

**Allianz Saudi Fransi Cooperative  
Insurance Company  
(A Saudi Joint Stock Company)**

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

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2020**

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

### TO THE SHAREHOLDERS OF ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

#### Introduction

We have reviewed the accompanying interim statement of financial position of Allianz Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as of 30 June 2020 and the related interim statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim statements of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

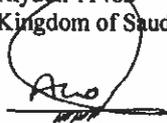
#### Scope of review

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

#### Conclusion

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

PricewaterhouseCoopers  
P. O. Box 8282  
Riyadh 11482  
Kingdom of Saudi Arabia

  
**Ali H. Al Basri**  
Certified Public Accountant  
License Number 409

For Al-Bassam & Co.  
P.O. Box 69658  
Riyadh 11587  
Kingdom of Saudi Arabia

  
**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
License Number 337

Date: August 26, 2020  
Corresponding to: 7 Muharram, 1442 AH



**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF FINANCIAL POSITION**

		<i>June 30, 2020</i> <i>(Unaudited)</i>	<i>December 31, 2019</i> <i>(Audited)</i>
		<u>SR</u>	<u>SR</u>
<b>ASSETS</b>	Note		
Cash and cash equivalents	4	73,021,038	148,865,617
Prepaid expenses and other assets		75,942,020	72,490,204
Premiums receivable, net	5	509,807,907	420,586,277
Reinsurers' balance receivable, net	6	75,930,979	70,535,901
Reinsurers' share of outstanding claims	10.1	438,630,990	432,328,207
Reinsurers' share of claims incurred but not reported	10.1	53,146,266	43,298,714
Reinsurers' share of unearned premiums	10.2	161,572,101	152,377,585
Deferred policy acquisition costs		19,919,989	26,919,550
Right-of-use assets	7	5,213,540	6,776,228
Financial assets at fair value through statement of income (unit linked investments)		530,223,682	538,113,858
Available for sale investments	8.1	392,876,878	385,479,500
Deferred tax assets, net	9	10,682,609	6,961,507
Property and equipment, net		8,335,098	8,018,780
Statutory deposit		20,000,000	20,000,000
Accrued income on statutory deposit		1,571,949	1,485,295
<b>TOTAL ASSETS</b>		<u>2,376,875,046</u>	<u>2,334,237,223</u>
<b>LIABILITIES</b>			
Accrued and other liabilities		162,449,015	150,485,565
Surplus distribution payable		15,408,703	15,687,466
Reinsurers' balances payable		256,191,588	195,599,123
Unearned premiums	10.2	374,827,370	408,698,330
Unearned reinsurance commission		4,913,056	7,347,773
Outstanding claims	10.1	515,452,688	533,066,753
Claims incurred but not reported	10.1	117,249,474	87,780,442
Lease liabilities		3,660,914	5,784,231
Premium deficiency reserves	10.1	17,255,707	11,731,333
Additional premium reserves	10.1	2,915,108	1,369,320
Unit linked liabilities	10.1	516,563,763	535,415,117
End-of-service obligations		18,605,940	16,847,898
Zakat and income tax	15	30,590,896	28,432,189
Accrued income payable to SAMA		1,571,949	1,485,295
<b>TOTAL LIABILITIES</b>		<u>2,037,656,171</u>	<u>1,999,730,835</u>
<b>EQUITY</b>			
Share capital	16	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Statutory reserve		20,743,607	20,743,607
Retained earnings		68,777,531	75,024,377
Actuarial reserve for end-of-service obligations		3,828,488	3,828,488
Fair value reserve on investments		23,157,934	12,198,601
<b>TOTAL EQUITY</b>		<u>339,218,875</u>	<u>334,506,388</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>2,376,875,046</u>	<u>2,334,237,223</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
		11	
Andreas Brunner Chief Executive Officer	Al Waleed Abdulrazak Al Dryaan Chairman		Mohammed Koubar Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF INCOME**

	Note	For the three-months period ended		For the six-months period ended	
		June 30, 2020 (Unaudited) SR	June 30, 2019 (Unaudited) SR	June 30, 2020 (Unaudited) SR	June 30, 2019 (Unaudited) SR
<b>REVENUES</b>					
Gross premiums written	10.2	212,409,914	288,390,092	418,035,044	647,312,061
Reinsurance premiums ceded abroad	10.2	(95,309,813)	(130,104,250)	(166,304,151)	(197,275,909)
Reinsurance premiums ceded locally	10.2	(342,947)	(1,678,684)	(1,068,700)	(3,362,080)
Excess of loss expenses	10.2	(4,787,977)	(1,683,778)	(9,575,956)	(3,030,801)
Fee income from unit linked investments		296,175	286,615	594,515	576,345
<b>Net premiums written</b>		<b>112,265,352</b>	<b>155,209,995</b>	<b>241,680,752</b>	<b>444,219,616</b>
Changes in unearned premiums		(12,842,620)	(45,754,116)	33,870,960	(177,635,908)
Changes in reinsurers' share of unearned premiums		22,808,721	60,409,546	9,194,516	58,102,393
<b>Net premiums earned</b>		<b>122,231,453</b>	<b>169,865,425</b>	<b>284,746,228</b>	<b>324,686,101</b>
Reinsurance commissions		5,089,998	4,160,751	8,199,047	7,629,555
<b>NET REVENUES</b>		<b>127,321,451</b>	<b>174,026,176</b>	<b>292,945,275</b>	<b>332,315,656</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid		(59,037,501)	(99,505,142)	(204,574,090)	(230,074,641)
Surrenders and maturities		(36,362,357)	(49,572,434)	(61,604,589)	(78,797,838)
Expenses incurred related to claims		(3,185,351)	(7,243,696)	(11,855,468)	(14,733,106)
Reinsurers' share of claims paid		25,427,867	33,269,646	61,758,383	71,791,363
<b>Net claims and other benefits paid</b>		<b>(73,157,342)</b>	<b>(123,051,626)</b>	<b>(216,275,764)</b>	<b>(251,814,222)</b>
Changes in outstanding claims		4,691,298	(16,441,716)	17,614,065	(114,247,322)
Changes in reinsurers' share of outstanding claims		4,909,750	(5,721,652)	6,302,783	91,441,658
Changes in premium deficiency reserve		(7,699,140)	(2,857,051)	(5,524,374)	(3,601,590)
Changes in additional premium reserve		(572,627)	(65,955)	(1,545,788)	(204,266)
Changes in claims incurred but not reported		(5,095,291)	29,616,474	(29,469,032)	29,279,756
Changes in reinsurers' share of claims incurred but not reported		(5,809,691)	(16,614,782)	9,847,552	(3,840,815)
<b>Net claims and other benefits incurred</b>		<b>(82,733,043)</b>	<b>(135,136,308)</b>	<b>(219,050,558)</b>	<b>(252,986,801)</b>
Changes in unit linked liabilities		(2,060,654)	7,414,320	18,851,354	15,105,169
Unrealised gain / (loss) on unit linked investments		9,596,310	6,951,938	(2,172,520)	14,086,757
Policy acquisition costs		(13,502,588)	(15,965,444)	(31,417,244)	(32,160,344)
Inspection and supervision fees		(1,565,507)	(2,083,531)	(3,163,164)	(4,400,716)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>(90,265,482)</b>	<b>(138,819,025)</b>	<b>(236,952,132)</b>	<b>(260,355,935)</b>
<b>NET UNDERWRITING INCOME</b>		<b>37,055,969</b>	<b>35,207,151</b>	<b>55,993,143</b>	<b>71,959,721</b>
<b>OTHER (EXPENSES) / INCOME</b>					
(Provision) / reversal of doubtful debts		(1,422,384)	(461,458)	(1,422,384)	180,648
General and administrative expenses		(31,996,432)	(31,249,269)	(68,931,048)	(59,630,553)
Investment income		2,852,487	2,300,919	5,730,649	4,985,387
Other income		3,902,407	1,593,177	4,051,424	2,192,303
<b>TOTAL OTHER EXPENSES</b>		<b>(26,663,922)</b>	<b>(27,816,631)</b>	<b>(60,571,359)</b>	<b>(52,272,215)</b>
<b>NET INCOME / (LOSS) FOR THE PERIOD BEFORE ATTRIBUTION AND ZAKAT AND INCOME TAX</b>		<b>10,392,047</b>	<b>7,390,520</b>	<b>(4,578,216)</b>	<b>19,687,506</b>
Surplus attributed to the insurance operations		-	(610,086)	-	(1,686,323)
<b>NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX</b>		<b>10,392,047</b>	<b>6,780,434</b>	<b>(4,578,216)</b>	<b>18,001,183</b>
Zakat charge for the period	15	(1,245,096)	(1,009,265)	(2,158,707)	(2,099,518)
Income tax credit / (charge) for the period, net	15	253,434	(867,175)	490,077	(2,126,637)
<b>NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>		<b>9,400,385</b>	<b>4,903,994</b>	<b>(6,246,846)</b>	<b>13,775,028</b>
<b>Earnings / (loss) per share</b>					
Basic and diluted earnings / (loss) per share		0.47	0.25	(0.31)	0.69
Andreas Brunner Chief Executive Officer					
Al Waleed Abdulrazak Al DRYAAN Chairman					
Mohammed Koubar Chief Financial Officer					

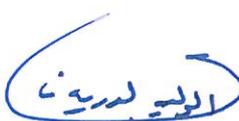
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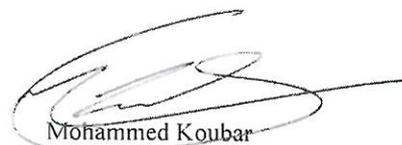
**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

	<i>For the three-months period ended</i>		<i>For the six-months period ended</i>	
	<i>June 30, 2020 (Unaudited) SR</i>	<i>June 30, 2019 (Unaudited) SR</i>	<i>June 30, 2020 (Unaudited) SR</i>	<i>June 30, 2019 (Unaudited) SR</i>
Note				
Net income / (loss) for the period attributable to the shareholders after zakat and income tax	9,400,385	4,903,994	(6,246,846)	13,775,028
<b>Other comprehensive income/ (loss)</b>				
<i>Items that may be reclassified to interim statement of income in subsequent periods</i>				
Available for sale investments:				
- Net change in fair value	8.2 19,079,864	10,229,732	7,728,308	19,488,435
- Deferred tax relating to change in fair value	9 & 15 2,025,785	(1,086,132)	3,231,025	(2,069,165)
<b>Total comprehensive income for the period</b>	<b>30,506,034</b>	<b>14,047,594</b>	<b>4,712,487</b>	<b>31,194,298</b>

