
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

**FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2022**

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and six-month periods ended 30 June 2022

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

The Shareholders
AlJazira Takaful Taawuni Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed statement of financial position of AlJazira Takaful Taawuni Company - a Saudi Joint Stock Company (the "Company") as at 30 June 2022, and the related condensed statements of income and other comprehensive income for the three-month and six-month periods then ended and the condensed statements of changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

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

for KPMG Professional Services

Nasser Ahmed Al Shutairy
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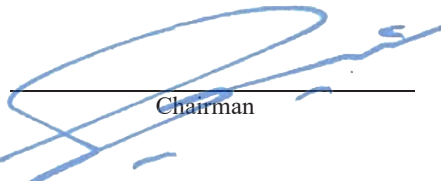



25 August 2022
Corresponding to 27 Muharram 1444H



ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

| | | 30 June 2022 (Unaudited) SAR'000 | 31 December 2021 (Audited) SAR'000 |
|--|-------|---|---|
| | Notes | | |
| ASSETS | | | |
| Cash and cash equivalents | 5 | 106,672 | 83,023 |
| Premium receivable, net | 6 | 27,154 | 20,286 |
| Due from reinsurers, net | | 1,801 | 1,385 |
| Reinsurers' share of unearned premium | 11 | 18,996 | 25,716 |
| Reinsurers' share of outstanding claims | 12 | 48,421 | 52,471 |
| Reinsurers' share of claims incurred but not reported | 12 | 17,902 | 26,924 |
| Deferred policy acquisition costs | | 2,307 | 2,686 |
| Available for sale investments held to cover unit-linked liabilities | 7 | 1,285,552 | 1,524,882 |
| Investments | 8 | 717,894 | 622,690 |
| Due from a related party | 13.2 | 1,069 | 60,788 |
| Prepayments and other assets | | 14,730 | 79,261 |
| Property and equipment | | 3,145 | 3,818 |
| Intangible assets | | 2,857 | 3,562 |
| Right of use assets | | 3,539 | 1,212 |
| Goodwill | 4 | 232,948 | 232,948 |
| Statutory deposit | 16 | 55,000 | 47,066 |
| TOTAL ASSETS | | 2,539,987 | 2,788,718 |
| LIABILITIES | | | |
| Accrued expenses and other liabilities | | 129,674 | 114,011 |
| Lease liabilities | | 2,959 | 1,190 |
| Payable to agents, policy holders and claimants | | 27,891 | 36,194 |
| Unearned reinsurance commission | | 1,508 | 632 |
| Reinsurance balances payable | | 36,096 | 34,389 |
| Unearned premium | 11 | 63,753 | 76,567 |
| Outstanding claims | 12 | 73,265 | 81,740 |
| Claims incurred but not reported | 12 | 47,569 | 62,123 |
| Premium deficiency reserve | 10.2 | 6,902 | 9,617 |
| Unit reserves | 9 | 1,291,210 | 1,526,927 |
| Mathematical reserve | 10.1 | 5,548 | 5,468 |
| Other technical reserves | 10.3 | 191 | 259 |
| Employee benefits | | 5,016 | 5,248 |
| Zakat and income tax | 14 | 2,306 | 2,182 |
| Due to a related party | 13.3 | - | 984 |
| Surplus from Insurance Operations | | 17,621 | 17,215 |
| TOTAL LIABILITIES | | 1,711,509 | 1,974,746 |
| EQUITY | | | |
| Share capital | | 550,000 | 550,000 |
| Share premium | | 197,286 | 197,286 |
| Statutory reserve | | 42,632 | 42,632 |
| Retained earnings | | 37,318 | 22,812 |
| TOTAL SHAREHOLDERS' EQUITY | | 827,236 | 812,730 |
| Remeasurement reserve of employee benefits - related to Insurance Operations | | 1,242 | 1,242 |
| TOTAL EQUITY | | 828,478 | 813,972 |
| TOTAL LIABILITIES AND EQUITY | | 2,539,987 | 2,788,718 |


Chairman


Chief Financial Officer


Managing Director


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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF INCOME (UNAUDITED)
For the three-month and six-month periods ended 30 June 2022

| | | <i>Three-month period ended 30 June</i> | | <i>Six-month period ended 30 June</i> | |
|---|--------------|---|-----------------|---|-----------------|
| | <i>Notes</i> | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| | | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| <u>REVENUE</u> | | | | | |
| Gross written premium | | 74,999 | 69,471 | 139,086 | 118,847 |
| Investible premium | | (30,496) | (30,515) | (60,481) | (62,911) |
| Reinsurance premium ceded – local | | (7,752) | (189) | (13,867) | (212) |
| Reinsurance premium ceded – foreign | | (4,223) | (11,079) | (9,164) | (14,554) |
| Excess of loss expenses | | (181) | (2,182) | (363) | (3,030) |
| Net premium written | | 32,347 | 25,506 | 55,211 | 38,140 |
| Change in unearned premium, net | | (3,121) | 37,639 | 6,092 | 58,348 |
| Net premium earned | | 29,226 | 63,145 | 61,303 | 96,488 |
| Reinsurance commission earned | | 850 | 594 | 1,628 | 873 |
| Other underwriting income | | 507 | 2,775 | 1,134 | 9,549 |
| TOTAL REVENUES | | 30,583 | 66,514 | 64,065 | 106,910 |
| <u>UNDERWRITING COSTS AND EXPENSES</u> | | | | | |
| Gross claims paid | | (16,444) | (63,598) | (46,850) | (89,060) |
| Reinsurers' share of claims paid | | 4,682 | 15,995 | 17,211 | 21,583 |
| Net claims paid | | (11,762) | (47,603) | (29,639) | (67,477) |
| Changes in outstanding claims, net | | (2,830) | (2,671) | 4,425 | (1,585) |
| Changes in claims incurred but not reported, net | | 2,118 | 1,948 | 5,532 | (4,794) |
| Net claims incurred | | (12,474) | (48,326) | (19,682) | (73,856) |
| Changes in mathematical reserve | 10.1 | (637) | 3,254 | (80) | 3,199 |
| Changes in premium deficiency reserve | 10.2 | 4,108 | 9,503 | 2,715 | 8,652 |
| Changes in other technical reserves | 10.3 | (21) | (250) | 68 | 16,739 |
| Policy acquisition costs | | (1,201) | (4,882) | (4,293) | (6,943) |
| Supervision and inspection fees | | - | - | - | (342) |
| Other direct underwriting expenses | | (2,819) | (10,904) | (6,450) | (15,888) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | | (13,044) | (51,605) | (27,722) | (68,439) |
| NET UNDERWRITING INCOME | | 17,539 | 14,909 | 36,343 | 38,471 |


Chairman

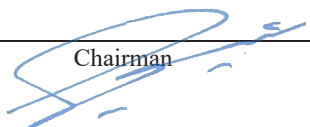

Managing Director



Chief Financial Officer

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF INCOME (UNAUDITED) (continued)
For the three-month and six-month periods ended 30 June 2022

| | Notes | Three-month period ended 30 June | | Six-month period ended 30 June | |
|--|-------|----------------------------------|----------------|--------------------------------|----------------|
| | | 2022 SR'000 | 2021 SR'000 | 2022 SR'000 | 2021 SR'000 |
| NET UNDERWRITING INCOME – B/F | | 17,539 | 14,909 | 36,343 | 38,471 |
| <u>OTHER OPERATING (EXPENSES) / INCOME</u> | | | | | |
| Impairment loss on premium receivable | 6 | (779) | (518) | (71) | (656) |
| General and administrative expenses | | (16,772) | (19,551) | (33,548) | (34,022) |
| Commission from held to maturity investments | 8.1 | 3,289 | 2,854 | 6,804 | 5,239 |
| Commission income on deposits | | - | 370 | 1 | 377 |
| Unrealized gain on FVIS investments | 8.2 | 731 | 834 | 1,894 | 1,948 |
| Realized (loss) / gain on FVIS investments | | - | (25) | 22 | 1 |
| Dividends from FVIS investments | | 120 | 30 | 158 | 61 |
| Other income | | 2,727 | 2,797 | 5,439 | 5,615 |
| TOTAL OTHER OPERATING EXPENSES, NET | | (10,684) | (13,209) | (19,301) | (21,437) |
| Income before surplus, Zakat and income tax | | 6,855 | 1,700 | 17,042 | 17,034 |
| Net (income) / loss attributed to the Insurance Operations | | (415) | 74 | (1,157) | (1,273) |
| Income for the period attributable to the Shareholders' before zakat and income tax | | 6,440 | 1,774 | 15,885 | 15,761 |
| Zakat | 14.1 | (447) | 27 | (682) | (424) |
| Income tax | 14.2 | (552) | 6 | (697) | (41) |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | | 5,441 | 1,807 | 14,506 | 15,296 |
| Weighted average number of ordinary shares outstanding (in thousands of shares) | | 55,000 | 47,066 | 55,000 | 43,044 |
| Earnings per share for the period (SR/Share) (Basic and diluted) | 15 | 0.099 | 0.038 | 0.264 | 0.355 |


Chairman


Chief Financial Officer


Managing Director

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and six-month periods ended 30 June 2022

| | <i>Three-month period ended 30 June</i> | | <i>Six-month period ended 30 June</i> | |
|---|---|---------------|---|---------------|
| | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | 5,441 | 1,807 | 14,506 | 15,296 |
| Other comprehensive income | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 5,441 | 1,807 | 14,506 | 15,296 |

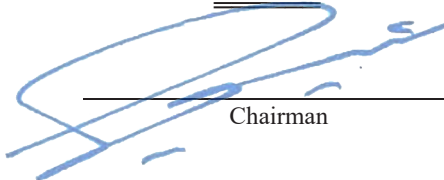



Chairman


Chief Financial Officer


Managing Director

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2022

| | <i>Shareholders' equity</i> | | | | | <i>Re-measurement reserve of employee benefits – related to insurance operations SAR'000</i> | <i>Total equity SAR'000</i> |
|--|----------------------------------|----------------------------------|--------------------------------------|--|---|--|---------------------------------|
| | <i>Share capital SAR'000</i> | <i>Share premium SAR'000</i> | <i>Statutory reserve SAR'000</i> | <i>Retained earnings SAR'000</i> | <i>Total shareholders' equity SAR'000</i> | | |
| Balance at 01 January 2022 | 550,000 | 197,286 | 42,632 | 22,812 | 812,730 | 1,242 | 813,972 |
| Net income for the period | - | - | - | 14,506 | 14,506 | - | 14,506 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | 14,506 | 14,506 | - | 14,506 |
| Balance as at 30 June 2022 (Unaudited) | 550,000 | 197,286 | 42,632 | 37,318 | 827,236 | 1,242 | 828,478 |
| Balance at 01 January 2021 | 350,000 | - | 38,348 | 85,012 | 473,360 | (412) | 472,948 |
| Net income for the period | - | - | - | 15,296 | 15,296 | - | 15,296 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | 15,296 | 15,296 | - | 15,296 |
| Issue of share capital (note 4) | 120,664 | 197,286 | - | - | 317,950 | - | 317,950 |
| Balance as at 30 June 2021 (Unaudited) | 470,664 | 197,286 | 38,348 | 100,308 | 806,606 | (412) | 806,194 |
|    | | | | | | | |
| | Chairman | | | Chief Financial Officer | | Managing Director | |

