

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2020

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REVIEW REPORT (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

INDEX	PAGE
Independent auditors' review report	1
Interim condensed statement of financial position	2 - 3
Interim condensed statement of income	4 - 5
Interim condensed statement of comprehensive income	6
Interim condensed statement of changes in equity	7
Interim condensed statement of cash flows	8 - 9
Notes to the interim condensed financial statements	10 - 40

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

To The Shareholders of
Walaa Cooperative Insurance Company
(A Saudi Joint Stock Company)
Al Khobar
Kingdom of Saudi Arabia

Introduction

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

Scope of review

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

Conclusion

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

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Rabi' Al-Alwwal 11, 1442 AH
October 28, 2020



WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	Notes	September 30, 2020 - (Unaudited)	December 31, 2019 - (Audited)
		SAR'000	
ASSETS			
Cash and cash equivalents	5	713,992	560,925
Short term deposits		217,274	341,074
Long term deposits		50,000	-
Premiums and reinsurers' receivable - net	6	327,058	150,094
Reinsurers' share of unearned premiums	8.2	310,863	274,137
Reinsurers' share of outstanding claims	8.1	173,728	97,837
Reinsurers' share of claims incurred but not reported	8.1	49,849	44,218
Reinsurer's share of mathematical reserves		142,170	-
Deferred policy acquisition costs		28,222	16,733
Investments	7	451,184	404,248
Due from shareholders'/insurance operations		61,466	12,312
Prepaid expenses and other assets		85,055	49,205
Property and equipment, net	9	15,178	17,350
Intangible assets		1,435	1,128
Goodwill		57,548	-
Statutory deposit		64,640	52,800
Accrued income on statutory deposit		9,949	5,607
Accrued commission income		3,819	5,059
TOTAL ASSETS		2,763,430	2,032,727



Chief Financial Officer



Chief Executive Officer



Board Member

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT SEPTEMBER 30, 2020

	Notes	September 30, 2020 - (Unaudited)	December 31, 2019 - (Audited)
		SAR'000	
LIABILITIES			
Policyholders claims payable		28,273	20,876
Accrued and other liabilities	10	133,778	97,270
Reinsurers' balances payable		237,049	173,378
Unearned premiums	8.2	711,169	637,828
Unearned reinsurance commission		21,702	14,086
Outstanding claims	8.1	245,524	140,433
Claims incurred but not reported	8.1	182,685	192,740
Gross mathematical reserves		142,170	-
Additional premium reserves	8.1	43,908	4,970
Other technical reserves	8.1	12,683	29,700
Due to insurance / shareholders' operations		61,466	12,312
End-of-service indemnities		20,922	17,906
Zakat and income tax	15	22,939	15,578
Accrued commission income payable to SAMA		9,949	5,607
Surplus distribution payable		8,139	3,491
TOTAL LIABILITIES		1,882,356	1,366,175
EQUITY			
Share capital	16	646,397	528,000
Share premium	16	103,277	30,108
Statutory reserve		53,102	53,102
Fair value reserve for investments		13,379	17,650
Retained earnings		67,633	40,406
TOTAL SHAREHOLDERS' EQUITY		883,788	669,266
Re-measurement reserve of defined benefit obligation – related to insurance operations		(2,714)	(2,714)
TOTAL EQUITY		881,074	666,552
TOTAL LIABILITIES AND EQUITY		2,763,430	2,032,727
Commitments and contingencies	11	-	-



Chief Financial Officer



Chief Executive Officer



Board Member


The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

	Notes	For the three months period ended September 30,		For the nine months period ended September 30,	
		2020	2019	2020	2019
		SAR'000		SAR'000	
REVENUES					
Gross premiums written					
- Direct		406,645	282,719	1,037,627	856,090
- Reinsurance		5,927	-	6,991	388
	8.2	412,572	282,719	1,044,618	856,478
Reinsurance premiums ceded					
- Local ceded		(3,530)	(1,739)	(9,982)	(7,940)
- Foreign ceded		(223,263)	(129,713)	(408,449)	(299,576)
	8.2	(226,793)	(131,452)	(418,431)	(307,516)
Excess of loss expenses	8.2	(8,718)	(8,244)	(12,163)	(12,577)
Net premiums written		177,061	143,023	614,024	536,385
Changes in unearned premiums		(65,592)	(1,391)	(31,059)	(36,248)
Changes in reinsurance share of unearned premiums		90,100	36,392	3,903	30,448
Net premiums earned		201,569	178,024	586,868	530,585
Reinsurance commissions		14,259	5,977	31,242	17,972
Other underwriting income		1,381	470	10,010	1,618
TOTAL REVENUES		217,209	184,471	628,120	550,175
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		170,288	161,189	406,504	438,684
Surrenders and maturities		4,743	-	12,618	-
Expenses incurred related to claims		4,331	7,620	26,437	23,309
Reinsurers' share of claims paid		(31,762)	(21,027)	(52,327)	(40,960)
Net claims and other benefits paid		147,600	147,782	393,232	421,033
Changes in outstanding claims		67,825	(28,998)	83,270	(43,163)
Changes in reinsurance share of outstanding claims		(65,985)	16,051	(58,643)	33,536
Changes in IBNR		(24,754)	(1,479)	(36,099)	20,725
Changes in reinsurance share of IBNR		15,172	219	11,863	(14,036)
Net claims and other benefits incurred		139,858	133,575	393,623	418,095
Additional premium reserves		(12,529)	(2,940)	38,938	(717)
Other technical reserves		(700)	5,710	(17,017)	(5,341)
Policy acquisition costs		13,165	11,138	34,325	36,814
Other underwriting expenses		7,946	6,551	20,590	18,552
TOTAL UNDERWRITING COSTS AND EXPENSES		147,740	154,034	470,459	467,403
NET UNDERWRITING INCOME		69,469	30,437	157,661	82,772



