

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

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

**FOR THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2020**

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

INDEX	PAGE
Independent auditors' review report	1
Interim condensed statement of financial position	2 – 3
Interim condensed statement of income	4
Interim condensed statement of comprehensive income	5
Interim condensed statement of changes in equity	6
Interim condensed statement of cash flows	7
Notes to the interim condensed financial statements	8-38



KPMG Al Fozan & Partners
Certified Public Accountants



Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Al Alamiya for Cooperative Insurance Company** (the "Company") as at 30 September 2020, the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended and interim condensed statements of changes in equity and cash flows for the nine-month period then ended and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 30 September 2020 of the Company are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

KPMG Al Fozan & Partners
Certified Public Accountants
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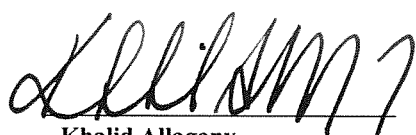


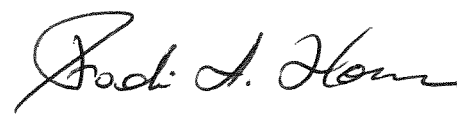
23 Rabi Al-Awwal 1442H
9 November 2020

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		SAR '000	
		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>Notes</i>		
ASSETS			
Cash and cash equivalents	4	14,874	14,919
Term deposits		401,456	431,765
Premiums and reinsurer' receivable, net	5	57,663	44,107
Reinsurers' share of unearned premiums	7.2	41,388	41,006
Deferred excess of loss premiums	7.2	1,003	--
Reinsurers' share of outstanding claims	7.1	58,529	50,799
Reinsurers' share of claims incurred but not reported	7.1	5,285	9,178
Deferred policy acquisition costs		3,465	4,159
Investments	6	129,859	157,850
Due from related parties	11	745	69
Prepaid expenses and other assets		11,501	10,629
Deferred tax asset	12	1,093	1,064
Property and equipment		2,554	1,145
Intangible assets		2,534	1,561
Statutory deposit		40,000	40,000
Accrued commission income on statutory deposit		5,297	4,151
TOTAL ASSETS		777,246	812,402

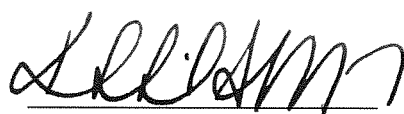

Khalid Allagany
CEO and Managing Director


Fadi Aboul Hosn
Chief Financial Officer

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 SEPTEMBER 2020

		SAR' 000	
		September 30, 2020	December 31, 2019
	<i>Notes</i>	(Unaudited)	(Audited)
LIABILITIES			
Outstanding claims reserve	7.1	74,014	82,315
Claims incurred but not reported	7.1	28,500	36,575
Other technical reserves	7.1	6,041	4,787
Accrued expenses and other liabilities		32,594	35,893
Reinsurers' balances payable		76,235	81,420
Unearned premiums	7.2	56,416	73,610
Accounts payables		6,290	15,060
Unearned reinsurance commission		5,896	4,360
Due to related parties	11	3,137	1,788
End-of-service benefits		11,422	10,616
Zakat and income tax	12	49,517	44,267
Accrued commission income payable to SAMA		5,297	4,151
Accumulated surplus		9,029	9,852
TOTAL LIABILITIES		364,388	404,694
EQUITY			
Share capital	13	400,000	400,000
Statutory reserve	16	1,918	1,161
Retained earnings		7,669	4,643
Fair value reserve for available for sale investments	6	3,535	2,168
Actuarial reserve for employee benefits		(264)	(264)
TOTAL EQUITY		412,858	407,708
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY			
		777,246	812,402
COMMITMENTS AND CONTINGENCIES			
	8	1,131	1,046



Khalid Allagany
CEO and Managing Director



Fadi Aboul Hosn
Chief Financial Officer

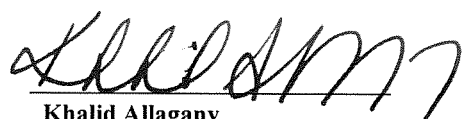
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)

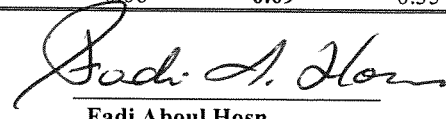
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

