|  | September<br>30,<br>2021<br>(Unaudited) | December<br>31, 2020<br>(Audited) |
|--|---|-----------------------------------|
| Premium's receivable, net  | 4,080                                   | 6,377                             |
| Claims payable   | 1,910                                   | 1,041                             |
| Cash and cash equivalents with a shareholder                           | 122,060                                 | 80,379                            |
| Short-term deposits with a shareholder                                 | 80,000                                  | 192,250                           |
| Amounts due from / (due to) a shareholder for facultative transactions | 697                                     | (174)                             |
| Advances due from key management personnel                             | 254                                     | 627                               |
| Income tax receivable from foreign shareholders                        | 359                                     | 359                               |
| Statutory deposit with a shareholder                                   | 20,000                                  | 20,000                            |
| Accrued income on statutory deposit                                    | 1,591                                   | 1,469                             |
| Employee benefits payable to key management personnel                  | 3,703                                   | 3,312                             |



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**23 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 amounts of dividends paid to shareholders or issue shares.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SAR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company solvency margin as at September 30, 2021, is below the minimum solvency requirements set by SAMA. Management is at present taking following active steps to restore solvency to the minimum level:

- Increasing the share capital by issuing rights issue of Saudi Riyals 200 million
- Increasing the revenue by offering new products and expanding into the current lines of business
- Controlling the loss ratios across different lines of business
- Cost reduction measures with focus on automation and digitalization

**24 Supplementary information**

As required by the Implementing Regulations, the interim statement of financial position, interim statement of income and interim statement of cash flows separately for insurance operations and shareholders operations are as follows:

**a) Interim statement of financial position**

|  | September 30, 2021 (Unaudited) |                           |                  | December 31, 2020 (Audited) |                           |                  |
|--|--------------------------------|---------------------------|------------------|-----------------------------|---------------------------|------------------|
|  | Insurance operations           | Share holders' operations | Total            | Insurance operations        | Share holders' operations | Total            |
| <b>ASSETS</b>  |                                |                           |                  |                             |                           |                  |
| Cash and cash equivalents                                  | 113,108                        | 9,637                     | 122,745          | 66,930                      | 13,803                    | 80,733           |
| Short-term Deposits  | 190,247                        | -                         | 190,247          | 242,250                     | -                         | 242,250          |
| Premiums receivable – net                                  | 252,035                        | -                         | 252,035          | 194,538                     | -                         | 194,538          |
| Due from reinsurers – net                                  | 34,684                         | -                         | 34,684           | 44,039                      | -                         | 44,039           |
| Reinsurers' share of unearned premiums                     | 180,148                        | -                         | 180,148          | 129,371                     | -                         | 129,371          |
| Reinsurers' share of outstanding claims                    | 276,022                        | -                         | 276,022          | 559,837                     | -                         | 559,837          |
| Reinsurers' share of claims incurred but not Reported      | 31,705                         | -                         | 31,705           | 52,863                      | -                         | 52,863           |
| Deferred policy acquisition costs                          | 40,264                         | -                         | 40,264           | 32,299                      | -                         | 32,299           |
| Investments  | -                              | 174,202                   | 174,202          | -                           | 166,952                   | 166,952          |
| Prepaid expenses and other assets                          | 23,905                         | 819                       | 24,724           | 19,522                      | 371                       | 19,893           |
| Due from shareholders' / insurance operations              | 47,413                         | -                         | 47,413           | -                           | 21,763                    | 21,763           |
| Property and equipment                                     | -                              | 17,095                    | 17,095           | -                           | 12,371                    | 12,371           |
| Intangible assets  | -                              | 40,617                    | 40,617           | -                           | 38,113                    | 38,113           |
| Statutory deposit  | -                              | 20,000                    | 20,000           | -                           | 20,000                    | 20,000           |
| Accrued income on statutory deposit                        | -                              | 1,591                     | 1,591            | -                           | 1,469                     | 1,469            |
| <b>TOTAL OPERATIONS' ASSETS</b>                            | <b>1,189,531</b>               | <b>263,961</b>            | <b>1,453,492</b> | <b>1,341,649</b>            | <b>274,842</b>            | <b>1,616,491</b> |
| Less: Inter-operations eliminations                        | (47,413)                       | -                         | (47,413)         | -                           | (21,763)                  | (21,763)         |
| <b>TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION</b> | <b>1,142,118</b>               | <b>263,961</b>            | <b>1,406,079</b> | <b>1,341,649</b>            | <b>253,079</b>            | <b>1,594,728</b> |