Chief Financial Officer


Chief Executive Officer


Board Member

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED) (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

	Notes	For the three months period ended September 30,		For the nine months period ended September 30,	
		2020	2019	2020	2019
		SAR'000		SAR'000	
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
(Allowance) /reversal for doubtful debts		(7,774)	1,128	(20,192)	(3,352)
General and administrative expenses		(39,166)	(29,350)	(102,952)	(90,247)
Commission income		3,107	6,137	10,686	19,493
Dividend income on investments		2,226	350	2,249	1,048
TOTAL OTHER OPERATING EXPENSES		(41,607)	(21,735)	(110,209)	(73,058)
Total income for the period before zakat and income tax		27,862	8,702	47,452	9,714
Zakat for the period	15	(10,629)	(459)	(14,874)	(8,431)
Income tax for the period	15	(448)	(80)	(703)	(150)
Total income for the period		16,785	8,163	31,875	1,133
Total income attributed to the insurance Operations	21	(2,591)	(759)	(4,648)	(420)
Net income for the period attributable to the shareholders		14,194	7,404	27,227	713
Earnings per share (EPS)		0.22	0.14	0.44	0.01
Basic and diluted EPS (SAR per share)	19				
Weighted average number of ordinary outstanding shares (in thousands)		64,640	52,800	62,091	52,800



Chief Financial Officer



Chief Executive Officer



Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

Notes	For the three months period ended September 30,		For the nine months period ended September 30,		
	2020	2019	2020	2019	
	SAR'000		SAR'000		
Total income for the period	16,785	8,163	31,875	1,133	
Other comprehensive income					
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>					
- Available for sale investments:					
- Net change in fair value	7	18,192	(7,994)	(4,271)	9,409
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		34,977	169	27,604	10,542
Total comprehensive income attributed to the insurance operations		(2,591)	(759)	(4,648)	(420)
Net comprehensive income / (loss) for the period attributable to the shareholders		32,386	(590)	22,956	10,122



Chief Financial Officer



Chief Executive Officer



Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

Notes	Share capital	Share premium	Statutory reserve	Fair value reserve for investments	Retained earnings	Total
	SAR '000					
2020						
Balance at January 1, 2020 (Audited)	528,000	30,108	53,102	17,650	40,406	669,266
Comprehensive income for the period:						
Net Income for the period attributable to the shareholders	-	-	-	-	27,227	27,227
Unrealized changes in fair value of available-for-sale investments, net	-	-	-	(4,271)	-	(4,271)
Total comprehensive income for the period attributable to Shareholders	118,397	-	-	(4,271)	27,227	22,956
Issuance of share capital	-	73,169	-	-	-	118,397
Share premium	-	-	-	-	-	73,169
Balance as at September 30, 2020 (Unaudited)	646,397	103,277	53,102	13,379	67,633	883,788
2019						
Balance at January 1, 2019 (Audited)	440,000	30,108	48,827	(3,418)	155,306	670,823
Comprehensive income for the period:						
Net income for the period attributable to the shareholders	-	-	-	-	713	713
Unrealized changes in fair value of available-for-sale investments, net	-	-	-	9,409	-	9,409
Total comprehensive income for the period attributable to shareholders	-	-	-	9,409	713	10,122
Bonus shares	88,000	-	-	-	(88,000)	-
Dividend	-	-	-	-	(44,000)	(44,000)
Balance as at September 30, 2019 (Unaudited)	528,000	30,108	48,827	5,991	24,019	636,945



Chief Financial Officer



Chief Executive Officer


Board Member


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WALAA COOPERATIVE INSURANCE COMPANY
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	2020	2019
	SAR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before zakat and income tax	47,452	9,714
<u>Adjustments for non-cash and non-operating items:</u>		
Depreciation of property and equipment	15,028	5,074
Amortization of intangible assets	4,569	379
Allowance for doubtful debts	20,192	3,352
Dividend income on investments	(2,249)	(1,048)
Commission income on deposits	(10,686)	(19,493)
Provision for end-of-service indemnities	2,911	2,745
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	(169,739)	46,038
Reinsurers' share of unearned premiums	(3,903)	(30,448)
Reinsurers' share of outstanding claims	(58,643)	33,536
Reinsurers' share of claims incurred but not reported	11,863	(14,036)
Reinsurers' share of mathematical reserves	13,019	-
Deferred policy acquisition costs	(8,772)	4,742
Prepaid expenses and other assets	(24,363)	(6,801)
Policyholders claim payables	1,059	2,217
Accrued and other liabilities	32,548	(13,889)
Reinsurers' balances payable	28,591	9,960
Unearned premiums	31,059	36,248
Unearned reinsurance commission	2,251	3,071
Outstanding claims	83,270	(43,163)
Claims incurred but not reported	(36,099)	20,725
Gross mathematical reserves	(13,019)	-
Additional premium reserves	38,938	(717)
Other technical reserves	(17,017)	(5,341)
	(11,740)	42,865
End-of-service indemnities paid	(1,175)	(831)
Zakat and income tax paid	(12,064)	(14,738)
Net cash (used in) / generated from operating activities	(24,979)	27,296
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in investments	(48,033)	(49,454)
Commission income received	11,926	18,983
Dividend received	2,249	1,048
Cash and cash equivalents acquired through business combination	43,589	-
Short term deposits	126,851	(584,897)
Long term deposits	39,000	-
Additions in property and equipment	(12,125)	(12,257)
Additions in intangible assets	(4,651)	(301)
Net cash generated from / (used in) investing activities	158,806	(626,878)


