

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

2. BASIS OF PREPERATION

(a) Basis of presentation

The interim condensed financial information of the Company as at and for the period ended September 30, 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

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

The interim condensed statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 16 of the interim condensed financial statement have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders Operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 16 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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2. BASIS OF PREPERATION (CONTINUED)

(a) Basis of presentation (continued)

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

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

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

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

(b) Critical accounting judgments, estimates and assumptions

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

In preparing these interim condensed financial statement, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that were applied to the annual financial statement as at and for the year ended 31 December 2020. Further, the Company has considered the following:

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

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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

i) IFRS 9 Financial Instruments

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

Classification and measurement

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

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

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

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

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

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

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

Impairment

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) IFRS 9 Financial Instruments (continued)

Effective date

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

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

The Company has performed a preliminary assessment which included below:

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

Impact assessment

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) IFRS 17 Insurance Contracts (continued)

Overview

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

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

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

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

Measurement

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

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

a) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) IFRS 17 Insurance Contracts (continued)

Measurement (continued)

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

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

Effective date

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

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

Impact assessment:

The Company has recently completed the design phase of IFRS 17 implementation which required developing and designing new processes for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase and status of the progress made so far by the Company:

| Impact Area | Summary of Impact |
|-----------------------------------|---|
| Reinsurance contracts held | Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Detailed assessment has also been performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, company has opted to apply PAA for eligible products. |
| Financial Impact | During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company has assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all of the portfolio are eligible for PAA measurement model. |
| Data Impact | IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3, in which the data elements were categorized into 16 different datasets, containing all elements required by the engine. |
| IT Systems Impact | Assessment was performed on existing systems capabilities for IFRS 17 calculations and user requirements specification needs to be anticipated prior to the setup and configuration of the new IT platform, storage and reporting and whether new systems / calculation engines should be implemented. Cost estimates were also evaluated along with the cost structures, and it was decided by the IFRS 17 Steering committee to adopt Tagetik at the Company level in KSA. |

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | |
|----------------------------|---|
| Implementation Plan | <p>Governance and Control Framework</p> <p>The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders</p> <p>Operational Framework</p> <p>The Company has designed operational aspects of the design phase which included:</p> <ul style="list-style-type: none"> • Establishing comprehensive data policy and data dictionary. • Company obtained the software license of Tagetik to install their calculation engine in line with the Company's group decision and also identified the future state architectural design and the requirements, which need to be embedded in the calculation engine to meet the requirements of IFRS 17. • Finalizing various key processes needed for IFRS 17 transition. • Carrying out assessment of new resources, if any, to be recruited due to Adoption of IFRS 17, and creation of a recruitment plan. <p>Technical and Financial Framework</p> <p>The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions have been taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.</p> |
|----------------------------|---|

After the design phase, the company has started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs, and has started the implementation, to come up with IFRS 17 numbers by performing the dry runs, on a timely basis.

4. BANK BALANCES AND CASH

Cash and cash equivalents comprise the following:

| SAR'000 | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|--------------------------------------|-----------------------------------|
| Bank balances and cash – Insurance operations | 43,498 | 20,174 |
| Bank balances and cash – Shareholders' operations | 2,082 | 2,182 |
| Total | 45,580 | 22,356 |
| Cash and cash equivalents in statement of cashflows | 45,580 | 22,356 |
| Deposits against letters of guarantee – Insurance operations* | 700 | 700 |
| Total | 46,280 | 23,056 |

* The Company holds an amount of SAR 0.7 million (31 December 2020: SAR 0.7 million) as letters of guarantee in favor of the Company's service providers.

5. TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ ratings under Standards and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average of 0.6% per annum (2020: 1.5% per annum).

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6. PREMIUMS AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

| SAR'000 | Insurance operations | |
|--|--------------------------------------|-----------------------------------|
| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
| Policyholders | 38,285 | 21,276 |
| Brokers and agents | 16,265 | 16,656 |
| Related parties (note 12) | 5,570 | 4,958 |
| Receivables from reinsurers | 2,820 | 4,270 |
| | 62,940 | 47,160 |
| Provision for doubtful receivables | (9,802) | (11,108) |
| Premiums and reinsurers' receivable – net | 53,138 | 36,052 |

Allowance for impairment of receivables includes SAR 0.21 million (31 December 2020: SAR 0.15 million) against receivables from related parties.

Movement in provision for doubtful receivables:

| SAR '000 | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|--------------------------------------|-----------------------------------|
| | | |
| Balance at 1 January | 11,108 | 10,030 |
| (Reversals) / charge of provision for the period / year | (1,306) | 1,078 |
| Closing balance | 9,802 | 11,108 |

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7. INVESTMENTS

Investments are classified as follows:

| SAR'000 | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|--|
| Available for sale investments – Insurance operations * | 1,923 | 1,923 |
| Available for sale investments – Shareholders' operations | 127,125 | 128,093 |
| Total available for sale investments | 129,048 | 130,016 |

* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market or other means of reliably measuring its fair value. There has been no movement in this investment between the period ended 30 September 2021 and during the year ended 31 December 2020.

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

| | Shareholders' operations | |
|--------------------------------------|---|--|
| SAR'000 | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
| Opening balance | 128,093 | 155,927 |
| Purchases | -- | -- |
| Maturities | -- | (29,100) |
| Amortization of investments | (234) | (334) |
| Changes in fair value of investments | (734) | 1,600 |
| Closing balance | 127,125 | 128,093 |

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

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 3.03 million (31 December 2020: SR 3.77 million) is presented within the equity in the statement of interim condensed financial position.

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8. TECHNICAL RESERVES

8.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

| SAR'000 | Insurance operations | |
|---|--------------------------------------|-----------------------------------|
| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
| Outstanding claims | 139,780 | 92,192 |
| Less: Realizable value of salvage and subrogation | (16,599) | (18,096) |
| - Outstanding claims reserve | 123,181 | 74,096 |
| - Claims incurred but not reported | 24,121 | 26,047 |
| - Other technical reserves | 6,497 | 5,568 |
| | 153,799 | 105,711 |
| Less: | | |
| - Reinsurers' share of outstanding claims | (99,860) | (60,296) |
| - Reinsurers' share of claims Incurred but not reported | (4,995) | (3,386) |
| | (104,855) | (63,682) |
| Net outstanding claims and reserves | 48,944 | 42,029 |

8.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

| SAR'000 | Nine months ended September 30, 2021 (Unaudited) | | |
|---|---|--------------|----------|
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the period | 60,932 | (42,241) | 18,691 |
| Premium written during the period | 203,194 | *(98,819) | 104,375 |
| Premium earned during the period | (156,054) | 98,974 | (57,080) |
| Balance as at the end of the period | 108,072 | * * (42,086) | 65,986 |

*This amount includes SR 87.8 million for reinsurance premium ceded abroad, SR 1.9 million for reinsurance premium ceded locally and SR 8.7 million for excess of loss expenses ceded abroad, and SR 0.4 million for excess of loss expenses ceded locally.