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2022

| | | 30 June 2022 SR'000 | 30 June 2021 SR'000 |
|--|-------|---------------------------|---------------------------|
| | Notes | | |
| OPERATING ACTIVITIES | | | |
| Income for the period attributable to the shareholders before Zakat and income tax | | 15,885 | 15,761 |
| Adjustments for the period: | | | |
| Net income attributed to the Insurance Operations | | 1,157 | 1,273 |
| Impairment loss on premium receivable | 6 | 71 | 656 |
| Loss on disposal of property and equipment | | - | 239 |
| Commission from held to maturity investments | 8.1 | (6,804) | (5,239) |
| Unrealized gain on FVIS investments | 8.2 | (1,894) | (1,948) |
| Realized gain on FVIS investments | | (22) | (1) |
| Dividends from FVIS investments | | (158) | (61) |
| Depreciation and amortization | | 2,277 | 2,098 |
| Finance cost of lease liabilities | | 23 | 96 |
| Employee benefits | | 785 | 660 |
| | | 11,320 | 13,534 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Premium receivable, net | | (6,868) | 300 |
| Due from reinsurers, net | | (416) | 3,022 |
| Reinsurers' share of unearned premium | | 6,720 | 11,088 |
| Unearned premium | | (12,814) | (69,436) |
| Unearned reinsurance commission | | 876 | (378) |
| Deferred policy acquisition costs | | 379 | 4,171 |
| Reinsurers' share of outstanding claims | | 4,050 | 1,526 |
| Reinsurers' share of claims incurred but not reported | | 9,022 | 1,449 |
| Available for sale investments held to cover unit-linked liabilities, net | | 239,330 | (141,526) |
| Due from related parties | | 59,719 | (7,122) |
| Due to a related party | | (984) | - |
| Prepayments and other assets | | 64,531 | 10,476 |
| Accrued expenses and other liabilities | | 15,663 | (13,336) |
| Payable to agents, policy holders and claimants | | (8,303) | 23,807 |
| Reinsurers' balances payable | | 1,707 | (1,159) |
| Outstanding claims | | (8,475) | (2,685) |
| Claims incurred but not reported | | (14,554) | 6,089 |
| Unit reserves | | (235,717) | 139,889 |
| Mathematical reserve | | 80 | (3,199) |
| Premium deficiency reserves | | (2,715) | (8,652) |
| Other technical reserves | | (68) | (16,739) |
| Cash generated from / (used in) operations | | 122,483 | (48,881) |
| Release of short-term deposit acquired as a result of business combination | 4.1 | - | 37,500 |
| Increase in statutory deposit | 16 | (7,934) | (12,066) |
| Zakat and income tax paid | 14 | (1,255) | (3,027) |
| Employee benefits paid | | (751) | (636) |
| Distribution of surplus to policyholders | | (1,017) | (260) |
| Net cash generated from / (used in) operating activities | | 111,526 | (27,370) |
| INVESTING ACTIVITIES | | | |
| Proceeds from maturity of held to maturity investments | 8.1 | 12,049 | 152,665 |
| Proceeds from disposal of FVIS investments | | 44,991 | 58,485 |
| Purchase of held to maturity investments | 8.1 | (20,000) | (50,000) |
| Purchase of FVIS investments | 8.2 | (131,000) | (228,000) |
| Commission received from held to maturity investments | 8.1 | 7,466 | 23,241 |
| Dividends from FVIS investments | | 158 | 61 |
| Cash and cash equivalents acquired through business combination | 4 | - | 140,850 |
| Purchase of property and equipment | | (470) | (232) |
| Net cash (used in) / generated from investing activities | | (86,806) | 97,070 |
| FINANCING ACTIVITIES | | | |
| Repayment of lease liabilities | | (1,071) | (1,276) |
| Net cash used in financing activities | | (1,071) | (1,276) |
| Net increase in cash and cash equivalents | | 23,649 | 68,424 |
| Cash and cash equivalents at the beginning of the period | 5 | 83,023 | 106,032 |
| Cash and cash equivalents at the end of the period | 5 | 106,672 | 174,456 |

Chairman

Chief Financial Officer

Managing Director

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 June 2022

1. GENERAL

AlJazira Takaful Taawuni Company (the "Company"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia pursuant to the Council of Ministers' resolution No. 137 dated 27 Rabi' Al-Thani 1431H (corresponding to 12 April 2010) and Royal Decree No. M/23 dated 28 Rabi' Al-Thani 1431H corresponding to 13 April 2010. The Company obtained its Commercial Registration 4030251980 on 2 Ramadan 1434H corresponding to 10 July 2013 and Ministry of Commerce and Industry's Resolution dated 24 Sha'baan 1434H corresponding to 03 July 2013. The Company operates only in the Kingdom of Saudi Arabia. The Company has the following branches and the assets, liabilities and results of operations of these branches and offices are included in these condensed interim financial statements:

| <u>Branch</u> | <u>CR Number</u> | <u>Date</u> |
|---------------|------------------|------------------------|
| Riyadh | 1010519290 | 24 Jumada Al-Awal 1440 |
| Riyadh | 1010339648 | 01 Rajab 1433 |
| Madinah | 4650081845 | 21 Rabi' Al-Awal 1438 |
| AlKhobar | 2051224259 | 24 Jumada Al-Awal 1440 |

The registered office address of the Company is:
Al Musadia Plaza (3), Al Madinah Road,
P.O. Box 5215, Jeddah 21422, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance products that include protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. On 13 Jumada al-Thani 1442H (corresponding to 26 January 2021), the Company amended its By-Laws to include the objective of practicing general insurance and health insurance business. The Company received license number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Central Bank (SAMA) to conduct insurance business. The Company is owned 97.98% by Saudi shareholders' and the general public subject to Zakat and 2.02% by non-Saudi shareholders' subject to income tax.

Further to receipt of regulatory approvals, shareholders of the Company and Solidarity Saudi Takaful Company ("Solidarity") in the Extra Ordinary General Meeting held on 13 Jumada al-Thani 1442H (corresponding to 26 January 2021) approved the proposed merger of the Company and Solidarity pursuant to Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the "CMA"). On 16 Rajab 1442 (corresponding to 28 February 2021), the Company announced the enforcement of the decision to merge Solidarity into the Company and transfer all the assets and liabilities of Solidarity to the Company after both the Company and Solidarity had fulfilled the merger terms according to the merger agreement concluded between the two companies as described in the shareholders' circular and the offering document issued by the Company. Please refer to note 4 for details.

2. BASIS OF PREPARATION

a) Basis of presentation

The condensed interim financial statements of the Company as at and for the period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA").

The condensed interim financial statements have been prepared on the historical cost basis, except for available for sale investments held to cover unit-linked liabilities and fair value through income statement (FVIS) investments that are measured at fair value and defined benefits obligations, which are recognised at the present value of future obligation using Projected Unit Credit Method. Further, the financial statements are prepared using the accrual basis of accounting and the going concern assumption.

The Company's condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, right of use assets, goodwill, statutory deposit, employee benefits, lease liabilities, outstanding claims, claims incurred but not reported, premium deficiency reserve, unit reserves, mathematical reserve, and other technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 June 2022

2. BASIS OF PREPARATION (continued)

a) Basis of presentation (continued)

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective books of accounts.

The condensed interim 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 of the Company as of and for the year ended 31 December 2021. The condensed interim financial statements may not be considered indicative of the expected results for the full year. These condensed interim financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

b) Critical judgments, accounting estimates and assumptions

The preparation of condensed interim 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.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these condensed interim financial statements, 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 2021. Management will continue to assess the situation and reflect any required changes in future reporting periods.

c) Seasonality of operations

Other than normal seasonality in the Medical Insurance Business in the Kingdom of Saudi Arabia, there are no seasonal changes that may affect the insurance operations of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Based on the adoption of amendments to existing standards and in consideration of the current economic environment, the following accounting policies are applicable effective 01 January 2022, replacing, amending, or adding to the corresponding accounting policies set out in the 2021 annual financial statements.

a) Amendments to existing accounting standards

A number of new standards and amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after 01 January 2022. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting amended standards which are described below:

| <u>Standard / Interpretation</u> | <u>Description</u> |
|----------------------------------|--|
| IAS 37 | Onerous Contracts – Cost of Fulfilling a Contracts (Amendments to IAS 37) |
| Annual Improvements | Annual Improvements to IFRS Standards 2018–2020 |
| IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) |
| IFRS 3 | Reference to the Conceptual Framework (Amendments to IFRS 3) |

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 June 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective

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

| <u>Standard / Interpretation</u> | <u>Description</u> | <u>Effective from periods beginning on or after the following date</u> |
|---|--|--|
| IAS 1 | Presentation of financial statements', on classification of liabilities as current or non-current. | 01 January 2023 |
| Narrow scope amendments to IA S 1, Practice statement 2 and IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | 01 January 2023 |
| IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction` | 01 January 2023 |
| IFRS 10 and IAS 28 | Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | Available for optional adoption / effective date deferred indefinitely |
| IFRS 17 | Insurance Contracts | See note below |
| IFRS 9 | Financial Instruments | See note below |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

Overview

This standard has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts. The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

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

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

Measurement

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

The General model is based on the following “building blocks”:

- a) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - An adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
 - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
 - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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

- Changes in the entity’s share of the fair value of underlying items,
- Changes in the effect of the time value of money and financial risks not relating to the underlying items.

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 01 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

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

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Company has completed design of IFRS 17 requirements in May 2021 and First and Second Dry Run financial statements were submitted to SAMA on 15 December 2021 and 4 June 2022 respectively. As of the date of the publication of these condensed interim financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. Following are the main areas under design phase and status of the progress made so far by the Company:

| <u>Impact Area</u> | <u>Summary of Impact</u> |
|---|---|
| Financial Impact | The Company is still assessing full financial impact along with third Dry Run submission to SAMA which is due on 30 October 2022. |
| Data Impact / IT Systems | <ul style="list-style-type: none"> ▪ Conceptual design of New chart of accounts has been developed for PAA/ GMM / VFA ▪ Actuarial and accounting data requirements have been developed at more granular level ▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM / VFA ▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment. ▪ Conceptual design for identification of key inputs for onerous contracts test as well as defining 'facts and circumstance' for PAA contracts has been developed ▪ Conceptual design for calculation and tracking of contractual service margin ▪ The company has selected system vendor to update the above through an IFRS 17 engine |
| Process Impact | <ul style="list-style-type: none"> ▪ Conceptual design for Finance, actuarial, underwriting and IT processes has been built suitable for ifrs 17 together with new set of governance framework. New controls dealing with IFRS 17 will be developed during the implementation phase ▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources ▪ Conceptual design for new accounting policies each suitable for measurement model and technical decisions have been identified for each area ▪ Monitor terms and conditions attaching to insurance contracts ▪ Conceptual design for new expense allocation process, acquisition costs, claims settlement costs and underwriting costs has been put in place to identify profitability at a contract level. ▪ System to track coverage period for future products need to be put in place |
| Impact on Policies & Control Frameworks | <ul style="list-style-type: none"> ▪ New Steering committee for IFRS 17 has been established ▪ Project plan for design and implementation has been set up at activities level |

The Company has started with their implementation process and have set up an implementation committee. The Company submitted IFRS 17 Phase 3 Implementation plan report to SAMA in May 2021 to comply with the regulatory requirement for the design phase. Further the Company is preparing to submit third dry run financial statements and results with SAMA by 30 October 2022.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments

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

Classification and measurement

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

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

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

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

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Impairment

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

Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 01 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective.

The amendments introduce two alternative options:

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after 01 January 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from 01 January 2021 to 01 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominantly connected with insurance and have not applied IFRS 9 previously; or,

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

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At 30 June 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Effective date (continued)

- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 01 January 2021 which are included below:

- 1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
- 2) The total carrying amount of the Company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities.

Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at 30 June 2022, the Company has total financial assets and insurance-related assets amounting to SAR 2,111,187 thousand (31 December 2021: SAR 1,937,676 thousand) and SAR 116,580 thousand (31 December 2021: SAR 129,468 thousand), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SAR 580,776 thousand (31 December 2021: SAR 784,474 thousand). Other financial assets consist of available for sale investments amounting to SAR 1,529,342 thousand (31 December 2021: SAR 1,524,882 thousand). The Company expects to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVOCI under IFRS 9. As at 30 June 2022, these securities are measured at a fair value of SAR 1,285,552 thousand (31 December 2021: SAR 1,524,882 thousand) with changes in fair value during the period of SAR 204,143 thousand (31 December 2021: SAR 216,905 thousand). Other financial assets have a fair value as at 30 June 2022 of SAR 243,790 thousand (31 December 2021: 155,875 thousand) with a fair value change during the period of SAR 1,894 thousand (31 December 2021: 1,340 thousand). The above is based on a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. The Company is still finalizing its assessment to measure the impact of applying and implementing IFRS 9. The Company, however, does not expect IFRS 9 to have a material impact on the classification and measurement of financial assets. The management is in the process of building non-performance risk quantification for certain reinsurance held arrangements based on the IFRS 9 ECL simplified approach.

Further, SAMA has issued instructions dated 08 February 2022, where the Company was required to submit an Operational Gap Assessment by 31 March 2022, which the Company has duly submitted on 4 April 2022. Moreover, under the same instructions, SAMA has directed insurance companies to submit the results of first dry run of IFRS 9 together with IFRS 17, which the Company has submitted during the period ended 30 June 2022.