Chief Financial Officer


Chief Executive Officer


Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

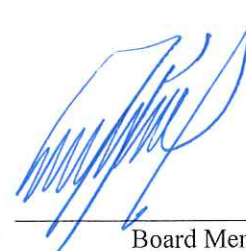
	2020	2019
	SAR'000	
CASH FLOWS FROM FINANCING ACTIVITIES		
Statutory deposit	23,160	(8,800)
Dividend paid	-	(44,000)
Lease payments on right of use assets	(3,920)	(2,899)
Net cash generated from/(used in) financing activities	19,240	(55,699)
Net change in cash and cash equivalents	153,067	(655,281)
Cash and cash equivalents, beginning of the period	560,925	1,122,329
Cash and cash equivalents, end of the period	713,992	467,048
NON-CASH INFORMATION		
Unrealised changes in fair value of available for sale investments	(4,271)	9,409



Chief Financial Officer



Chief Executive Officer



Board Member

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

1. GENERAL

Walaa Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. (S/114) dated 02/05/1428H. The Company operates under Commercial Registration no. 2051034982 dated 19 Jumada II 1428H corresponding to July 4, 2007. The registered address of the Company's head office is as follows:

Walaa Cooperative Insurance Company
Head Office
Custodian of Two Holy Mosques Road
P.O. Box 31616
Al-Khobar 31952, Kingdom of Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include motor, medical, marine, fire, engineering, energy, aviation, casualty insurance and protection & savings.

On 2 Jumada II 1424H, corresponding to 31 July 2003, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 28 Jumada II 1429H corresponding to July 2, 2008, the Saudi Arabian Monetary Authority (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license number (TMN/16/2008) to transact insurance activities in the Kingdom of Saudi Arabia.

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

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended September 30, 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

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. The Company’s interim condensed statement of financial position is not presented using a current/non-current classification. However, the Company’s interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, statutory deposit, accrued income on statutory deposit, held to maturity Sukuk, long-term deposits, goodwill and gross & reinsurance share of mathematical reserves, end-of-service indemnities and accrued commission income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

2. BASIS OF PREPARATION (CONTINUED)

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in note 21 of the financial statements have been provided to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require 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 to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and 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.

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

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

(b) Seasonality of operations

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

(c) Critical accounting judgments, 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.

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

Impact of Covid-19

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

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

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

(c) Critical accounting judgments, estimates and assumptions (continued)

Impact of Covid-19 (continued)

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cash flows of the insurance contracts in force as at 30 September 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 2.39 million (31 December 2019: Nil) as a premium deficiency reserve.

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended two months' period.

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated (or "segmented") level for motor line of business and recorded a Premium deficiency reserve amounting to SR 41.52 million as at 30 September 2020.

Financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

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

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

2. BASIS OF PREPARATION (CONTINUED)

(c) Critical accounting judgments, estimates and assumptions (continued)

Impact of Covid-19 (continued)

Credit risk management

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. BUSINESS COMBINATION

The Company signed a non-binding Memorandum of Understanding (the "MOU") with MetLife AIG ANB Cooperative Insurance Company ("MetLife") on 15/10/1440 H (corresponding to 18/06/2019) to evaluate a potential merger between the two companies. Later on 29/09/2019G corresponding to 30/01/1440 H, the Company announced its entry into a binding merger agreement with MetLife (the "Merger Agreement") in an effort to acquire all shares held by the shareholders in MetLife through the submission of an offer to exchange shares without any cash consideration, such exchange to be effected by way of increasing the capital of the Company through the issuance of new ordinary shares to all shareholders in MetLife (the "Merger"). Walaa received a no-objection letter from Saudi Arabian Monetary Authority (SAMA) on the merger transaction on 24/12/2019G (27/04/1441H).

During the period, the shareholders in the EGM held on January 27, 2020 corresponding to 2 Jumada II 1441H approved the proposed merger of the Company and MetLife to be effected by way of a merger pursuant to Articles 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G), through the issuance of 0.6577614444444444 new shares in the Company for each share in MetLife subject to the terms and conditions of the Merger Agreement.

Further to the receipt of regulatory approvals, on February 29, 2020, the Company completed a statutory merger with MetLife. On this date, the net assets and business activities of MetLife were transferred to the Company in exchange for newly issued shares of the Company. MetLife was de-listed from Tadawul, following the transfer, however, Subsequent to the period end 30 June 2020, MetLife's commercial registration was cancelled and was registered as a branch of Walaa Cooperative Insurance Company.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations with the Company being the acquirer and MetLife being the acquiree. The Company has accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by the Standard.

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

4. BUSINESS COMBINATION (CONTINUED)

Purchase consideration and Goodwill

The purchase consideration was determined to be SAR 191,566 thousands which consisted of the issue of 11,839,706 new shares to the shareholders of MetLife.