	SAR '000			
	For the three month period ended September 30		For the nine month period ended September 30	
	2020	2019	2020	2019
REVENUES				
Gross premiums written				
- Direct	52,565	55,527	136,039	167,183
- Reinsurance	110	(246)	442	907
	52,675	55,281	136,481	168,090
Reinsurance premiums ceded				
- Local	(2,238)	(331)	(3,772)	(1,906)
- Foreign	(37,501)	(32,220)	(90,578)	(76,636)
	(39,739)	(32,551)	(94,350)	(78,542)
Excess of loss premium				
- Local	--	--	(195)	(206)
- Foreign	--	--	(3,701)	(4,599)
	--	--	(3,896)	(4,805)
Total reinsurance premium ceded	(39,739)	(32,551)	(98,246)	(83,347)
NET PREMIUMS WRITTEN	12,936	22,730	38,235	84,743
Changes in unearned premiums	(4,884)	9,918	17,194	27,532
Changes in reinsurers' share of unearned premiums	7,449	188	382	(17,447)
Changes in deferred excess of loss premiums	(681)	(1,276)	1,003	864
NET PREMIUMS EARNED	14,820	31,560	56,814	95,692
Reinsurance commissions	2,746	2,521	12,490	9,295
TOTAL REVENUES	17,566	34,081	69,304	104,987
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(15,711)	(26,150)	(64,100)	(81,581)
Reinsurers' share of claims paid	6,137	8,324	27,042	16,840
NET CLAIMS PAID	(9,574)	(17,826)	(37,058)	(64,741)
Changes in outstanding claims	(6,815)	(4,849)	8,301	(3,547)
Changes in reinsurers' share of outstanding claims	8,470	7,941	7,730	15,717
Changes in claims incurred but not reported, net	6,433	(2,214)	4,182	9,309
Changes in other technical reserves	11	194	(1,254)	413
NET CLAIMS INCURRED	(1,475)	(16,754)	(18,099)	(42,849)
Policy acquisition costs	(3,613)	(4,635)	(11,737)	(13,581)
Other underwriting expenses	(173)	(215)	(684)	(802)
TOTAL UNDERWRITING COSTS AND EXPENSES	(5,261)	(21,604)	(30,520)	(57,232)
NET UNDERWRITING INCOME	12,305	12,477	38,784	47,755
OTHER OPERATING (EXPENSES) / INCOME				
(Charge)/reversal for doubtful debts	(879)	2,191	(422)	4,611
General and administrative expenses	(13,123)	(13,350)	(42,726)	(44,622)
Investment income on term deposits	1,430	3,263	5,994	9,528
Investment income on bonds and sukuks	918	961	2,930	2,619
Other income	1,796	--	5,996	2,190
TOTAL OTHER OPERATING EXPENSES	(9,858)	(6,935)	(28,228)	(25,674)
TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	2,447	5,542	10,556	22,081
ZAKAT CHARGE FOR THE PERIOD	(1,404)	(1,917)	(5,780)	(5,752)
INCOME TAX CHARGE FOR THE PERIOD	(85)	(242)	(394)	(850)
TOTAL INCOME FOR THE PERIOD AFTER ZAKAT AND INCOME TAX	958	3,383	4,382	15,479
TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	(119)	(337)	(599)	(1,610)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	839	3,046	3,783	13,869
BASIC AND DILUTED EARNINGS PER SHARE(SAR)	0.02	0.08	0.09	0.35



Khalid Allagany

CEO and Managing Director



Fadi Aboul Hosn

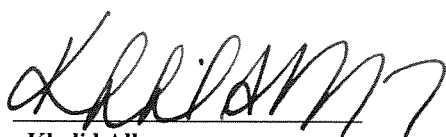
Chief Financial Officer

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

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

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

	SAR '000			
	For the three month period ended September 30		For the nine month period ended September 30	
	2020	2019	2020	2019
Total income for the period after zakat and income tax	958	3,383	4,382	15,479
OTHER COMPREHENSIVE INCOME				
<i>-Items that may be reclassified to interim condensed statement of income in subsequent periods</i>				
Change in fair value of available for sale investments	(612)	691	1,367	4,018
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	346	4,074	5,749	19,497
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS	15C (119)	(337)	(599)	(1,610)
NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	227	3,737	5,150	17,887



Khalid Allagany
CEO and Managing Director



Fadi Aboul Hosn
Chief Financial Officer

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

FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER


Unaudited - SAR in '000'

2020	Note	Share capital	Statutory Reserve	Retained Earnings	Fair value reserve for available for sale investments	Actuarial reserve for employee benefits	Total Equity
Balance at January 1, 2020 (Audited)		400,000	1,161	4,643	2,168	(264)	407,708
Total comprehensive income for the period							
Changes in fair values of available for sale investments	6	--	--	--	1,367	--	1,367
Net income after zakat and income tax for the period attributable to shareholders		--	--	3,783 (757)	--	--	3,783
Transfer to statutory reserve		--	757	7,669	--	--	--
Balance at September 30, 2020 (Unaudited)		400,000	1,918	7,669	3,535	(264)	412,858

2019	Share capital	Statutory Reserve	Accumulated losses	Fair value reserve for available for sale investments	Actuarial reserve for employee benefits	Total Equity
Balance at January 1, 2019 - Audited	400,000	--	(9,215)	(1,669)	(457)	388,659
Total comprehensive income for the period						
Changes in fair values of available for sale investments	--	--	--	4,018	--	4,018
Net income after zakat and income tax for the period attributable to shareholders	--	--	13,869 (931)	--	--	13,869
Transfer to statutory reserve	--	931	3,723	--	--	--
Balance at September 30, 2019 - (Unaudited)	400,000	931	3,723	2,349	(457)	406,546