4. BUSINESS COMBINATION

As disclosed in note 1, on 28 February 2021, the Company had completed a statutory merger with Solidarity during the year-ended 31 December 2021. Following the merger, the assets, liabilities, and all the business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company. The purchase consideration was determined to be SAR 317,950 thousand, which consisted of the issue of 12,066,403 new shares to the shareholders of Solidarity. The fair value of the newly issued shares of the Company was determined based on the closing market price of the ordinary shares of SAR 26.35 per share on the Saudi Exchange on the last trading date prior to the merger date of 28 February 2021. As a result, there was an increase in share capital and share premium of SAR 120,664 thousand and SAR 197,286 thousand, respectively during the year-ended 31 December 2021.

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At 30 June 2022

4. BUSINESS COMBINATION (CONTINUED)

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the “Standard”) with the Company being the acquirer and Solidarity being the acquiree. The Company has accounted for the merger based on fair values of the acquired assets and assumed liabilities as of 28 February 2021 (“merger date”). During the year ended 31 December 2021, the Company completed the process of allocating the purchase consideration to the identifiable assets and liabilities in accordance with the requirements of IFRS 3. Accordingly, Goodwill amounting to SAR 232,948 thousand is recognised in the statement of financial position as a net result of purchase consideration paid amounting to SAR 317,950 thousand and fair value of net assets acquired amounting to SAR 85,002 thousand (refer below).

Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired, and liabilities assumed as at 28 February 2021.

| | Insurance Operations SAR'000 | Shareholder Operations SAR'000 | Total SAR'000 |
|---|------------------------------------|--------------------------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | 48,215 | 92,635 | 140,850 |
| Short term deposits (note 4.1) | - | 37,500 | 37,500 |
| Premium receivable, net | 29,081 | - | 29,081 |
| Due from reinsurers', net | 10,962 | - | 10,962 |
| Investments | - | 98,479 | 98,479 |
| Reinsurers' share of unearned premiums | 10,231 | - | 10,231 |
| Reinsurers' share of outstanding claims | 22,968 | - | 22,968 |
| Reinsurers' share of claims incurred but not reported | 8,281 | - | 8,281 |
| Deferred policy acquisition costs | 8,818 | - | 8,818 |
| Prepayments and other assets | 28,336 | 1,413 | 29,749 |
| Right of use assets, net | 7,743 | - | 7,743 |
| Property and equipment | 4,447 | - | 4,447 |
| Due from a related party | - | 56,291 | 56,291 |
| Due from Shareholder operations | 147,218 | - | 147,218 |
| Intangible assets | 4,760 | - | 4,760 |
| TOTAL ASSETS | 331,060 | 286,318 | 617,378 |
| Liabilities | | | |
| Payable to agents, policyholders and claimants | 31,447 | - | 31,447 |
| Accrued expenses and other liabilities | 41,141 | 49,887 | 91,028 |
| Reinsurers' balances payable | 8,173 | - | 8,173 |
| Unearned premium | 106,795 | - | 106,795 |
| Unearned reinsurance commission | 1,356 | - | 1,356 |
| Outstanding claims | 53,513 | - | 53,513 |
| Claims incurred but not reported | 40,491 | - | 40,491 |
| Premium deficiency reserve | 19,244 | - | 19,244 |
| Other technical reserves | 18,544 | - | 18,544 |
| Lease liabilities | 7,407 | - | 7,407 |
| Due to insurance operations | - | 147,218 | 147,218 |
| Due to a related party | 146 | 838 | 984 |
| Employee benefits | 2,738 | - | 2,738 |
| Zakat and income tax | - | 3,398 | 3,398 |
| Surplus from insurance operations | 40 | - | 40 |
| TOTAL LIABILITIES | 331,035 | 201,341 | 532,376 |

| | |
|--|----------------|
| Purchase consideration | 317,950 |
| Fair value of Solidarity's net assets at merger date | (85,002) |
| Goodwill arising from the merger | 232,948 |

4.1 This amount represents the statutory deposit of Solidarity Saudi Takaful Company which was acquired through a business combination. During the year ended 31 December 2021, the amount was fully withdrawn upon receipt of SAMA approval.

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

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5. CASH AND CASH EQUIVALENTS

| | 30 June 2022 (Unaudited) | | | 31 December 2021 (Audited) | | |
|---------------|-----------------------------|---------------------------------|----------------|-----------------------------|---------------------------------|----------------|
| | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>Total</i> | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>Total</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| Cash in hand | - | 30 | 30 | 35 | - | 35 |
| Cash at banks | 102,521 | 4,121 | 106,642 | 77,593 | 5,395 | 82,988 |
| Total | 102,521 | 4,151 | 106,672 | 77,628 | 5,395 | 83,023 |

5.1 Cash and cash equivalents include the amount SAR 65,189 thousand (31 December 2021: SAR 39,169 thousand) held with Bank AlJazira "the founding shareholder" as at 30 June 2022.

6. PREMIUM RECEIVABLE, NET

| | 30 June 2022 (Unaudited) SAR'000 | 31 December 2021 (Audited) SAR'000 |
|-------------------------------|---|---|
| <i>Insurance Operations</i> | | |
| Policyholders | 26,008 | 27,050 |
| Brokers and agents | 6,276 | 5,886 |
| Related parties (note 13.4) | 16,824 | 9,233 |
| Gross premium receivable | 49,108 | 42,169 |
| Provision for impairment loss | (21,954) | (21,883) |
| Premium receivable, net | 27,154 | 20,286 |

Movement in provision for impairment loss during the period / year was as follows:

| | Six-month period ended 30 June 2022 SAR'000 (Unaudited) | Year ended 31 December 2021 SAR'000 (Audited) |
|--|--|--|
| Balance at beginning of the period / year | 21,883 | 202 |
| Acquired through business combination (note 4) | - | 15,505 |
| Provision during the period / year | 71 | 6,176 |
| Balance at end of the period / year | 21,954 | 21,883 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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7. AVAILABLE FOR SALE INVESTMENTS HELD TO COVER UNIT-LINKED LIABILITIES

Investment of Insurance operations comprises of units of mutual funds denominated in Saudi Arabian Riyals (SAR) and United States Dollars (USD) managed by AlJazira Capital “the founding shareholder”.

| | | 30 June 2022 (Unaudited) | 31 December 2021 (Audited) |
|--|---------------------|---|---|
| Insurance Operations | Denomination | | |
| AlJazira Saudi Riyal Murabaha Fund | SAR | 148,203 | 151,981 |
| AlJazira Diversified Aggressive Fund | SAR | 205,248 | 225,949 |
| AlJazira Diversified Balanced Fund | SAR | 62,130 | 65,262 |
| AlJazira Diversified Conservative Fund | SAR | 18,783 | 17,227 |
| AlJazira Saudi Equities Fund | SAR | 359,723 | 364,509 |
| AlJazira International Equities Fund | USD | 185,967 | 258,520 |
| AlJazira European Equities Fund | USD | 145,319 | 199,517 |
| AlJazira Japanese Equities Fund | USD | 160,179 | 241,917 |
| Total | | <u>1,285,552</u> | <u>1,524,882</u> |

The movement in the available for sale investments held to cover unit-linked liabilities during the period / year is as follows:

| | Six-month period ended 30 June 2022 (Unaudited) SAR'000 | Year ended 31 December 2021 (Audited) SAR'000 |
|---|--|--|
| Balance at the beginning of the period / year | 1,524,882 | 1,343,823 |
| Redemption during the period / year, net | (35,187) | (35,846) |
| Changes in fair value during the period / year (note 9) | (204,143) | 216,905 |
| Balance at the end of the period / year | <u>1,285,552</u> | <u>1,524,882</u> |

8. INVESTMENTS

| | 30 June 2022 (Unaudited) | | | 31 December 2021 (Audited) | | |
|---------------------------------------|---|---|--------------------------|---|---|--------------------------|
| | Insurance operations SAR'000 | Shareholders' operations SAR'000 | Total SAR'000 | Insurance operations SAR'000 | Shareholders' operations SAR'000 | Total SAR'000 |
| Held to maturity investments (8.1) | - | 474,104 | 474,104 | - | 466,815 | 466,815 |
| FVIS investments (8.2) | 100,160 | 143,630 | 243,790 | 119,459 | 36,416 | 155,875 |
| Total | <u>100,160</u> | <u>617,734</u> | <u>717,894</u> | <u>119,459</u> | <u>503,231</u> | <u>622,690</u> |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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8. INVESTMENTS (continued)

8.1 Held to maturity investments

Held to maturity investments represent Sukuk of SAR 474,104 thousand (31 December 2021: SAR 466,815 thousand) with a maturity of 12 to 30 years. The average coupon rate on Sukuk is 1.83% to 5.65% per annum (31 December 2021: 1.83% to 5.65%).

The movement in the held to maturity investments for the period / year ended 30 June 2022 and 31 December 2021 is as follows:

| | 30 June 2022 (Unaudited) | | |
|---|---|---|--------------------------|
| | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>Total SAR'000</i> |
| Balance at the beginning of the period | - | 466,815 | 466,815 |
| Placement during the period | - | 20,000 | 20,000 |
| Maturity of held to maturity investments | - | (12,049) | (12,049) |
| Commission from held to maturity investments | - | 6,804 | 6,804 |
| Commission received from held to maturity investments | - | (7,466) | (7,466) |
| Balance at the end of the period | - | 474,104 | 474,104 |

| | 31 December 2021 (Audited) | | |
|---|---|---|--------------------------|
| | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>Total SAR'000</i> |
| Balance at the beginning of the year | 16,370 | 378,978 | 395,348 |
| Acquired through business combination (note 4) | -- | 93,500 | 93,500 |
| Placements during the year | -- | 149,202 | 149,202 |
| Commission from held to maturity investments | 11 | 12,060 | 12,071 |
| Commission received from held to maturity investments | (1,381) | (30,061) | (31,442) |
| Maturity of held to maturity investments | (15,000) | (136,864) | (151,864) |
| Balance at the end of the year | -- | 466,815 | 466,815 |

8.2 FVIS investments

The fair value through income statement ("FVIS") investments represent an investment in 'AlJazira Capital' managed by a founding shareholder, amounting to SAR 237,633 thousand (31 December 2021: SAR 150,388 thousand), investment in shares of companies listed on Tadawul, amounting to SAR 4,235 thousand (31 December 2021: SAR 3,564 thousand) and investment in Najm, amounting to SAR 1,923 thousand (31 December 2021: SAR 1,923 thousand).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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8. INVESTMENTS (continued)

8.2 FVIS investments (continued)

The movement in FVIS investments for the period / year ended 30 June 2022 and 31 December 2021 is as follows:

| | <i>30 June 2022 (Unaudited)</i> | | |
|------------------------------------|---|---|--------------------------|
| | <i>Insurance operations SAR'000</i> | <i>Shareholders' Operations SAR'000</i> | <i>Total SAR'000</i> |
| Balance at beginning of the period | 119,459 | 36,416 | 155,875 |
| Purchases during the period | - | 131,000 | 131,000 |
| Disposals during the period | (19,991) | (24,988) | (44,979) |
| Unrealised gain | 692 | 1,202 | 1,894 |
| Balance at the end of the period | <u>100,160</u> | <u>143,630</u> | <u>243,790</u> |

| | <i>31 December 2021 (Audited)</i> | | |
|--|---|---|--------------------------|
| | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>Total SAR'000</i> |
| Balance at beginning of the year | 53,479 | 2,984 | 56,463 |
| Acquired through business combination (note 4) | -- | 4,979 | 4,979 |
| Purchases during the year | 89,950 | 175,000 | 264,950 |
| Disposals during the year | (24,781) | (147,076) | (171,857) |
| Unrealized gain | 811 | 529 | 1,340 |
| Balance at the end of the year | <u>119,459</u> | <u>36,416</u> | <u>155,875</u> |

9. UNIT RESERVES

| | <i>Six-month period ended 30 June 2022 (Unaudited) SAR'000</i> | <i>Year ended 31 December 2021 (Audited) SAR'000</i> |
|---|--|--|
| Balance at beginning of the period / year | 1,526,927 | 1,349,364 |
| Investible premium, net | 60,481 | 125,493 |
| Surrenders | (75,386) | (132,884) |
| Maturities | (16,669) | (31,951) |
| Change in fair value of available for sale investments (note 7) | (204,143) | 216,905 |
| Balance at the end of the period / year | <u>1,291,210</u> | <u>1,526,927</u> |

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10. MATHEMATICAL, PREMIUM DEFICIENCY AND OTHER TECHNICAL RESERVES

| | <i>Six-month period ended 30 June 2022 (Unaudited) SAR'000</i> | <i>Year ended 31 December 2021 (Audited) SAR'000</i> |
|---|--|--|
| Mathematical reserve (note 10.1) | 5,548 | 5,468 |
| Premium deficiency reserves (note 10.2) | 6,902 | 9,617 |
| Other technical reserves (note 10.3) | 191 | 259 |
| | <u>12,641</u> | <u>15,344</u> |

Mathematical, premium deficiency, and other technical reserves are created, as per the report received from the Independent Actuary.