**This amount includes SR 39.2 million for Reinsurers' share of unearned premiums and SR 2.9 million for Deferred excess of loss premiums.

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8.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)

| SAR'000 | Year ended December 31, 2020 (Audited) | | |
|---|---|-------------|----------|
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the year | 73,610 | (41,006) | 32,604 |
| Premium written during the year | 191,170 | *(137,580) | 53,590 |
| Premium earned during the year | (203,848) | 136,345 | (67,503) |
| Balance as at the end of the year | 60,932 | (42,241) | 18,691 |

*This amount includes SR 127.7 million for reinsurance premium ceded abroad, SR 4.7 million for reinsurance premium ceded locally and SR 4.9 million for excess of loss expenses ceded abroad and, SR 0.3 million ceded locally.

9. COMMITMENTS AND CONTINGENCIES

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

| SAR'000 | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---------------------------|--------------------------------------|-----------------------------------|
| | | |
| Letters of guarantee | 700 | 700 |
| Commitments for the rents | 58 | 151 |
| Total | 758 | 851 |

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

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:
Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

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

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

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

| SAR'000s September 30, 2021 (Unaudited) Available for sale investments measured at fair value <u>Shareholders' operations</u> | Carrying value | Fair value | | | |
|---|-------------------|------------|---------|---------|---------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Bonds and Sukuk | 127,125 | 127,125 | -- | -- | 127,125 |
| <u>Insurance Operations</u> | | | | | |
| Najm | 1,923 | -- | -- | 1,923 | 1,923 |
| | 129,048 | 127,125 | -- | 1,923 | 129,048 |

| SAR'000s December 31, 2020 (Audited) Available for sale investments measured at fair value <u>Shareholders' operations</u> | Carrying value | Fair value | | | |
|--|-------------------|------------|---------|---------|---------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Bonds and Sukuk | 128,093 | 128,093 | -- | -- | 128,093 |
| <u>Insurance Operations</u> | | | | | |
| Najm | 1,923 | -- | -- | 1,923 | 1,923 |
| | 130,016 | 128,093 | -- | 1,923 | 130,016 |

The unlisted security of SR 1.92 million (December 31, 2020: SR 1.92 million) held as part of the Company's insurance operations, was stated at cost in the absence of active markets or other means of reliably measuring its fair value.

During the period ended September 30, 2021, there were no transfers into or out of level 3 fair value measurements. Further, there were no transfers from Level 1 to Level 2 during the period ended September 30, 2021.

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11. OPERATING SEGMENTS

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

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

Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2020.

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

11. OPERATING SEGMENTS (CONTINUED)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at September 30, 2021 and December 31, 2020, its total revenues, expenses, and net income for the three months and nine months period then ended, are as follows:

| As at September 30, 2021 (Unaudited) | | | | | | | | | | |
|---|----------|--------|-------------|---------|--------|------------|--------|------------------------------|--------------------------|---------|
| Insurance operations | | | | | | | | | | |
| Operating segments | Property | Motor | Engineering | Medical | Marine | Group life | Others | Total - Insurance operations | Shareholders' operations | Total |
| | SAR'000 | | | | | | | | | |
| Assets | | | | | | | | | | |
| Reinsurers' share of unearned premiums | 25,305 | 1,899 | 4,176 | -- | 4,197 | 332 | 6,177 | 42,086 | -- | 42,086 |
| Reinsurers' share of outstanding claims | 22,816 | 2,082 | 4,591 | 8 | 2,475 | 58,584 | 9,304 | 99,860 | -- | 99,860 |
| Reinsurers' share of claims Incurred but not reported | 1,273 | | 45 | (502) | 880 | 3,299 | | 4,995 | -- | 4,995 |
| Deferred policy acquisition costs | 762 | 1,853 | 94 | - | 513 | 40 | 190 | 3,452 | -- | 3,452 |
| Unallocated assets | -- | -- | -- | -- | -- | -- | -- | 334,959 | 445,722 | 780,681 |
| Total assets | 50,156 | 5,834 | 8,906 | (494) | 8,065 | 62,255 | 15,671 | 485,330 | 445,722 | 931,074 |
| Liabilities and equity | | | | | | | | | | |
| Outstanding claim reserve | 27,125 | 1,714 | 5,954 | 11 | 3,613 | 75,195 | 9,569 | 123,181 | -- | 123,181 |
| Claims incurred but not reported | 1,579 | 17,089 | 103 | (12) | 1,052 | 4,211 | 99 | 24,121 | -- | 24,121 |
| Other technical reserves | 1,040 | 3,322 | 370 | -- | 1,735 | 30 | -- | 6,497 | -- | 6,497 |
| Unearned premiums | 28,885 | 59,269 | 4,479 | -- | 6,718 | 345 | 8,376 | 108,072 | -- | 108,072 |
| Unearned reinsurance commission | 5,642 | -- | 548 | -- | 1,170 | 10 | (139) | 7,231 | -- | 7,231 |
| Unallocated liabilities | -- | -- | -- | -- | -- | -- | -- | 216,250 | 445,722 | 661,972 |
| Total liabilities, insurance operations' surplus and equity | 64,271 | 81,394 | 11,454 | (1) | 14,288 | 79,791 | 17,905 | 485,352 | 445,722 | 931,074 |

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FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

11. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2020 (Audited)