  
Andreas Brunner  
Chief Executive Officer

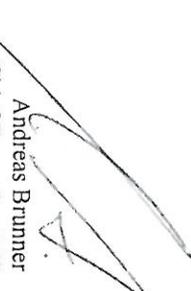
  
Al Waleed Abdulrazak Al Dryaan  
Chairman

  
Mohammed Koubar  
Chief Financial Officer

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF CHANGES IN EQUITY**

	Share capital SR	Share premium SR	Statutory reserve SR	Retained earnings SR	Actuarial reserve for end-of-service obligations SR	Fair value reserve on investments SR	Total SR
<b>Balance as at 1 January 2020 (audited)</b>	200,000,000	22,711,315	20,743,607	75,024,377	3,828,488	12,198,601	334,506,388
<b>Comprehensive loss for the period:</b>							
Net loss for the period attributable to shareholders after zakat and income tax	-	-	-	(6,246,846)	-	-	(6,246,846)
Changes in fair values of available for sale investments	-	-	-	-	-	7,728,308	7,728,308
Deferred tax relating to change in fair value – Notes 9 & 15	-	-	-	-	-	3,231,025	3,231,025
Total comprehensive income / (loss) for the period	-	-	-	(6,246,846)	-	10,959,333	4,712,487
<b>Balance as at 30 June 2020 (unaudited)</b>	200,000,000	22,711,315	20,743,607	68,777,531	3,828,488	23,157,934	339,218,875
Balance as at 1 January 2019 as originally reported	200,000,000	22,711,315	14,393,656	41,575,546	540,837	(11,673,980)	267,547,374
Impact of adopting IAS 12 – Note 15	-	-	8,049,028	-	-	1,301,161	9,350,189
Balance as at 1 January 2019 (restated)	200,000,000	22,711,315	14,393,656	49,624,574	540,837	(10,372,819)	276,897,563
<b>Comprehensive income for the period:</b>							
Net income for the period attributable to shareholders after zakat and income tax	-	-	-	13,775,028	-	-	13,775,028
Changes in fair values of available for sale investments	-	-	-	-	-	19,488,435	19,488,435
Deferred tax relating to change in fair value – Note 9	-	-	-	-	-	(2,069,165)	(2,069,165)
Total comprehensive income for the period	-	-	-	13,775,028	-	17,419,270	31,194,298
Balance as at 30 June 2019:	200,000,000	22,711,315	14,393,656	63,399,602	540,837	7,046,451	308,091,861

  
Andreas Brunner  
Chief Executive Officer

  
Al Waleed Abdulrazzak Al Dryaan  
Chairman

  
Mohammed Koubal  
Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF CASH FLOWS**

	Note	<i>For the six-months period ended</i>	
		<i>June 30, 2020 (Unaudited) SR</i>	<i>June 30, 2019 (Unaudited) SR</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) / income for the period before attribution and zakat and income tax		(4,578,216)	19,687,506
Adjustments for non-cash and other items:			
Depreciation of property and equipment		1,630,790	1,471,474
Amortisation of investments premium		330,930	293,807
Provision / (reversal) of doubtful reinsurance receivables		627,706	(565,006)
Gain on sale of property and equipment		-	(33,075)
Provision for doubtful debts and write-offs		794,678	351,749
Provision for end-of-service obligations		1,854,614	2,012,858
Unrealised loss / (gain) on unit linked investments		2,172,520	(14,086,757)
		<b>2,833,022</b>	<b>9,132,556</b>
<b>Changes in operating assets and liabilities:</b>			
Reinsurers' balances receivable		(6,022,784)	(5,853,047)
Premiums receivable		(90,016,308)	(147,469,295)
Reinsurers' share of unearned premiums		(9,194,516)	(58,102,393)
Reinsurers' share of outstanding claims		(6,302,783)	(91,441,658)
Reinsurers' share of claims incurred but not reported		(9,847,552)	3,840,815
Deferred policy acquisition costs		6,999,561	(7,574,443)
Right-of-use assets		1,562,688	(8,317,506)
Unit linked investments		5,717,656	25,660,525
Prepaid expenses and other assets		(3,451,816)	(6,528,884)
Accrued expenses and other liabilities		11,963,450	13,278,970
Reinsurers' balances payable		60,592,465	108,622,297
Unearned premiums		(33,870,960)	177,635,908
Unearned reinsurance commission		(2,434,717)	(515,801)
Lease liabilities		(2,123,317)	5,945,272
Unit linked liabilities		(18,851,354)	(15,105,169)
Outstanding claims		(17,614,065)	114,247,322
Claims incurred but not reported		29,469,032	(29,279,756)
Premium deficiency reserves		5,524,374	3,601,590
Additional premium reserves		1,545,788	204,266
		<b>(73,522,136)</b>	<b>91,981,569</b>
End-of-service obligations paid		(96,572)	(980,619)
Surplus paid to policyholders		(278,763)	(540,970)
Zakat and income tax paid		-	(3,695,348)
<b>Net cash (used in) / generated from operating activities</b>		<b>(73,897,471)</b>	<b>86,764,632</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from available-for-sale investments		-	23,687,500
Proceeds from sale of property and equipment		-	33,075
Payment for purchase of property and equipment		(1,947,108)	(1,978,252)
<b>Net cash (used in) / generated from investing activities</b>		<b>(1,947,108)</b>	<b>21,742,323</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(75,844,579)</b>	<b>108,506,955</b>
Cash and cash equivalents at the beginning of the period		148,865,617	93,134,538
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>73,021,038</b>	<b>201,641,493</b>
<b>Non-cash information:</b>			
Changes in fair value of available-for-sale investments	8.2	(7,728,398)	(19,488,435)
Deferred income tax	9	(3,231,025)	2,069,165

Andreas Brunner  
Chief Executive Officer

Al Waleed Abdulrazzak Al Dryaan  
Chairman

Mohammed Koubar  
Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements

# **ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**

## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the three-month and six-month periods ended June 30, 2020

### **1. General**

Allianz Saudi Fransi Cooperative Insurance Company (a Joint Stock Company incorporated in the Kingdom of Saudi Arabia), the “Company”, was formed pursuant to Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006). The Company operates under Commercial Registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its eight branches in the Kingdom of Saudi Arabia. The registered address of the Company's head office is as follows:

Allianz Saudi Fransi Cooperative Insurance Company  
Al Safwa Commercial Building, Khurais Road  
P.O. Box 3540  
Riyadh 11481, Kingdom of Saudi Arabia.

The Company’s ultimate parent is Allianz SE, a European financial services company headquartered in Munich, Germany.

The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include Medical, Protection and saving, Motor, Engineering, Property and Other general insurance.

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

On 1 January 2016, the Company’s management approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders’ operations in full.

### **Seasonality of operations**

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

### **2. Basis of preparation**

#### **(a) Basis of presentation**

The interim condensed financial statements of the Company as at and for the period ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” (“IAS 34”), that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for 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, financial assets at fair value through statement of income (unit linked investments) and recording of end of service benefits at present value under actuarial method. The Company’s interim statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: available for sale investments, property and equipment, statutory deposit, accrued income on statutory deposit, end-of-service obligations, deferred tax assets, right of use assets and long term portion of lease liabilities. All other financial statement line items would generally be classified as current.

**2. Basis of preparation (continued)**

**(a) Basis of presentation (continued)**

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and prepares the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 18 of the interim condensed financial statements have been provided as supplementary financial information 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 statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company's financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for similar transactions and events in similar circumstances.

The inclusion of separate information of the insurance operations with the financial statements of the Company in the interim statement of financial position, the statements of income, comprehensive income and cash flows as well as certain relevant notes to the financial statements represents additional supplementary information as required by the implementing regulations (Note 18).

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 statements as at and for the year ended December 31, 2019.

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

**2. Basis of preparation (continued)**

**(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. Actual results may differ from these estimates.

In preparing this interim condensed financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

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 Country where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- the health and safety of its employees and the wider community where it is operating
- the continuity of its business throughout the Kingdom is protected and kept intact.

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. 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.

**Medical technical reserves**

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at June 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 0.47 million for the six-month period ended June 30, 2020 (December 31, 2019: Nil ; March 31, 2020: Nil) as a premium deficiency reserve.

**Motor technical reserves**

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. 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.

## **ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

#### **2. Basis of preparation (continued)**

##### **Motor technical reserves (continued)**

The 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 exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period.

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy. There is no significant impact of two month extension in earned premium as of June 30, 2020 as no material amounts of premium have been written during the one month period.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at segmented level for motor line of business and recorded a Premium deficiency reserve amounting to SR 8.6 million as at 30 June, 2020.

##### **Financial assets**

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, 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 or prolonged 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 six-month periods ended 30 June 2020. The Company's management continues to monitor the situation closely.

#### **3. Significant accounting policies**

The accounting policies, estimates and assumptions 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, 2019.

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

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

##### ***IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)***

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**3. Significant accounting policies (continued)*****IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts) (continued)***

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2023. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

The Company is eligible and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

***IFRS 17 - Insurance Contracts***

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2023, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. 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.

**4. Cash and cash equivalents**

Cash and cash equivalents included in the interim statement of cash flows comprise the following:

	<b>Insurance operations</b>	
	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
<b>SR</b>		
Bank balances and cash	31,535,152	67,046,426
Deposits maturing within 3 months from the acquisition date	-	20,000,000
	<b>31,535,152</b>	<b>87,046,426</b>
	<b>Shareholders' operations</b>	
	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Bank balances and cash	41,485,886	61,819,191
Total cash and cash equivalents	<b>73,021,038</b>	<b>148,865,617</b>

**5. Premiums receivable, net**

Premiums receivable comprise amounts due from the following:

	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
<b>SR</b>		
Policyholders	165,149,535	169,764,645
Brokers and agents	346,492,649	288,920,109
Related parties (Note 14)	54,047,316	16,988,438
	<b>565,689,500</b>	475,673,192
Provision for doubtful receivable	<b>(55,881,593)</b>	(55,086,915)
Premiums receivable, net	<b>509,807,907</b>	420,586,277

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2020

**6. Reinsurers' balance receivable, net**

SR	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Receivables from reinsurers	81,585,795	75,563,011
Provision for doubtful reinsurers' receivables	(5,654,816)	(5,027,110)
Reinsurers' balance receivable, net	<u>75,930,979</u>	<u>70,535,901</u>

**7. Right-of-use assets**

The following table presents the right-of-use assets for the Company:

SR	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at the beginning of the period/year	6,776,228	9,849,530
Amortization	(1,562,688)	(3,073,302)
Balance at the end of the period/year	<u>5,213,540</u>	<u>6,776,228</u>