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**24 Supplementary information (continued)**

**a) Interim statement of financial position (continued)**

|  | September 30, 2021 (Unaudited) |                           |                  | December 31, 2020 (Audited) |                           |                  |
|--|--------------------------------|---------------------------|------------------|-----------------------------|---------------------------|------------------|
|  | Insurance operations           | Share-holders' operations | Total            | Insurance operations        | Share-holders' operations | Total            |
| <b>LIABILITIES</b>   |                                |                           |                  |                             |                           |                  |
| Policyholders claims payable                                     | 61,892                         | -                         | 61,892           | 22,681                      | -                         | 22,681           |
| Accrued expenses and other liabilities                           | 72,248                         | 518                       | 72,766           | 67,762                      | 937                       | 68,699           |
| Due to Insurance / shareholders' operations                      | -                              | 47,413                    | 47,413           | 21,763                      | -                         | 21,763           |
| Due to reinsurers, agents, brokers and third-party administrator | 129,052                        | -                         | 129,052          | 105,695                     | -                         | 105,695          |
| Unearned premiums  | 431,219                        | -                         | 431,219          | 329,632                     | -                         | 329,632          |
| Unearned reinsurance commission                                  | 29,813                         | -                         | 29,813           | 30,386                      | -                         | 30,386           |
| Outstanding claims   | 379,502                        | -                         | 379,502          | 641,948                     | -                         | 641,948          |
| Claims incurred but not reported                                 | 69,410                         | -                         | 69,410           | 101,491                     | -                         | 101,491          |
| Premium deficiency reserve                                       | 10,173                         | -                         | 10,173           | 12,966                      | -                         | 12,966           |
| Additional unexpired risk reserve                                | 1,518                          | -                         | 1,518            | 203                         | -                         | 203              |
| Unallocated loss adjustment expense provision                    | 4,704                          | -                         | 4,704            | 4,654                       | -                         | 4,654            |
| Surplus distribution payable                                     | -                              | -                         | -                | 2,468                       | -                         | 2,468            |
| Zakat and income tax payable                                     | -                              | 3,636                     | 3,636            | -                           | 6,604                     | 6,604            |
| Accrued income on statutory deposit                              | -                              | 1,591                     | 1,591            | -                           | 1,469                     | 1,469            |
| <b>TOTAL OPERATIONS' LIABILITIES</b>                             | <b>1,189,531</b>               | <b>53,158</b>             | <b>1,242,689</b> | <b>1,341,649</b>            | <b>9,010</b>              | <b>1,350,659</b> |
| Less: Inter-operations eliminations                              | -                              | (47,413)                  | (47,413)         | (21,763)                    | -                         | (21,763)         |
| <b>TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION</b>  | <b>1,189,531</b>               | <b>5,745</b>              | <b>1,195,276</b> | <b>1,319,886</b>            | <b>9,010</b>              | <b>1,328,896</b> |
| <b>SHAREHOLDERS' EQUITY</b>                                      |                                |                           |                  |                             |                           |                  |
| Share capital  | -                              | 200,000                   | 200,000          | -                           | 200,000                   | 200,000          |
| Statutory reserve  | -                              | 15,354                    | 15,354           | -                           | 15,354                    | 15,354           |
| Accumulated (losses) / retained earnings                         | -                              | (4,551)                   | (4,551)          | -                           | 50,478                    | 50,478           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                | <b>-</b>                       | <b>210,803</b>            | <b>210,803</b>   | <b>-</b>                    | <b>265,832</b>            | <b>265,832</b>   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                | <b>1,189,531</b>               | <b>216,548</b>            | <b>1,406,079</b> | <b>1,319,886</b>            | <b>274,842</b>            | <b>1,594,728</b> |

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**24 Supplementary information (continued)**