| Operating segments | Insurance operations | | | | | | | Total - Insurance operations | Shareholders' operations | Total |
|--|----------------------|---------------|--------------|--------------|--------------|---------------|--------------|------------------------------|--------------------------|----------------|
| | Property | Motor | Engineering | Medical | Marine | Group life | Others | | | |
| | SAR'000 | | | | | | | | | |
| Assets | | | | | | | | | | |
| Reinsurers' share of unearned premiums | 31,333 | -- | 4,490 | -- | 3,093 | 526 | 2,799 | 42,241 | -- | 42,241 |
| Reinsurers' share of outstanding claims | 10,204 | 2,082 | 1,427 | 10 | 2,767 | 41,526 | 2,280 | 60,296 | -- | 60,296 |
| Reinsurers' share of claims Incurred but not reported | 116 | -- | 319 | (502) | (182) | 3,635 | -- | 3,386 | -- | 3,386 |
| Deferred policy acquisition costs | 830 | 701 | 276 | -- | 354 | 127 | 239 | 2,527 | -- | 2,527 |
| Unallocated assets | -- | -- | -- | -- | -- | -- | -- | 266,428 | 464,583 | 731,001 |
| Total assets | 42,483 | 2,783 | 6,512 | (492) | 6,032 | 45,814 | 5,318 | 374,878 | 464,583 | 839,461 |
| Liabilities and equity | | | | | | | | | | |
| Outstanding claim reserve | 10,978 | (1,103) | 1,889 | 62 | 4,451 | 54,414 | 3,405 | 74,096 | -- | 74,096 |
| Claims incurred but not reported | 159 | 21,083 | 449 | (11) | (291) | 4,634 | 24 | 26,047 | -- | 26,047 |
| Other technical reserves | 2,063 | 2,630 | -- | -- | 783 | 92 | -- | 5,568 | -- | 5,568 |
| Unearned premiums | 34,766 | 10,438 | 4,956 | -- | 3,651 | 868 | 6,253 | 60,932 | -- | 60,932 |
| Unearned reinsurance commission | 5,090 | -- | 1,142 | -- | 987 | -- | (51) | 7,168 | -- | 7,168 |
| Unallocated liabilities | | | | | | | | 201,067 | 464,583 | 665,650 |
| Total Liabilities, Insurance operations' surplus and equity | 53,056 | 33,048 | 8,436 | 51 | 9,581 | 60,008 | 9,631 | 374,878 | 464,583 | 839,461 |

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

11. OPERATING SEGMENTS (CONTINUED)

| Operating segments | For the nine months ended September 30, 2021 - (Unaudited) | | | | | | | Total |
|---|--|-----------------|----------------|-------------|--------------|----------------|--------------|-----------------|
| | Property | Motor | Engineering | Medical | Marine | Group Life | Others | |
| | SAR'000 | | | | | | | |
| REVENUES | | | | | | | | |
| Gross premiums written | 42,741 | 87,516 | 7,081 | - | 13,109 | 41,251 | 11,496 | 203,194 |
| Reinsurance premiums ceded | (36,603) | - | (5,948) | - | (9,228) | (29,910) | (8,007) | (89,696) |
| Excess of loss premium | (2,320) | (4,741) | (219) | - | (678) | (788) | (377) | (9,123) |
| Net premiums written | 3,818 | 82,775 | 914 | - | 3,203 | 10,553 | 3,112 | 104,375 |
| Changes in unearned premiums, net | (147) | (46,932) | 163 | - | (1,963) | 329 | 1,255 | (47,295) |
| Net premiums earned | 3,671 | 35,843 | 1,077 | - | 1,240 | 10,882 | 4,367 | 57,080 |
| Reinsurance commissions | 5,731 | 163 | 2,113 | - | 2,613 | (9) | 399 | 11,010 |
| TOTAL REVENUES | 9,402 | 36,006 | 3,190 | - | 3,853 | 10,873 | 4,766 | 68,090 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | | | |
| Gross claims paid | (15,048) | (20,649) | (1,158) | (174) | (1,475) | (12,222) | (821) | (51,547) |
| Reinsurers' share of claims paid | 12,612 | - | 931 | 156 | 1,245 | 9,332 | 113 | 24,389 |
| Net claims paid | (2,436) | (20,649) | (227) | (18) | (230) | (2,890) | (708) | (27,158) |
| Changes in outstanding claims, IBNR & technical reserves | (2,775) | 485 | (1,199) | 50 | (687) | (3,574) | 786 | (6,914) |
| Net claims incurred | (5,211) | (20,164) | (1,426) | 32 | (917) | (6,464) | 78 | (34,072) |
| Policy acquisition costs | (1,412) | (3,321) | (388) | - | (940) | (1,562) | (369) | (7,992) |
| Other underwriting expenses | | | | | | | | (12,551) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | | | | | | | | (54,615) |
| NET UNDERWRITING INCOME | | | | | | | | 13,475 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | | | |
| Reversal for doubtful debts | | | | | | | | 1,306 |
| General and administrative expenses | | | | | | | | (39,744) |
| Investment income on term deposits | | | | | | | | 1,852 |
| Investment income on bonds, sukuks and others | | | | | | | | 2,752 |
| Other income | | | | | | | | 3,821 |
| TOTAL OTHER OPERATING EXPENSES | | | | | | | | (30,013) |
| TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX | | | | | | | | (16,538) |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS | | | | | | | | - |
| TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS' | | | | | | | | (16,538) |

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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11. OPERATING SEGMENTS (CONTINUED)

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

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11. OPERATING SEGMENTS (CONTINUED)

| Operating segments | For the three months ended September 30, 2021 - (Unaudited) | | | | | | | Total |
|---|---|---------------|-------------|-----------|--------------|--------------|--------------|-----------------|
| | Property | Motor | Engineering | Medical | Marine | Group Life | Others | |
| | SAR'000 | | | | | | | |
| REVENUES | | | | | | | | |
| Gross premiums written | 21,627 | 41,911 | 1,344 | -- | 6,718 | 13,865 | 9,700 | 95,165 |
| Reinsurance premiums ceded | (18,750) | -- | (1,048) | -- | (4,006) | (10,399) | (7,802) | (42,005) |
| Excess of loss premium | -- | -- | -- | -- | -- | -- | -- | -- |
| Net premiums written | 2,877 | 41,911 | 296 | -- | 2,712 | 3,466 | 1,898 | 53,160 |
| Changes in unearned premiums, net | (992) | (23,553) | (14) | -- | (2,420) | (92) | (615) | (27,686) |
| Net premiums earned | 1,885 | 18,358 | 282 | -- | 292 | 3,374 | 1,283 | 25,474 |
| Reinsurance commissions | 314 | 163 | 514 | -- | 997 | 10 | 432 | 2,430 |
| TOTAL REVENUES | 2,199 | 18,521 | 796 | -- | 1,289 | 3,384 | 1,715 | 27,904 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | | | |
| Gross claims paid | (1,066) | (12,125) | (413) | (6) | (305) | (4,522) | (514) | (18,951) |
| Reinsurers' share of claims paid | 768 | -- | 294 | 5 | 241 | 3,539 | (11) | 4,836 |
| Net claims paid | (298) | (12,125) | (119) | (1) | (64) | (983) | (525) | (14,115) |
| Changes in outstanding claims, IBNR & technical reserves | (3,853) | (157) | (538) | -- | (1,636) | (1,389) | 741 | (6,832) |
| Net claims incurred | (4,151) | (12,282) | (657) | (1) | (1,700) | (2,372) | 216 | (20,947) |
| Policy acquisition costs | (378) | (1,882) | (102) | -- | (577) | (46) | (151) | (3,136) |
| Other underwriting expenses | | | | | | | | (8,380) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | | | | | | | | (32,463) |
| NET UNDERWRITING INCOME | | | | | | | | (4,559) |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | | | |
| Reversal for doubtful debts | | | | | | | | (870) |
| General and administrative expenses | | | | | | | | (12,638) |
| Investment income on term deposits | | | | | | | | 721 |
| Investment income on bonds, sukuks and others | | | | | | | | 917 |
| Other income | | | | | | | | (934) |
| TOTAL OTHER OPERATING EXPENSES | | | | | | | | (12,804) |
| TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX | | | | | | | | (17,363) |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS | | | | | | | | -- |
| TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS' | | | | | | | | (17,363) |