**8. Available for sale investments**

**8.1. Investments are classified as follows**

*Insurance operations:*

	<u>Domestic</u>		<u>International</u>		<u>Total</u>	
	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Debt instruments	131,736,376	128,180,982	5,151,461	5,143,123	136,887,837	133,324,105
Equities and mutual funds	7,510,896	7,991,984	-	-	7,510,896	7,991,984
	<u>139,247,272</u>	<u>136,172,966</u>	<u>5,151,461</u>	<u>5,143,123</u>	<u>144,398,733</u>	<u>141,316,089</u>

*Shareholders' operations:*

	<u>Domestic</u>		<u>International</u>		<u>Total</u>	
	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Debt instruments	216,236,560	211,718,827	23,624,798	23,792,384	239,861,358	235,511,211
Equities and mutual funds	3,223,078	3,223,078	5,393,709	5,429,122	8,616,787	8,652,200
	<u>219,459,638</u>	<u>214,941,905</u>	<u>29,018,507</u>	<u>29,221,506</u>	<u>248,478,145</u>	<u>244,163,411</u>

*Total*

	<u>Domestic</u>		<u>International</u>		<u>Total</u>	
	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Debt instrument	347,972,936	339,899,809	28,776,259	28,935,507	376,749,195	368,835,316
Equities and mutual funds	10,733,974	11,215,062	5,393,709	5,429,122	16,127,683	16,644,184
	<u>358,706,910</u>	<u>351,114,871</u>	<u>34,169,968</u>	<u>34,364,629</u>	<u>392,876,878</u>	<u>385,479,500</u>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**8. Available for sale investments (continued)**
**8.2. Movement in available for sale investment balance is as follows**
**Insurance operations:**

	Quoted securities	Unquoted securities	Total
	SR		
As at 1 January 2019	100,623,986	14,582,533	115,206,519
Purchases	22,491,134	-	22,491,134
Disposals/maturity	-	(5,000,000)	(5,000,000)
Amortisation	(251,970)	(12,645)	(264,615)
Unrealised gain on fair value	8,021,169	861,882	8,883,051
Transfer from unquoted to quoted	10,431,770	(10,431,770)	-
As at 31 December 2019	141,316,089	-	141,316,089
<b>As of 1 January 2020</b>	<b>141,316,089</b>	<b>-</b>	<b>141,316,089</b>
<b>Amortisation</b>	<b>(128,199)</b>	<b>-</b>	<b>(128,199)</b>
<b>Unrealised gain on fair value</b>	<b>3,210,843</b>	<b>-</b>	<b>3,210,843</b>
<b>As at 30 June 2020</b>	<b>144,398,733</b>	<b>-</b>	<b>144,398,733</b>

The cumulative unrealised gain in fair value of available for sale investments including deferred tax impact as mentioned in Notes 9 and 15 as at 30 June 2020 amounts to SR 7,153,936 (31 December 2019: gain of SR 3,943,093).

**Shareholders' operations:**

	Quoted securities	Unquoted securities	Total
	SR		
As at 1 January 2019	130,639,760	85,532,745	216,172,505
Purchases	30,652,614	-	30,652,614
Disposals/maturity	(1,687,500)	(17,000,000)	(18,687,500)
Amortisation	(329,390)	(14,356)	(343,746)
Unrealised gain on fair value	10,475,364	5,894,174	16,369,538
Transfer from unquoted to quoted	35,979,800	(35,979,800)	-
As at 31 December 2019	205,730,648	38,432,763	244,163,411
<b>As of 1 January 2020</b>	<b>205,730,648</b>	<b>38,432,763</b>	<b>244,163,411</b>
<b>Amortisation</b>	<b>(202,731)</b>	<b>-</b>	<b>(202,731)</b>
<b>Unrealised gain on fair value</b>	<b>4,670,868</b>	<b>(153,403)</b>	<b>4,517,465</b>
<b>As at 30 June 2020</b>	<b>210,198,785</b>	<b>38,279,360</b>	<b>248,478,145</b>

The cumulative unrealised gain in fair value of available for sale investments including deferred tax impact as mentioned in Notes 9 and 15 as at 30 June 2020 amounts to SR 16,003,998 (31 December 2019: gain of SR 8,255,508).

**9. Deferred tax assets, net**

SR	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets, net	10,682,609	6,961,507

**Movement in deferred tax asset balance is as follows:**

	June 30, 2020 (Unaudited)	31 December 2019 (Audited)
At the beginning of the period/year (note 15)	6,961,507	9,350,189
Deferred tax income - statement of income	490,077	292,487
Deferred tax (expense) / income - statement of comprehensive income	3,231,025	(2,681,169)
<b>At the end of the period/year</b>	<b>10,682,609</b>	<b>6,961,507</b>

This deferred tax arises on end of service obligations, provision against premium receivable, provision against reinsurance receivable, unabsorbed tax losses, fair value reserve on investments and property and equipment.

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**10. Technical reserves****10.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

<b>SR</b>	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Gross outstanding claims	553,307,779	569,506,181
Less: Realizable value of salvage and subrogation	(37,855,091)	(36,439,428)
	<b>515,452,688</b>	<b>533,066,753</b>
Claims incurred but not reported	117,249,474	87,780,442
Premium deficiency reserves	17,255,707	11,731,333
Additional premium reserves	2,915,108	1,369,320
Unit linked liabilities	516,563,763	535,415,117
	<b>1,169,436,740</b>	<b>1,169,362,965</b>
Less:		
- Reinsurers' share of outstanding claims	(438,630,990)	(432,328,207)
- Reinsurers' share of claims incurred but not reported	(53,146,266)	(43,298,714)
	<b>(491,777,256)</b>	<b>(475,626,921)</b>
<b>Net outstanding claims and reserves</b>	<b>677,659,484</b>	<b>693,736,044</b>

**10.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

<b>SR</b>	<b>Three months period ended June 30, 2020 (Unaudited)</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
Balance as at the beginning of the period	361,984,750	(138,763,380)	223,221,370
Premium written during the period	212,409,914	*(100,440,737)	111,969,177
Premium earned during the period	(199,567,294)	77,632,016	(121,935,278)
Balance as at the end of the period	<b>374,827,370</b>	<b>(161,572,101)</b>	<b>213,255,269</b>

\*This amount includes SR 95,309,813 for reinsurance premium ceded abroad, SR 342,947 for reinsurance premium ceded locally and SR 4,787,977 for excess of loss expenses.

<b>SR</b>	<b>Six months period ended June 30, 2020 (Unaudited)</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
Balance as at the beginning of the year	408,698,330	(152,377,585)	256,320,745
Premium written during the period	418,035,044	*(176,948,807)	241,086,237
Premium earned during the period	(451,906,004)	167,754,291	(284,151,713)
Balance as at the end of the period	<b>374,827,370</b>	<b>(161,572,101)</b>	<b>213,255,269</b>

\*This amount includes SR 166,304,151 for reinsurance premium ceded abroad, SR 1,068,700 for reinsurance premium ceded locally and SR 9,575,956 for excess of loss expenses.

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**10. Technical reserves (continued)****10.2 Movement in unearned premiums (continued)**

SR	Three months period ended June 30, 2019 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	522,304,127	(146,603,990)	375,700,137
Premium written during the period	288,390,092	*(133,466,712)	154,923,380
Premium earned during the period	(242,635,976)	73,057,166	(169,578,810)
Balance as at the end of the period	568,058,243	(207,013,536)	361,044,707

\*This amount includes SR 130,104,250 for reinsurance premium ceded abroad, SR 1,678,684 for reinsurance premium ceded locally and SR 1,683,778 for excess of loss expenses.

SR	Six month period ended June 30, 2019 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	390,422,335	(148,911,143)	241,511,192
Premium written during the period	647,312,061	*(203,668,790)	443,643,271
Premium earned during the period	(469,676,153)	145,566,397	(324,109,756)
Balance as at the end of the period	568,058,243	(207,013,536)	361,044,707

\*This amount includes SR 197,275,909 for reinsurance premium ceded abroad, SR 3,362,080 for reinsurance premium ceded locally and SR 3,030,801 for excess of loss expenses.

SR	Year ended December 31, 2019 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	390,422,335	(148,911,143)	241,511,192
Premium written during the year	1,011,666,001	*(312,609,731)	699,056,270
Premium earned during the year	(993,390,006)	309,143,289	(684,246,717)
Balance as at the end of the year	408,698,330	(152,377,585)	256,320,745

\*This amount includes SR 302,757,400 for reinsurance premium ceded abroad, SR 5,811,262 for reinsurance premium ceded locally and SR 4,041,069 for excess of loss expenses.

**11. Contingencies and commitments**

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

SR	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Letters of guarantee	15,940,000	15,940,000

b) The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its interim financial position and results as at and for the period ended June 30, 2020. There was no change in the status of legal proceedings as disclosed at 31 December 2019.

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**12. 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 the 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.

**a. Carrying amounts and fair value**

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

**12.1 Insurance operations:**

SR	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>30 June 2020</b>					
<b>Unit linked investments</b>	<b>530,223,682</b>	<b>530,223,682</b>	-	-	<b>530,223,682</b>
<b>Available for sale investments measured at fair value</b>					
Bonds and sukuks	136,887,837	136,887,837	-	-	136,887,837
Mutual funds	4,628,048	4,628,048	-	-	4,628,048
Equities	2,882,848	2,882,848	-	-	2,882,848
<b>Unit linked liabilities</b>	<b>(516,563,763)</b>	<b>(516,563,763)</b>	-	-	<b>(516,563,763)</b>
	<b>158,058,652</b>	<b>158,058,652</b>	-	-	<b>158,058,652</b>

SR	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>31 December 2019</b>					
<b>Unit linked investments</b>	<b>538,113,858</b>	<b>538,113,858</b>	-	-	<b>538,113,858</b>
<b>Available for sale investments measured at fair value</b>					
Bonds and Sukuks	133,324,105	133,324,105	-	-	133,324,105
Mutual Funds	4,865,203	4,865,203	-	-	4,865,203
Equities	3,126,781	3,126,781	-	-	3,126,781
<b>Unit linked liabilities</b>	<b>(535,415,117)</b>	<b>(535,415,117)</b>	-	-	<b>(535,415,117)</b>
	<b>144,014,830</b>	<b>144,014,830</b>	-	-	<b>144,014,830</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2020

**12. Fair values of financial instruments (continued)**

**12.2 Shareholders' operations:**

SR	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>30 June 2020</b>					
<b>Available for sale investments measured at fair value</b>					
Bonds and sukuku	239,861,358	204,805,076	-	35,056,282	239,861,358
Mutual funds	5,393,709	5,393,709	-	-	5,393,709
Equities	3,223,078	-	-	3,223,078	3,223,078
	<b>248,478,145</b>	<b>210,198,785</b>	<b>-</b>	<b>38,279,360</b>	<b>248,478,145</b>

SR	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>31 December 2019</b>					
<b>Available for sale investments measured at fair value</b>					
Bonds and Sukuk	235,511,211	200,301,526	-	35,209,685	235,511,211
Mutual Funds	5,429,122	5,429,122	-	-	5,429,122
Equities	3,223,078	-	-	3,223,078	3,223,078
	<b>244,163,411</b>	<b>205,730,648</b>	<b>-</b>	<b>38,432,763</b>	<b>244,163,411</b>

During the period ended 30 June 2020 there were no transfers between level 1 and level 3 fair value measurements. There were transfers between Level 1 and Level 3 fair value measurements during the year ended 31 December 2019 (please refer note 8).