Previously, a provisional amount of Goodwill was recognized based on estimation of purchase consideration at SAR 169,308 thousand to account for business combination as at the date of acquisition of MetLife by the Company. However, during the quarter ended 30 September 2020, the purchase consideration was revised to SAR 191,566 thousand taking into consideration the closing market price of ordinary shares of the Company which were issued as consideration for the acquisition. The said revision is within the aforementioned measurement period.

The fair value of the newly issued shares of the Company was determined on the basis of closing market price of Walaa's ordinary shares of SAR 16.18 per share on the Tadawul on the last trading date prior to the acquisition date of February 29, 2020. Issue costs which were directly attributable to the issue of the shares were not material. As a result, there was an increase in share capital and share premium of SAR 118,397 thousand and SAR 73,169 thousand, respectively.

Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired and liabilities assumed at the date of acquisition.

	<u>SAR'000</u>
ASSETS	
Cash and cash equivalents	43,589
Short term deposits	3,051
Long term deposits	89,000
Premiums and reinsurers' receivable - net	27,417
Reinsurers' share of unearned premiums	32,823
Reinsurers' share of outstanding claims	17,248
Reinsurers' share of claims incurred but not reported	17,494
Reinsurer's share of mathematical reserves	155,189
Deferred policy acquisition costs	2,717
Investments	3,175
Due from related parties	406
Prepaid expenses and other assets	11,082
Property and equipment, net	731
Intangible assets	225
Statutory deposit	35,000
Accrued income on statutory deposit	2,653
TOTAL ASSETS	<u>441,800</u>
LIABILITIES	
Policyholders claims payable	6,338
Accrued and other liabilities	7,836
Reinsurers' balances payable	35,080
Unearned premiums	42,282
Unearned reinsurance commission	5,365
Outstanding claims	21,821
Claims incurred but not reported	26,044
Gross mathematical reserves	155,189
Due to related parties	45
End-of-service indemnities	1,280
Zakat and income tax	3,848
Accrued commission income payable to SAMA	2,654
TOTAL LIABILITIES	<u>307,782</u>

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

4. BUSINESS COMBINATION (CONTINUED)

Identifiable assets acquired and liabilities assumed-(continued)

MetLife's net assets as at acquisition date	134,019
Provisional goodwill arising from the acquisition	57,548
Purchase consideration	<u>191,566</u>

METLIFE ALICO Portfolio transfer

The Company being the acquirer and pursuant to the merger agreement has acquired the existing Saudi run-off portfolio comprising of long-term life Protection and Savings insurance products and Personal Accident policies from MetLife (the acquiree) effective the date of merger. This Saudi run-off portfolio was transferred by MetLife ALICO to MetLife (the acquiree) in April 1, 2015. This portfolio is reinsured to MetLife ALICO by 100%. Accordingly, the liabilities related to this portfolio were recorded in the Company's books at book value with offsetting assets representing the reinsurance share of these liabilities. The Company is be entitled to reinsurance commission at the agreed rates and to reimbursement on actual basis of all the expenses incurred on the administration of this portfolio.

	September 30, 2020 - (Unaudited)	February 29, 2020 - (Unaudited)
	<u>SAR'000</u>	
<u>ASSETS</u>		
Cash and cash equivalents	689	5,384
Premiums and reinsurers' receivable - net	85	114
Reinsurers' share of unearned premiums	(3)	(11)
Reinsurers' share of outstanding claims	10,586	10,504
Reinsurers' share of claims incurred but not reported	114	133
Reinsurer's share of mathematical reserves	142,170	155,189
Due from related parties	2,768	375
Prepaid expenses and other assets	(131)	133
TOTAL ASSETS	<u>156,278</u>	<u>171,821</u>
	September 30, 2020 - (Unaudited)	February 29, 2020 - (Unaudited)
	<u>SAR'000</u>	
<u>Liabilities</u>		
Payables, accruals and others	164	280
Reinsurers' balances payable	792	3,506
Unearned premiums	(3)	(11)
Outstanding claims	10,586	10,504
Claims incurred but not reported	114	133
Gross mathematical reserves	142,170	155,189
Due to related parties	2,455	2,220
TOTAL ASSETS	<u>156,278</u>	<u>171,821</u>

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020****5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	Insurance operations	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Cash and bank balances	713,992	220,925
Deposits maturing within 3 months from the acquisition date	-	340,000
Total	713,992	560,925

	Shareholders' operations	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Bank balances	-	-
Deposits maturing within 3 months from the acquisition date	-	-
Total	-	-
Total cash and cash equivalents	713,992	560,925

6. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprises of amounts due from the following:

	Insurance operations	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Policyholders	82,715	51,898
Brokers and agents	290,396	138,823
Related parties	436	311
Receivables from reinsurers	7,475	1,678
	381,022	192,710
Less: Provision for doubtful receivables	(53,964)	(42,616)
Premiums and reinsurers' receivable – net	327,058	150,094

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020****7. INVESTMENTS**

Investments are classified as follows:

	Shareholders' operations	
	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Available for sale investments	251,772	254,906
Held to maturity	199,412	149,342
	451,184	404,248

Movement in available for sale investments is as follows:

	Shareholders' operations	
	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Opening balance	254,906	162,876
Acquired through business combination	3,175	-
Purchase	1,162	70,962
Disposals during the period	(3,200)	-
Changes in fair value of investments, net	(4,271)	21,068
Closing balance	251,772	254,906

Available-for-sale investments include the following:

	Shareholders' operations	
	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Quoted securities	225,474	231,783
Unquoted securities	26,298	23,123
	251,772	254,906

Movement in held to maturity investments is as follows:

	Shareholders' operations	
	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Opening balance	149,342	-
Additional during the year	50,000	149,482
Amortization / adjustment, net	70	(140)
Closing balance	199,412	149,342

Investments in sukuks are classified as investments held to maturity and measured at amortized cost. Investments held to maturity are those investments which have fixed or determined payments and that the Company has a positive intention and ability to hold to maturity.