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER

11. OPERATING SEGMENTS (CONTINUED)

| Operating segments | For the three months ended September 30, 2020 - (Unaudited) | | | | | | | Total |
|---|---|--------------|-------------|-----------|--------------|--------------|--------------|----------------|
| | Property | Motor | Engineering | Medical | Marine | Group Life | Others | |
| | SAR'000 | | | | | | | |
| REVENUES | | | | | | | | |
| Gross premiums written | 20,942 | 4,656 | 2,580 | -- | 5,345 | 12,133 | 7,019 | 52,675 |
| Reinsurance premiums ceded | (19,539) | -- | (2,265) | -- | (4,384) | (8,250) | (5,301) | (39,739) |
| Excess of loss premium | -- | -- | -- | -- | -- | -- | -- | - |
| Net premiums written | 1,403 | 4,656 | 315 | -- | 961 | 3,883 | 1,718 | 12,936 |
| Changes in unearned premiums, net | 185 | 1,804 | 390 | 54 | (397) | 108 | (260) | 1,884 |
| Net premiums earned | 1,588 | 6,460 | 705 | 54 | 564 | 3,991 | 1,458 | 14,820 |
| Reinsurance commissions | 2,145 | - | 103 | -- | 620 | 230 | (352) | 2,746 |
| TOTAL REVENUES | 3,733 | 6,460 | 808 | 54 | 1,184 | 4,221 | 1,106 | 17,566 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | | | |
| Gross claims paid | (446) | (7,449) | -- | (385) | (586) | (6,776) | (69) | (15,711) |
| Reinsurers' share of claims paid | 315 | -- | -- | 317 | 437 | 4,977 | 91 | 6,137 |
| Net claims paid | (131) | (7,449) | -- | (68) | (149) | (1,799) | 22 | (9,574) |
| Changes in outstanding claims, IBNR & technical reserves | 58 | 7,476 | 972 | 188 | (212) | (1,595) | 1,212 | 8,099 |
| Net claims incurred | (73) | 27 | 972 | 120 | (361) | (3,394) | 1,234 | (1,475) |
| Policy acquisition costs | (1,007) | (646) | (248) | -- | (248) | (1,255) | (209) | (3,613) |
| Other underwriting expenses | | | | | | | | (173) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | | | | | | | | (5,261) |
| NET UNDERWRITING INCOME | | | | | | | | 12,305 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | | | |
| Reversal for doubtful debts | | | | | | | | (879) |
| General and administrative expenses | | | | | | | | (13,123) |
| Investment income on term deposits | | | | | | | | 1,430 |
| Investment income on bonds, sukuks and others | | | | | | | | 918 |
| Other income | | | | | | | | 1,796 |
| TOTAL OTHER OPERATING EXPENSES | | | | | | | | (9,858) |
| TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX | | | | | | | | 2,447 |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS | | | | | | | | (119) |
| TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS' | | | | | | | | 2,328 |

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FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

11. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

| For the nine months ended September 30, 2021 - (Unaudited) | | | | | |
|--|---------|--------|---|---|---------|
| SAR'000 | | | | | |
| Gross premiums written | Medical | Motor | Property, General Accident & Others | Protection (Group Life) & Savings | Total |
| Large | -- | 2,461 | 56,514 | 41,042 | 100,017 |
| Medium | -- | 5,739 | 13,647 | 170 | 19,556 |
| Micro | -- | 150 | 217 | -- | 367 |
| Small | -- | 2,170 | 3,748 | 39 | 5,957 |
| Individual | -- | 76,996 | 301 | -- | 77,297 |
| | -- | 87,516 | 74,427 | 41,251 | 203,194 |

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

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FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

11. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio

| For the three months ended September 30, 2021 - (Unaudited) | | | | | |
|--|----------------|--------------|--|--|--------------|
| SAR'000 | | | | | |
| Gross premiums written | Medical | Motor | Property, General Accident & Others | Protection (Group Life) & Savings | Total |
| Large | -- | 346 | 31,561 | 13,856 | 45,763 |
| Medium | -- | 2,176 | 6,350 | (3) | 8,523 |
| Micro | -- | 72 | 173 | -- | 245 |
| Small | -- | 565 | 1,278 | 12 | 1,855 |
| Individual | -- | 38,752 | 27 | -- | 38,779 |
| | -- | 41,991 | 39,389 | 13,865 | 95,165 |
| For the three months ended September 30, 2020 - (Unaudited) | | | | | |
| SAR'000 | | | | | |
| Gross premiums written | Medical | Motor | Property, General Accident & Others | Protection (Group Life) & Savings | Total |
| Large | -- | 1,547 | 28,849 | 12,128 | 42,524 |
| Medium | -- | 1,305 | 5,382 | -- | 6,687 |
| Micro | -- | -- | (2) | -- | (2) |
| Small | -- | 598 | 1,588 | 5 | 2,191 |
| Individual | -- | 1,206 | 69 | -- | 1,275 |
| | -- | 4,656 | 35,886 | 12,133 | 52,675 |

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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12. RELATED PARTY TRANSACTIONS AND BALANCES

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

| <u>Entities controlled, jointly controlled or significantly influenced by related parties</u> | Transactions for the nine-month period ended | |
|---|---|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| | (Unaudited) | (Unaudited) |
| | SAR' 000 | |
| Gross premiums written | 58,440 | 53,593 |
| Gross claims paid | 11,367 | 49,471 |
| Brokerage commission paid | 1,631 | 3,708 |
| Reinsurance premium ceded | 24,341 | 27,886 |
| Reinsurance share of gross claim paid | 10,854 | 962 |
| Reinsurance commission income | 9,454 | 10,434 |
| Investment income on term deposits | 836 | 2,905 |
| Technical service charges | 4,552 | 4,973 |
| Brand fees | 23 | 23 |
| Operational expenses paid on behalf of affiliates and reinsurance placements | 1,626 | 886 |
| Operational expenses paid by affiliates on behalf of Company | (1,579) | (1,215) |
| | | |
| <u>Entities controlled, jointly controlled or significantly influenced by related parties</u> | Balance receivable / (payable) as at | |
| | September 30, 2021 | December 31, 2020 |
| | (Unaudited) | (Audited) |
| | SAR'000 | |
| Bank balances | 4,121 | 2,237 |
| Term deposits | 230,309 | 142,810 |
| Statutory deposit and accrued commission | 45,572 | 45,297 |
| Accrued interest receivable | 370 | 254 |
| Premium receivable | 5,570 | 4,958 |
| Reinsurance balance payable | (22,812) | (15,912) |
| Accrued expenses and other liabilities | (14,421) | (10,253) |
| Reinsurance share of gross outstanding claims | 17,214 | 6,908 |
| Gross outstanding claim | (74,488) | (53,028) |
| Due from related parties | -- | 734 |
| Due to related parties | (9,899) | (3,763) |