**b. Measurement of fair values**

*i. Valuation technique and significant unobservable inputs*

The Discounted Cash Flow Model (DCF) has been used to determine the fair value of debt securities and sukuku of shareholders' operations under level 3. This model considers the present value of net cash flows to be generated from the debt securities and sukuku discounted at the market yield of treasury bills having similar terms and adjusted for the effect of non-marketability of the debt securities and sukuku which includes Saudi sovereign curve yield and risk premium prevailing in the Saudi market. Equities amount to SR 3,223,078 represent investment in unquoted securities which are carried at cost. The fair value are not evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy:

SR	Insurance operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at the beginning of the period/year	-	14,582,533
Disposals/maturity	-	(5,000,000)
Amortisation	-	(12,645)
Unrealised gain on fair value of available for sale investments	-	861,882
Transfer from level 3 to level 1	-	(10,431,770)
Balance at the end of the period/year	-	-

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**12. Fair values of financial instruments (continued)****b. Measurement of fair values (continued)**

	<b>Shareholder operations</b>	
	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
<b>SR</b>		
Balance at the beginning of the period/year	<b>38,432,763</b>	85,532,745
Disposals/maturity	-	(17,000,000)
Amortisation	-	(14,356)
Unrealised (loss)/gain on fair value of available for sale investments	<b>(153,403)</b>	5,894,174
Transfer from level 3 to level 1	-	(35,979,800)
Balance at the end of the period/year	<b>38,279,360</b>	38,432,763

**Sensitivity Analysis**

The sensitivity to a 1% increase in the risk adjusted discount rate with all other variables constant on the fair value of the level 3 available for sale investments is SR 16,811 and sensitivity to 1% decrease in the risk adjusted discount rate with all other variables constant on the fair value of the level 3 available for sale investments is SR 16,811.

**13. 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 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 cash and cash equivalents, prepaid expenses, right of use assets and other assets, available for sale investments, reinsurance balances, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurers' balances payable, premium deficiency reserve, additional premium reserve, end-of-service obligations, zakat and income tax and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities as at June 30, 2020 and December 31, 2019, its total revenues, expenses, and net income for the three months and six months periods then ended, are as follows:

Motor	:	Motor
Medical	:	Medical
Property and casualty	:	Fire, burglary, money, construction, liability and marine
Protection and saving	:	Group retirement and individual protection and saving

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**13. Operating Segments (continued)**

	<i>Motor</i>	<i>Medical</i>	<i>Property and Casualty</i>	<i>Protection and Saving</i>	<i>Insurance Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b><u>As at 30 June 2020 (Unaudited)</u></b>							
<b><u>Assets</u></b>							
Premiums receivable, gross	213,294,580	139,640,996	164,449,930	48,303,994	565,689,500	-	565,689,500
Provision for doubtful debts					(55,881,593)	-	(55,881,593)
Reinsurers' share of outstanding claims	5,083,202	16,423,457	409,935,683	7,188,648	438,630,990	-	438,630,990
Reinsurers' share of claims incurred but not reported	(3,769)	16,105,885	29,057,393	7,986,757	53,146,266	-	53,146,266
Reinsurers' share of unearned premiums	105,762	50,843,912	83,155,944	27,466,483	161,572,101	-	161,572,101
Deferred policy acquisition costs	10,579,579	4,648,657	7,428,888	(2,737,135)	19,919,989	-	19,919,989
Financial assets at fair value through statement of income (unit linked investments)	-	-	-	530,223,682	530,223,682	-	530,223,682
Unallocated assets					302,580,624	360,993,487	663,574,111
Total assets							<u>2,376,875,046</u>
<b><u>Liabilities and Equity</u></b>							
Outstanding claims	52,092,705	26,798,265	425,781,619	10,780,099	515,452,688	-	515,452,688
Claims incurred but not reported	46,148,762	26,273,158	33,595,344	11,232,210	117,249,474	-	117,249,474
Unearned premium	123,592,455	93,235,234	118,813,190	39,186,491	374,827,370	-	374,827,370
Unearned reinsurance commission	6,880	-	4,877,997	28,179	4,913,056	-	4,913,056
Unit linked liabilities	-	-	-	516,563,763	516,563,763	-	516,563,763
Unallocated liabilities					475,892,784	32,757,036	508,649,820
Equity					10,982,424	328,236,451	339,218,875
Total liabilities and equity							<u>2,376,875,046</u>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**13. Operating Segments (continued)**

	<i>Motor</i>	<i>Medical</i>	<i>Property and Casualty</i>	<i>Protection and Saving</i>	<i>Insurance Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b><u>For the six months period ended</u></b>							
<b><u>30 June 2020 (Unaudited)</u></b>							
Gross written premiums – retail	13,068,193	-	262,437	80,123,743	93,454,373	-	93,454,373
Gross written premiums – corporate	56,316,633	105,022,666	88,244,487	3,446,728	253,030,514	-	253,030,514
Gross written premiums – very small entities	1,777,807	191,228	482,455	97,463	2,548,953	-	2,548,953
Gross written premiums – small entities	11,682,616	942,134	14,358,245	267,563	27,250,558	-	27,250,558
Gross written premiums – medium entities	19,793,320	1,142,841	19,736,054	1,078,431	41,750,646	-	41,750,646
Reinsurance premiums ceded	(30,720)	(58,818,306)	(78,498,479)	(30,025,346)	(167,372,851)	-	(167,372,851)
Excess of loss expenses	(2,128,353)	-	(7,447,603)	-	(9,575,956)	-	(9,575,956)
Fee income from unit linked investments	-	-	-	594,515	594,515	-	594,515
<b>Net written premiums</b>	<b>100,479,496</b>	<b>48,480,563</b>	<b>37,137,596</b>	<b>55,583,097</b>	<b>241,680,752</b>	<b>-</b>	<b>241,680,752</b>
Changes in unearned premiums, net	70,974,100	(3,549,803)	(17,057,204)	(7,301,617)	43,065,476	-	43,065,476
<b>Net premiums earned</b>	<b>171,453,596</b>	<b>44,930,760</b>	<b>20,080,392</b>	<b>48,281,480</b>	<b>284,746,228</b>	<b>-</b>	<b>284,746,228</b>
Reinsurance commissions	11,294	546,670	7,051,839	589,244	8,199,047	-	8,199,047
Net claims and other benefits paid	(140,066,820)	(23,725,460)	(2,334,193)	(50,149,291)	(216,275,764)	-	(216,275,764)
Changes in outstanding claims, net	28,738,011	174,910	(4,567,903)	(428,170)	23,916,848	-	23,916,848
Changes in premium deficiency reserve	(5,622,327)	477,573	(314,261)	(65,359)	(5,524,374)	-	(5,524,374)
Changes in additional premium reserve	-	-	(1,545,788)	-	(1,545,788)	-	(1,545,788)
Changes in claims incurred but not reported, net	(14,135,760)	(2,249,491)	(2,015,501)	(1,220,728)	(19,621,480)	-	(19,621,480)
Change in unit linked liabilities	-	-	-	18,851,354	18,851,354	-	18,851,354
Unrealised loss on unit linked investments	-	-	-	(2,172,520)	(2,172,520)	-	(2,172,520)
Policy acquisition costs	(14,670,484)	(5,622,245)	(7,461,562)	(3,662,953)	(31,417,244)	-	(31,417,244)
Inspection and supervision fees	-	-	-	-	(3,163,164)	-	(3,163,164)
<b>Net underwriting income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,993,143</b>	<b>-</b>	<b>55,993,143</b>
Unallocated	-	-	-	-	-	-	-
Provision for doubtful debts	-	-	-	-	(1,422,384)	-	(1,422,384)
General and administrative expenses	-	-	-	-	(68,392,990)	(538,058)	(68,931,048)
Investment income	-	-	-	-	2,042,056	3,688,593	5,730,649
Other income	-	-	-	-	4,051,424	-	4,051,424
<b>Net loss for the period before attribution and zakat and income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,578,216)</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**13. Operating Segments (continued)**

	<i>Motor</i>	<i>Medical</i>	<i>Property and Casualty</i>	<i>Protection and Saving</i>	<i>Insurance Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b><u>For the three months period ended</u></b>							
<b><u>30 June 2020 (Unaudited)</u></b>							
Gross written premiums – retail	5,745,242	-	5,584	55,887,855	61,638,681	-	61,638,681
Gross written premiums – corporate	28,753,146	49,252,331	37,866,087	856,590	116,728,154	-	116,728,154
Gross written premiums – very small entities	766,455	98,031	217,985	-	1,082,471	-	1,082,471
Gross written premiums – small entities	2,930,888	378,262	10,367,645	188,318	13,865,113	-	13,865,113
Gross written premiums – medium entities	6,529,071	617,145	11,459,063	490,216	19,095,495	-	19,095,495
Reinsurance premiums ceded	-	(28,655,327)	(41,257,123)	(25,740,310)	(95,652,760)	-	(95,652,760)
Excess of loss expenses	(1,060,583)	-	(3,727,394)	-	(4,787,977)	-	(4,787,977)
Fee income from unit linked investments	-	-	-	296,175	296,175	-	296,175
<b>Net written premiums</b>	<b>43,664,219</b>	<b>21,690,442</b>	<b>14,931,847</b>	<b>31,978,844</b>	<b>112,265,352</b>	<b>-</b>	<b>112,265,352</b>
Changes in unearned premiums, net	22,134,726	180,332	(3,797,327)	(8,551,630)	9,966,101	-	9,966,101
<b>Net premiums earned</b>	<b>65,798,945</b>	<b>21,870,774</b>	<b>11,134,520</b>	<b>23,427,214</b>	<b>122,231,453</b>	<b>-</b>	<b>122,231,453</b>
Reinsurance commissions	5,049	546,670	4,274,156	264,123	5,089,998	-	5,089,998
Net claims and other benefits paid	(37,951,564)	(10,711,927)	(1,064,851)	(23,429,000)	(73,157,342)	-	(73,157,342)
Changes in outstanding claims, net	15,788,337	31,045	(5,764,080)	(454,254)	9,601,048	-	9,601,048
Changes in premium deficiency reserve	(6,457,555)	(311,041)	(314,261)	(616,283)	(7,699,140)	-	(7,699,140)
Changes in additional premium reserve	-	-	(572,627)	-	(572,627)	-	(572,627)
Changes in claims incurred but not reported, net	(6,570,109)	(1,098,170)	(1,461,416)	(1,775,287)	(10,904,982)	-	(10,904,982)
Change in unit linked liabilities	-	-	-	(2,060,654)	(2,060,654)	-	(2,060,654)
Unrealised gain on unit linked investments	-	-	-	9,596,310	9,596,310	-	9,596,310
Policy acquisition costs	(5,597,070)	(2,811,858)	(3,736,345)	(1,357,315)	(13,502,588)	-	(13,502,588)
Inspection and supervision fees	-	-	-	-	(1,565,507)	-	(1,565,507)
<b>Net underwriting income</b>					<b>37,055,969</b>	<b>-</b>	<b>37,055,969</b>
Unallocated							
Provision for doubtful debts					(1,422,384)	-	(1,422,384)
General and administrative expenses					(31,711,539)	(284,893)	(31,996,432)
Investment income					1,021,133	1,831,354	2,852,487
Other income					3,902,407	-	3,902,407
<b>Net income for the period before attribution and zakat and income tax</b>							<b>10,392,047</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**13. Operating Segments (continued)**