10.1 Mathematical reserve

| | <i>Six-month period ended 30 June 2022 (Unaudited) SAR'000</i> | <i>Year ended 31 December 2021 (Audited) SAR'000</i> |
|---|--|--|
| Balance at beginning of the period / year | 5,468 | 9,160 |
| Changes in mathematical reserve, net | 80 | (3,692) |
| Balance at the end of the period / year | <u>5,548</u> | <u>5,468</u> |

10.2 Premium deficiency reserve

| | <i>Six-month period ended 30 June 2022 (Unaudited) SAR'000</i> | <i>Year ended 31 December 2021 (Audited) SAR'000</i> |
|--|--|--|
| Balance at beginning of the period / year | 9,617 | -- |
| Acquired through business combination (note 4) | -- | 19,244 |
| Changes in premium deficiency reserve | (2,715) | (9,627) |
| Balance at the end of the period / year | <u>6,902</u> | <u>9,617</u> |

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10. MATHEMATICAL AND OTHER RESERVES (continued)

10.3 Other technical reserves

| | <i>Six-month period ended 30 June 2022 (Unaudited) SAR'000</i> | <i>Year ended 31 December 2021 (Audited) SAR'000</i> |
|--|--|--|
| Balance at beginning of the period / year | 259 | 322 |
| Acquired through business combination (note 4) | - | 18,544 |
| Changes in other technical reserves, net | (68) | (18,607) |
| Balance at the end of the period / year | 191 | 259 |

11. MOVEMENT IN UNEARNED PREMIUM

| | <i>Six-month period ended 30 June 2022 (Unaudited)</i> | | | <i>Year ended 31 December 2021 (Audited)</i> | | |
|--|--|--------------------------|------------------|--|--------------------------|----------------|
| | <i>Gross</i> | <i>Reinsurers' share</i> | <i>Net</i> | <i>Gross</i> | <i>Reinsurers' share</i> | <i>Net</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| Balance at beginning of the period / year | 76,567 | (25,716) | 50,851 | 34,533 | (17,423) | 17,110 |
| Acquired through business combination (note 4) | - | - | - | 106,795 | (10,231) | 96,564 |
| Premium written / (ceded) during the period / year | 139,086 | (23,394) | 115,692 | 299,031 | (82,812) | 216,219 |
| | 215,653 | (49,110) | 166,543 | 440,359 | (110,466) | 329,893 |
| Investible premium and premium earned during the period / year | (151,900) | 30,114 | (121,786) | (363,792) | 84,750 | (279,042) |
| Balance at the end of the period / year | 63,753 | (18,996) | 44,757 | 76,567 | (25,716) | 50,851 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 June 2022

12. OUTSTANDING CLAIMS INCLUDING CLAIMS INCURRED BUT NOT REPORTED (IBNR)

| | <i>Six-month period ended 30 June 2022 (Unaudited)</i> | | | <i>Year ended 31 December 2021 (Audited)</i> | | |
|--|--|-----------------|----------------|--|-----------------|----------------|
| | <i>Reinsurers'</i> | | | <i>Reinsurers'</i> | | |
| | <i>Gross</i> | <i>share</i> | <i>Net</i> | <i>Gross</i> | <i>share</i> | <i>Net</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| At beginning of the period / year | | | | | | |
| Reported claims | 81,740 | (52,471) | 29,269 | 49,226 | (43,483) | 5,743 |
| IBNR | 62,123 | (26,924) | 35,199 | 17,835 | (15,164) | 2,671 |
| | 143,863 | (79,395) | 64,468 | 67,061 | (58,647) | 8,414 |
| Incurred during the period / year | 23,821 | (4,139) | 19,682 | 160,539 | (43,285) | 117,254 |
| Acquired through business combination (note 4) | - | - | - | 94,004 | (31,249) | 62,755 |
| (Paid) / recovered during the period / year | (46,850) | 17,211 | (29,639) | (177,741) | 53,786 | (123,955) |
| At end of the period / year | 120,834 | (66,323) | 54,511 | 143,863 | (79,395) | 64,468 |
| At end of the period / year | | | | | | |
| Reported claims | 73,265 | (48,421) | 24,844 | 81,740 | (52,471) | 29,269 |
| IBNR | 47,569 | (17,902) | 29,667 | 62,123 | (26,924) | 35,199 |
| | 120,834 | (66,323) | 54,511 | 143,863 | (79,395) | 64,468 |

13. RELATED PARTIES

The Company in the normal course of business, enters into transactions with other entities that fall within the definition of the related party contained in the International Accounting Standard (IAS) – 24. Related parties represent major shareholders', directors and key management personnel of the Company and entities controlled, jointly controlled, or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions approved by management.

13.1 In addition to the disclosures set out in notes 5, 6, 7, 8 and 16, following are the details of major related party transactions during the six-month period ended:

| <i>Related parties</i> | <i>Nature of transaction</i> | <i>Amount of transactions</i> | |
|---|---|-------------------------------------|-------------------------------------|
| | | <i>30 June 2022 SAR'000</i> | <i>30 June 2021 SAR'000</i> |
| <i>Bank AlJazira</i> | Commission earned from held to maturity | - | 41 |
| | Investment | 1 | 11 |
| | Commission income on deposits | 10,536 | 5,247 |
| | Gross written premium | 15,594 | 9,200 |
| | Claims paid | - | 373 |
| | Investment in equity shares | - | 1,510 |
| <i>AlJazira Capital</i> | Disposal of equity shares | - | - |
| | Profit earned on mutual funds | 1,245 | 1,171 |
| | Other income | 5,175 | - |
| <i>Durrah Advanced Development Company</i> | Custodian charges | 195 | - |
| | Gross written premium | 2,756 | - |
| | Gross written premium | 33 | - |
| <i>Consolidated Brother Company</i> | Commission | 3 | - |
| | | | |
| <i>Board of directors and committee Members</i> | Gross written premium | 179 | 26 |
| | Salaries, benefits and allowances, net | 2,656 | 3,248 |
| | Gross written premium | 5 | 41 |

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13.2 Amount due from a related party

13.3 Amount due to a related party

13.4 Premium receivable, net shown in condensed statement of financial position includes SAR 16,824 thousand (31 December 2021: SAR 9,233 thousand) from Bank AlJazira (the founding shareholder).

14. ZAKAT AND INCOME TAX

14.1 Zakat

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14. ZAKAT AND INCOME TAX (continued)

14.2 Income tax

| | 30 June 2022 (Unaudited) SAR'000 | 31 December 2021 (Audited) SAR'000 |
|--|---|---|
| Balance at the beginning of period / year | (656) | 145 |
| Acquired through business combination (note 4) | - | (721) |
| Income tax for the period / year | 697 | 51 |
| Income tax paid during the period / year | (502) | (131) |
| | <hr/> | <hr/> |
| Balance at the end of the period / year | (461) | (656) |
| | <hr/> | <hr/> |
| Total Zakat and income tax | 2,306 | 2,182 |
| | <hr/> | <hr/> |

Status of assessments

The Company has submitted its Zakat and income tax returns for the years 2014 to 2021 with Zakat, Tax and Customs Authority (Formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA") and obtained restricted certificates.

During 2019, ZATCA has issued initial assessments for the years 2014 through 2018, disallowing investments from the Zakat base and withholding tax liability with additional Zakat liability of SAR 41,166 thousand. The Company has filed an appeal against these initial assessments. The Preliminary Appeal Committee ("PAC") issued their decision upholding ZATCA's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee ("HAC"). The management and their independent Zakat and income tax consultant strongly believe that the Company is in a strong position with respect to the aforementioned appeal.

In addition, Solidarity has also submitted its Zakat and income tax returns for the years 2014 to 2020 with ZATCA and obtained restricted certificates. During the previous years, ZATCA has issued the following initial assessments in respect of Solidarity:

- Income tax, zakat and withholding tax for the years amounting to SAR 18.5 million;
- Zakat and income tax assessment for the years from 2013 to 2016 amounting to SAR 22.1 million;
- Withholding tax assessment for 2017 and 2018 amounting to SAR 1.9 million;
- VAT assessment for the year 2018 and for November and December 2019 amounting to SAR 2.8 million;
- Zakat assessment for the year 2017 amounting to SAR 4.2 million.

Solidarity has filed an appeal against these initial assessments and is confident of a favorable outcome. The management of the Company and their independent Zakat and income tax consultant strongly believe that Solidarity is in a strong position with respect to the aforementioned appeal.

15. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing the net income for the period by the weighted average number of ordinary shares issued and outstanding at the period / year end. Diluted earnings per share is not applicable to the Company.

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16. STATUTORY DEPOSIT

As required by the Implementation Regulations, the Company is required to deposit 10% of its paid-up capital in a bank designated by SAMA which amounted to SAR 55,000 thousand as at 30 June 2022 (31 December 2021: SAR 47,066 thousand). As a result of the bonus share issue on 30 November 2021, the Company deposited a further amount of SAR 7,934 thousand during the period ended 30 June 2022. The amount of statutory deposit cannot be withdrawn without SAMA's approval. This deposit is held with Bank AlJazira "the founding shareholder".

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

- a) 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 Company's financial assets consist of Cash and cash equivalents, premium receivable, due from reinsurers, available for sale investments held to cover unit-linked liabilities, FVIS investments, held to maturity investments, other receivables, and its financial liabilities consist of other liabilities, reinsurance balances payable, lease liabilities, due to a related party, payable to agents policy holders and claimants, and outstanding claims. The fair values of financial instruments are not materially different from their carrying values. As at 30 June 2022, apart from the investments which are carried at fair value (note 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

- b) 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 instrument (i.e., without modification or repackaging);
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

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

| | | 30 June 2022 (SAR'000) | | | | |
|--|-----------------------|-------------------------------|----------------|------------------|----------------|------------------|
| | | <u>Fair value (Unaudited)</u> | | | | |
| | <u>Carrying value</u> | <u>Amortised cost</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Financial assets measured at fair value:</u> | | | | | | |
| Available for sale investments held to cover unit-linked liabilities | 1,285,552 | - | - | 1,285,552 | - | 1,285,552 |
| Held to maturity investments | 474,104 | 474,104 | - | - | - | 474,104 |
| FVIS investments | 243,790 | - | 4,235 | 237,632 | 1,923 | 243,790 |
| Total | 2,003,446 | 474,104 | 4,235 | 1,523,184 | 1,923 | 2,003,446 |
| | | | | | | |
| | | 31 December 2021 (SAR'000) | | | | |
| | | <u>Fair value (Audited)</u> | | | | |
| | <u>Carrying value</u> | <u>Amortised cost</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Financial assets measured at fair value:</u> | | | | | | |
| Available for sale investments held to cover unit-linked liabilities | 1,524,882 | -- | -- | 1,524,882 | -- | 1,524,882 |
| Held to maturity investments | 466,815 | 466,815 | -- | -- | -- | 466,815 |
| FVIS investments | 155,875 | -- | 3,564 | 150,388 | 1,923 | 155,875 |
| Total | 2,147,572 | 466,815 | 3,564 | 1,675,270 | 1,923 | 2,147,572 |

There are no transfers between Level 1, Level 2 and Level 3 during the period / year.

18. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as Managing Director that makes strategic decisions. For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under four business units, as detailed below:

The medical segment offers comprehensive medical care to the members of organizations and their dependents on a group basis and individuals in a wide network of hospitals and medical centers throughout the Kingdom of Saudi Arabia.

The Motor Segment offers Third-Party Liability Vehicle Insurance product, which solely covers the amounts payable to third parties by the insured and a Vehicle comprehensive Insurance product, which covers all losses or damages incurred to the vehicle, including third party liability.