**b) Interim statement of income**

|   | Three-months period ended<br>September 30, 2021 (Unaudited) |                                 |                | Three-months period ended<br>September 30, 2020 (Unaudited) |                                 |                |
|---|---|---------------------------------|----------------|---|---------------------------------|----------------|
|   | Insurance<br>operations                                     | Share<br>holders'<br>operations | Total          | Insurance<br>operations                                     | Share<br>holders'<br>operations | Total          |
| <b>REVENUES</b>   |   |                                 |                |   |                                 |                |
| Gross premiums written  | 178,012   | -                               | 178,012        | 159,385   | -                               | 159,385        |
| Reinsurance premiums ceded  | (68,961)  | -                               | (68,961)       | (74,752)  | -                               | (74,752)       |
| Excess of loss expenses   | (4,805)   | -                               | (4,805)        | (4,232)   | -                               | (4,232)        |
| <b>Net premiums written</b>                                       | <b>104,246</b>  | <b>-</b>                        | <b>104,246</b> | <b>80,401</b>   | <b>-</b>                        | <b>80,401</b>  |
| Changes in unearned premiums, net                                 | 24,169  | -                               | 24,169         | 21,945  | -                               | 21,945         |
| <b>Net premiums earned</b>  | <b>128,415</b>  | <b>-</b>                        | <b>128,415</b> | <b>102,346</b>  | <b>-</b>                        | <b>102,346</b> |
| Reinsurance commissions   | 12,039  | -                               | 12,039         | 12,334  | -                               | 12,334         |
| Other underwriting income   | 79  | -                               | 79             | 33  | -                               | 33             |
| <b>TOTAL REVENUES</b>   | <b>140,533</b>  | <b>-</b>                        | <b>140,533</b> | <b>114,713</b>  | <b>-</b>                        | <b>114,713</b> |
| <b>UNDERWRITING COSTS AND EXPENSES</b>                            |   |                                 |                |   |                                 |                |
| Gross claims paid and loss adjustment expenses, net of recoveries | 438,219   | -                               | 438,219        | 99,554  | -                               | 99,554         |
| Reinsurers' share of claims paid                                  | (338,556)   | -                               | (338,556)      | (27,630)  | -                               | (27,630)       |
| <b>Net claims paid</b>  | <b>99,663</b>   | <b>-</b>                        | <b>99,663</b>  | <b>71,924</b>   | <b>-</b>                        | <b>71,924</b>  |
| Changes in outstanding claims, net                                | 11,110  | -                               | 11,110         | 1,918   | -                               | 1,918          |
| Changes in claims incurred but not reported, net                  | (9,152)   | -                               | (9,152)        | 890   | -                               | 890            |
| <b>Net claims incurred</b>  | <b>101,621</b>  | <b>-</b>                        | <b>101,621</b> | <b>74,732</b>   | <b>-</b>                        | <b>74,732</b>  |
| Premium deficiency reserve  | 413   | -                               | 413            | (1,204)   | -                               | (1,204)        |
| Additional unexpired risk reserve                                 | 323   | -                               | 323            | 28  | -                               | 28             |
| Unallocated loss adjustment expense provision                     | 292   | -                               | 292            | (75)  | -                               | (75)           |
| Policy acquisition costs  | 17,485  | -                               | 17,485         | 14,234  | -                               | 14,234         |
| Other underwriting expenses                                       | 5,798   | -                               | 5,798          | 3,678   | -                               | 3,678          |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>                      | <b>125,932</b>  | <b>-</b>                        | <b>125,932</b> | <b>91,393</b>   | <b>-</b>                        | <b>91,393</b>  |
| <b>NET UNDERWRITING INCOME</b>                                    | <b>14,601</b>   | <b>-</b>                        | <b>14,601</b>  | <b>23,320</b>   | <b>-</b>                        | <b>23,320</b>  |

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**24 Supplementary information (continued)**