	<i>Motor</i>	<i>Medical</i>	<i>Property and Casualty</i>	<i>Protection and Saving</i>	<i>Insurance Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b><u>As at 31 December 2019 (Audited)</u></b>							
<b><u>Assets</u></b>							
Premiums receivable, gross	283,683,135	104,490,425	62,145,925	25,353,707	475,673,192	-	475,673,192
Provision for doubtful debts					(55,086,915)	-	(55,086,915)
Reinsurers' share of outstanding claims	5,745,932	16,649,433	404,394,245	5,538,597	432,328,207	-	432,328,207
Reinsurers' share of claims incurred but not reported	(69,598)	7,921,410	31,056,299	4,390,603	43,298,714	-	43,298,714
Reinsurers' share of unearned premiums	225,976	43,484,703	98,990,010	9,676,896	152,377,585	-	152,377,585
Deferred policy acquisition costs	16,732,264	4,574,957	6,167,728	(555,399)	26,919,550	-	26,919,550
Financial assets at fair value through statement of income (unit linked investments)	-	-	-	538,113,858	538,113,858	-	538,113,858
Unallocated assets					363,516,850	357,096,182	720,613,032
Total assets							<u>2,334,237,223</u>
<b><u>Liabilities and Equity</u></b>							
Outstanding claims	81,493,446	27,199,150	415,672,279	8,701,878	533,066,753	-	533,066,753
Claims incurred but not reported	31,947,173	15,839,192	33,578,749	6,415,328	87,780,442	-	87,780,442
Unearned premium	194,686,769	82,326,222	117,590,052	14,095,287	408,698,330	-	408,698,330
Unearned reinsurance commission	16,177	-	6,833,437	498,159	7,347,773	-	7,347,773
Unit linked liabilities	-	-	-	535,415,117	535,415,117	-	535,415,117
Unallocated liabilities					397,061,045	30,361,375	427,422,420
Equity					7,771,581	326,734,807	334,506,388
Total liabilities and equity							<u>2,334,237,223</u>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**13. Operating Segments (continued)**

	<i>Motor</i>	<i>Medical</i>	<i>Property and Casualty</i>	<i>Protection and Saving</i>	<i>Insurance Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>For the six months period ended</b>							
<b>30 June 2019 (Unaudited)</b>							
Gross written premiums – retail	32,673,613	-	1,256,487	70,084,937	104,015,037	-	104,015,037
Gross written premiums – corporate	278,770,222	108,170,893	151,495,920	3,926,551	542,363,586	-	542,363,586
Gross written premiums – very small entities	-	23,653	-	-	23,653	-	23,653
Gross written premiums – small entities	-	673,854	-	-	673,854	-	673,854
Gross written premiums – medium entities	-	235,931	-	-	235,931	-	235,931
Reinsurance premiums ceded	-	(59,907,234)	(121,129,200)	(19,601,555)	(200,637,989)	-	(200,637,989)
Excess of loss expenses	(2,493,568)	-	(537,233)	-	(3,030,801)	-	(3,030,801)
Fee income from unit linked investments	-	-	-	576,345	576,345	-	576,345
<b>Net written premiums</b>	<b>308,950,267</b>	<b>49,197,097</b>	<b>31,085,974</b>	<b>54,986,278</b>	<b>444,219,616</b>	<b>-</b>	<b>444,219,616</b>
Changes in unearned premiums, net	(94,075,017)	(17,350,590)	(3,283,946)	(4,823,962)	(119,533,515)	-	(119,533,515)
<b>Net premiums earned</b>	<b>214,875,250</b>	<b>31,846,507</b>	<b>27,802,028</b>	<b>50,162,316</b>	<b>324,686,101</b>	<b>-</b>	<b>324,686,101</b>
Reinsurance commissions	10,581	-	7,854,291	(235,317)	7,629,555	-	7,629,555
Net claims and other benefits paid	(157,377,542)	(19,445,701)	(4,488,885)	(70,502,094)	(251,814,222)	-	(251,814,222)
Changes in outstanding claims, net	(14,921,233)	(8,184,452)	1,224,569	(924,548)	(22,805,664)	-	(22,805,664)
Changes in premium deficiency reserve	-	(3,009,872)	-	(591,718)	(3,601,590)	-	(3,601,590)
Changes in additional premium reserve	-	-	(204,266)	-	(204,266)	-	(204,266)
Changes in claims incurred but not reported, net	23,866,239	1,022,677	114,932	435,093	25,438,941	-	25,438,941
Change in unit linked liabilities	-	-	-	15,105,169	15,105,169	-	15,105,169
Unrealised gain on unit linked investments	-	-	-	14,086,757	14,086,757	-	14,086,757
Policy acquisition costs	(18,314,881)	(4,138,956)	(7,856,592)	(1,849,915)	(32,160,344)	-	(32,160,344)
Inspection and supervision fees	-	-	-	-	(4,400,716)	-	(4,400,716)
<b>Net underwriting income</b>					<b>71,959,721</b>	<b>-</b>	<b>71,959,721</b>
Unallocated							
Provision for doubtful debts					180,648	-	180,648
General and administrative expenses					(59,235,713)	(394,840)	(59,630,553)
Investment income					1,766,266	3,219,121	4,985,387
Other income					2,192,303	-	2,192,303
<b>Net income for the period before attribution and zakat and income tax</b>							<b>19,687,506</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**13. Operating Segments (continued)**

	<i>Motor</i>	<i>Medical</i>	<i>Property and Casualty</i>	<i>Protection and Saving</i>	<i>Insurance Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>For the three months period ended</b>							
<b>30 June 2019 (Unaudited)</b>							
Gross written premiums – retail	21,953,971	-	816,115	46,380,511	69,150,597	-	69,150,597
Gross written premiums – corporate	57,410,000	63,667,096	96,327,675	1,308,421	218,713,192	-	218,713,192
Gross written premiums – very small entities	-	11,064	-	-	11,064	-	11,064
Gross written premiums – small entities	-	348,744	-	-	348,744	-	348,744
Gross written premiums – medium entities	-	166,495	-	-	166,495	-	166,495
Reinsurance premiums ceded	-	(33,732,310)	(80,487,593)	(17,563,031)	(131,782,934)	-	(131,782,934)
Excess of loss expenses	(1,359,882)	-	(323,896)	-	(1,683,778)	-	(1,683,778)
Fee income from unit linked investments	-	-	-	286,615	286,615	-	286,615
<b>Net written premiums</b>	<b>78,004,089</b>	<b>30,461,089</b>	<b>16,332,301</b>	<b>30,412,516</b>	<b>155,209,995</b>	<b>-</b>	<b>155,209,995</b>
Changes in unearned premiums, net	34,829,170	(12,326,127)	(2,140,296)	(5,707,317)	14,655,430	-	14,655,430
<b>Net premiums earned</b>	<b>112,833,259</b>	<b>18,134,962</b>	<b>14,192,005</b>	<b>24,705,199</b>	<b>169,865,425</b>	<b>-</b>	<b>169,865,425</b>
Reinsurance commissions	5,320	-	4,520,633	(365,202)	4,160,751	-	4,160,751
Net claims and other benefits paid	(77,234,450)	(7,677,345)	(2,224,083)	(35,915,748)	(123,051,626)	-	(123,051,626)
Changes in outstanding claims, net	(12,273,035)	(8,795,869)	11,088	(1,105,552)	(22,163,368)	-	(22,163,368)
Changes in premium deficiency reserve	-	(2,609,450)	-	(247,601)	(2,857,051)	-	(2,857,051)
Changes in additional premium reserve	-	-	(65,955)	-	(65,955)	-	(65,955)
Changes in claims incurred but not reported, net	12,239,674	1,104,048	(505,026)	162,996	13,001,692	-	13,001,692
Change in unit linked liabilities	-	-	-	7,414,320	7,414,320	-	7,414,320
Unrealised gain on unit linked investments	-	-	-	6,951,938	6,951,938	-	6,951,938
Policy acquisition costs	(9,145,378)	(1,665,203)	(3,886,333)	(1,268,530)	(15,965,444)	-	(15,965,444)
Inspection and supervision fees	-	-	-	-	(2,083,531)	-	(2,083,531)
<b>Net underwriting income</b>					<b>35,207,151</b>	<b>-</b>	<b>35,207,151</b>
Unallocated					(461,458)	-	(461,458)
Provision for doubtful debts					(31,067,049)	(182,220)	(31,249,269)
General and administrative expenses					829,038	1,471,881	2,300,919
Investment income					1,593,177	-	1,593,177
Other income						-	1,593,177
<b>Net income for the period before attribution and zakat and income tax</b>							<b>7,390,520</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**14. Transactions and balances with related parties and other shareholders**

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

	Transactions for the six months period ended		Balance as at	
	June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019
	SR	SR	SR	SR
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
<b><u>Major shareholders</u></b>				
- Insurance premium ceded	61,551,277	93,810,996		
- Reinsurers' share of claims paid	18,922,124	27,687,180		
- Commission income	2,167,513	4,673,889		
- Third party administrator expenses	3,119,879	3,879,209		
- Accrued third party administrator			5,689,334	6,436,659
- Reinsurance balance payable, net			151,633,898	84,824,961
- Investments in equity of Saudi NextCare			800,000	800,000
<b><u>Other Shareholders (other than related party)</u></b>				
- Insurance premium written	47,878,734	132,895,160		
- Claims paid	2,174,250	21,379,923		
- Commission expense	348,030	1,001,705		
- Premium receivable, net			54,047,316	16,988,438
- Outstanding claims			29,078,894	33,834,830
- Cash and cash equivalents			67,768,325	104,403,157
Unit linked investments managed by shareholders (including receivable for unit linked investments)			530,223,682	545,163,723

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, Allianz France, Allianz Global Corporate and Specialty AG, Allianz World Wide Care, Allianz Global risks U.S Insurance, Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand and Saudi NextCare,

Other shareholders include Banque Saudi Fransi and its Group Companies which are not the related parties.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, and the Chief Financial Officer of the Company.