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

| | Transactions for the nine month period ended | |
|-------------------------------|---|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| | (Unaudited) | (Unaudited) |
| | SAR'000 | |
| Salaries and other allowances | 4,938 | 5,554 |
| End of service indemnities | 301 | 308 |
| | <u>5,239</u> | <u>5,862</u> |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

13. ZAKAT AND INCOME TAX

Status of assessments

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax. The Company has submitted its zakat and tax returns up to the years ended 31 December 2020. Zakat, Tax and Custom Authority (ZATCA) has raised assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million (together with 1% delay fine for each 30 days of delay) respectively. The Committee for Resolution of Tax Violations and Disputes (CRTVD) of the General Secretariat of Tax Committees (GSTC) has issued its decision on the above years accepting certain points and reducing the zakat liability to SR 7.1 million and no change in WHT liability. The Company has submitted an appeal to Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") against CRTVD's decision. Based on ZATCA's amnesty scheme, the Company settled additional WHT of SR 8.9 million to remove associated delay fines, such settled liability will be refunded by ZATCA in case of a favorable decision by ACTVDR. ACTVDR's decision is awaited.

In respect of the assessment for the year 2014, the ZATCA has issued a revised assessment with an additional zakat liability of SR 1.98 million. The Company has registered the case with CRTVD and submitted an appeal against ZATCA's review points no hearing has been conducted yet.

The ZATCA has also issued assessments for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company filed appeal against ZATCA's assessment with CRTVD no hearing has been conducted yet.

On 21 October 2021, The ZATCA has also issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 17 million and SR 0.72 million and penalties of SR 95,540 till the date of assessment (the penalties will increase by 1% for every 30 days of delay) respectively. The Company will file an appeal against the ZATCA's assessment.

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

| | 30 September 2021 (Unaudited) SAR ('000') | 31 December 2020 (Audited) SAR ('000') |
|---|---|--|
| Charge for zakat for the period / year | 5,940 | 7,477 |
| Charge for income tax for the period / year | -- | 125 |
| Reversal of deferred tax for the period / year | (20) | (8) |
| | (20) | 117 |
| Zakat and tax provision at the end of period / year | 5,920 | 7,594 |

Deferred Tax

| | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) | 30 September 2020 (Unaudited) |
|--|-------------------------------------|----------------------------------|-------------------------------------|
| | SAR ('000') | | |
| Opening deferred tax asset | 1,072 | 1,064 | 1,064 |
| Deferred tax income | 20 | 8 | 29 |
| Closing deferred tax asset | 1,092 | 1,072 | 1,093 |
| | SAR ('000') | | |
| Opening zakat, income tax liability and deferred tax asset | 49,844 | 43,203 | 43,203 |
| Charge for the period / year | | | |
| Current charge for zakat tax for the period / year | 5,940 | 7,477 | 5,780 |
| Current charge for income tax for the period / year | -- | 125 | 423 |
| Deferred tax (income) expense for the period / year | (20) | (8) | (29) |
| Settled during the period / year | (950) | (953) | (953) |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

Closing zakat, income tax liability and deferred tax
asset

54,814 49,844 48,424

14. SHARE CAPITAL

The authorized and paid-up share capital of the Company is SAR 400 million divided into 40 million shares of SAR 10 each (31 December 2020: SAR 400 million divided into 40 million shares of SAR 10 each).

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

| September 30, 2021 (Unaudited) | | |
|--------------------------------|--|---------|
| No. of Shares | Authorized, issued and paid up capital | |
| '000 | SAR'000 | |
| Royal & Sun Alliance | 20,028 | 200,280 |
| Riyad Bank | 7,968 | 79,680 |
| Others | 12,004 | 120,040 |
| | 40,000 | 400,000 |
| December 31, 2020 (Audited) | | |
| No. of Shares | Authorized, issued and paid up capital | |
| '000 | SAR'000 | |
| Royal & Sun Alliance | 20,028 | 200,280 |
| Riyad Bank | 7,968 | 79,680 |
| Others | 12,004 | 120,040 |
| | 40,000 | 400,000 |

15. CAPITAL MANAGEMENT

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

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

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

16. SUPPLEMENTARY INFORMATION

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

SAR '000

| | September 30, 2021 - (Unaudited) | | | December 31, 2020 - (Audited) | | |
|---|---|---------------------------------|----------------|--------------------------------------|---------------------------------|----------------|
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| ASSETS | | | | | | |
| Bank balances and cash | 44,198 | 2,082 | 46,280 | 20,874 | 2,182 | 23,056 |
| Term deposits | 199,678 | 222,212 | 421,890 | 190,845 | 220,170 | 411,015 |
| Premiums and reinsurers' receivable, net | 53,138 | -- | 53,138 | 36,052 | -- | 36,052 |
| Reinsurers' share of unearned premiums | 39,216 | -- | 39,216 | 42,241 | -- | 42,241 |
| Deferred excess of loss premiums | 2,870 | -- | 2,870 | -- | -- | -- |
| Reinsurers' share of outstanding claims | 99,860 | -- | 99,860 | 60,296 | -- | 60,296 |
| Reinsurers' share of claims Incurred but not reported | 4,995 | -- | 4,995 | 3,386 | -- | 3,386 |
| Deferred policy acquisition costs | 3,452 | -- | 3,452 | 2,527 | -- | 2,527 |
| Investments | 1,923 | 127,125 | 129,048 | 1,923 | 128,093 | 130,016 |
| Due from related parties | -- | -- | -- | 734 | -- | 734 |
| Prepaid expenses and other assets | 30,160 | 2,415 | 32,575 | 10,558 | 1,389 | 11,947 |
| Deferred tax asset | -- | 1,092 | 1,092 | -- | 1,072 | 1,072 |
| Property and equipment | 2,497 | -- | 2,497 | 1,413 | -- | 1,413 |
| Intangible assets | 3,345 | -- | 3,345 | 4,029 | -- | 4,029 |
| Statutory deposit | -- | 40,000 | 40,000 | -- | 40,000 | 40,000 |
| Accrued commission income on statutory deposit | -- | 5,572 | 5,572 | -- | 5,297 | 5,297 |
| TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION | 485,332 | 400,498 | 885,830 | 374,878 | 398,203 | 773,081 |
| ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION | | | | | | |
| Due from shareholders' / insurance operations | -- | 45,244 | 45,244 | -- | 66,380 | 66,380 |
| TOTAL ASSETS | 485,332 | 445,742 | 931,074 | 374,878 | 464,583 | 839,461 |