The general segment offers Fire and property insurance products, Marine insurance products, Engineering insurance products, Other liability insurance contracts, and others.

Life segment offers life insurance products on an individual basis, including unit-linked investment-oriented products to individuals and offers life protection programmers to the members of organizations on a group basis, and credit protection benefits in respect of personal loan given by financing organization. This segment also includes protection benefits in respect of various credit facilities other than personal loans extended by the financing organizations to its customers.

The unallocated assets and liabilities are not reported to the Chief Operating Decision Maker under related segments and are monitored on a centralized basis.

Operating segments do not include Shareholders' operations of the Company.

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18. OPERATING SEGMENT INFORMATION (continued)

| | As at 30 June 2022 (Unaudited) | | | | | |
|--|--------------------------------|---------------|---------------|------------------|---------------|------------------|
| | Medical | Motor | General | Individual Life | Group Life | Total |
| | SAR'000 | SAR'000 | SAR'000 | SAR'000 | SAR'000 | SAR'000 |
| ASSETS | | | | | | |
| Reinsurers' share of unearned premiums | - | - | 10,350 | - | 8,645 | 18,995 |
| Reinsurers' share of outstanding claims | 519 | 2,524 | 11,606 | - | 33,772 | 48,421 |
| Reinsurers' share of claims Incurred but not reported | - | - | 8,325 | - | 9,577 | 17,902 |
| Deferred policy acquisition costs | 940 | 870 | 497 | - | - | 2,307 |
| Available for sale investments held to cover unit-linked liabilities | - | - | - | 1,285,552 | - | 1,285,552 |
| Total segment assets | 1,459 | 3,394 | 30,778 | 1,285,552 | 51,994 | 1,373,177 |
| Unallocated assets | | | | | | |
| Cash and cash equivalents | | | | | | 106,672 |
| Premium receivable, net | | | | | | 27,154 |
| Due from reinsurers, net | | | | | | 1,801 |
| Investments | | | | | | 717,894 |
| Due from a related party | | | | | | 1,069 |
| Prepayments and other assets | | | | | | 14,731 |
| Property and equipment | | | | | | 3,145 |
| Intangible assets | | | | | | 2,857 |
| Right of use assets | | | | | | 3,539 |
| Goodwill | | | | | | 232,948 |
| Statutory deposit | | | | | | 55,000 |
| Total assets | | | | | | 2,539,987 |
| LIABILITIES | | | | | | |
| Unearned premium | 14,011 | 22,720 | 12,862 | - | 14,160 | 63,753 |
| Unearned reinsurance commission | - | - | 1,508 | - | - | 1,508 |
| Outstanding claims | 2,212 | 13,060 | 18,721 | - | 39,272 | 73,265 |
| Claims incurred but not reported | 9,232 | 15,772 | 10,910 | - | 11,655 | 47,569 |
| Premium deficiency reserve | 447 | 5,255 | 1,200 | - | - | 6,902 |
| Unit reserves | - | - | - | 1,291,210 | - | 1,291,210 |
| Mathematical reserve | - | - | - | 5,548 | - | 5,548 |
| Other technical reserves | - | - | - | - | 191 | 191 |
| Total segment liabilities | 25,902 | 56,807 | 45,201 | 1,296,758 | 65,278 | 1,489,946 |
| Unallocated liabilities and surplus | | | | | | |
| Reinsurance balances payable | | | | | | 36,096 |
| Accrued expenses and other liabilities | | | | | | 129,674 |
| Lease liabilities | | | | | | 2,959 |
| Payable to agents, policy holders and claimants | | | | | | 27,891 |
| Employee benefits | | | | | | 5,016 |
| Zakat and income tax | | | | | | 2,306 |
| Surplus from Insurance Operations | | | | | | 17,621 |
| TOTAL LIABILITIES | | | | | | 1,711,509 |
| EQUITY | | | | | | |
| Share capital | | | | | | 550,000 |
| Share Premium | | | | | | 197,286 |
| Statutory reserve | | | | | | 42,632 |
| Retained earnings | | | | | | 37,318 |
| TOTAL SHAREHOLDERS' EQUITY | | | | | | 827,236 |
| Remeasurement reserve of employee benefits - related to Insurance Operations | | | | | | 1,242 |
| TOTAL EQUITY | | | | | | 828,478 |
| TOTAL LIABILITIES AND EQUITY | | | | | | 2,539,987 |

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18. OPERATING SEGMENT INFORMATION (continued)

| | As at 31 December 2021 (Audited) | | | | | |
|--|----------------------------------|------------------|--------------------|-------------------------------|--------------------------|------------------|
| | Medical SAR'000 | Motor SAR'000 | General SAR'000 | Individual Life SAR'000 | Group Life SAR'000 | Total SAR'000 |
| ASSETS | | | | | | |
| Reinsurers' share of unearned premium | - | - | 5,252 | - | 20,464 | 25,716 |
| Reinsurers' share of outstanding claims | 1,883 | 1,749 | 12,710 | 3,373 | 32,756 | 52,471 |
| Reinsurers' share of claims incurred but not reported | - | - | 6,767 | - | 20,157 | 26,924 |
| Deferred policy acquisition costs | 1,737 | 426 | 523 | - | - | 2,686 |
| Available for sale investments held to cover unit-linked liabilities | - | - | - | 1,524,882 | - | 1,524,882 |
| Total segment assets | 3,620 | 2,175 | 25,252 | 1,528,255 | 73,377 | 1,632,679 |
| Unallocated assets | | | | | | |
| Cash and cash equivalents | | | | | | 83,023 |
| Premium receivable, net | | | | | | 20,286 |
| Due from reinsurers, net | | | | | | 1,385 |
| Investments | | | | | | 622,690 |
| Due from a related party | | | | | | 60,788 |
| Prepayments and other assets | | | | | | 79,261 |
| Property and equipment | | | | | | 3,818 |
| Intangible assets | | | | | | 3,562 |
| Right of use assets | | | | | | 1,212 |
| Goodwill | | | | | | 232,948 |
| Statutory deposit | | | | | | 47,066 |
| Total assets | | | | | | <u>2,788,718</u> |
| LIABILITIES | | | | | | |
| Unearned reinsurance commission | - | - | 632 | - | - | 632 |
| Unearned premium | 20,944 | 8,138 | 7,404 | - | 40,081 | 76,567 |
| Outstanding claims | 6,086 | 13,030 | 20,100 | 3,837 | 38,687 | 81,740 |
| Claims incurred but not reported | 14,751 | 14,628 | 9,146 | - | 23,598 | 62,123 |
| Premium deficiency reserve | 6,980 | 1,048 | 1,589 | - | - | 9,617 |
| Unit reserves | - | - | - | 1,526,927 | - | 1,526,927 |
| Mathematical reserve | - | - | - | 5,468 | - | 5,468 |
| Other technical reserves | - | - | - | - | 259 | 259 |
| Total segment liabilities | 48,761 | 36,844 | 38,871 | 1,536,232 | 102,625 | 1,763,333 |
| Unallocated liabilities and surplus | | | | | | |
| Reinsurance balances payable | | | | | | 34,389 |
| Accrued expenses and other liabilities | | | | | | 114,011 |
| Lease liabilities | | | | | | 1,190 |
| Payable to agents, policyholders and claimants | | | | | | 36,194 |
| Employee benefits | | | | | | 5,248 |
| Zakat and income tax | | | | | | 2,182 |
| Due to a related party | | | | | | 984 |
| Surplus from Insurance Operations | | | | | | 17,215 |
| TOTAL LIABILITIES | | | | | | <u>1,974,746</u> |
| EQUITY | | | | | | |
| Share capital | | | | | | 550,000 |
| Share Premium | | | | | | 197,286 |
| Statutory reserve | | | | | | 42,632 |
| Retained earnings | | | | | | 22,812 |
| TOTAL SHAREHOLDERS' EQUITY | | | | | | <u>812,730</u> |
| Remeasurement reserve of employee benefits - related to Insurance Operations | | | | | | 1,242 |
| TOTAL EQUITY | | | | | | <u>813,972</u> |
| TOTAL LIABILITIES AND EQUITY | | | | | | <u>2,788,718</u> |

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18. OPERATING SEGMENT INFORMATION (continued)

| | For the three-month period ended 30 June 2022 (Unaudited) | | | | | |
|--|---|-----------------|--------------|-----------------|----------------|----------------------------|
| | Medical | Motor | General | Life Individual | Life Group | Total Insurance Operations |
| | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 |
| REVENUES | | | | | | |
| Gross written premium: | | | | | | |
| Individual | - | 15,446 | - | 39,800 | - | 55,246 |
| Very Small Enterprises | 2,757 | 14 | - | - | - | 2,771 |
| Small Enterprises | 2,106 | - | - | - | - | 2,106 |
| Medium Enterprises | 2,170 | 1,594 | 9,449 | - | 35 | 13,248 |
| Corporate | 161 | 46 | - | - | 1,421 | 1,628 |
| Total gross written premium | 7,194 | 17,100 | 9,449 | 39,800 | 1,456 | 74,999 |
| Investible premium | - | - | - | (30,496) | - | (30,496) |
| Reinsurance premium ceded | | | | | | |
| Local | - | - | (7,752) | - | - | (7,752) |
| Foreign | (344) | (68) | (500) | (2,879) | (432) | (4,223) |
| Excess of loss expense | (61) | (112) | (8) | - | - | (181) |
| Net premium written | 6,789 | 16,920 | 1,189 | 6,425 | 1,024 | 32,347 |
| Change in unearned premium, net | 1,573 | (8,878) | (366) | 4,550 | - | (3,121) |
| Net premiums earned | 8,362 | 8,042 | 823 | 10,975 | 1,024 | 29,226 |
| Reinsurance commission earned | - | - | 850 | - | - | 850 |
| Other underwriting income | 227 | 18 | - | 262 | - | 507 |
| TOTAL REVENUES | 8,589 | 8,060 | 1,673 | 11,237 | 1,024 | 30,583 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (3,979) | (6,489) | (48) | (718) | (5,210) | (16,444) |
| Reinsurance share of claims paid | 319 | - | 6 | 718 | 3,639 | 4,682 |
| Net claims paid | (3,660) | (6,489) | (42) | - | (1,571) | (11,762) |
| Changes in outstanding claims, net | 700 | (2,878) | (404) | (20) | (228) | (2,830) |
| Changes in claims incurred but not reported, net | 3,758 | (802) | (373) | - | (465) | 2,118 |
| Net claims incurred | 798 | (10,169) | (819) | (20) | (2,264) | (12,474) |
| Changes in mathematical reserve | - | - | - | (637) | - | (637) |
| Changes in premium deficiency reserve | 4,300 | (516) | 324 | - | - | 4,108 |
| Change in other technical reserve | - | - | - | (21) | - | (21) |
| Policy acquisition costs | (693) | (2) | (178) | (170) | (158) | (1,201) |
| Other underwriting expenses | (1,848) | (971) | - | - | - | (2,819) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | 2,557 | (11,658) | (673) | (848) | (2,422) | (13,044) |
| NET UNDERWRITING INCOME / (LOSS) | 11,146 | (3,598) | 1,000 | 10,389 | (1,398) | 17,539 |
| OTHER OPERATING INCOME/(EXPENSES) | | | | | | |
| Allowance for doubtful receivables on premium receivable | | | | | | (779) |
| General and administrative expenses | | | | | | (16,772) |
| Commission from held to maturity investments | | | | | | 3,289 |
| Unrealized gain on FVIS investments | | | | | | 731 |
| Dividends from FVIS investments | | | | | | 120 |
| Other income | | | | | | 2,727 |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | | (10,684) |
| Income before surplus, Zakat and income tax | | | | | | 6,855 |
| Net income attributed to the Insurance Operations | | | | | | (415) |
| Income for the period attributable to the shareholders' before Zakat and income tax | | | | | | 6,440 |
| Zakat | | | | | | (447) |
| Income tax | | | | | | (552) |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS' | | | | | | 5,441 |