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

June 30, 2020	BOD members SR	Top executives SR
Salaries and compensation		4,757,375
Allowances	174,000	9,000
Annual remuneration	510,000	60,000
End of service obligations		247,641
	684,000	5,074,016

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**14. Transactions and balances with related parties and other shareholders (continued)**

June 30, 2019	BOD members SR	Top executives SR
Salaries and compensation	-	3,891,406
Allowances	87,000	-
Annual remuneration	450,000	-
End of service obligations	-	243,505
	<u>537,000</u>	<u>4,134,911</u>

**15. Zakat and income tax**

A summary of the Company's share capital and percentages of ownership are as follows:

	June 30, 2020		December 31, 2019	
	SR	%	SR	%
Saudi and GCC Shareholders	<u>93,820,000</u>	<u>46.91%</u>	93,820,000	46.91%
Non-Saudi Shareholders	<u>106,180,000</u>	<u>53.09%</u>	106,180,000	53.09%
	<u>200,000,000</u>	<u>100%</u>	200,000,000	100%

As at 30 June 2020 and 31 December 2019, the authorized, issued and fully paid-in share capital of the Company consists of 20 million shares of SR 10 each. The Company's zakat and income tax calculations and corresponding accruals and payments of zakat and income tax are based on the above ownership percentages in accordance with the relevant provisions of the Saudi Arabian zakat and income tax regulations.

**Impact of adopting IAS - 12**

As at 1 January 2019:

Financial statement impacted	Account	SR		
		As previously stated as at January 01, 2019	Effect of restatement	As restated as at January 01, 2019
Statement of changes in equity	Impact of adopting IAS 12	-	9,350,189	9,350,189

The zakat and income tax provision as at the period / year end is as follows:

SR	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Provision for zakat	<u>27,532,256</u>	24,451,612
Provision for income tax	<u>3,058,640</u>	3,980,577
	<u>30,590,896</u>	<u>28,432,189</u>

The zakat and income tax charge for the six months period is as follows:

SR	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Zakat for the six months period	<u>2,158,707</u>	2,099,518
Income tax for the six months period		
- Current tax	-	2,312,129
- Deferred tax	<u>(490,077)</u>	(185,492)
	<u>1,668,630</u>	<u>4,226,155</u>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**15. Zakat and income tax (continued)**

The zakat and income tax charge for the three months period is as follows:

SR	<b>June 30, 2020</b> <b>(Unaudited)</b>	June 30, 2019 <b>(Unaudited)</b>
Zakat for the three months period	<b>1,245,096</b>	1,009,265
Income tax for the three months period		
- Current tax	-	1,002,106
- Deferred tax	<b>(253,434)</b>	(134,931)
	<b>991,662</b>	1,876,440

**Status of assessments**

The Company has filed zakat and income tax declarations for the years ended 31 December 2008 to 31 December 2019. For the years from 2008 to 2013, the company has settled the amount of SR 9.6 million in relation to the assessment raised by GAZT that was paid by the provision created against the assessment for those years. The final zakat and tax assessments for the year 2014 has been issued by GAZT and the assessments for the years 2015 to 2019 are still outstanding. The Company has filed appeals against the General Authority for Zakat and Tax (“GAZT”) assessments of additional zakat and income tax arising from disallowance of long-term investments from zakat base for the year 2014, disallowance of the carried forward losses, not deducting the amount of income tax paid from the assessment, and the calculation of delay fine. In result of the final assessments for the year 2014 GAZT has requested additional zakat and income tax amounting to SR 6.2 million. The Company has accounted for the additional zakat and income tax provision in the financial statements, however has not paid the same. The finalisation of the assessment is not expected to have material impact on the financial statements.

**16. Share capital**

The authorised and issued share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2019: SR 200 million divided into 20 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 13 million shares with a nominal value of SR 10 each, which represents 65% of the shares of the Company's capital and the remaining 7 million shares with a nominal value of SR 10 each have been subscribed by general public.

On 25th October 2017, Allianz Europe BV (a 100% subsidiary of Allianz SE) entered in a legally binding agreement with Banque Saudi Fransi (BSF) to purchase from BSF 57% of its shareholding in the Company, representing 18.5% of the share capital of the Company. This agreement received SAMA’s no-objection and was completed by Allianz Europe BV on 29 March 2018. Accordingly, the Group holds 51.0% of the share capital of Allianz Saudi Fransi Cooperative Insurance Company (Allianz Europe BV holds 18.5%, Allianz France International holds 16.25% and Allianz Mena Holding Bermuda holds 16.25%) and BSF holds 14.0% of the share capital.

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

	<b>June 30, 2020</b>	
	<b>Number of Shares</b>	<b>Authorized, issued and paid up capital</b>
	<b>SR</b>	
Allianz Europe BV	<b>3.70 Million</b>	<b>37 Million</b>
Allianz France International	<b>3.25 Million</b>	<b>32.5 Million</b>
Allianz Mena Holding Bermuda	<b>3.25 Million</b>	<b>32.5 Million</b>
Banque Saudi Fransi	<b>2.80 Million</b>	<b>28 Million</b>
Public	<b>7.00 Million</b>	<b>70 Million</b>
	<b>20 Million</b>	<b>200 Million</b>

**16. Share capital (continued)**

	December 31, 2019	
	Number of Shares	Authorized, issued and paid up capital
	SR	
Allianz Europe BV	3.70 Million	37 Million
Allianz France International	3.25 Million	32.5 Million
Allianz Mena Holding Bermuda	3.25 Million	32.5 Million
Banque Saudi Fransi	2.80 Million	28 Million
Public	7.00 Million	70 Million
	20 Million	200 Million

The Board of Directors in its meeting on 4 June 2018 recommended to increase the Company’s share capital through rights issue with a total value of SR 400,000,000, subject to the approval of the regulatory authorities and the Extraordinary General Assembly. The Company has received SAMA non-objection through letter number 89/18551 dated 22/03/1440H corresponding to 30 November 2018 on the Company’s proposed capital increase from SR 200,000,000 to SR 600,000,000 through rights issue. The Company has received the approvals from the Capital Market Authority (“CMA”) on 9/7/1441H corresponding to 4 March 2020 and from shareholders of the Company in an Extraordinary General Assembly meeting dated 24/10/1441H corresponding to 16 June 2020 respectively, refer note 20.

**17. Risk Management**

**Capital Management**

Objectives are set by the Company to maintain stable capital ratios in order to support its business objectives and maximise shareholders’ value.

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

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. 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.

The Company maintains its capital 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. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

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 has not been reduced below the minimum required margins. 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.

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

For the three-month and six-month periods ended June 30, 2020

**17. Risk Management (continued)**

**Capital Management (continued)**

**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 management**

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.

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**18. Supplementary information**
**a) Interim statements of financial position**

	<b>SR</b>					
	<b>30 June 2020</b>			<b>31 December 2019</b>		
	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Share-holders' operations</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	31,535,152	41,485,886	73,021,038	87,046,426	61,819,191	148,865,617
Prepaid expenses and other assets	69,002,250	6,939,770	75,942,020	69,793,539	2,696,665	72,490,204
Premiums receivable, net	509,807,907	-	509,807,907	420,586,277	-	420,586,277
Reinsurers' balance receivable, net	75,930,979	-	75,930,979	70,535,901	-	70,535,901
Reinsurers' share of outstanding claims	438,630,990	-	438,630,990	432,328,207	-	432,328,207
Reinsurers' share of claims incurred but not reported	53,146,266	-	53,146,266	43,298,714	-	43,298,714
Reinsurers' share of unearned premiums	161,572,101	-	161,572,101	152,377,585	-	152,377,585
Deferred policy acquisition costs	19,919,989	-	19,919,989	26,919,550	-	26,919,550
Right-of-use assets	5,213,540	-	5,213,540	6,776,228	-	6,776,228
Financial assets at fair value through statement of income (unit linked investments)	530,223,682	-	530,223,682	538,113,858	-	538,113,858
Available for sale investments	144,398,733	248,478,145	392,876,878	141,316,089	244,163,411	385,479,500
Deferred tax assets, net	-	10,682,609	10,682,609	-	6,961,507	6,961,507
Property and equipment	8,335,098	-	8,335,098	8,018,780	-	8,018,780
Statutory deposit	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Accrued income on statutory deposit	-	1,571,949	1,571,949	-	1,485,295	1,485,295
Due to/from insurance operation/shareholders operation*	(31,835,128)	31,835,128	-	(19,970,113)	19,970,113	-
<b>TOTAL ASSETS</b>	<b>2,015,881,559</b>	<b>360,993,487</b>	<b>2,376,875,046</b>	<b>1,977,141,041</b>	<b>357,096,182</b>	<b>2,334,237,223</b>
<b>LIABILITIES</b>						
Accrued and other liabilities	161,854,824	594,191	162,449,015	150,041,674	443,891	150,485,565
Surplus distribution payable	15,408,703	-	15,408,703	15,687,466	-	15,687,466
Reinsurers' balances payable	256,191,588	-	256,191,588	195,599,123	-	195,599,123
Unearned premiums	374,827,370	-	374,827,370	408,698,330	-	408,698,330
Unearned reinsurance commission	4,913,056	-	4,913,056	7,347,773	-	7,347,773
Outstanding claims	515,452,688	-	515,452,688	533,066,753	-	533,066,753
Claims incurred but not reported	117,249,474	-	117,249,474	87,780,442	-	87,780,442
Lease liabilities	3,660,914	-	3,660,914	5,784,231	-	5,784,231
Premium deficiency reserve	17,255,707	-	17,255,707	11,731,333	-	11,731,333
Additional premium reserves	2,915,108	-	2,915,108	1,369,320	-	1,369,320
Unit linked liabilities	516,563,763	-	516,563,763	535,415,117	-	535,415,117
End-of-service obligations	18,605,940	-	18,605,940	16,847,898	-	16,847,898
Zakat and income tax	-	30,590,896	30,590,896	-	28,432,189	28,432,189
Accrued income payable to SAMA	-	1,571,949	1,571,949	-	1,485,295	1,485,295
<b>TOTAL LIABILITIES</b>	<b>2,004,899,135</b>	<b>32,757,036</b>	<b>2,037,656,171</b>	<b>1,969,369,460</b>	<b>30,361,375</b>	<b>1,999,730,835</b>
<b>EQUITY</b>						
Share capital	-	200,000,000	200,000,000	-	200,000,000	200,000,000
Share premium	-	22,711,315	22,711,315	-	22,711,315	22,711,315
Statutory reserve	-	20,743,607	20,743,607	-	20,743,607	20,743,607
Retained earnings	-	68,777,531	68,777,531	-	75,024,377	75,024,377
Actuarial reserve for end-of-service obligations	3,828,488	-	3,828,488	3,828,488	-	3,828,488
Fair value reserve on investments	7,153,936	16,003,998	23,157,934	3,943,093	8,255,508	12,198,601
<b>TOTAL EQUITY</b>	<b>10,982,424</b>	<b>328,236,451</b>	<b>339,218,875</b>	<b>7,771,581</b>	<b>326,734,807</b>	<b>334,506,388</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,015,881,559</b>	<b>360,993,487</b>	<b>2,376,875,046</b>	<b>1,977,141,041</b>	<b>357,096,182</b>	<b>2,334,237,223</b>

\* This item is not included in the interim statement of financial position.