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

|  | Three-month period ended<br>September 30, 2021 (Unaudited) |                                 |                 | Three-month period ended<br>September 30, 2020 (Unaudited) |                                 |                 |
|--|--|---------------------------------|-----------------|--|---------------------------------|-----------------|
|  | Insurance<br>operations                                    | Share<br>holders'<br>operations | Total           | Insurance<br>operations                                    | Share<br>holders'<br>operations | Total           |
| <b>OTHER OPERATING (EXPENSES) /<br/>INCOME</b>                                     |  |                                 |                 |  |                                 |                 |
| Impairment allowance for doubtful<br>premiums, reinsurers and other<br>receivables | (8,258)  | -                               | (8,258)         | (2,328)  | -                               | (2,328)         |
| General and administration expenses  | (30,089)   | (3,137)                         | (33,226)        | (28,633)   | (1,780)                         | (30,413)        |
| Commission income on deposits  | 422  | 15                              | 437             | 356  | 57                              | 413             |
| Unrealized gain on investments   | -  | (80)                            | (80)            | -  | 184                             | 184             |
| Realized gain on investments   | -  | 89                              | 89              | -  | -                               | -               |
| Other income   | 362  | -                               | 362             | 4,167  | -                               | 4,167           |
| <b>TOTAL OTHER OPERATING<br/>EXPENSES</b>  | <b>(37,563)</b>  | <b>(3,113)</b>                  | <b>(40,676)</b> | <b>(26,438)</b>  | <b>(1,539)</b>                  | <b>(27,977)</b> |
| <b>NET (DEFICIT) / SURPLUS FROM<br/>INSURANCE OPERATIONS</b>                       | <b>(22,962)</b>  | <b>(3,113)</b>                  | <b>(26,075)</b> | <b>(3,118)</b>   | <b>(1,539)</b>                  | <b>(4,657)</b>  |
| (Deficit) / surplus to Shareholders<br>operations                                  | 22,962   | (22,962)                        | -               | 3,118  | (3,118)                         | -               |
| <b>TOTAL LOSS ATTRIBUTED TO<br/>SHAREHOLDERS</b>                                   | <b>-</b>   | <b>(26,075)</b>                 | <b>(26,075)</b> | <b>-</b>   | <b>(4,657)</b>                  | <b>(4,657)</b>  |
| Zakat  | -  | (1,116)                         | (1,116)         | -  | (1,200)                         | (1,200)         |
| Income tax   | -  | (16)                            | (16)            | -  | (55)                            | (55)            |
| <b>Net loss for the period</b>   | <b>-</b>   | <b>(27,207)</b>                 | <b>(27,207)</b> | <b>-</b>   | <b>(5,912)</b>                  | <b>(5,912)</b>  |
| <b>Losses per share<br/>(Expressed in SAR per share)</b>                           | <b>-</b>   | <b>(1.36)</b>                   |                 | <b>-</b>   | <b>(0.30)</b>                   |                 |

**c) Interim statement of comprehensive income**

|  | Three-month period ended<br>September 30, 2021 (Unaudited) |                                 |                 | Three-month period ended<br>September 30, 2020 (Unaudited) |                                 |                |
|--|--|---------------------------------|-----------------|--|---------------------------------|----------------|
|  | Insurance<br>operations                                    | Share<br>holders'<br>operations | Total           | Insurance<br>operations                                    | Share<br>holders'<br>operations | Total          |
| Net loss for the period  | -  | (27,207)                        | (27,207)        | -  | (5,912)                         | (5,912)        |
| <b>Other comprehensive income /<br/>(loss)</b>   |  |                                 |                 |  |                                 |                |
| <i>Items that will not be reclassified<br/>to statements of income in<br/>subsequent years</i> |  |                                 |                 |  |                                 |                |
| Remeasurement gain/ (loss) on<br>defined benefit obligation                                    | -  | 18                              | 18              | -  | (353)                           | (353)          |
| <b>TOTAL COMPREHENSIVE LOSS<br/>FOR THE PERIOD</b>   | <b>-</b>   | <b>(27,189)</b>                 | <b>(27,189)</b> | <b>-</b>   | <b>(6,265)</b>                  | <b>(6,265)</b> |

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**September 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**24 Supplementary information (continued)**