Khalid Allagany
CEO and Managing Director



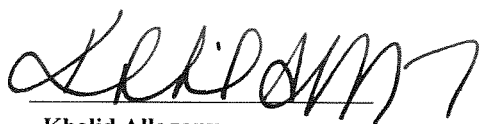
Fadi About Hosn
Chief Financial Officer

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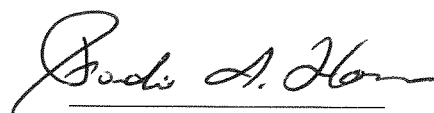
**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

	SAR '000	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Total income for the period before zakat & income tax	10,556	22,081
Adjustments for non-cash items:		
Depreciation of property and equipment	1,112	472
Amortization of investments	258	40
(Charge)/reversal of provisions for doubtful debts	422	(4,611)
Provision for end-of-service indemnities	1,369	1,125
	13,717	19,107
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	(13,978)	25,437
Reinsurers' share of unearned premiums	(382)	17,447
Reinsurers' share of outstanding claims	(7,730)	(15,717)
Reinsurers' share of claims Incurred but not reported	3,893	(1,091)
Deferred policy acquisition costs	694	(1,379)
Deferred excess of loss premiums	(1,003)	(864)
Due from related parties	(676)	630
Prepaid expenses and other assets	(872)	(4,755)
Accrued income on statutory deposits	(1,146)	(1,092)
Accounts payables	(8,770)	(2,503)
Accrued expenses and other liabilities	(3,299)	(1,560)
Reinsurers' balances payable	(5,185)	24,114
Unearned premiums	(17,194)	(27,532)
Unearned reinsurance commission	1,536	1,145
Outstanding claims reserve	(8,301)	3,547
Claims incurred but not reported	(8,075)	(8,218)
Other technical reserves	1,254	(413)
Accrued commission income payable to SAMA	1,146	1,092
Due to related parties	1,349	892
	(53,022)	28,287
Zakat & income tax paid	(953)	(1,969)
End-of-service indemnities paid	(563)	(2,476)
Surplus paid to policy holders	(1,422)	(2,094)
Net cash (used in) / generated from operating activities	(55,960)	21,748
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals / (additions) in investments, net	29,100	(35,966)
Disposals/ (additions) in term deposits, net	30,309	(24,574)
Additions in property and equipment	(3,494)	(1,356)
Net cash generated from / (used in) from investing activities	55,915	(61,896)
Net change in cash and cash equivalents	(45)	(40,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	14,219	54,976
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14,174	14,828
NON-CASH INFORMATION		
Change in fair value of available for sale investments	1,367	4,018



Khalid Allagany
CEO and Managing Director



Fadi Aboul Hosn
Chief Financial Officer

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

2. BASIS OF PREPERATION

(a) Basis of presentation

The interim condensed financial information of the Company as at and for the period ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants (SOCPA).

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

2. BASIS OF PREPERATION (CONTINUED)

(a) Basis of presentation (continued)

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the Insurance Operations and Shareholders Operations are uniform for like transactions and events in similar circumstances. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Accumulated Surplus in the statement of financial position and as Actuarial reserve for employee benefits in the statement of equity.

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

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

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

(b) Critical accounting judgments, estimates and assumptions

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

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

- On 11 March 2020, the World Health Organisation (WHO) declared the Coronavirus (Covid-19) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia where the Company operates and its consequential disruption to the social and economic activities, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
 - the health and safety of its employees and the wider community where it is operating
 - the continuity of its business throughout the Kingdom is protected and kept intact.

(c) Seasonality of operations

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019.

i) *IFRS 9 Financial Instruments*

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

Classification and measurement

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

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

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

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

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

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

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

Impairment

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *IFRS 9 Financial Instruments (continued)*

Effective date

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

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after January 1, 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a preliminary assessment which included below:

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

Impact assessment

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

The Company is currently assessing the impact on application and implementation of IFRS 9, however, the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) *IFRS 17 Insurance Contracts*

Overview

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

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

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

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

Measurement

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

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

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) IFRS 17 Insurance Contracts (continued)

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

Effective date

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

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

Presentation and Disclosures

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

Impact assessment:

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and nine month period ended September 30, 2020

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

SAR'000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Bank balances and cash – Insurance operations	13,968	13,312
Bank balances and cash – Shareholders' operations	206	907
Total	14,174	14,219
Cash and cash equivalents in statement of cashflows	14,174	14,219
Deposits against letters of guarantee – Insurance operations*	700	700
Total	14,874	14,919

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

5. PREMIUMS AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

	Insurance operations	
SAR'000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Policyholders	32,247	15,494
Brokers and agents	28,304	16,193
Related parties (note 11)	5,581	9,815
Receivables from reinsurers	1,983	12,635
	68,115	54,137
Provision for doubtful receivables	(10,452)	(10,030)
Premiums and reinsurers' receivable – net	57,663	44,107

Allowance for impairment of receivables includes SAR 0.4 million (31 December 2019: SAR Nil) against receivables from related parties.