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18. OPERATING SEGMENT INFORMATION (continued)

| | For the three-month period ended 30 June 2021 (Unaudited) | | | | | |
|---|---|-----------------|----------------|-----------------|----------------|----------------------------|
| | Medical | Motor | General | Life Individual | Life Group | Total Insurance Operations |
| | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 |
| REVENUES | | | | | | |
| Gross written premium: | | | | | | |
| Individual | - | 4,678 | 373 | 41,435 | - | 46,486 |
| Very Small Enterprises | 1,568 | - | - | - | - | 1,568 |
| Small Enterprises | 3,890 | - | - | - | 46 | 3,936 |
| Medium Enterprises | 4,628 | 969 | 6,178 | - | 115 | 11,890 |
| Corporate | 1,024 | - | - | - | 4,567 | 5,591 |
| Total gross written premium | 11,110 | 5,647 | 6,551 | 41,435 | 4,728 | 69,471 |
| Investible premium | - | - | - | (30,515) | - | (30,515) |
| Reinsurance premium ceded | | | | | | |
| Local | - | (90) | (99) | - | - | (189) |
| Foreign | - | - | (5,274) | (2,797) | (3,008) | (11,079) |
| Excess of loss expense | (1,552) | (500) | (130) | - | - | (2,182) |
| Net premium written | 9,558 | 5,057 | 1,048 | 8,123 | 1,720 | 25,506 |
| Change in unearned premium, net | 25,508 | 6,905 | 165 | - | 5,061 | 37,639 |
| Net premiums earned | 35,066 | 11,962 | 1,213 | 8,123 | 6,781 | 63,145 |
| Reinsurance commission earned | - | - | 594 | - | - | 594 |
| Other underwriting income | 2,569 | 10 | - | - | 196 | 2,775 |
| TOTAL REVENUES | 37,635 | 11,972 | 1,807 | 8,123 | 6,977 | 66,514 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (40,120) | (15,656) | (83) | (1,801) | (5,938) | (63,598) |
| Reinsurance share of claims paid | 9,073 | 159 | 76 | 1,613 | 5,074 | 15,995 |
| Net claims paid | (31,047) | (15,497) | (7) | (188) | (864) | (47,603) |
| Changes in outstanding claims, net | (1,975) | 396 | (254) | 24 | (862) | (2,671) |
| Changes in claims incurred but not reported, net | 6,491 | (3,600) | (1,015) | - | 72 | 1,948 |
| Net claims incurred | (26,531) | (18,701) | (1,276) | (164) | (1,654) | (48,326) |
| Changes in mathematical reserve | - | - | - | 3,254 | - | 3,254 |
| Changes in premium deficiency reserve | 8,014 | 1,915 | (290) | - | (136) | 9,503 |
| Change in other technical reserve | (250) | - | - | - | - | (250) |
| Policy acquisition costs | (3,444) | (475) | (577) | (218) | (168) | (4,882) |
| Supervision and inspection fees | - | - | - | - | - | - |
| Other underwriting expenses | (6,335) | (4,041) | (382) | - | (146) | (10,904) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (28,546) | (21,302) | (2,525) | 2,872 | (2,104) | (51,605) |
| NET UNDERWRITING INCOME / (LOSS) | 9,089 | (9,330) | (718) | 10,995 | 4,873 | 14,909 |
| OTHER OPERATING INCOME/(EXPENSES) | | | | | | |
| Impairment loss on premium receivable | | | | | | (518) |
| General and administrative expenses | | | | | | (19,551) |
| Commission from held to maturity investments | | | | | | 2,854 |
| Commission income on deposits | | | | | | 370 |
| Unrealized gain on FVIS investments | | | | | | 834 |
| Realized loss on FVIS investments | | | | | | (25) |
| Dividends from FVIS investments | | | | | | 30 |
| Other income | | | | | | 2,797 |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | | (13,209) |
| Income before surplus, Zakat and income tax | | | | | | 1,700 |
| Net loss attributed to the Insurance Operations | | | | | | 74 |
| Income for the period attributable to the shareholders' before Zakat and income tax | | | | | | 1,774 |
| Zakat | | | | | | 27 |
| Income tax | | | | | | 6 |
| NET INCOME FOR THE PERIOD | | | | | | 1,807 |
| ATTRIBUTABLE TO THE SHAREHOLDERS' | | | | | | 1,807 |

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18. OPERATING SEGMENT INFORMATION (continued)

| | For the six-month period ended 30 June 2022 (Unaudited) | | | | | Total Insurance Operations SR'000 |
|--|---|-----------------|--------------|-----------------|----------------|--------------------------------------|
| | Medical | Motor | General | Life Individual | Life Group | |
| | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 |
| REVENUES | | | | | | |
| Gross written premium: | | | | | | |
| Individual | - | 24,896 | 123 | 80,104 | - | 105,123 |
| Very Small Enterprises | 3,490 | (1,299) | - | - | - | 2,191 |
| Small Enterprises | 3,664 | - | - | - | - | 3,664 |
| Medium Enterprises | 4,571 | 3,765 | 16,646 | - | 68 | 25,050 |
| Corporate | 461 | 1,359 | - | - | 1,238 | 3,058 |
| Total gross written premium | 12,186 | 28,721 | 16,769 | 80,104 | 1,306 | 139,086 |
| Less Investible premium | - | - | - | (60,481) | - | (60,481) |
| Reinsurance premium ceded: | | | | | | |
| Local | - | - | (13,867) | - | - | (13,867) |
| Foreign | (688) | (136) | (1,103) | (5,735) | (1,502) | (9,164) |
| Excess of loss expenses | (122) | (225) | (16) | - | - | (363) |
| Net premium written | 11,376 | 28,360 | 1,783 | 13,888 | (196) | 55,211 |
| Change in unearned premium, net | 6,933 | (14,582) | (360) | - | 14,101 | 6,092 |
| Net premiums earned | 18,309 | 13,778 | 1,423 | 13,888 | 13,905 | 61,303 |
| Reinsurance commission earned | - | - | 1,628 | - | - | 1,628 |
| Other underwriting income / (loss) | 560 | 31 | 1 | 542 | - | 1,134 |
| TOTAL REVENUES | 18,869 | 13,809 | 3,052 | 14,430 | 13,905 | 64,065 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (15,079) | (14,025) | (312) | (1,158) | (16,276) | (46,850) |
| Reinsurers' share of claims paid | 2,160 | 915 | 261 | 1,065 | 12,810 | 17,211 |
| Net claims paid | (12,919) | (13,110) | (51) | (93) | (3,466) | (29,639) |
| Changes in outstanding claims, net | 2,510 | 746 | 276 | (39) | 932 | 4,425 |
| Changes in claims incurred but not reported, net | 5,518 | (1,143) | (206) | - | 1,363 | 5,532 |
| Net claims incurred | (4,891) | (13,507) | 19 | (132) | (1,171) | (19,682) |
| Changes in mathematical reserve | - | - | - | (80) | - | (80) |
| Changes in premium deficiency reserve | 6,533 | (4,206) | 388 | - | - | 2,715 |
| Change in other technical reserve | - | - | 68 | - | - | 68 |
| Policy acquisition costs | (1,480) | (1,377) | (733) | (357) | (346) | (4,293) |
| Supervision and inspection fees | - | - | - | - | - | - |
| Other underwriting expenses | (5,502) | (948) | - | - | - | (6,450) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (5,340) | (20,038) | (258) | (569) | (1,517) | (27,722) |
| NET UNDERWRITING INCOME / (LOSS) | 13,529 | (6,229) | 2,794 | 13,861 | 12,388 | 36,343 |
| OTHER OPERATING INCOME/(EXPENSES) | | | | | | |
| Impairment loss on premium receivable | | | | | | (71) |
| General and administrative expenses | | | | | | (33,548) |
| Commission from held to maturity Investments | | | | | | 6,804 |
| Commission income on deposits | | | | | | 1 |
| Unrealized gain on FVIS investments | | | | | | 1,894 |
| Realized gain on FVIS investments | | | | | | 22 |
| Dividends from FVIS investments | | | | | | 158 |
| Other income | | | | | | 5,439 |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | | (19,301) |
| Income before surplus, Zakat and income tax | | | | | | 17,042 |
| Net income attributed to the Insurance Operations | | | | | | (1,157) |
| Income for the period attributable to the shareholders' before zakat and income tax | | | | | | 15,885 |
| Zakat | | | | | | (682) |
| Income tax | | | | | | (697) |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS' | | | | | | 14,506 |

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18. OPERATING SEGMENT INFORMATION (continued)

| | For the six-month period ended 30 June 2021 (Unaudited) | | | | | |
|---|---|-----------------|----------------|-----------------|----------------|----------------------------|
| | Medical | Motor | General | Life Individual | Life Group | Total Insurance Operations |
| | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 |
| REVENUES | | | | | | |
| Gross written premium: | | | | | | |
| Individual | - | 5,465 | 434 | 84,579 | - | 90,478 |
| Very Small Enterprises | 2,234 | - | - | - | - | 2,234 |
| Small Enterprises | 5,270 | - | - | - | 61 | 5,331 |
| Medium Enterprises | 5,656 | 1,299 | 6,232 | - | 145 | 13,332 |
| Corporate | 1,673 | - | - | - | 5,799 | 7,472 |
| Total gross written premium | 14,833 | 6,764 | 6,666 | 84,579 | 6,005 | 118,847 |
| Less Investible premium | - | - | - | (62,911) | - | (62,911) |
| Reinsurance premium ceded: | | | | | | |
| Local | (19) | (94) | (99) | - | - | (212) |
| Foreign | 20 | 94 | (5,626) | (5,539) | (3,503) | (14,554) |
| Excess of loss expenses | (2,070) | (786) | (174) | - | - | (3,030) |
| Net premium written | 12,764 | 5,978 | 767 | 16,129 | 2,502 | 38,140 |
| Change in unearned premium, net | 35,896 | 11,697 | 407 | - | 10,348 | 58,348 |
| Net premiums earned | 48,660 | 17,675 | 1,174 | 16,129 | 12,850 | 96,488 |
| Reinsurance commission earned | - | - | 873 | - | - | 873 |
| Other underwriting income / (loss) | 3,400 | - | - | 6,149 | - | 9,549 |
| TOTAL REVENUES | 52,060 | 17,675 | 2,047 | 22,278 | 12,850 | 106,910 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (52,870) | (23,719) | (92) | (2,101) | (10,278) | (89,060) |
| Reinsurers' share of claims paid | 10,813 | 196 | 76 | 1,913 | 8,585 | 21,583 |
| Net claims paid | (42,057) | (23,523) | (16) | (188) | (1,693) | (67,477) |
| Changes in outstanding claims, net | (1,475) | 979 | (237) | (80) | (772) | (1,585) |
| Changes in claims incurred but not reported, net | 11,194 | (16,355) | 420 | - | (53) | (4,794) |
| Net claims incurred | (32,338) | (38,899) | 167 | (268) | (2,518) | (73,856) |
| Changes in mathematical reserve | - | - | - | 3,199 | - | 3,199 |
| Changes in premium deficiency reserve | (29) | 10,243 | (1,120) | - | (442) | 8,652 |
| Change in other technical reserve | 16,769 | - | - | - | (30) | 16,739 |
| Policy acquisition costs | (4,455) | (647) | (790) | (792) | (259) | (6,943) |
| Supervision and inspection fees | (114) | (5) | (1) | (191) | (31) | (342) |
| Other underwriting expenses | (10,634) | (4,688) | (383) | - | (183) | (15,888) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (30,801) | (33,996) | (2,127) | 1,948 | (3,463) | (68,439) |
| NET UNDERWRITING INCOME / (LOSS) | 21,259 | (16,321) | (80) | 24,226 | 9,387 | 38,471 |
| OTHER OPERATING INCOME/(EXPENSES) | | | | | | |
| Impairment loss on premium receivable | | | | | | (656) |
| General and administrative expenses | | | | | | (34,022) |
| Commission from held to maturity Investments | | | | | | 5,239 |
| Commission income on deposits | | | | | | 377 |
| Unrealized gain on FVIS investments | | | | | | 1,948 |
| Realized gain on FVIS investments | | | | | | 1 |
| Dividends from FVIS investments | | | | | | 61 |
| Other income | | | | | | 5,615 |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | | (21,437) |
| Income before surplus, Zakat and income tax | | | | | | 17,034 |
| Net income attributed to the Insurance Operations | | | | | | (1,273) |
| Income for the period attributable to the shareholders' before zakat and income tax | | | | | | 15,761 |
| Zakat | | | | | | (424) |
| Income tax | | | | | | (41) |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS' | | | | | | 15,296 |