**d) Interim statement of income**

|   | Nine-month period ended<br>September 30, 2021 (Unaudited) |                                 |                | Nine-month period ended<br>September 30, 2020 (Unaudited) |                                 |                |
|---|---|---------------------------------|----------------|---|---------------------------------|----------------|
|   | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total          | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total          |
| <b>REVENUES</b>   |   |                                 |                |   |                                 |                |
| Gross premiums written  | 713,192   | -                               | 713,192        | 641,847   | -                               | 641,847        |
| Reinsurance premiums ceded  | (279,130)   | -                               | (279,130)      | (271,477)   | -                               | (271,477)      |
| Excess of loss expenses   | (17,234)  | -                               | (17,234)       | (14,456)  | -                               | (14,456)       |
| <b>Net premiums written</b>                                       | <b>416,828</b>  | <b>-</b>                        | <b>416,828</b> | <b>355,914</b>  | <b>-</b>                        | <b>355,914</b> |
| Changes in unearned premiums, net                                 | (50,810)  | -                               | (50,810)       | (48,866)  | -                               | (48,866)       |
| <b>Net premiums earned</b>  | <b>366,018</b>  | <b>-</b>                        | <b>366,018</b> | <b>307,048</b>  | <b>-</b>                        | <b>307,048</b> |
| Reinsurance commissions   | 36,312  | -                               | 36,312         | 43,321  | -                               | 43,321         |
| Other underwriting income   | 331   | -                               | 331            | 114   | -                               | 114            |
| <b>TOTAL REVENUES</b>   | <b>402,661</b>  | <b>-</b>                        | <b>402,661</b> | <b>350,483</b>  | <b>-</b>                        | <b>350,483</b> |
| <b>UNDERWRITING COSTS AND EXPENSES</b>                            |   |                                 |                |   |                                 |                |
| Gross claims paid and loss adjustment expenses, net of recoveries | 658,972   | -                               | 658,972        | 242,875   | -                               | 242,875        |
| Reinsurers' share of claims paid                                  | (390,150)   | -                               | (390,150)      | (66,806)  | -                               | (66,806)       |
| <b>Net claims paid</b>  | <b>268,822</b>  | <b>-</b>                        | <b>268,822</b> | <b>176,069</b>  | <b>-</b>                        | <b>176,069</b> |
| Changes in outstanding claims, net                                | 21,369  | -                               | 21,369         | 12,359  | -                               | 12,359         |
| Changes in claims incurred but not reported, net                  | (10,923)  | -                               | (10,923)       | 2,817   | -                               | 2,817          |
| <b>Net claims incurred</b>  | <b>279,268</b>  | <b>-</b>                        | <b>279,268</b> | <b>191,245</b>  | <b>-</b>                        | <b>191,245</b> |
| Premium deficiency reserve  | (2,793)   | -                               | (2,793)        | 4,019   | -                               | 4,019          |
| Additional unexpired risk reserve                                 | 1,315   | -                               | 1,315          | (234)   | -                               | (234)          |
| Unallocated loss adjustment expense provision                     | 50  | -                               | 50             | 218   | -                               | 218            |
| Policy acquisition costs  | 49,507  | -                               | 49,507         | 46,439  | -                               | 46,439         |
| Other underwriting expense  | 21,416  | -                               | 21,416         | 5,574   | -                               | 5,574          |
| <b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>                      | <b>348,763</b>  | <b>-</b>                        | <b>348,763</b> | <b>247,261</b>  | <b>-</b>                        | <b>247,261</b> |
| <b>NET UNDERWRITING INCOME</b>                                    | <b>53,898</b>   | <b>-</b>                        | <b>53,898</b>  | <b>103,222</b>  | <b>-</b>                        | <b>103,222</b> |

**WATANIYA INSURANCE COMPANY**  
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**September 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**24 Supplementary information (continued)**

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

|  | Nine-month period ended<br>September 30, 2021 (Unaudited) |                                 |                  | Nine-month period ended<br>September 30, 2020 (Unaudited) |                                 |                  |
|--|---|---------------------------------|------------------|---|---------------------------------|------------------|
|  | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total            | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total            |
| <b><u>OTHER OPERATING (EXPENSES) /<br/>INCOME</u></b>                              |   |                                 |                  |   |                                 |                  |
| Impairment allowance for doubtful<br>premiums, reinsurers and other<br>receivables | (15,306)  | -                               | (15,306)         | (13,180)  | -                               | (13,180)         |
| General and administration expenses  | (85,651)  | (8,760)                         | (94,411)         | (90,525)  | (5,976)                         | (96,501)         |
| Commission income on deposits  | 1,075   | 45                              | 1,120            | 1,840   | 411                             | 2,251            |
| Unrealized gain / (loss) on investments  | -   | 2,250                           | 2,250            | -   | (345)                           | (345)            |
| Realized gain on investments   | -   | 166                             | 166              | -   | -                               | -                |
| Other income   | 606   | -                               | 606              | 7,051   | -                               | 7,051            |
| <b>TOTAL OTHER OPERATING<br/>EXPENSES</b>  | <b>(99,276)</b>   | <b>(6,299)</b>                  | <b>(105,575)</b> | <b>(94,814)</b>   | <b>(5,910)</b>                  | <b>(100,724)</b> |
| <b>NET SURPLUS / (DEFICIT) FROM<br/>INSURANCE OPERATIONS</b>                       | <b>(45,378)</b>   | <b>(6,299)</b>                  | <b>(51,677)</b>  | <b>8,408</b>  | <b>(5,910)</b>                  | <b>2,498</b>     |
| (Deficit) / surplus to shareholders<br>operations                                  | 45,378  | (45,378)                        | -                | (7,567)   | 7,567                           | -                |
| <b>(Loss) / (profit) before zakat and<br/>income tax</b>                           | <b>-</b>  | <b>(51,677)</b>                 | <b>(51,677)</b>  | <b>841</b>  | <b>1,657</b>                    | <b>2,498</b>     |
| Zakat  | -   | (3,086)                         | (3,086)          | -   | (4,556)                         | (4,556)          |
| Income tax   | -   | (16)                            | (16)             | -   | (1,300)                         | (1,300)          |
| <b>Net income / (loss) for the period</b>  | <b>-</b>  | <b>(54,779)</b>                 | <b>(54,779)</b>  | <b>841</b>  | <b>(4,199)</b>                  | <b>(3,358)</b>   |
| <b>Loss per share (Expressed in SAR<br/>per share)</b>                             | <b>-</b>  | <b>(2.74)</b>                   | <b>-</b>         | <b>-</b>  | <b>(0.21)</b>                   | <b>-</b>         |