Movement in provision for doubtful receivables:

SAR '000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at 1 January	10,030	16,857
Impairment charge/ (reversal) of provision for the period / year	422	(6,827)
Closing balance	10,452	10,030

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

6. INVESTMENTS

Investments are classified as follows:

SAR'000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	127,936	155,927
Total available for sale investments	129,859	157,850

* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment between the period ended 30 September 2020 and during the year ended 31 December 2019.

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

	Shareholders' operations	
SAR'000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Opening balance	155,927	91,059
Purchases	--	61,105
Maturities	(29,100)	--
Amortization of investments	(258)	(74)
Changes in fair value of investments	1,367	3,837
Closing balance	127,936	155,927

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

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 3.5 million (31 December 2019: SR 2.2 million) is presented within the equity in the statement of interim condensed financial position.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

7. TECHNICAL RESERVES

7.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Outstanding claims	94,318	109,275
Less: Realizable value of salvage and subrogation	(20,304)	(26,960)
- Outstanding claims reserve	74,014	82,315
- Claims incurred but not reported	28,500	36,575
- Other technical reserves	6,041	4,787
	108,555	123,677
Less:		
- Reinsurers' share of outstanding claims	(58,529)	(50,799)
- Reinsurers' share of claims Incurred but not reported	(5,285)	(9,178)
	(63,814)	(59,977)
Net outstanding claims and reserves	44,741	63,700

7.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SAR'000	Nine months ended September 30, 2020 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	73,610	(41,006)	32,604
Premium written during the period	136,481	*(98,246)	38,235
Premium earned during the period	(153,675)	96,861	(56,814)
Balance as at the end of the period	56,416	** (42,391)	14,025

*This amount includes SR 92.3 million for reinsurance premium ceded abroad, SR 2.0 million for reinsurance premium ceded locally and SR 3.7 million for excess of loss expenses ceded abroad, and SR 0.2 million for excess of loss expenses ceded locally.

**This amount includes SR 41.4 million for Reinsurers' share of unearned premiums and SR 1 million for Deferred excess of loss premiums.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

7.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)

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

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

8. COMMITMENTS AND CONTINGENCIES

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

SAR'000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Letters of guarantee	700	700
Commitments for the rents	431	346
Total	1,131	1,046

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

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

9. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

SAR'000s September 30, 2020 (Unaudited) Available for sale investments measured at fair value <u>Shareholders' operations</u>	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Bonds and Sukuks	127,936	127,936	--	--	127,936
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	129,859	127,936	--	1,923	129,859

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

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

During the period ended 30 September 2020, there were no transfers into or out of level 3 fair value measurements. Further, there were no transfers from Level 1 to Level 2 during the period ended 30 September 2020.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

10. OPERATING SEGMENTS

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

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

Segment assets and liabilities comprise operating assets and liabilities.

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and nine month period ended September 30, 2020

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, 2020 and December 31, 2019, its total revenues, expenses, and net income for the three and nine month periods then ended, are as follows:

20

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

10. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2019 (Audited)

Operating segments	Insurance operations							Shareholders' operations	Total
	Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations	
	SAR'000								
Assets									
Reinsurers' share of unearned premiums	31,320	--	3,621	678	1,772	501	3,114	41,006	41,006
Reinsurers' share of outstanding claims	9,072	2,082	1,959	1	2,834	32,629	2,222	50,799	50,799
Reinsurers' share of claims Incurred but not reported	27	--	101	3,115	331	5,255	349	9,178	9,178
Deferred policy acquisition costs	869	2,295	214	--	341	109	331	4,159	4,159
Unallocated assets	--	--	--	--	--	--	--	317,253	778,743
Total assets	41,288	4,377	5,895	3,794	5,278	38,494	6,016	422,395	883,885
Liabilities and equity									
Outstanding claim reserve	10,903	17,080	2,842	52	5,271	42,872	3,295	82,315	82,315
Claims incurred but not reported	18	25,375	172	3,763	79	6,796	372	36,575	36,575
Other technical reserves	1,161	3,434	--	9	183	--	--	4,787	4,787
Unearned premiums	32,525	26,799	4,027	967	2,227	811	6,254	73,610	73,610
Unearned reinsurance commission	2,797	--	905	--	687	1	(30)	4,360	4,360
Unallocated liabilities	--	--	--	--	--	--	--	461,490	682,238
Total Liabilities, Insurance operations' surplus and equity	47,404	72,688	7,946	4,791	8,447	50,480	9,891	422,395	883,885

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

10. OPERATING SEGMENTS (CONTINUED)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and nine month period ended September 30, 2020

[illegible]

47,755	
4,611	
(44,622)	
9,528	
2,619	
2,190	
(25,674)	
22,081	
(1,610)	
20,471	

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and nine month period ended September 30, 2020

[illegible]