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19. SUPPLEMENTARY INFORMATION

a) CONDENSED STATEMENT OF FINANCIAL POSITION

| | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>30 June 2022 (Unaudited) SAR'000</i> | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>31 December 2021 (Audited) SAR'000</i> |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | 102,521 | 4,151 | 106,672 | 77,628 | 5,395 | 83,023 |
| Premium receivable, net | 27,154 | - | 27,154 | 20,286 | - | 20,286 |
| Due from reinsurers, net | 1,801 | - | 1,801 | 1,385 | - | 1,385 |
| Reinsurers' share of unearned premium | 18,996 | - | 18,996 | 25,716 | - | 25,716 |
| Reinsurers' share of outstanding claims | 48,421 | - | 48,421 | 52,471 | - | 52,471 |
| Reinsurers' share of claims incurred but not reported | 17,902 | - | 17,902 | 26,924 | - | 26,924 |
| Deferred policy acquisition costs | 2,307 | - | 2,307 | 2,686 | - | 2,686 |
| Available for sale investments held to cover unit-linked liabilities | 1,285,552 | - | 1,285,552 | 1,524,882 | - | 1,524,882 |
| Investments | 100,160 | 617,734 | 717,894 | 119,459 | 503,231 | 622,690 |
| Due from a related party | - | 1,069 | 1,069 | - | 60,788 | 60,788 |
| Prepayments and other assets | 9,578 | 5,152 | 14,730 | 23,105 | 56,156 | 79,261 |
| Property and equipment | 3,145 | - | 3,145 | 3,818 | - | 3,818 |
| Intangible assets | 2,857 | - | 2,857 | 3,562 | - | 3,562 |
| Right of use assets | 3,539 | - | 3,539 | 1,212 | - | 1,212 |
| Goodwill | - | 232,948 | 232,948 | - | 232,948 | 232,948 |
| Statutory deposit | - | 55,000 | 55,000 | - | 47,066 | 47,066 |
| Due from Shareholder / Insurance operations | 24,566 | - | 24,566 | 33,478 | - | 33,478 |
| | 1,648,500 | 916,053 | 2,564,553 | 1,916,612 | 905,584 | 2,822,196 |
| Less: Inter-operations eliminations | (24,566) | - | (24,566) | (33,478) | - | (33,478) |
| TOTAL ASSETS | 1,623,934 | 916,053 | 2,539,987 | 1,883,134 | 905,584 | 2,788,718 |
| LIABILITIES | | | | | | |
| Accrued expenses and other liabilities | 67,729 | 61,945 | 129,674 | 57,655 | 56,356 | 114,011 |
| Lease liabilities | 2,959 | - | 2,959 | 1,190 | - | 1,190 |
| Due to agents and third-party service providers | 27,891 | - | 27,891 | 36,194 | - | 36,194 |
| Unearned reinsurance commission | 1,508 | - | 1,508 | 632 | - | 632 |
| Reinsurance balances payable | 36,096 | - | 36,096 | 34,389 | - | 34,389 |
| Unearned premium | 63,753 | - | 63,753 | 76,567 | - | 76,567 |
| Outstanding claims | 73,265 | - | 73,265 | 81,740 | - | 81,740 |
| Claims incurred but not reported | 47,569 | - | 47,569 | 62,123 | - | 62,123 |
| Premium Deficiency Reserve | 6,902 | - | 6,902 | 9,617 | - | 9,617 |
| Unit reserves | 1,291,210 | - | 1,291,210 | 1,526,927 | - | 1,526,927 |
| Mathematical reserve | 5,548 | - | 5,548 | 5,468 | - | 5,468 |
| Other technical reserves | 191 | - | 191 | 259 | - | 259 |
| Employee benefits | 5,016 | - | 5,016 | 5,248 | - | 5,248 |
| Zakat and income tax | - | 2,306 | 2,306 | - | 2,182 | 2,182 |
| Due to a related party | - | - | - | 146 | 838 | 984 |
| Surplus from Insurance Operations | 17,621 | - | 17,621 | 17,215 | - | 17,215 |
| Due to Shareholders' / insurance operations | - | 24,566 | 24,566 | - | 33,478 | 33,478 |
| | 1,647,258 | 88,817 | 1,736,075 | 1,915,370 | 92,854 | 2,008,224 |
| Less: Inter-operations eliminations | - | (24,566) | (24,566) | - | (33,478) | (33,478) |
| TOTAL LIABILITIES | 1,647,258 | 64,251 | 1,711,509 | 1,915,370 | 59,376 | 1,974,746 |
| EQUITY | | | | | | |
| Share capital | - | 550,000 | 550,000 | - | 550,000 | 550,000 |
| Share Premium | - | 197,286 | 197,286 | - | 197,286 | 197,286 |
| Statutory reserve | - | 42,632 | 42,632 | - | 42,632 | 42,632 |
| Retained earnings | - | 37,318 | 37,318 | - | 22,812 | 22,812 |
| Re-measurement reserve of employee benefits – related to Insurance Operations | 1,242 | - | 1,242 | 1,242 | - | 1,242 |
| TOTAL EQUITY | 1,242 | 827,236 | 828,478 | 1,242 | 812,730 | 813,972 |
| TOTAL LIABILITIES AND EQUITY | 1,648,500 | 891,487 | 2,539,987 | 1,916,612 | 872,106 | 2,788,718 |

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19. SUPPLEMENTARY INFORMATION (continued)

b) CONDENSED STATEMENT OF INCOME

| | <i>Three-month period ended 30 June (Unaudited)</i> | | | | | |
|--|---|---------------------------------|-----------------|-----------------------------|---------------------------------|-----------------|
| | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2022</i> | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| REVENUE | | | | | | |
| Gross written premium | 74,999 | - | 74,999 | 69,471 | - | 69,471 |
| Investible premium | (30,496) | - | (30,496) | (30,515) | - | (30,515) |
| Reinsurance premium ceded: | | | | | | |
| Local | (7,752) | - | (7,752) | (189) | - | (189) |
| Foreign | (4,223) | - | (4,223) | (11,079) | - | (11,079) |
| Excess of loss expenses | (181) | - | (181) | (2,182) | - | (2,182) |
| Net premium written | 32,347 | - | 32,347 | 25,506 | - | 25,506 |
| Changes in unearned premium, net | (3,121) | - | (3,121) | 37,639 | - | 37,639 |
| Net premium earned | 29,226 | - | 29,226 | 63,145 | - | 63,145 |
| Reinsurance premium earned | 850 | - | 850 | 594 | - | 594 |
| Other underwriting income | 507 | - | 507 | 2,775 | - | 2,775 |
| TOTAL REVENUES | 30,583 | - | 30,583 | 66,514 | - | 66,514 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (16,444) | - | (16,444) | (63,598) | - | (63,598) |
| Reinsurers' share of claims paid | 4,682 | - | 4,682 | 15,995 | - | 15,995 |
| Net claims paid | (11,762) | - | (11,762) | (47,603) | - | (47,603) |
| Changes in outstanding claims, net | (2,830) | - | (2,830) | (2,671) | - | (2,671) |
| Changes in claims incurred but not reported, net | 2,118 | - | 2,118 | 1,948 | - | 1,948 |
| Net claims incurred | (12,474) | - | (12,474) | (48,326) | - | (48,326) |
| Changes in mathematical reserve | (637) | - | (637) | 3,254 | - | 3,254 |
| Changes in Premium deficiency reserves | 4,108 | - | 4,108 | 9,503 | - | 9,503 |
| Changes in other technical reserves | (21) | - | (21) | (250) | - | (250) |
| Policy acquisition costs | (1,201) | - | (1,201) | (4,882) | - | (4,882) |
| Supervision and inspection fees | - | - | - | - | - | - |
| Other direct underwriting expenses | (2,819) | - | (2,819) | (10,904) | - | (10,904) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (13,044) | - | (13,044) | (51,605) | - | (51,605) |
| NET UNDERWRITING INCOME | 17,539 | - | 17,539 | 14,909 | - | 14,909 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | |
| Impairment loss on premium receivable | (779) | - | (779) | (518) | - | (518) |
| General and administrative expenses | (15,746) | (1,026) | (16,772) | (18,189) | (1,362) | (19,551) |
| Commission from held to maturity Investments | - | 3,289 | 3,289 | 2 | 2,852 | 2,854 |
| Commission income on deposits | - | - | - | 1 | 369 | 370 |
| Unrealized gain / (loss) on FVIS investments | 402 | 329 | 731 | 291 | 543 | 834 |
| Realised gain / (loss) on FVIS investments | - | - | - | 1 | (26) | (25) |
| Dividends from FVIS investments | - | 120 | 120 | - | 30 | 30 |
| Other income | 2,733 | (6) | 2,727 | 2,766 | 31 | 2,797 |
| TOTAL OTHER OPERATING (EXPENSES)/ INCOME | (13,390) | 2,706 | (10,684) | (15,646) | 2,437 | (13,209) |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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19. SUPPLEMENTARY INFORMATION (continued)

b) CONDENSED STATEMENT OF INCOME (continued)

| | <i>Three-month period ended 30 June (Unaudited)</i> | | | | | |
|---|---|--|------------------------------|--|--|------------------------------|
| | <i>Insurance operations</i> <i>SR'000</i> | <i>Shareholders' operations</i> <i>SR'000</i> | <i>2022</i> <i>SR'000</i> | <i>Insurance operations</i> <i>SR'000</i> | <i>Shareholders' operations</i> <i>SR'000</i> | <i>2021</i> <i>SR'000</i> |
| NET (DEFICIT) / SURPLUS FROM OPERATIONS | 4,149 | 2,706 | 6,855 | (737) | 2,437 | 1,700 |
| Surplus transferred to Shareholders' | (3,734) | 3,734 | - | 663 | (663) | - |
| NET (LOSS) / INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX | 415 | 6,440 | 6,855 | (74) | 1,774 | 1,700 |
| Zakat | - | (447) | (447) | - | 27 | 27 |
| Income tax | - | (552) | (552) | - | 6 | 6 |
| NET (LOSS) / INCOME FOR THE PERIOD | 415 | 5,441 | 5,856 | (74) | 1,807 | 1,733 |
| Weighted average number of ordinary shares outstanding (in thousands) | - | 55,000 | - | - | 47,066 | - |
| Basic and diluted earnings per share for the period (SR) | - | 0.099 | - | - | 0.038 | - |

c) CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

| | <i>Three-month period ended 30 June (Unaudited)</i> | | | | | |
|---|---|--|------------------------------|--|--|------------------------------|
| | <i>Insurance operations</i> <i>SR'000</i> | <i>Shareholders' operations</i> <i>SR'000</i> | <i>2022</i> <i>SR'000</i> | <i>Insurance operations</i> <i>SR'000</i> | <i>Shareholders' operations</i> <i>SR'000</i> | <i>2021</i> <i>SR'000</i> |
| NET (LOSS) / INCOME FOR THE PERIOD | 415 | 5,441 | 5,856 | (74) | 1,807 | 1,733 |
| Other comprehensive income | - | - | - | - | - | - |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD | 415 | 5,441 | 5,856 | (74) | 1,807 | 1,733 |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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At 30 June 2022