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**

16. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

SAR '000

| | September 30, 2021 - (Unaudited) | | | December 31, 2020 - (Audited) | | |
|--|---|---------------------------------|----------------|--------------------------------------|---------------------------------|----------------|
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| LIABILITIES | | | | | | |
| Outstanding claims reserve | 123,181 | -- | 123,181 | 74,096 | -- | 74,096 |
| Claims incurred but not reported | 24,121 | -- | 24,121 | 26,047 | -- | 26,047 |
| Other technical reserves | 6,497 | -- | 6,497 | 5,568 | -- | 5,568 |
| Accrued expenses and other liabilities | 39,725 | 3,617 | 43,342 | 33,348 | 4,531 | 37,879 |
| Reinsurers' balances payable | 98,906 | -- | 98,906 | 74,048 | -- | 74,048 |
| Unearned premiums | 108,072 | -- | 108,072 | 60,932 | -- | 60,932 |
| Accounts payables | 3,013 | -- | 3,013 | 4,569 | -- | 4,569 |
| Unearned reinsurance commission | 7,231 | -- | 7,231 | 7,168 | -- | 7,168 |
| Due to related parties | 9,486 | 413 | 9,899 | 3,350 | 413 | 3,763 |
| End-of-service indemnities | 11,378 | -- | 11,378 | 10,713 | -- | 10,713 |
| Zakat and income tax | -- | 55,906 | 55,906 | -- | 50,916 | 50,916 |
| Accrued commission income payable to SAMA | -- | 5,572 | 5,572 | -- | 5,297 | 5,297 |
| Accumulated surplus | 8,223 | -- | 8,223 | 8,404 | -- | 8,404 |
| TOTAL LIABILITIES | 439,833 | 65,508 | 505,341 | 308,243 | 61,157 | 369,400 |
| EQUITY | | | | | | |
| Share capital | -- | 400,000 | 400,000 | -- | 400,000 | 400,000 |
| Statutory reserve | -- | 1,161 | 1,161 | -- | 1,161 | 1,161 |
| Accumulated losses | -- | (23,961) | (23,961) | -- | (1,503) | (1,503) |
| Fair value reserve for available for sale investments | -- | 3,034 | 3,034 | -- | 3,768 | 3,768 |
| Actuarial reserve for employee benefits | 255 | -- | 255 | 255 | -- | 255 |
| TOTAL EQUITY | 255 | 380,234 | 380,489 | 255 | 403,426 | 403,681 |
| TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION | 440,088 | 445,742 | 885,830 | 308,498 | 464,583 | 773,081 |
| LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION | | | | | | |
| Due to shareholders operations | 45,244 | -- | 45,244 | 66,380 | -- | 66,380 |
| TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY | 485,332 | 445,742 | 931,074 | 374,878 | 464,583 | 839,461 |

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**

16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME

| | SAR '000 | | | | | |
|--|--|--------------------------|-----------------|----------------------|--------------------------|-----------------|
| | For the nine month period ended September 30 | | | | | |
| | 2021 - (Unaudited) | | | 2020 - (Unaudited) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| REVENUES | | | | | | |
| Gross premiums written | | | | | | |
| - Direct | 202,915 | -- | 202,915 | 136,039 | -- | 136,039 |
| - Reinsurance | 279 | -- | 279 | 442 | -- | 442 |
| | 203,194 | -- | 203,194 | 136,481 | -- | 136,481 |
| Reinsurance premiums ceded | (89,696) | -- | (89,696) | (94,350) | -- | (94,350) |
| Excess of loss expenses | (9,123) | -- | (9,123) | (3,896) | -- | (3,896) |
| Net premiums written | 104,375 | -- | 104,375 | 38,235 | -- | 38,235 |
| Changes in unearned premiums | (41,400) | -- | (41,400) | 17,194 | -- | 17,194 |
| Changes in reinsurers' share of unearned premiums | (8,765) | -- | (8,765) | 382 | -- | 382 |
| Changes in deferred excess of loss premiums | 2,870 | -- | 2,870 | 1,003 | -- | 1,003 |
| Net premiums earned | 57,080 | -- | 57,080 | 56,814 | -- | 56,814 |
| Reinsurance commissions | 11,010 | -- | 11,010 | 12,490 | -- | 12,490 |
| TOTAL REVENUES | 68,090 | -- | 68,090 | 69,304 | -- | 69,304 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (51,547) | -- | (51,547) | (64,100) | -- | (64,100) |
| Reinsurers' share of claims paid | 24,389 | -- | 24,389 | 27,042 | -- | 27,042 |
| Net claims paid | (27,158) | -- | (27,158) | (37,058) | -- | (37,058) |
| Changes in outstanding claims | (49,085) | -- | (49,085) | 8,301 | -- | 8,301 |
| Changes in reinsurers' share of outstanding claims | 39,564 | -- | 39,564 | 7,730 | -- | 7,730 |
| Changes in claims incurred but not reported, net | 3,536 | -- | 3,536 | 4,182 | -- | 4,182 |
| Changes in other technical reserves | (929) | -- | (929) | (1,254) | -- | (1,254) |
| Net claims incurred | (34,072) | -- | (34,072) | (18,099) | -- | (18,099) |
| Policy acquisition costs | (7,992) | -- | (7,992) | (11,737) | -- | (11,737) |
| Other underwriting expenses | (12,551) | -- | (12,551) | (684) | -- | (684) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (54,615) | -- | (54,615) | (30,520) | -- | (30,520) |
| NET UNDERWRITING INCOME | 13,475 | -- | 13,475 | 38,784 | -- | 38,784 |