OTHER OPERATING (EXPENSES)/ INCOME

TOTAL OTHER OPERATING EXPENSES
TOTAL INCOME FOR THE PERIOD BEFORE
ZAKAT AND INCOME TAX
NET INCOME FOR THE PERIOD ATTRIBUTABLE
TO THE INSURANCE OPERATIONS
TOTAL INCOME FOR THE PERIOD ATTRIBUTED
TO THE SHAREHOLDERS'

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

10. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

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

For the nine months ended September 30, 2019 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	(3,583)	54,647	58,983	26,600	136,647
Medium	4,168	2,232	9,899	175	16,474
Micro	14	--	35	--	49
Small	2,400	1,063	3,500	56	7,019
Individual	8	5,843	2,050	--	7,901
	3,007	63,785	74,467	26,831	168,090

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

10. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

For the three months ended September 30, 2020 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	--	1,547	28,849	12,128	42,524
Medium	--	1,305	5,382	--	6,687
Micro	--	--	(2)	--	(2)
Small	--	598	1,588	5	2,191
Individual	--	1,206	69	--	1,275
	--	4,656	35,886	12,133	52,675

For the three months ended September 30, 2019 - (Unaudited)					
SAR'000					
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	(922)	12,498	25,506	13,045	50,127
Medium	973	214	3,251	(2,300)	2,138
Micro	(48)	(8)	7	--	(49)
Small	88	(129)	487	27	473
Individual	--	1,339	1,253	--	2,592
	91	13,914	30,504	10,772	55,281

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Transactions for the nine month period ended	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
	SAR' 000	
Gross premiums written	53,593	77,827
Gross claims paid	49,471	34,569
Brokerage commission paid	3,708	3,502
Reinsurance premium ceded	27,886	16,092
Reinsurance share of gross claim paid	962	1,948
Reinsurance commission income	10,434	5,077
Investment income on term deposits	2,905	2,650
Technical service charges	4,973	5,208
Brand fees	23	23
Operational expenses paid on behalf of affiliates and reinsurance placements	886	58
Operational expenses paid by affiliates on behalf of Company	(1,215)	(1,580)
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	Balance receivable / (payable) as at	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Bank balances	666	1,008
Term deposits	195,989	171,523
Statutory deposit	45,297	44,151
Accrued interest receivable	126	2,974
Premium receivable	5,581	9,815
Reinsurance balance payable	(5,949)	(6,405)
Accrued expenses and other liabilities	(8,142)	(9,692)
Reinsurance share of gross outstanding claims	9,005	2,914
Gross outstanding claim	(38,019)	(53,351)
Due from related parties	745	69
Due to related parties	(3,137)	(1,788)

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

	Transactions for the nine month period ended	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	5,554	5,496
End of service indemnities	308	285
	5,862	5,781

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

12. ZAKAT, INCOME TAX LIABILITY AND DEFERRED TAX

Status of assessments

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

The Company has submitted its zakat and income tax returns up to the period / years ended 31 December 2018 and obtained the required certificates and acknowledgements. General Authority of Zakat and Tax (GAZT) has raised final assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million respectively. The Company has submitted an appeal against the GAZT's assessments and GAZT's review is awaited. The GAZT has recently raised an assessment for the year 2014 with additional zakat liabilities of SR 2 million. The Company has submitted an appeal against the GAZT's assessments.

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

	30 September 2020 (Unaudited) SAR ('000')	31 December 2019 (Audited) SAR ('000')
Charge for zakat for the period / year	5,780	7,486
Charge for income tax for the period / year	423	597
Reversal/ Charge for deferred tax for the period / year	(29)	557
	394	1,154
Zakat and tax provision for the period / year	6,174	8,640

Deferred Tax

	30 September 2020 (Unaudited) SAR ('000')	31 December 2019 (Audited) SAR ('000')	30 September 2020 (Unaudited) SAR ('000')
Opening deferred tax asset	1,064	1,621	1,621
Deferred tax income / (expense)	29	(557)	(328)
Closing deferred tax asset	1,093	1,064	1,293

	Nine-month period ended 30 September 2020 (Unaudited) SAR ('000')	Year ended 31 December 2019 (Audited) SAR ('000')	Nine-month period ended 30 September 2019 (Unaudited) SAR ('000')
Opening zakat, income tax liability and deferred tax Asset	43,203	36,532	36,532
<u>Charge for the period / year</u>			
Current charge for zakat for the period / year	5,780	7,486	5,752
Current charge for income tax for the period / year	423	597	522
Deferred tax (income) / expense for the period / year	(29)	557	328
Settled during the period / year	(953)	(1,969)	(1,969)
Closing zakat, income tax liability and deferred tax asset	48,424	43,203	41,165

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

13. SHARE CAPITAL

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

Shareholding structure of the Company is as below.