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020****8. TECHNICAL RESERVES****8.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Outstanding claims	249,807	153,084
Less: Realizable value of salvage and subrogation	(4,283)	(12,651)
	245,524	140,433
Claims incurred but not reported	182,685	192,740
Additional premium reserves:		
- Premium deficiency reserve	43,908	4,952
-Additional unexpired risk reserve	-	18
	43,908	4,970
Other technical reserves:		
- Claims handling expense provision	-	15,828
- Unallocated loss adjustment expense provision	12,683	12,887
- Allocated loss adjustment expense provision	-	
- Non-proportional reinsurance accrual reserve	-	985
	12,683	29,700
Net outstanding claims and reserves	484,800	367,843
Less:		
-Reinsurer's share of outstanding claims	(173,728)	(97,837)
-Reinsurer's share of claims incurred but not reported	(49,849)	(44,218)
	223,577	(142,055)
Net outstanding claims and reserves	261,223	225,788

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020****8. TECHNICAL RESERVES (CONTINUED)****8.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

	September 30, 2020 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	637,828	(274,137)	363,691
Addition due to merger	42,282	(32,823)	9,459
Premiums written during the period	1,044,618	(430,594)	614,024
Premiums earned during the period	(1,013,559)	426,691	(586,868)
Balance as at the end of the period	711,169	(310,863)	400,306

	December 31, 2019 (Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	536,608	(195,562)	341,046
Premiums written during the year	1,215,394	(479,878)	735,516
Premiums earned during the year	(1,114,174)	401,303	(712,871)
Balance as at the end of the year	637,828	(274,137)	363,691

9. PROPERTY AND EQUIPMENT, NET

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Property and equipment	9,857	9,907
Right of use assets (note 9.1)	5,321	7,443
	15,178	17,350

9.1 Depreciation charges on right of use assets amounted to SAR 3.09 million.

10. ACCRUED AND OTHER LIABILITIES

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Accrued and other liabilities	130,718	91,401
Lease rentals	3,060	5,869
	133,778	97,270

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

10. ACCRUED AND OTHER LIABILITIES (CONTINUED)

Maturity analysis of lease rentals is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Payable within one year	2,358	3,807
Payable more than one year but less than five years	702	2,062
	3,060	5,869

11. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Letters of guarantee	7,958	6,450

The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at December 31, 2019.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Shareholders' Operations	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
		SAR'000			
September 30, 2020 (Unaudited)					
Financial assets measured at fair value					
Available for sale investments					
-Quoted securities					
	225,474	225,474	-	-	225,474
	225,474	225,474	-	-	225,474
<hr/>					
Shareholders' Operations	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
		SAR'000			
December 31, 2019 (Audited)					
Financial assets measured at fair value					
Available for sale investments					
-Quoted securities					
	231,783	231,783	-	-	231,783
	231,783	231,783	-	-	231,783

b. Measurement of fair values

The Company has investments amounting to SAR 26.3 million as at September 30, 2020 in unquoted securities (December 31, 2019: 23.1 million). These investments have not been measured at fair values in the absence of active market or other means of measuring their fair values reliably. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

Transfer between the Levels

During the period, there were no transfers into or out of each level.

13. OPERATING SEGMENTS

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

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief executive officer is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

Segment assets do not include cash and cash equivalents, short term deposits, long term deposits, premiums and insurance balances receivable - net, due from shareholders' operations, accrued commission income, prepaid expenses and other assets, goodwill, property and equipment and intangible assets. Accordingly, they are included in unallocated assets.

Segment liabilities do not include policyholders' claims payables, accrued and other liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities and accrual loss thereon, and insurance operations' surplus. Accordingly, they are included in unallocated liabilities.

Segments do not include shareholders' assets and liabilities hence these are presented under unallocated assets/liabilities accordingly. These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

13. OPERATING SEGMENTS (CONTINUED)

Financial Position

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

	As at September 30, 2020 (Unaudited)						Total - Insurance operations	Shareholders' operations	Total
	Insurance operations								
	Medical	Motor	Property	Engineering	Protection &Savings	Others			
	SAR'000								
Assets									
Reinsurers' share of unearned premiums	2,929	281	153,986	66,263	205	87,199	310,863	-	310,863
Reinsurers' share of outstanding claims	-	-	69,689	57,796	15,102	31,141	173,728	-	173,728
Reinsurers' share of claims incurred but not reported	-	-	14,069	22,158	666	12,956	49,849	-	49,849
Reinsurer's share of mathematical reserves	-	-	-	-	142,170	-	142,170	-	142,170
Deferred policy acquisition costs	3,215	14,365	2,554	3,636	41	4,411	28,222	-	28,222
Unallocated assets	-	-	-	-	-	-	1,137,770	920,828	2,058,598
Total assets	6,144	14,646	240,298	149,853	158,184	135,707	1,842,602	920,828	2,763,430
Liabilities and shareholders' equity									
Unearned premiums	46,459	335,901	156,683	69,015	1,374	101,737	711,169	-	711,169
Unearned Insurance commission	359	38	7,515	6,639	148	7,003	21,702	-	21,702
Outstanding claims	19,435	39,845	70,642	58,938	17,398	39,266	245,524	-	245,524
Claims incurred but not reported	16,277	108,931	14,810	23,324	902	18,441	182,685	-	182,685
Gross mathematical reserves	-	-	-	-	142,170	-	142,170	-	142,170
Additional Premium Reserve	2,392	41,516	-	-	-	-	43,908	-	43,908
Other Technical Reserve	212	9,517	349	349	-	2,256	12,683	-	12,683
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	482,761	920,828	1,403,589
Total liabilities and shareholders' equity	85,134	535,748	249,999	158,265	161,992	168,703	1,842,602	920,828	2,763,430