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**18. Supplementary information (continued)**
**b) Interim statement of income**

	<i>SR</i>					
	<i>For the six-months period ended</i>					
	<i>June 30, 2020</i>			<i>June 30, 2019</i>		
<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	
<b>REVENUES</b>						
Gross premiums written	418,035,044	-	418,035,044	647,312,061	-	647,312,061
Reinsurance premiums ceded abroad	(166,304,151)	-	(166,304,151)	(197,275,909)	-	(197,275,909)
Reinsurance premiums ceded locally	(1,068,700)	-	(1,068,700)	(3,362,080)	-	(3,362,080)
Excess of loss expenses	(9,575,956)	-	(9,575,956)	(3,030,801)	-	(3,030,801)
Fee income from unit linked investments	594,515	-	594,515	576,345	-	576,345
<b>Net premiums written</b>	<b>241,680,752</b>	<b>-</b>	<b>241,680,752</b>	<b>444,219,616</b>	<b>-</b>	<b>444,219,616</b>
Changes in unearned premiums	33,870,960	-	33,870,960	(177,635,908)	-	(177,635,908)
Changes in reinsurers' share of unearned premiums	9,194,516	-	9,194,516	58,102,393	-	58,102,393
<b>Net premiums earned</b>	<b>284,746,228</b>	<b>-</b>	<b>284,746,228</b>	<b>324,686,101</b>	<b>-</b>	<b>324,686,101</b>
Reinsurance commissions	8,199,047	-	8,199,047	7,629,555	-	7,629,555
<b>NET REVENUES</b>	<b>292,945,275</b>	<b>-</b>	<b>292,945,275</b>	<b>332,315,656</b>	<b>-</b>	<b>332,315,656</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(204,574,090)	-	(204,574,090)	(230,074,641)	-	(230,074,641)
Surrenders and maturities	(61,604,589)	-	(61,604,589)	(78,797,838)	-	(78,797,838)
Expenses incurred related to claims	(11,855,468)	-	(11,855,468)	(14,733,106)	-	(14,733,106)
Reinsurers' share of claims paid	61,758,383	-	61,758,383	71,791,363	-	71,791,363
<b>Net claims and other benefits paid</b>	<b>(216,275,764)</b>	<b>-</b>	<b>(216,275,764)</b>	<b>(251,814,222)</b>	<b>-</b>	<b>(251,814,222)</b>
Changes in outstanding claims	17,614,065	-	17,614,065	(114,247,322)	-	(114,247,322)
Changes in reinsurers' share of outstanding claims	6,302,783	-	6,302,783	91,441,658	-	91,441,658
Change in premium deficiency reserves	(5,524,374)	-	(5,524,374)	(3,601,590)	-	(3,601,590)
Changes in additional premium reserves	(1,545,788)	-	(1,545,788)	(204,266)	-	(204,266)
Changes in claims incurred but not Reported	(29,469,032)	-	(29,469,032)	29,279,756	-	29,279,756
Changes in reinsurers' share of claim incurred but not reported	9,847,552	-	9,847,552	(3,840,815)	-	(3,840,815)
<b>Net claims and other benefits incurred</b>	<b>(219,050,558)</b>	<b>-</b>	<b>(219,050,558)</b>	<b>(252,986,801)</b>	<b>-</b>	<b>(252,986,801)</b>
Changes in unit linked liabilities	18,851,354	-	18,851,354	15,105,169	-	15,105,169
Unrealised (loss) / gain on unit linked investments	(2,172,520)	-	(2,172,520)	14,086,757	-	14,086,757
Policy acquisition costs	(31,417,244)	-	(31,417,244)	(32,160,344)	-	(32,160,344)
Inspection and supervision fees	(3,163,164)	-	(3,163,164)	(4,400,716)	-	(4,400,716)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(236,952,132)</b>	<b>-</b>	<b>(236,952,132)</b>	<b>(260,355,935)</b>	<b>-</b>	<b>(260,355,935)</b>
<b>NET UNDERWRITING INCOME</b>	<b>55,993,143</b>	<b>-</b>	<b>55,993,143</b>	<b>71,959,721</b>	<b>-</b>	<b>71,959,721</b>
<b>OTHER (EXPENSES) / INCOME</b>						
(Provision) / reversal for doubtful debts	(1,422,384)	-	(1,422,384)	180,648	-	180,648
General and administrative expenses	(68,392,990)	(538,058)	(68,931,048)	(59,235,713)	(394,840)	(59,630,553)
Investment income	2,042,056	3,688,593	5,730,649	1,766,266	3,219,121	4,985,387
Other income	4,051,424	-	4,051,424	2,192,303	-	2,192,303
<b>TOTAL OTHER EXPENSES</b>	<b>(63,721,894)</b>	<b>3,150,535</b>	<b>(60,571,359)</b>	<b>(55,096,496)</b>	<b>2,824,281</b>	<b>(52,272,215)</b>
<b>Net (loss) / income for the period before attribution and zakat and income tax</b>	<b>(7,728,751)</b>	<b>3,150,535</b>	<b>(4,578,216)</b>	<b>16,863,225</b>	<b>2,824,281</b>	<b>19,687,506</b>
Net (deficit) / surplus transferred to shareholders' Operation	7,728,751	(7,728,751)	-	(15,176,902)	15,176,902	-
Net (loss) / income for the period after shareholders' appropriations	-	(4,578,216)	(4,578,216)	1,686,323	18,001,183	19,687,506
Zakat charge for the period	-	(2,158,707)	(2,158,707)	-	(2,099,518)	(2,099,518)
Income tax credit / (charge) for the period, net	-	490,077	490,077	-	(2,126,637)	(2,126,637)
<b>Net (loss) / income attributable to the shareholders after zakat and income tax</b>	<b>-</b>	<b>(6,246,846)</b>	<b>(6,246,846)</b>	<b>1,686,323</b>	<b>13,775,028</b>	<b>15,461,351</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**18. Supplementary information (continued)**
**b) Interim statement of income (continued)**

	<i>SR</i>					
	<i>For the three-months period ended</i>					
	<i>June 30, 2020</i>			<i>June 30, 2019</i>		
<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	
<b>REVENUES</b>						
Gross premiums written	212,409,914	-	212,409,914	288,390,092	-	288,390,092
Reinsurance premiums ceded abroad	(95,309,813)	-	(95,309,813)	(130,104,250)	-	(130,104,250)
Reinsurance premiums ceded locally	(342,947)	-	(342,947)	(1,678,684)	-	(1,678,684)
Excess of loss expenses	(4,787,977)	-	(4,787,977)	(1,683,778)	-	(1,683,778)
Fee income from unit linked investments	296,175	-	296,175	286,615	-	286,615
<b>Net premiums written</b>	<b>112,265,352</b>	<b>-</b>	<b>112,265,352</b>	<b>155,209,995</b>	<b>-</b>	<b>155,209,995</b>
Changes in unearned premiums	(12,842,620)	-	(12,842,620)	(45,754,116)	-	(45,754,116)
Changes in reinsurers' share of unearned premiums	22,808,721	-	22,808,721	60,409,546	-	60,409,546
<b>Net premiums earned</b>	<b>122,231,453</b>	<b>-</b>	<b>122,231,453</b>	<b>169,865,425</b>	<b>-</b>	<b>169,865,425</b>
Reinsurance commissions	5,089,998	-	5,089,998	4,160,751	-	4,160,751
<b>NET REVENUES</b>	<b>127,321,451</b>	<b>-</b>	<b>127,321,451</b>	<b>174,026,176</b>	<b>-</b>	<b>174,026,176</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(59,037,501)	-	(59,037,501)	(99,505,142)	-	(99,505,142)
Surrenders and maturities	(36,362,357)	-	(36,362,357)	(49,572,434)	-	(49,572,434)
Expenses incurred related to claims	(3,185,351)	-	(3,185,351)	(7,243,696)	-	(7,243,696)
Reinsurers' share of claims paid	25,427,867	-	25,427,867	33,269,646	-	33,269,646
<b>Net claims and other benefits paid</b>	<b>(73,157,342)</b>	<b>-</b>	<b>(73,157,342)</b>	<b>(123,051,626)</b>	<b>-</b>	<b>(123,051,626)</b>
Changes in outstanding claims	4,691,298	-	4,691,298	(16,441,717)	-	(16,441,716)
Changes in reinsurers' share of outstanding claims	4,909,750	-	4,909,750	(5,721,652)	-	(5,721,652)
Change in premium deficiency reserves	(7,699,140)	-	(7,699,140)	(2,857,051)	-	(2,857,051)
Changes in additional premium reserves	(572,627)	-	(572,627)	(65,955)	-	(65,955)
Changes in claims incurred but not reported	(5,095,291)	-	(5,095,291)	29,616,475	-	29,616,475
Changes in reinsurers' share of claim incurred but not reported	(5,809,691)	-	(5,809,691)	(16,614,782)	-	(16,614,782)
<b>Net claims and other benefits incurred</b>	<b>(82,733,043)</b>	<b>-</b>	<b>(82,733,043)</b>	<b>(135,136,308)</b>	<b>-</b>	<b>(135,136,308)</b>
Changes in unit linked liabilities	(2,060,654)	-	(2,060,654)	7,414,320	-	7,414,320
Unrealised gain on unit linked investments	9,596,310	-	9,596,310	6,951,938	-	6,951,938
Policy acquisition costs	(13,502,588)	-	(13,502,588)	(15,965,444)	-	(15,965,444)
Inspection and supervision fees	(1,565,507)	-	(1,565,507)	(2,083,531)	-	(2,083,531)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(90,265,482)</b>	<b>-</b>	<b>(90,265,482)</b>	<b>(138,819,025)</b>	<b>-</b>	<b>(138,819,025)</b>
<b>NET UNDERWRITING INCOME</b>	<b>37,055,969</b>	<b>-</b>	<b>37,055,969</b>	<b>35,207,151</b>	<b>-</b>	<b>35,207,151</b>
<b>OTHER (EXPENSES) / INCOME</b>						
Provision for doubtful debts	(1,422,384)	-	(1,422,384)	(461,458)	-	(461,458)
General and administrative expenses	(31,711,539)	(284,893)	(31,996,432)	(31,067,049)	(182,220)	(31,249,269)
Investment income	1,021,133	1,831,354	2,852,487	829,038	1,471,881	2,300,919
Other income	3,902,407	-	3,902,407	1,593,177	-	1,593,177
<b>TOTAL OTHER EXPENSES</b>	<b>(28,210,383)</b>	<b>1,546,461</b>	<b>(26,663,922)</b>	<b>(29,106,292)</b>	<b>1,289,661</b>	<b>(27,816,631)</b>
<b>Net income for the period before attribution and zakat and income tax</b>	<b>8,845,586</b>	<b>1,546,461</b>	<b>10,392,047</b>	<b>6,100,859</b>	<b>1,289,661</b>	<b>7,390,520</b>
Net surplus transferred to shareholders' Operation	(8,845,586)	8,845,586	-	(5,490,773)	5,490,773	-
Net income for the period after shareholders' appropriations	-	10,392,047	10,392,047	610,086	6,780,434	7,390,520
Zakat charge for the period	-	(1,245,096)	(1,245,096)	-	(1,009,265)	(1,009,265)
Income tax credit / (charge) for the period, net	-	253,434	253,434	-	(867,175)	(867,175)
<b>Net income attributable to the shareholders after zakat and income tax</b>	<b>-</b>	<b>9,400,385</b>	<b>9,400,385</b>	<b>610,086</b>	<b>4,903,994</b>	<b>5,514,080</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**18. Supplementary information (continued)**