19. SUPPLEMENTARY INFORMATION (continued)

d) CONDENSED STATEMENT OF INCOME

| | <i>Six-month period ended 30 June (Unaudited)</i> | | | | | |
|--|---|---------------------------------|-----------------|-----------------------------|---------------------------------|-----------------|
| | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2022</i> | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| REVENUE | | | | | | |
| Gross written premium | 139,086 | - | 139,086 | 118,847 | - | 118,847 |
| Investible premium | (60,481) | - | (60,481) | (62,911) | - | (62,911) |
| Reinsurance Premium ceded: | | | | | | |
| Local | (13,867) | - | (13,867) | (212) | - | (212) |
| Foreign | (9,164) | - | (9,164) | (14,554) | - | (14,554) |
| Excess of loss expense | (363) | - | (363) | (3,030) | - | (3,030) |
| Net premium written | 55,211 | - | 55,211 | 38,140 | - | 38,140 |
| Changes in unearned premium, net | 6,092 | - | 6,092 | 58,348 | - | 58,348 |
| Net premium earned | 61,303 | - | 61,303 | 96,488 | - | 96,488 |
| Reinsurance commission earned | 1,628 | - | 1,628 | 873 | - | 873 |
| Other underwriting income | 1,134 | - | 1,134 | 9,549 | - | 9,549 |
| TOTAL REVENUES | 64,065 | - | 64,065 | 106,910 | - | 106,910 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (46,850) | - | (46,850) | (89,060) | - | (89,060) |
| Reinsurers' share of claims paid | 17,211 | - | 17,211 | 21,583 | - | 21,583 |
| Net claims paid | (29,639) | - | (29,639) | (67,477) | - | (67,477) |
| Changes in outstanding claims, net | 4,425 | - | 4,425 | (1,585) | - | (1,585) |
| Changes in claims incurred but not reported, net | 5,532 | - | 5,532 | (4,794) | - | (4,794) |
| Net claims incurred | (19,682) | - | (19,682) | (73,856) | - | (73,856) |
| Changes in mathematical reserve | (80) | - | (80) | 3,199 | - | 3,199 |
| Changes in premium deficiency reserves | 2,715 | - | 2,715 | 8,652 | - | 8,652 |
| Changes in other technical reserves | 68 | - | 68 | 16,739 | - | 16,739 |
| Policy acquisition costs | (4,293) | - | (4,293) | (6,943) | - | (6,943) |
| Supervision and inspection fees | - | - | - | (342) | - | (342) |
| Other direct underwriting expenses | (6,450) | - | (6,450) | (15,888) | - | (15,888) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (27,722) | - | (27,722) | (68,439) | - | (68,439) |
| NET UNDERWRITING INCOME | 36,343 | - | 36,343 | 38,471 | - | 38,471 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | |
| Impairment loss on premium receivable | (71) | - | (71) | (656) | - | (656) |
| General and administrative expenses | (30,843) | (2,705) | (33,548) | (31,234) | (2,788) | (34,022) |
| Commission from held to maturity Investments | - | 6804 | 6,804 | 10 | 5,229 | 5,239 |
| Commission income on deposits | 1 | - | 1 | 6 | 371 | 377 |
| Unrealised gain on FVIS investments | 693 | 1,201 | 1,894 | 568 | 1,380 | 1,948 |
| Realised gain on FVIS investments | 9 | 13 | 22 | 1 | - | 1 |
| Dividends from FVIS investments | - | 158 | 158 | - | 61 | 61 |
| Other income | 5,439 | - | 5,439 | 5,567 | 48 | 5,615 |
| TOTAL OTHER OPERATING (EXPENSES) / INCOME | (24,772) | 5,471 | (19,301) | (25,738) | 4,301 | (21,437) |

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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19. SUPPLEMENTARY INFORMATION (continued)

d) CONDENSED STATEMENT OF INCOME (continued)

| | <i>Six-month period ended 30 June (Unaudited)</i> | | | | | |
|---|---|---------------------------------|---------------|-----------------------------|---------------------------------|---------------|
| | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2022</i> | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| NET SURPLUS FROM OPERATIONS | 11,571 | 5,471 | 17,042 | 12,733 | 4,301 | 17,034 |
| Surplus transferred to Shareholders' | (10,414) | 10,414 | - | (11,460) | 11,460 | - |
| NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX | 1,157 | 15,885 | 17,042 | 1,273 | 15,761 | 17,034 |
| Zakat | - | (682) | (682) | - | (424) | (424) |
| Income tax | - | (697) | (697) | - | (41) | (41) |
| NET INCOME FOR THE PERIOD | 1,157 | 14,506 | 15,663 | 1,273 | 15,296 | 16,569 |
| Weighted average number of ordinary shares outstanding (in thousands) | - | 55,000 | - | - | 43,044 | - |
| Basic and diluted earnings per share for the period (SR) | - | 0.264 | - | - | 0.355 | - |

e) CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

| | <i>Six-month period ended 30 June (Unaudited)</i> | | | | | |
|--|---|---------------------------------|---------------|-----------------------------|---------------------------------|---------------|
| | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2022</i> | <i>Insurance operations</i> | <i>Shareholders' operations</i> | <i>2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| NET INCOME FOR THE PERIOD | 1,157 | 14,506 | 15,663 | 1,273 | 15,296 | 16,569 |
| Other comprehensive income | - | - | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 1,157 | 14,506 | 15,663 | 1,273 | 15,296 | 16,569 |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 June 2022

19. SUPPLEMENTARY INFORMATION (continued)
f) CONDENSED STATEMENT OF CASH FLOWS

| | <i>Six-month period ended 30 June (Unaudited)</i> | | | | | |
|---|---|--|------------------------------|--|--|------------------------------|
| | <i>Insurance operations</i> <i>SR'000</i> | <i>Shareholders' operations</i> <i>SR'000</i> | <i>2022</i> <i>SR'000</i> | <i>Insurance operations</i> <i>SR'000</i> | <i>Shareholders' operations</i> <i>SR'000</i> | <i>2021</i> <i>SR'000</i> |
| OPERATING ACTIVITIES | | | | | | |
| Net income for the period before Zakat and income tax | 1,157 | 15,885 | 17,042 | 1,273 | 15,761 | 17,034 |
| Adjustments for non-cash items: | | | | | | |
| Impairment loss on premium receivable | 71 | - | 71 | 656 | - | 656 |
| Loss on disposal of property and equipment | - | - | - | 239 | - | 239 |
| Commission from held to maturity investments | - | (6804) | (6,804) | (10) | (5,229) | (5,239) |
| Unrealized gain on FVIS investments | (693) | (1,201) | (1,894) | (568) | (1,380) | (1,948) |
| Realized gain on FVIS investments | (9) | (13) | (22) | (1) | - | (1) |
| Dividends from FVIS investments | - | (158) | (158) | - | (61) | (61) |
| Depreciation and amortization | 2,277 | - | 2,277 | 2,098 | - | 2,098 |
| Finance cost of lease liabilities | 23 | - | 23 | 96 | - | 96 |
| Employee benefits | 785 | - | 785 | 660 | - | 660 |
| | 3,611 | 7,709 | 11,320 | 4,443 | 9,091 | 13,534 |
| <i>Changes in operating assets and liabilities:</i> | | | | | | |
| Premium receivable, net | (6,868) | - | (6,868) | 300 | - | 300 |
| Due from reinsurers, net | (416) | - | (416) | 3,022 | - | 3,022 |
| Reinsurers' share of unearned premium | 6,720 | - | 6,720 | - | - | - |
| Unearned premium | (12,814) | - | (12,814) | 11,088 | - | 11,088 |
| Unearned reinsurance commission | 876 | - | 876 | (69,436) | - | (69,436) |
| Deferred policy acquisition costs | 379 | - | 379 | (378) | - | (378) |
| Reinsurers' share of outstanding claims | 4,050 | - | 4,050 | 4,171 | - | 4,171 |
| Reinsurers' share of claims incurred but not reported | 4,050 | - | 4,050 | 1,526 | - | 1,526 |
| | 9,022 | - | 9,022 | 1,449 | - | 1,449 |
| Available for sale investments held to cover unit-linked liabilities, net | 239,330 | - | 239,330 | (141,526) | - | (141,526) |
| Due from related parties | - | 59,719 | 59,719 | - | (7,122) | (7,122) |
| Due to a related party | - | (984) | (984) | - | - | - |
| Prepayments and other assets | 13,526 | 51,005 | 64,531 | 9,609 | 867 | 10,476 |
| Accrued expenses and other liabilities | 10,074 | 5,589 | 15,663 | (12,317) | (1,019) | (13,336) |
| Payable to agents, policy holders and claimants | (8,303) | - | (8,303) | 23,807 | - | 23,807 |
| Reinsurers' balances payable | 1,707 | - | 1,707 | (1,159) | - | (1,159) |
| Outstanding claims | (8,475) | - | (8,475) | (2,685) | - | (2,685) |
| Claims incurred but not reported | (14,554) | - | (14,554) | 6,089 | - | 6,089 |
| Unit reserves | (235,717) | - | (235,717) | 139,889 | - | 139,889 |
| Mathematical reserve | 80 | - | 80 | (3,199) | - | (3,199) |
| Premium deficiency reserves | (2,715) | - | (2,715) | (8,652) | - | (8,652) |
| Other technical reserves | (68) | - | (68) | (16,739) | - | (16,739) |
| Due to Shareholders' Operations / Insurance Operations | 8,765 | (8,765) | - | 49,176 | (49,176) | - |
| | 8,211 | 114,272 | 122,483 | (1,522) | (47,359) | (48,881) |
| Cash generated from / (used in) operations | 8,211 | 114,272 | 122,483 | (1,522) | (47,359) | (48,881) |
| Release of short-term deposit | - | - | - | - | 37,500 | 37,500 |
| Increase in statutory deposit | - | (7,934) | (7,934) | - | (12,066) | (12,066) |
| Zakat and income tax paid | - | (1,255) | (1,255) | - | (3,027) | (3,027) |
| Employee benefits paid | (751) | - | (751) | (636) | - | (636) |
| Distribution of surplus to policyholders | (1,017) | - | (1,017) | (260) | - | (260) |
| | 6,443 | 105,083 | 111,526 | (2,418) | (24,952) | (27,370) |
| Net cash generated from / (used in) operating activities | 6,443 | 105,083 | 111,526 | (2,418) | (24,952) | (27,370) |
| INVESTING ACTIVITIES | | | | | | |
| Proceeds from maturity of held to maturity investments | - | 12,049 | 12,049 | 16,380 | 136,285 | 152,665 |
| Proceeds from disposal of FVIS investments | 19,991 | 25,000 | 44,991 | 9,999 | 48,486 | 58,485 |
| Purchase of held to maturity investments | - | (20,000) | (20,000) | - | (50,000) | (50,000) |
| Purchase of FVIS investments | - | (131,000) | (131,000) | (60,000) | (168,000) | (228,000) |
| Commission received from held to maturity investments | - | 7,466 | 7,466 | - | 23,241 | 23,241 |
| Dividends from FVIS investments | - | 158 | 158 | - | 61 | 61 |
| Cash and cash equivalents acquired through Business combination | - | - | - | 48,215 | 92,635 | 140,850 |
| Purchase of property and equipment | (470) | - | (470) | (232) | - | (232) |
| | 19,521 | (106,327) | (86,806) | 14,362 | 82,708 | 97,070 |
| Net cash (used in) / generated from investing activities | 19,521 | (106,327) | (86,806) | 14,362 | 82,708 | 97,070 |
| FINANCING ACTIVITIES | | | | | | |
| Rentals paid against lease liability | (1,071) | - | (1,071) | (1,276) | - | (1,276) |
| | 24,893 | (1,244) | 23,649 | 10,668 | 57,756 | 68,424 |
| Net increase in cash and cash equivalents | 24,893 | (1,244) | 23,649 | 10,668 | 57,756 | 68,424 |
| Cash and cash equivalents at the beginning of the period | 77,628 | 5,395 | 83,023 | 72,500 | 33,532 | 106,032 |
| | 102,521 | 4,151 | 106,672 | 83,168 | 91,288 | 174,456 |
| Cash and cash equivalents at the end of the period | 102,521 | 4,151 | 106,672 | 83,168 | 91,288 | 174,456 |

20. IMPACT OF COVID-19

The outbreak of novel coronavirus (COVID-19) since early 2020, its spread across mainland China and then globally, including the Kingdom of Saudi Arabia, and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope. This has led to significant disruptions in the retail, travel, and hospitality industries and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. On 11 March 2020, the World Health Organisation (“WHO”) declared COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe.

In response to the spread of the COVID-19 virus in the Kingdom of Saudi Arabia where the Company operates, and its consequential disruption to the social and economic activities in the Saudi Arabia market, the Company’s management believes that it has taken appropriate and sufficient measures to address the impact of COVID-19. Given the Company’s existing liquidity position, it believes that it will be able to meet its liabilities as and when they fall due and will allow the Company to reasonably handle the liquidity risks presented by the current climate.

The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the COVID-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, the probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In the case of sukuk classified under held to maturity, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company’s management believes that the COVID-19 pandemic has had no material effects on Company’s reported results for the period ended 30 June 2022. The Company’s management continues to monitor the situation closely.

- **Credit risk management**

The Company has strengthened its credit risk management policies to address the fast-changing and evolving risks posed by the current circumstances. These include reviewing credit concentrations at the granular economic sector, region, and counterparty level and taking appropriate action where required.

- **Liquidity Risk**

The Company is aware of the need to focus on liquidity management during this period. It 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 and the continued development of external economic factors.

The Company’s management believes that the COVID-19 pandemic has had no material effects on Company’s reported results for the period ended 30 June 2022. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situations 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 an uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

21. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been approved by the Board of Directors on 17 August 2022, corresponding to 19 Muharram 1444H.