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**24 Supplementary information (continued)**

**e) Interim statement of comprehensive income**

|  | Nine-month period ended<br>September 30, 2021 (Unaudited) |                                 |                 | Nine-month period ended<br>September 30, 2020 (Unaudited) |                                 |                |
|--|---|---------------------------------|-----------------|---|---------------------------------|----------------|
|  | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total           | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total          |
| Net income / (loss) for the period   | -   | (54,779)                        | (54,779)        | 841   | (4,199)                         | (3,358)        |
| Other comprehensive loss   |   |                                 |                 |   |                                 |                |
| <i>Items that will not be reclassified to<br/>statements of income in<br/>subsequent years</i> |   |                                 |                 |   |                                 |                |
| Remeasurement loss on defined<br>benefit obligation  | -   | (250)                           | (250)           | -   | (703)                           | (703)          |
| <b>TOTAL COMPREHENSIVE LOSS<br/>FOR THE PERIOD</b>   | -   | (55,029)                        | (55,029)        | 841   | (4,902)                         | (4,061)        |
| Less: Net loss attributable to<br>insurance operations   |   |                                 | -               |   |                                 | (841)          |
|  |   |                                 | <u>(55,029)</u> |   |                                 | <u>(4,902)</u> |

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**24 Supplementary information (continued)**

**f) Interim statement of cash flows**

|  | Nine-month period ended<br>September 30, 2021 (Unaudited) |                                 |          | Nine-month period ended<br>September 30, 2020 (Unaudited) |                                 |          |
|--|---|---------------------------------|----------|---|---------------------------------|----------|
|  | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total    | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total    |
| <b>CASH FLOWS FROM<br/>OPERATING ACTIVITIES</b>  |   |                                 |          |   |                                 |          |
| Net income / (loss) for the<br>period attributable to<br>shareholders before zakat<br>and income tax | -   | (51,677)                        | (51,677) | -   | 1,657                           | 1,657    |
| Adjustments for non-cash<br>items:   |   |                                 |          |   |                                 |          |
| Income attributable to<br>insurance operations   | -   | -                               | -        | 841   | -                               | 841      |
| Depreciation and<br>amortisation of property<br>and equipment and<br>intangible assets               | -   | 5,150                           | 5,150    | -   | 4,333                           | 4,333    |
| Shareholder share of<br>(deficit) /surplus from<br>insurance operations                              | (45,378)  | 45,378                          | -        | 7,567   | (7,567)                         | -        |
| Impairment allowance for<br>doubtful premiums,<br>reinsurers and other<br>receivables                | 15,306  | -                               | 15,306   | 13,180  | -                               | 13,180   |
| Unrealized (loss) / gain on<br>investments   | -   | (2,250)                         | (2,250)  | -   | 345                             | 345      |
| Realized gain on<br>investments  | -   | (166)                           | (166)    | -   | -                               | -        |
|  | (30,072)  | (3,565)                         | (33,637) | 21,588  | (1,232)                         | 20,356   |
| <u>Changes in operating<br/>assets and liabilities:</u>  |   |                                 |          |   |                                 |          |
| Premiums receivable  | (71,766)  | -                               | (71,766) | (79,473)  | -                               | (79,473) |
| Reinsurers' share of<br>unearned premiums  | (50,777)  | -                               | (50,777) | (51,641)  | -                               | (51,641) |
| Reinsurers' share of<br>outstanding claims   | 283,815   | -                               | 283,815  | 3,538   | -                               | 3,538    |
| Reinsurers' share of claims<br>incurred but not reported   | 21,158  | -                               | 21,158   | 2,868   | -                               | 2,868    |
| Deferred policy acquisition<br>costs   | (7,965)   | -                               | (7,965)  | (9,568)   | -                               | (9,568)  |
| Due from reinsurers  | 8,289   | -                               | 8,289    | 111,512   | -                               | 111,512  |