	September 30, 2020 (Unaudited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000
	December 31, 2019 (Audited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

14. CAPITAL MANAGEMENT

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

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

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. The Company's management has concluded that based on the stress testing performed the solvency margin of the Company can be reduced from 199% to 198%. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

15. SUPPLEMENTARY INFORMATION

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	September 30, 2020 - (Unaudited)			December 31, 2019 – (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	14,668	206	14,874	14,012	907	14,919
Term deposits	182,017	219,439	401,456	248,869	182,896	431,765
Premiums and reinsurers' receivable, net	57,663	--	57,663	44,107	--	44,107
Reinsurers' share of unearned premiums	41,388	--	41,388	41,006	--	41,006
Deferred excess of loss premiums	1,003	--	1,003	--	--	--
Reinsurers' share of outstanding claims	58,529	--	58,529	50,799	--	50,799
Reinsurers' share of claims Incurred but not reported	5,285	--	5,285	9,178	--	9,178
Deferred policy acquisition costs	3,465	--	3,465	4,159	--	4,159
Investments	1,923	127,936	129,859	1,923	155,927	157,850
Due from related parties	745	--	745	69	--	69
Prepaid expenses and other assets	8,896	2,605	11,501	5,567	5,062	10,629
Deferred tax asset	--	1,093	1,093	--	1,064	1,064
Property and equipment	2,554	--	2,554	1,145	--	1,145
Intangible assets	2,534	--	2,534	1,561	--	1,561
Statutory deposit	--	40,000	40,000	--	40,000	40,000
Accrued commission income on statutory deposit	--	5,297	5,297	--	4,151	4,151
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	380,670	396,576	777,246	422,395	390,007	812,402
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from shareholders' / insurance operations	--	75,942	75,942	--	71,483	71,483
TOTAL ASSETS	380,670	472,518	853,188	422,395	461,490	883,885

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and nine month period ended September 30, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	SAR '000					
	September 30, 2020 - (Unaudited)			December 31, 2019 – (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Outstanding claims reserve	74,014	--	74,014	82,315	--	82,315
Claims incurred but not reported	28,500	--	28,500	36,575	--	36,575
Other technical reserves	6,041	--	6,041	4,787	--	4,787
Accrued expenses and other liabilities	28,425	4,169	32,594	31,206	4,687	35,893
Reinsurers' balances payable	76,235	--	76,235	81,420	--	81,420
Unearned premiums	56,416	--	56,416	73,610	--	73,610
Accounts payables	6,290	--	6,290	15,060	--	15,060
Unearned reinsurance commission	5,896	--	5,896	4,360	--	4,360
Due to related parties	2,724	413	3,137	1,375	413	1,788
End-of-service indemnities	11,422	--	11,422	10,616	--	10,616
Zakat and income tax	--	49,517	49,517	--	44,267	44,267
Accrued commission income payable to SAMA	--	5,297	5,297	--	4,151	4,151
Accumulated surplus	9,029	--	9,029	9,852	--	9,852
TOTAL LIABILITIES	304,992	59,396	364,388	351,176	53,518	404,694
EQUITY						
Share capital	--	400,000	400,000	--	400,000	400,000
Statutory reserve	--	1,918	1,918	--	1,161	1,161
Retained earnings	--	7,669	7,669	--	4,643	4,643
Fair value reserve for available for sale investments	--	3,535	3,535	--	2,168	2,168
Actuarial reserve for employee benefits	(264)	--	(264)	(264)	--	(264)
TOTAL EQUITY	(264)	413,122	412,858	(264)	407,972	407,708
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	304,728	472,518	777,246	350,912	461,490	812,402
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to shareholders operations	75,942	--	76,942	71,483	--	71,483
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	380,670	472,518	853,188	422,395	461,490	883,885

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the nine month period ended September 30					
	----- 2020 - (Unaudited) -----			----- 2019 - (Unaudited) -----		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
- Direct	136,039	--	136,039	167,183	--	167,183
- Reinsurance	442	--	442	907	--	907
	136,481	--	136,481	168,090	--	168,090
Reinsurance premiums ceded	(94,350)	--	(94,350)	(78,542)	--	(78,542)
Excess of loss expenses	(3,896)	--	(3,896)	(4,805)	--	(4,805)
Net premiums written	38,235	--	38,235	84,743	--	84,743
Changes in unearned premiums	17,194	--	17,194	27,532	--	27,532
Changes in reinsurers' share of unearned premiums	382	--	382	(17,447)	--	(17,447)
Changes in deferred excess of loss premiums	1,003	--	1,003	864	--	864
Net premiums earned	56,814	--	56,814	95,692	--	95,692
Reinsurance commissions	12,490	--	12,490	9,295	--	9,295
TOTAL REVENUES	69,304	--	69,304	104,987	--	104,987
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(64,100)	--	(64,100)	(81,581)	--	(81,581)
Reinsurers' share of claims paid	27,042	--	27,042	16,840	--	16,840
Net claims paid	(37,058)	--	(37,058)	(64,741)	--	(64,741)
Changes in outstanding claims	8,301	--	8,301	(3,547)	--	(3,547)
Changes in reinsurers' share of outstanding claims	7,730	--	7,730	15,717	--	15,717
Changes in claims incurred but not reported, net	4,182	--	4,182	9,309	--	9,309
Changes in other technical reserves	(1,254)	--	(1,254)	413	--	413
Net claims incurred	(18,099)	--	(18,099)	(42,849)	--	(42,849)
Policy acquisition costs	(11,737)	--	(11,737)	(13,581)	--	(13,581)
Other underwriting expenses	(684)	--	(684)	(802)	--	(802)
TOTAL UNDERWRITING COSTS AND EXPENSES	(30,520)	--	(30,520)	(57,232)	--	(57,232)
NET UNDERWRITING INCOME	38,784	--	38,784	47,755	--	47,755