**c) Interim statement of comprehensive income**

	<b>SR</b>					
	<b>For the six-months period ended</b>					
	<b>June 30, 2020</b>			<b>June 30, 2019</b>		
<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	
Net (loss) / income for the period after zakat and income tax	-	(6,246,846)	(6,246,846)	1,686,323	13,775,028	15,461,351
<b>Other comprehensive income / (loss)</b>						
<i>Items that are or may be reclassified to statements of income in subsequent periods</i>						
Available for sale investments:						
- Net change in fair value	3,210,843	4,517,465	7,728,308	6,733,723	12,754,712	19,488,435
- Deferred tax relating to change in fair value	3,710,203	(479,178)	3,231,025	(714,946)	(1,354,219)	(2,069,165)
<b>Total comprehensive income for the period</b>	<b>6,921,046</b>	<b>(2,208,559)</b>	<b>4,712,487</b>	<b>7,705,100</b>	<b>25,175,521</b>	<b>32,880,621</b>
<b>Reconciliation:</b>						
Less: Net income attributable to insurance Operations			-			(1,686,323)
<b>Total comprehensive income for the period attributable to the shareholders</b>			<b>4,712,487</b>			<b>31,194,298</b>

	<b>SR</b>					
	<b>For the three-months period ended</b>					
	<b>June 30, 2020</b>			<b>June 30, 2019</b>		
<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Total</b>	
Net (loss) / income for the period after zakat and income tax	-	9,400,385	9,400,385	610,086	4,903,994	5,514,080
<b>Other comprehensive income / (loss)</b>						
<i>Items that are or may be reclassified to statements of income in subsequent periods</i>						
Available for sale investments:						
- Net change in fair value	8,158,578	10,921,286	19,079,864	3,578,712	6,651,020	10,229,732
- Deferred tax relating to change in fair value	3,184,882	(1,159,097)	2,025,785	(379,966)	(706,166)	(1,086,132)
<b>Total comprehensive income for the period</b>	<b>11,343,460</b>	<b>19,162,574</b>	<b>30,506,034</b>	<b>3,808,832</b>	<b>10,848,848</b>	<b>14,657,680</b>
<b>Reconciliation:</b>						
Less: Net income attributable to insurance Operations			-			(610,086)
<b>Total comprehensive income for the period attributable to the shareholders</b>			<b>30,506,034</b>			<b>14,047,594</b>

**ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY**
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

For the three-month and six-month periods ended June 30, 2020

**18. Supplementary information (continued)**
**d) Interim statement of cash flows**

	<i>SR</i>					
	<i>For the six-months period ended</i>					
	<i>Insurance operations</i>	<i>June 30, 2020 Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>June 30, 2019 Shareholders' operations</i>	<i>Total</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net (loss) / income for the period before attribution and zakat and income tax	-	(4,578,216)	(4,578,216)	1,686,323	18,001,183	19,687,506
Adjustments for non-cash items and other items:						
Depreciation of property and equipment	1,630,790	-	1,630,790	1,471,474	-	1,471,474
Amortisation of investments premium	128,199	202,731	330,930	133,014	160,793	293,807
Provision / (reversal) / of doubtful reinsurance Receivables	627,706	-	627,706	(565,006)	-	(565,006)
Gain on sale of property and equipment	-	-	-	(33,075)	-	(33,075)
Provision for doubtful receivables and write-offs	794,678	-	794,678	351,749	-	351,749
Provision for end-of-service obligations	1,854,614	-	1,854,614	2,012,858	-	2,012,858
Unrealised loss / (gain) on unit linked investments	2,172,520	-	2,172,520	(14,086,757)	-	(14,086,757)
Shareholders' appropriation from insurance operations' surplus*	(7,728,751)	7,728,751	-	15,176,902	(15,176,902)	-
	(520,244)	3,353,266	2,833,022	6,147,482	2,985,074	9,132,556
<b>Changes in operating assets and liabilities:</b>						
Reinsurers' balance receivable	(6,022,784)	-	(6,022,784)	(5,853,047)	-	(5,853,047)
Premium receivable	(90,016,308)	-	(90,016,308)	(147,469,295)	-	(147,469,295)
Reinsurers' share of unearned premiums	(9,194,516)	-	(9,194,516)	(58,102,393)	-	(58,102,393)
Reinsurers' share of outstanding claims	(6,302,783)	-	(6,302,783)	(91,441,658)	-	(91,441,658)
Reinsurers' share of claims incurred but not reported	(9,847,552)	-	(9,847,552)	3,840,815	-	3,840,815
Deferred policy acquisition costs	6,999,561	-	6,999,561	(7,574,443)	-	(7,574,443)
Right-of-use assets	1,562,688	-	1,562,688	(8,317,506)	-	(8,317,506)
Unit linked investments	5,717,656	-	5,717,656	25,660,525	-	25,660,525
Prepaid expenses and other assets	791,289	(4,243,105)	(3,451,816)	(2,847,340)	(3,681,544)	(6,528,884)
Accrued and other liabilities	11,813,150	150,300	11,963,450	13,333,421	(54,451)	13,278,970
Reinsurers' balances payable	60,592,465	-	60,592,465	108,622,297	-	108,622,297
Unearned premiums	(33,870,960)	-	(33,870,960)	177,635,908	-	177,635,908
Unearned reinsurance commission	(2,434,717)	-	(2,434,717)	(515,801)	-	(515,801)
Lease liabilities	(2,123,317)	-	(2,123,317)	5,945,272	-	5,945,272
Unit linked liabilities	(18,851,354)	-	(18,851,354)	(15,105,169)	-	(15,105,169)
Outstanding claims	(17,614,065)	-	(17,614,065)	114,247,322	-	114,247,322
Claims incurred but not reported	29,469,032	-	29,469,032	(29,279,756)	-	(29,279,756)
Premium deficiency reserves	5,524,374	-	5,524,374	3,601,590	-	3,601,590
Additional premium reserves	1,545,788	-	1,545,788	204,266	-	204,266
	(72,782,597)	(739,539)	(73,522,136)	92,732,490	(750,921)	91,981,569
End-of-service obligations paid	(96,572)	-	(96,572)	(980,619)	-	(980,619)
Surplus paid to policyholders	(278,763)	-	(278,763)	(540,970)	-	(540,970)
Zakat and income tax paid	-	-	-	-	(3,695,348)	(3,695,348)
<b>Net cash (used in) / generated from operating activities</b>	<b>(73,157,932)</b>	<b>(739,539)</b>	<b>(73,897,471)</b>	<b>91,210,901</b>	<b>(4,446,269)</b>	<b>86,764,632</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceed from sale of available for sale investments	-	-	-	5,000,000	18,687,500	23,687,500
Proceeds from sale of property and equipment	-	-	-	33,075	-	33,075
Payment for purchase of property and equipment	(1,947,108)	-	(1,947,108)	(1,978,252)	-	(1,978,252)
<b>Net cash (used in) / generated from investing activities</b>	<b>(1,947,108)</b>	<b>-</b>	<b>(1,947,108)</b>	<b>3,054,823</b>	<b>18,687,500</b>	<b>21,742,323</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>						
Due from / to (insurance operations / shareholder operations)*	19,593,766	(19,593,766)	-	(47,848,284)	47,848,284	-
<b>Net cash used in financing activity</b>	<b>19,593,766</b>	<b>(19,593,766)</b>	<b>-</b>	<b>(47,848,284)</b>	<b>47,848,284</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>(55,511,274)</b>	<b>(20,333,305)</b>	<b>(75,844,579)</b>	<b>46,417,440</b>	<b>62,089,515</b>	<b>108,506,955</b>
Cash and cash equivalents at the beginning of the period	87,046,426	61,819,191	148,865,617	47,722,503	45,412,035	93,134,538
<b>Cash and cash equivalents at the end of the Period</b>	<b>31,535,152</b>	<b>41,485,886</b>	<b>73,021,038</b>	<b>94,139,943</b>	<b>107,501,550</b>	<b>201,641,493</b>
<b>NON-CASH INFORMATION:</b>						
Change in fair value of available for sale investment	(3,210,843)	(4,517,465)	(7,728,308)	(6,733,723)	(12,754,712)	(19,488,435)
Deferred income tax	(3,710,203)	479,178	(3,231,025)	714,946	1,354,219	2,069,165

\* These items are not included in the interim statement of cash flows

For the three-month and six-month periods ended June 30, 2020

**19. Comparative figures**

Certain prior period figures have been reclassified to conform to current period presentation.

**20. Subsequent Events**

Pursuant to the approvals mentioned in Note 16, subsequent to the period ended June 30, 2020 the Company has increased its share capital through right issue with a total value of SR 400,000,000.

**21. Approval of the interim condensed financial statements**

The interim condensed financial statements have been approved by the Company's Board of Directors on 18 August 2020 (corresponding to 28 Dhu al-Hijja 1441H).