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**24 Supplementary information (continued)**

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

|  | Nine-month period ended<br>September 30, 2021 (Unaudited) |                                 |                | Nine-month period ended<br>September 30, 2020 (Unaudited) |                                 |                 |
|--|---|---------------------------------|----------------|---|---------------------------------|-----------------|
|  | Insurance<br>operation                                    | Share<br>holders'<br>operations | Total          | Insurance<br>operations                                   | Share<br>holders'<br>operations | Total           |
| Prepaid expenses and other assets                                    | (4,383)   | (448)                           | (4,831)        | (7,011)   | 769                             | (6,242)         |
| Policyholders payable  | 39,211  | -                               | 39,211         | (125,715)   | -                               | (125,715)       |
| Accrued expenses and other liabilities                               | 4,265   | (419)                           | 3,846          | 12,048  | 470                             | 12,518          |
| Due to reinsurers, agents, brokers and<br>third-party administrators | 23,357  | -                               | 23,357         | 34,296  | -                               | 34,296          |
| Unearned premiums  | 101,587   | -                               | 101,587        | 100,507   | -                               | 100,507         |
| Unearned reinsurance commission                                      | (573)   | -                               | (573)          | 9,230   | -                               | 9,230           |
| Outstanding claims   | (262,446)   | -                               | (262,446)      | 8,821   | -                               | 8,821           |
| Claims incurred but not reported                                     | (32,081)  | -                               | (32,081)       | (51)  | -                               | (51)            |
| Premium deficiency reserve   | (2,793)   | -                               | (2,793)        | 4,019   | -                               | 4,019           |
| Additional unexpired risk reserve                                    | 1,315   | -                               | 1,315          | (234)   | -                               | (234)           |
| Due to shareholder operations  | (23,548)  | 23,548                          | -              | (20,039)  | 20,039                          | -               |
| Unallocated loss adjustment expense provision                        | 50  | -                               | 50             | 218   | -                               | 218             |
|  | (3,357)   | 19,116                          | 15,759         | 14,913  | 20,046                          | 34,959          |
| Surplus paid to policy holders                                       | (2,468)   | -                               | (2,468)        | (2,512)   | -                               | (2,512)         |
| Zakat and income tax paid net of<br>recovery                         | -   | (6,070)                         | (6,070)        | -   | (5,848)                         | (5,848)         |
| <b>Net cash generated from / (used in) operatin<br/>activities</b>   | <b>(5,825)</b>  | <b>13,046</b>                   | <b>7,221</b>   | <b>12,401</b>   | <b>14,198</b>                   | <b>26,599</b>   |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</b>                      |   |                                 |                |   |                                 |                 |
| Additions to property and equipment and<br>intangible assets         | -   | (12,378)                        | (12,378)       | -   | (8,657)                         | (8,657)         |
| Addition to investments  | -   | (5,000)                         | (5,000)        | -   | (50,000)                        | (50,000)        |
| Short-term deposits liquidated                                       | -   | -                               | -              | -   | -                               | -               |
| Additions to short-term deposits                                     | 52,003  | -                               | 52,003         | -   | -                               | -               |
| Investment income received   | -   | 166                             | 166            | -   | -                               | -               |
| <b>Net cash generated from / (used in) investin<br/>activities</b>   | <b>52,003</b>   | <b>(17,212)</b>                 | <b>34,791</b>  | <b>-</b>  | <b>(58,657)</b>                 | <b>(58,657)</b> |
| Net change in cash and cash<br>equivalents                           | 46,178  | (4,166)                         | 42,012         | 12,401  | (44,459)                        | (32,058)        |
| Cash and cash equivalents, beginning<br>of the period                | 66,930  | 13,803                          | 80,733         | 292,354   | 62,353                          | 354,707         |
| <b>Cash and cash equivalents, end of<br/>the period</b>              | <b>113,108</b>  | <b>9,637</b>                    | <b>122,745</b> | <b>304,755</b>  | <b>17,894</b>                   | <b>322,649</b>  |