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**

16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

| | SAR '000 | | | | | |
|--|--|--------------------------|-----------------|----------------------|--------------------------|-----------------|
| | For the nine month period ended September 30 | | | | | |
| | 2021 - (Unaudited) | | | 2020 - (Unaudited) | | |
| | Insurance operation | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | |
| Reversal / (charge) for doubtful debts | 1,306 | -- | 1,306 | (422) | -- | (422) |
| General and administrative expenses | (38,653) | (1,091) | (39,744) | (41,635) | (1,091) | (42,726) |
| Investment income on term deposits | 755 | 1,097 | 1,852 | 3,265 | 2,729 | 5,994 |
| Investment income on bonds and sukuk | -- | 2,752 | 2,752 | -- | 2,930 | 2,930 |
| Other income | 3,821 | -- | 3,821 | 5,996 | -- | 5,996 |
| TOTAL OTHER OPERATING (EXPENSES)/ INCOME | (32,771) | 2,758 | (30,013) | (32,796) | 4,568 | (28,228) |
| TOTAL (LOSS) / INCOME FOR THE PERIOD | (19,296) | 2,758 | (16,538) | 5,988 | 4,568 | 10,556 |
| Total income for the period attributed to the insurance operations | -- | -- | -- | (599) | -- | (599) |
| Shareholders' absorption of deficit/ (Surplus transferred to Shareholders) | 19,296 | (19,296) | -- | (5,389) | 5,389 | -- |
| TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS | -- | (16,538) | (16,538) | -- | 9,957 | 9,957 |
| ZAKAT CHARGE FOR THE PERIOD | -- | (5,940) | (5,940) | -- | (5,780) | (5,780) |
| TAX CHARGE FOR THE PERIOD | -- | 20 | 20 | -- | (394) | (394) |
| NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS | -- | (22,458) | (22,458) | -- | 3,783 | 3,783 |
| (Loss) / earnings per share (Expressed in SAR per share) | | | | | | |
| Basic and diluted earnings per share | -- | (0.56) | (0.56) | -- | 0.09 | 0.09 |

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

| | SAR '000 | | | | | |
|---|--|--------------------------|-----------------|----------------------|--------------------------|--------------|
| | For the nine month period ended September 30 | | | | | |
| | 2021 - (Unaudited) | | | 2020 - (Unaudited) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| Total loss / income for the period | -- | (22,458) | (22,458) | 599 | 3,783 | 4,382 |
| Other comprehensive Income | | | | | | |
| <i>Items that will not be reclassified to statement of income in subsequent periods</i> | | | | | | |
| Change in fair value of available for sale investments | -- | (734) | (734) | -- | 1,367 | 1,367 |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD | -- | (23,192) | (23,192) | 599 | 5,150 | 5,749 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS' | -- | -- | -- | (599) | -- | (599) |
| NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS' | -- | (23,192) | (23,192) | -- | 5,150 | 5,150 |

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FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

| | SAR '000 | | | | | |
|--|---|--------------------------|-----------------|----------------------|--------------------------|----------------|
| | For the three month period ended September 30 | | | | | |
| | 2021 - (Unaudited) | | | 2020 - (Unaudited) | | |
| | -- | | | (Restated) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| REVENUES | | | | | | |
| Gross premiums written | | | | | | |
| - Direct | 95,105 | -- | 95,105 | 52,565 | -- | 52,565 |
| - Reinsurance | 60 | -- | 60 | 110 | -- | 110 |
| | 95,165 | -- | 95,165 | 52,675 | -- | 52,675 |
| Reinsurance premiums ceded | (42,005) | -- | (42,005) | (39,739) | -- | (39,739) |
| Excess of loss expenses | | | | -- | -- | -- |
| Net premiums written | 53,160 | -- | 53,160 | 12,936 | -- | 12,936 |
| Changes in unearned premiums | (30,041) | -- | (30,041) | (4,884) | -- | (4,884) |
| Changes in reinsurance share of unearned premium | 4,443 | -- | 4,443 | 7,449 | -- | 7,449 |
| Changes in excess of loss premiums | (2,088) | -- | (2,088) | (681) | -- | (681) |
| Net premiums earned | 25,474 | -- | 25,474 | 14,820 | -- | 14,820 |
| Reinsurance commissions | 2,430 | -- | 2,430 | 2,746 | -- | 2,746 |
| TOTAL REVENUES | 27,904 | -- | 27,904 | 17,566 | -- | 17,566 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (18,951) | -- | (18,951) | (15,711) | -- | (15,711) |
| Reinsurers' share of claims paid | 4,836 | -- | 4,836 | 6,137 | -- | 6,137 |
| Net claims paid | (14,115) | -- | (14,115) | (9,574) | -- | (9,574) |
| Changes in outstanding claims | (37,106) | -- | (37,106) | (6,815) | -- | (6,815) |
| Changes in reinsurance share of outstanding claims | 33,797 | -- | 33,797 | 8,470 | -- | 8,470 |
| Changes in IBNR, net | (1,081) | -- | (1,081) | 6,433 | -- | 6,433 |
| Changes in other technical reserves | (2,442) | -- | (2,442) | 11 | -- | 11 |
| Net claims incurred | (20,947) | -- | (20,947) | (1,475) | -- | (1,475) |
| Policy acquisition costs | (3,136) | -- | (3,136) | (3,613) | -- | (3,613) |
| Other underwriting expenses | (8,380) | -- | (8,380) | (173) | -- | (173) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (32,463) | -- | (32,463) | (5,261) | -- | (5,261) |
| NET UNDERWRITING INCOME | (4,559) | -- | (4,559) | 12,305 | -- | 12,305 |

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

| | SAR '000 | | | | | |
|--|---|--------------------------|-----------------|----------------------|--------------------------|----------------|
| | For the three month period ended September 30 | | | | | |
| | 2021 - (Unaudited) | | | 2020 - (Unaudited) | | |
| | -- | | | (Restated) | | |
| | Insurance operation | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | |
| Charge for doubtful debts | (870) | -- | (870) | (879) | -- | (879) |
| General and administrative expenses | (12,275) | (363) | (12,638) | (12,760) | (363) | (13,123) |
| Investment income on term deposits | 300 | 421 | 721 | 733 | 697 | 1,430 |
| Investment income on bonds, sukuk and others | -- | 917 | 917 | -- | 918 | 918 |
| Other income | (934) | -- | (934) | 1,796 | -- | 1,796 |
| TOTAL OTHER OPERATING (EXPENSES)/ INCOME | (13,779) | 975 | (12,804) | (11,110) | 1,252 | (9,858) |
| TOTAL (LOSS) / INCOME FOR THE PERIOD | (18,338) | 975 | (17,363) | 1,195 | 1,252 | 3,025 |
| Total income for the period attributed to the insurance operations | | | -- | (119) | -- | (119) |
| Shareholders' absorption of deficit/ (Surplus transferred to Shareholders) | 18,338 | (18,338) | -- | (1,076) | 1,076 | -- |
| TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS | -- | (17,363) | (17,363) | -- | 2,328 | 2,328 |
| ZAKAT CHARGE FOR THE PERIOD | -- | (2,287) | (2,287) | -- | (1,404) | (1,404) |
| TAX CHARGE FOR THE PERIOD | -- | 7 | 7 | -- | (85) | (85) |
| NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS | -- | (19,643) | (19,643) | -- | 839 | 839 |
| (Loss) / earnings per share (Expressed in SAR per share) | | | | | | |
| Basic and diluted earnings per share | -- | (0.49) | (0.49) | -- | 0.02 | 0.02 |