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

13. OPERATING SEGMENTS (CONTINUED)

Financial Position (continued)

	As at December 31, 2019 (Audited)							
	Insurance operations					Total - Insurance operations	Shareholders ' operations	Total
	Medical	Motor	Property	Engineering	Others			
	SAR'000							
Assets								
Reinsurers' share of unearned premiums	1,932	45	124,669	63,434	84,057	274,137	-	274,137
Reinsurers' share of outstanding claims	-	365	73,720	11,598	12,154	97,837	-	97,837
Reinsurers' share of claims incurred but not reported	-	-	17,617	16,716	9,885	44,218	-	44,218
Deferred policy acquisition costs	2,978	6,848	1,550	1,910	3,447	16,733	-	16,733
Unallocated assets	-	-	-	-	-	908,916	690,886	1,599,802
Total assets	4,910	7,258	217,556	93,658	109,543	1,341,841	690,886	2,032,727
Liabilities and shareholders' equity								
Unearned premiums	56,566	295,699	126,135	64,647	94,781	637,828	-	637,828
Unearned reinsurance commission	-	2	4,329	4,383	5,372	14,086	-	14,086
Outstanding claims	16,209	16,209	75,168	12,408	20,439	140,433	-	140,433
Claims incurred but not reported	11,359	129,147	18,246	18,217	15,771	192,740	-	192,740
Additional premium reserves	4,740	-	-	18	212	4,970	-	4,970
Other technical reserves	1,261	27,133	456	455	395	29,700	-	29,700
Unallocated liabilities and shareholders' equity	-	-	-	-	-	322,084	690,886	1,012,970
Total liabilities and shareholders' equity	90,135	468,190	224,334	100,128	136,970	1,341,841	690,886	2,032,727

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**
13. OPERATING SEGMENTS (CONTINUED)

	For the three months period ended September 30, 2020 (Unaudited)						Total
	Medical	Motor	Property	Engineering	Protection &Savings	Others	
	SAR'000						
REVENUES							
Gross premiums written							
- Direct	15,601	156,081	156,848	28,036	3,409	46,670	406,645
- Reinsurance	-	-	5,509	418	-	-	5,927
	15,601	156,081	162,357	28,454	3,409	46,670	412,572
Reinsurance premiums ceded							
- Local ceded	-	-	(5,013)	1,483	-	-	(3,530)
- Foreign ceded	(712)	(41)	(155,745)	(28,406)	(1,923)	(36,436)	(223,263)
	(712)	(41)	(160,758)	(26,923)	(1,923)	(36,436)	(226,793)
Excess of loss expenses	(7,343)	(626)	(260)	(260)	-	(229)	(8,718)
Net premiums written	7,546	155,414	1,339	1,271	1,486	10,005	177,061
Changes in unearned premiums, net	14,315	12,413	(305)	1	(847)	(1,069)	24,508
Net premiums earned	21,861	167,827	1,034	1,272	639	8,936	201,569
Reinsurance commissions	420	18	5,597	2,514	372	5,338	14,259
Other underwriting income	1,056	10	2	2	-	311	1,381
TOTAL REVENUES	23,337	167,855	6,633	3,788	1,011	14,585	217,209
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	23,337	123,450	537	13,268	214	9,482	170,288
Surrenders and maturities	-	-	-	-	4,743	-	4,743
Expenses incurred related to claims	1,450	2,881	-	-	-	-	4,331
Reinsurers' share of claims paid	(6,006)	(609)	(407)	(12,585)	(4,957)	(7,198)	(31,762)
Net claims and other benefits paid	18,781	125,722	130	683	-	2,284	147,600
Changes in outstanding claims, net	4,766	(1,237)	128	(414)	(68)	(1,335)	1,840
Changes in IBNR, net	122	(9,257)	(114)	292	(450)	(175)	(9,582)
Net claims and other benefits incurred	23,669	115,228	144	561	(518)	774	139,858
Additional premium reserves	(2,161)	(10,368)	-	-	-	-	(12,529)
Other technical reserves	-	(700)	-	-	(207)	207	(700)
Policy acquisition costs	1,849	7,081	1,226	1,087	30	1,892	13,165
Other underwriting expenses	(734)	8,532	3	84	1	60	7,946
TOTAL UNDERWRITING COSTS AND EXPENSES	22,623	119,773	1,373	1,732	(694)	2,933	147,740
NET UNDERWRITING INCOME	714	48,082	5,260	2,056	1,705	11,652	69,469
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(7,774)
General and administrative expenses							(39,166)
Commission income on deposits							3,107
Dividend income on investments							2,226
TOTAL OTHER OPERATING EXPENSES							(41,607)
Total income for the period before zakat and income tax & surplus attribution							27,862
Zakat							(10,629)
Income tax							(448)
NET INCOME FOR THE PERIOD							16,785
Total income for the period attributable to insurance operations							(2,591)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS							14,194