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the nine month period ended September 30					
	2020 - (Unaudited)			2019 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
(Charge)/reversal for doubtful debts	(422)	--	(422)	4,611	--	4,611
General and administrative expenses	(41,635)	(1,091)	(42,726)	(43,492)	(1,130)	(44,622)
Investment income on term deposits	3,265	2,729	5,994	5,036	4,492	9,528
Investment income on bonds and sukuk	--	2,930	2,930	--	2,619	2,619
Other income	5,996	--	5,996	2,190	--	2,190
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(32,796)	4,568	(28,228)	(31,655)	5,981	(25,674)
TOTAL INCOME FOR THE PERIOD	5,988	4,568	10,556	16,100	5,981	22,081
Total income for the period attributed to the insurance operations	(599)	--	(599)	(1,610)	--	(1,610)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(5,389)	5,389	--	(14,490)	14,490	--
TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	9,957	9,957	--	20,471	20,471
ZAKAT CHARGE FOR THE PERIOD	--	(5,780)	(5,780)	--	(5,752)	(5,752)
TAX CHARGE FOR THE PERIOD	--	(394)	(394)	--	(850)	(850)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	3,783	3,783		13,869	13,869
Earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	0.09	0.09	--	0.35	0.35

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the nine month period ended September 30					
	2020 - (Unaudited)			2019 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total income for the period						
Other comprehensive loss	599	3,783	4,382	1,610	13,869	15,479
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	1,367	1,367	--	4,018	4,018
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	599	5,150	5,749	1,610	17,887	19,497
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'	(599)	--	(599)	(1,610)	--	(1,610)
NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	--	5,150	5,150	--	17,887	17,887

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended September 30					
	2020 - (Unaudited)			2019 - (Unaudited)		
	--			(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
- Direct	52,565	--	52,565	55,527	--	55,527
- Reinsurance	110	--	110	(246)	--	(246)
	52,675	--	52,675	55,281	--	55,281
Reinsurance premiums ceded	(39,739)	--	(39,739)	(32,551)	--	(32,551)
Excess of loss expenses	--	--	--	--	--	--
Net premiums written	12,936	--	12,936	22,730	--	22,730
Changes in unearned premiums	(4,884)	--	(4,884)	9,918	--	9,918
Changes in reinsurance share of unearned premium	7,449	--	7,449	188	--	188
Changes in excess of loss premiums	(681)	--	(681)	(1,276)	--	(1,276)
Net premiums earned	14,820	--	14,820	31,560	--	31,560
Reinsurance commissions	2,746	--	2,746	2,521	--	2,521
TOTAL REVENUES	17,566	--	17,566	34,081	--	34,081
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(15,711)	--	(15,711)	(26,150)	--	(26,150)
Reinsurers' share of claims paid	6,137	--	6,137	8,324	--	8,324
Net claims paid	(9,574)	--	(9,574)	(17,826)	--	(17,826)
Changes in outstanding claims	(6,815)	--	(6,815)	(4,849)	--	(4,849)
Changes in reinsurance share of outstanding claims	8,470	--	8,470	7,941	--	7,941
Changes in IBNR, net	6,433	--	6,433	(2,214)	--	(2,214)
Changes in other technical reserves	11	--	11	194	--	194
Net claims incurred	(1,475)	--	(1,475)	(16,754)	--	(16,754)
Policy acquisition costs	(3,613)	--	(3,613)	(4,635)	--	(4,635)
Other underwriting expenses	(173)	--	(173)	(215)	--	(215)
TOTAL UNDERWRITING COSTS AND EXPENSES	(5,261)	--	(5,261)	(21,604)	--	(21,604)
NET UNDERWRITING INCOME	12,305	--	12,305	12,477	--	12,477

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended September 30					
	2020 - (Unaudited)			2019 - (Unaudited)		
	--			(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
(Charge)/reversal for doubtful debts	(879)	--	(879)	2,191	--	2,191
General and administrative expenses	(12,760)	(363)	(13,123)	(12,968)	(382)	(13,350)
Investment income on term deposits	733	697	1,430	1,670	1,593	3,263
Investment income on bonds, sukuk and others	--	918	918	--	961	961
Other income	1,796	--	1,796	--	--	--
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(11,110)	1,252	(9,858)	(9,107)	2,172	(6,935)
TOTAL INCOME FOR THE PERIOD	1,195	1,252	3,025	3,370	2,172	5,542
Total income for the period attributed to the insurance operations	(119)	--	(119)	(337)	--	(337)
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	(1,076)	1,076	--	(3,033)	3,033	--
TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	2,328	2,328	--	5,205	5,205
ZAKAT CHARGE FOR THE PERIOD	--	(1,404)	(1,404)	--	(1,917)	(1,917)
TAX CHARGE FOR THE PERIOD	--	(85)	(85)	--	(242)	(242)
NET INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	--	839	839	--	3,046	3,046
Earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share	--	0.02	0.02	--	0.08	0.08