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

| | SAR '000 | | | | | |
|---|---|--------------------------|-----------------|----------------------|--------------------------|--------------|
| | For the three month period ended September 30 | | | | | |
| | 2021 - (Unaudited) | | | 2020 - (Unaudited) | | |
| | -- | | | (Restated) | | |
| | Insurance operations | Shareholders' operations | Total | Insurance operations | Shareholders' operations | Total |
| Total (loss) / income for the period | -- | (19,643) | (19,643) | 119 | 839 | 958 |
| Other comprehensive loss | | | | | | |
| <i>Items that will not be reclassified to statement of income in subsequent periods</i> | | | | | | |
| Change in fair value of available for sale investments | -- | (750) | (750) | -- | (612) | (612) |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD | -- | (20,393) | (20,393) | 119 | 227 | 346 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS' | -- | -- | -- | (119) | -- | (119) |
| NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS' | -- | (20,393) | (20,393) | -- | 227 | 227 |

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

D) INTERIM CONDENSED STATEMENT OF CASH FLOWS

| | SAR'000 | | | | | |
|--|-------------------------|------------------------------|----------|-------------------------|------------------------------|----------|
| | Insurance operations | Shareholders ' operations | Total | Insurance operations | Shareholders ' operations | Total |
| | 2021 - (Unaudited) | | | 2020 - (Unaudited) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Total (loss) / income for the period before | | | | | | |
| Zakat and Income Tax | -- | (16,538) | (16,538) | 599 | 9,957 | 10,556 |
| Adjustments for non-cash items: | | | | | | |
| Amortization of Intangible Assets / | | | | | | |
| Depreciation of property and equipment | 1,974 | -- | 1,974 | 1,112 | -- | 1,112 |
| Amortization of investments | -- | 234 | 234 | -- | 258 | 258 |
| Reversal / (charge) for provisions for | | | | | | |
| doubtful debts | (1,306) | -- | (1,306) | 422 | -- | 422 |
| Provision for end-of-service indemnities | 1,314 | -- | 1,314 | 1,369 | -- | 1,369 |
| Changes in operating assets and liabilities: | | | | | | |
| Premiums and reinsurers' receivable | (15,780) | | (15,780) | (13,978) | -- | (13,978) |
| Reinsurers' share of unearned premiums | 3,025 | | 3,025 | (382) | -- | (382) |
| Reinsurers' share of outstanding claims | (39,564) | | (39,564) | (7,730) | -- | (7,730) |
| Reinsurers' share of claims Incurred but not | | | | | | |
| reported | (1,609) | | (1,609) | 3,893 | -- | 3,893 |
| Deferred policy acquisition costs | (925) | | (925) | 694 | -- | 694 |
| Deferred excess of loss premiums | (2,870) | | (2,870) | (1,003) | -- | (1,003) |
| Due from related parties | 734 | | 734 | (676) | -- | (676) |
| Prepaid expenses and other assets | (19,602) | (1,026) | (20,628) | (3,329) | 2,457 | (872) |
| Accrued income on statutory deposits | -- | (275) | (275) | -- | (1,146) | (1,146) |
| Accounts payables | (1,556) | | (1,556) | (8,770) | -- | (8,770) |
| Accrued and other liabilities | 6,377 | (914) | 5,463 | (2,781) | (518) | (3,299) |
| Reinsurers' balances payable | 24,858 | | 24,858 | (5,185) | -- | (5,185) |
| Unearned premiums | 47,140 | | 47,140 | (17,194) | -- | (17,194) |
| Unearned reinsurance commission | 63 | | 63 | 1,536 | -- | 1,536 |
| Outstanding claims reserve | 49,085 | | 49,085 | (8,301) | -- | (8,301) |
| Claims incurred but not reported | (1,926) | | (1,926) | (8,075) | -- | (8,075) |
| Other technical reserves | 929 | | 929 | 1,254 | -- | 1,254 |
| Accrued commission income payable to | | | | | | |
| SAMA | -- | 275 | 275 | -- | 1,146 | 1,146 |
| Due to related parties | 6,136 | | 6,136 | 1,349 | -- | 1,349 |
| | 56,497 | (18,244) | 38,253 | (65,176) | 12,154 | (53,022) |
| Zakat & Tax paid | -- | (950) | (950) | -- | (953) | (953) |
| End-of-service indemnities paid | (649) | -- | (649) | (563) | -- | (563) |
| Surplus paid to policy holders | (181) | -- | (181) | (1,422) | -- | (1,422) |
| Net cash (used in)/generated from | | | | | | |
| operating activities | 55,667 | (19,194) | 36,473 | (67,161) | 11,201 | (55,960) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Disposals/(Additions) in investments, net | -- | -- | -- | -- | 29,100 | 29,100 |
| Disposals/(Additions) in term deposits, net | (8,833) | (2,042) | (10,875) | 66,852 | (36,543) | 30,309 |
| Additions in Intangible Assets / property | | | | | | |
| and equipment | (2,374) | -- | (2,374) | (3,494) | -- | (3,494) |
| Net cash generated / (used in) from | | | | | | |
| investing activities | (11,207) | (2,042) | (13,249) | 63,358 | (7,443) | 55,915 |
| Net change in cash and cash equivalents | 44,460 | (21,236) | 23,224 | (3,803) | 3,758 | (45) |
| Cash and cash equivalents, beginning of | | | | | | |
| the period | 20,174 | 2,182 | 22,356 | 13,312 | 907 | 14,219 |
| Due from/ (to) insurance operations | (21,136) | 21,136 | -- | 4,459 | (4,459) | -- |
| Cash and cash equivalents, end of the | | | | | | |
| period | 43,498 | 2,082 | 45,580 | 13,968 | 206 | 14,174 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

17. STATUTORY RESERVE

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

18. IMPACT OF COVID 19 OUTBREAK AND SUBSEQUENT EVENTS

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

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the nine months ended September 30, 2021. The Company's management continues to monitor the situation closely.

- **Credit risk management**

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

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

- **Liquidity Risk**

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

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board on 26 Rabi Al Awal 1443H, corresponding to 1st November 2021.