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**
13. OPERATING SEGMENTS (CONTINUED)

	For the three months ended September 30, 2019 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	23,807	118,655	87,521	14,772	37,964	282,719
- Reinsurance	-	-	-	-	-	-
	23,807	118,655	87,521	14,772	37,964	282,719
Reinsurance premiums ceded						
- Local ceded	-	-	(941)	(798)	-	(1,739)
- Foreign ceded	-	-	(85,684)	(12,717)	(31,312)	(129,713)
	-	-	(86,625)	(13,515)	(31,312)	(131,452)
Excess of loss expenses	(6,815)	(790)	(203)	(203)	(233)	(8,244)
Net premiums written	16,992	117,865	693	1,054	6,419	143,023
Changes in unearned premiums, net	(7,446)	42,432	145	168	(298)	35,001
Net premiums earned	9,546	160,297	838	1,222	6,121	178,024
Reinsurance commissions	-	3	2,941	1,276	1,757	5,977
Other underwriting income	-	449	3	2	16	470
TOTAL REVENUES	9,546	160,749	3,782	2,500	7,894	184,471
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	23,839	114,670	6,921	8,141	7,618	161,189
Expenses incurred related to claims	526	7,094	-	-	-	7,620
Reinsurers' share of claims paid	(2,838)	(418)	(6,708)	(7,749)	(3,314)	(21,027)
Net claims and other benefits paid	21,527	121,346	213	392	4,304	147,782
Changes in outstanding claims, Net	(8,195)	(1,198)	(1,204)	(223)	(2,127)	(12,947)
Changes in IBNR, net	5,942	(6,837)	11	122	(498)	(1,260)
Net claims and other benefits incurred	19,274	113,311	(980)	291	1,679	133,575
Changes in unexpired risks	(341)	-	-	(703)	(1,896)	(2,940)
Other technical reserves	(506)	4,836	360	420	600	5,710
Policy acquisition costs	1,240	6,442	1,204	755	1,497	11,138
Other underwriting expenses	2,147	4,424	-	-	(20)	6,551
TOTAL UNDERWRITING COSTS AND EXPENSES	21,814	129,013	584	763	1,860	154,034
NET UNDERWRITING INCOME (LOSS)	(12,268)	31,736	3,198	1,737	6,034	30,437
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses						(29,350)
Allowance for doubtful debts						1,128
Commission income						6,137
Dividend income on investments						350
TOTAL OTHER OPERATING EXPENSES						(21,735)
Total profit for the period before zakat and income tax						8,702
Zakat and income tax for the period						(539)
NET PROFIT FOR THE PERIOD						8,163
Total income for the period attributable to insurance operations						(759)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						7,404

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

13. OPERATING SEGMENTS (CONTINUED)

	For the nine months period ended September 30, 2020 (Unaudited)						Total
	Medical	Motor	Property	Engineering	Protection &Savings	Others	
	SAR'000						
REVENUES							
Gross premiums written							
- Direct	66,980	525,197	217,044	83,032	5,404	139,970	1,037,627
- Reinsurance	-	-	6,573	418	-	-	6,991
	66,980	525,197	223,617	83,450	5,404	139,970	1,044,618
Reinsurance premiums ceded							
- Local ceded	-	-	(7,126)	(2,856)	-	-	(9,982)
- Foreign ceded	(3,706)	(717)	(212,019)	(75,401)	(3,554)	(113,052)	(408,449)
	(3,706)	(717)	(219,145)	(78,257)	(3,554)	(113,052)	(418,431)
Excess of loss expenses	(7,775)	(2,202)	(667)	(667)	-	(852)	(12,163)
Net premiums written	55,499	522,278	3,805	4,526	1,850	26,066	614,024
Changes in unearned premiums, net	19,166	(39,785)	(1,224)	(1,520)	(934)	(2,859)	(27,156)
Net premiums earned	74,665	482,493	2,581	3,006	916	23,207	586,868
Reinsurance commissions	893	41	11,394	8,425	815	9,674	31,242
Other underwriting income	1,421	4,056	8	6	185	4,334	10,010
TOTAL REVENUES	76,979	486,590	13,983	11,437	1,916	37,215	628,120
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	63,828	304,670	1,942	13,888	1,066	21,110	406,504
Surrenders and maturities	-	-	-	-	12,618	-	12,618
Expenses incurred related to claims	2,836	23,601	-	-	-	-	26,437
Reinsurers' share of claims paid	(9,497)	(623)	(1,499)	(12,992)	(13,433)	(14,283)	(52,327)
Net claims and other benefits paid	57,167	327,648	443	896	251	6,827	393,232
Changes in outstanding claims, net	3,173	23,601	(629)	1	(219)	(1,300)	24,627
Changes in IBNR, net	1,659	(23,471)	84	(352)	43	(2,199)	(24,236)
Net claims and other benefits incurred	61,999	327,778	(102)	545	75	3,328	393,623
Additional premium reserves	(2,348)	41,517	-	(18)	-	(213)	38,938
Other technical reserves	(1,049)	(17,617)	(107)	(107)	-	1,863	(17,017)
Policy acquisition costs	4,919	17,734	3,431	2,873	1	5,367	34,325
Other underwriting expenses	2,828	17,647	2	10	1	102	20,590
TOTAL UNDERWRITING COSTS AND EXPENSES	66,349	387,059	3,224	3,303	77	10,447	470,459
NET UNDERWRITING INCOME	10,630	99,531	10,759	8,134	1,839	26,768	157,661
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(20,192)
General and administrative expenses							(102,952)
Commission income on deposits							10,686
Dividend income on investments							2,249
TOTAL OTHER OPERATING EXPENSES							(110,209)
Total income for the period before zakat and income tax & surplus attribution							47,452
Zakat							(14,874)
Income tax							(703)
NET INCOME FOR THE PERIOD							31,875
Total income for the period attributable to insurance operations							(4,648)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS							27,227