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the three month period ended September 30					
	2020 - (Unaudited)			2019 - (Unaudited)		
	--			(Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total income for the period	119	839	958	337	3,046	3,383
Other comprehensive loss						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	--	(612)	(612)	--	691	691
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	119	227	346	337	3,737	4,074
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'	(119)	--	(119)	(337)	--	(337)
NET COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'	--	227	227	--	3,737	3,737

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

15. SUPPLEMENTARY INFORMATION (CONTINUED)

D) INTERIM CONDENSED STATEMENT OF CASH FLOWS

SAR'000

	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	----- 2020 - (Unaudited) -----			----- 2019 - (Unaudited) -----		
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the period before Zakat and Income Tax	599	9,957	10,556	1,610	20,471	22,081
Adjustments for non-cash items:						
Depreciation of property and equipment	1,112	--	1,112	472	--	472
Amortization of investments	--	258	258	--	40	40
Charge/(reversal) for provisions for doubtful debts	422	--	422	(4,611)	--	(4,611)
Provision for end-of-service indemnities	1,369	--	1,369	1,125	--	1,125
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' receivable	(13,978)	--	(13,978)	25,437	--	25,437
Reinsurers' share of unearned premiums	(382)	--	(382)	17,447	--	17,447
Reinsurers' share of outstanding claims	(7,730)	--	(7,730)	(15,717)	--	(15,717)
Reinsurers' share of claims Incurred but not reported	3,893	--	3,893	(1,091)	--	(1,091)
Deferred policy acquisition costs	694	--	694	(1,379)	--	(1,379)
Deferred excess of loss premiums	(1,003)	--	(1,003)	(864)	--	(864)
Due from related parties	(676)	--	(676)	630	--	630
Prepaid expenses and other assets	(3,329)	2,457	(872)	(3,311)	(1,444)	(4,755)
Accrued income on statutory deposits	--	(1,146)	(1,146)	--	(1,092)	(1,092)
Accounts payables	(8,770)	--	(8,770)	(2,503)	--	(2,503)
Accrued and other liabilities	(2,781)	(518)	(3,299)	(1,152)	(408)	(1,560)
Reinsurers' balances payable	(5,185)	--	(5,185)	24,114	--	24,114
Unearned premiums	(17,194)	--	(17,194)	(27,532)	--	(27,532)
Unearned reinsurance commission	1,536	--	1,536	1,145	--	1,145
Outstanding claims reserve	(8,301)	--	(8,301)	3,547	--	3,547
Claims incurred but not reported	(8,075)	--	(8,075)	(8,218)	--	(8,218)
Other technical reserves	1,254	--	1,254	(413)	--	(413)
Accrued commission income payable to SAMA	--	1,146	1,146	--	1,092	1,092
Due to related parties	1,349	--	1,349	892	--	892
	(65,176)	12,154	(53,022)	9,628	18,659	28,287
Zakat & Tax paid	--	(953)	(953)	--	(1,969)	(1,969)
End-of-service indemnities paid	(563)	--	(563)	(2,476)	--	(2,476)
Surplus paid to policy holders	(1,422)	--	(1,422)	(2,094)	--	(2,094)
Net cash (used in)/generated from operating activities	(67,161)	11,201	(55,960)	5,058	16,690	21,748
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposals/(Additions) in investments, net	--	29,100	29,100	--	(35,966)	(35,966)
Disposals /(Additions) in term deposits, net	66,852	(36,543)	30,309	(20,554)	(4,020)	(24,574)
Additions in property and equipment	(3,494)	--	(3,494)	(1,356)	--	(1,356)
Net cash generated / (used in) from investing activities	63,358	(7,443)	55,915	(21,910)	(39,986)	(61,896)
Net change in cash and cash equivalents	(3,803)	3,758	(45)	(16,852)	(23,296)	(40,148)
Cash and cash equivalents, beginning of the period	13,312	907	14,219	12,175	42,801	54,976
Due from/ (to) insurance operations	4,459	(4,459)	--	17,267	(17,267)	--
Cash and cash equivalents, end of the period	13,968	206	14,174	12,590	2,238	14,828

16. STATUTORY RESERVE

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month period ended September 30, 2020

17. IMPACT OF COVID 19 OUTBREAK AND SUBSEQUENT EVENTS

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

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three-month and nine-month periods ended 30 September 2020. The Company's management continues to monitor the situation closely.

- **Credit risk management**

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

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

- **Liquidity Risk**

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

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board on 12th Rabi Al Awal 1442H, corresponding to 29th October 2020.