**SUPPLEMENTAL SCHEDULE OF  
NON-CASH INFORMATION**

|   |       |     |       |       |     |       |
|---|-------|-----|-------|-------|-----|-------|
| Income tax receivable from foreign shareholder<br>adjusted against prepaid expenses and other<br>assets | -     | 359 | 359   | -     | 359 | 359   |
| Remeasurement loss on defined obligation<br>adjusted against accrued expenses and other<br>liabilities  | (250) | -   | (250) | (703) | -   | (703) |

- g)** As required by the Implementing Regulations and the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

|                                      |             |
|--------------------------------------|-------------|
| Transfer to Shareholders' operations | 90%         |
| Transfer to Policyholders payable    | 10%         |
|                                      | <u>100%</u> |

In case of deficit arising from insurance operations, the entire deficit is allocated and transferred to shareholders' operations.

## **25 Impact of COVID-19**

The World Health Organisation declared the Coronavirus (COVID-19) to be a global pandemic on March 11, 2020, escalating from a declaration of a public health emergency on January 30, 2020. COVID-19 has had unexpected human and economic consequences across many countries and has resulted in significant market volatility.

COVID-19 pandemic continues to disrupt global markets as many geographies are beginning to experience a “second / third wave” of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, including start of vaccination process, and has begun taking phased measures to normalize international travel and resume Umrah pilgrimage. Moreover, beginning October 17, 2021, social distancing requirements have been relaxed.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures at a granular level, while maintaining acceptable service levels and operational activities and ensuring the safety and wellbeing of its employees.

Management of the Company is closely monitoring the situation as it evolves which is outlined on the broad dimensions as below:

### **(a) Business impact**

As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

There has been a limited impact on collections and liquidity during the current phase and this is being monitored regularly by management. Overall, product and pricing strategies continue to be on track and hence management does not see any significant changes presently.

Based upon the current trends, management has updated its sales forecasts to reflect these for the future. Management will continue to monitor the impact and update the forecasts further considering the situation as it continues to evolve.

### **(b) Impact on claims and reserving**

#### **Motor technical reserves**

In response to the COVID-19 pandemic, SAMA issued a circular 189 (the “circular”) dated May 8, 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular, without any additional consideration from the policyholders.

Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in existing motor policies as new policy and recorded a premium deficiency reserve based on the expected claims for the extended 2 months period. The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated level for motor line of business and recorded within Premium deficiency reserve.

The reserving towards Incurred But Not Reported (IBNR) continues to be consistent with the methodology and techniques applied as at December 31, 2020 and it factors the actual claim experience in the period ended September 30, 2021.

## **25 Impact of COVID-19 (continued)**

### **(c) Impact on financial assets**

The Company continued to assess whether there is an objective evidence that a financial asset or a group of financial assets is impaired. During the period ended September 30, 2021, the Company applied the accounting policy for impairment of financial assets consistent with prior year. With respect to insurance and reinsurance receivables, the Company is closely monitoring the credit quality of its customers and reinsurance companies and updating the allowance for impairment whenever there is an objective evidence of credit impairment.

Based on these assessments, the Company believes that the COVID-19 pandemic has had no material effect on the Company's reported results for the three-month and nine-month periods ended September 30, 2021. The Company continues to monitor the situation closely.

### **(d) Accounting and financial reporting**

In the current phase of COVID-19 pandemic, the Company continues to apply its accounting policies consistently without deviation. Considering the impact on the business is limited, management continues to adopt a consistent approach to the use of estimates in the financial information. As the situation evolves in future, management will continue to monitor and consider updates as appropriate at that time

The Company continues to maintain a sound liquidity position during this phase.

## **26 Comparative figures**

The reclassification in comparative interim statement of income for the three month and nine-month period ended September 30, 2021 relates to Value Added Tax accrued on reinsurance commission income amounting to SAR 1.15 million and SAR 3.05 million and Najm fees amounting to SAR 2.52 million and SAR 2.54 million respectively, from the "general and administrative expenses" to "other underwriting expenses". Such reclassifications have not resulted in any additional impact on interim condensed statement of income and retained earnings.

## **27 Approval of the interim condensed financial Statements**

These interim condensed financial statements have been approved by the Board of Directors on November 4, 2021 corresponding to Rabi-Al-Awwal 29, 1443H.