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

13. OPERATING SEGMENTS (CONTINUED)

	For the nine months ended September 30, 2019 (Unaudited)					Total
	Medical	Motor	Property	Engineering	Others	
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	54,134	463,447	179,920	54,987	103,602	856,090
- Reinsurance	-	-	388	-	-	388
	54,134	463,447	180,308	54,987	103,602	856,478
Reinsurance premiums ceded						
- Local ceded	-	-	(4,233)	(3,707)	-	(7,940)
- Foreign ceded	-	(182)	(172,700)	(46,715)	(79,979)	(299,576)
		(182)	(176,933)	(50,422)	(79,979)	(307,516)
Excess of loss expenses	(8,069)	(2,846)	(500)	(500)	(662)	(12,577)
Net premiums written	46,065	460,419	2,875	4,065	22,961	536,385
Changes in unearned premiums, net	3,108	(5,209)	(447)	(504)	(2,748)	(5,800)
Net premiums earned	49,173	455,210	2,428	3,561	20,213	530,585
Reinsurance commissions	-	5	8,915	4,109	4,943	17,972
Other underwriting income	-	1,554	8	6	50	1,618
TOTAL REVENUES	49,173	456,769	11,351	7,676	25,206	550,175
UNDERWRITING COSTS AND EXPENSES						
Gross claim paid	65,396	330,895	9,758	16,477	16,158	438,684
Expenses incurred related to claims	2,009	21,300	-	-	-	23,309
Reinsurers' share of claims paid	(7,374)	(418)	(9,188)	(15,753)	(8,227)	(40,960)
Net claims and other benefits paid	60,031	351,777	570	724	7,931	421,033
Changes in outstanding claims, net	(11,935)	2,267	(1,501)	930	612	(9,627)
Changes in IBNR, net	3,660	(2,933)	702	899	4,361	6,689
Net claims and other benefits incurred	51,756	351,111	(229)	2,553	12,904	418,095
Additional premium reserves	(1,923)	-	-	(258)	1,464	(717)
Other technical reserves	(83)	(2,203)	(1,707)	(882)	(466)	(5,341)
Policy acquisition costs	4,139	22,203	4,374	2,397	3,701	36,814
Other underwriting expenses	5,814	12,724	-	-	14	18,552
TOTAL UNDERWRITING COSTS AND EXPENSES	59,703	383,835	2,438	3,810	17,617	467,403
NET UNDERWRITING INCOME	(10,530)	72,934	8,913	3,866	7,589	82,772
OTHER OPERATING (EXPENSES) / INCOME						
General and administrative expense						(90,247)
Allowance for doubtful debts						(3,352)
Commission income						19,493
Dividend income on investment						1,048
TOTAL OTHER OPERATING EXPENSES						(73,058)
Total income for the period before zakat and income tax						9,714
Zakat and income tax for the period						(8,581)
NET LOSS FOR THE PERIOD						1,133
Total income for the period attributable to insurance operations						(420)
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						713

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

14. 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:

	Transactions for the nine months period ended		Net balance receivable / (payable) as at	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000		SAR'000	
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written / receivable from	22,038	1,789	19,917	659
Other business	(1,158)	447	90	(30)
Gross Claims paid to directors and their related parties	2,392	1,527	(752)	(154)
Premium ceded , XOL and balances payables for premium ceded and XOL	7,915	-	(8,662)	-
Reinsurance share of claims paid	(15,293)	-	-	-

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	3,809	3,746
End of service indemnities	312	605
	4,121	4,351
Remuneration to those charged with governance	3,918	4,726

15. ZAKAT AND INCOME TAX

Status of assessments

The Company had filed Zakat and income tax returns with the General Authority of Zakat and Tax ("GAZT") up to the year ended December 31, 2019 and obtained a certificate from GAZT that was valid up to April 30, 2021.

In 2019, the Company has received an assessment order for the year 2016 for an additional zakat and tax liability amounting to SR 20 million. The Company successfully appealed against most of the items in this assessment and paid an amount of SR 1.9 million as a full and final settlement.

During the nine months period ended September 30, 2020, the Company received an assessment order for the year 2014 for an additional zakat and tax liability amounting to SR 5.9 million. The management of the Company is reviewing the assessment letter in order to respond in the specified time period and is confident that the additional liability would be adjusted significantly in favour of the Company. The management also believes that the provision as reflected in financial statements is sufficient to meet any additional zakat and tax obligation accordingly, no additional provision has been provided by the Company in these interim condensed financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

15. ZAKAT AND INCOME TAX (CONTINUED)

Provision for zakat and income tax

Provision for zakat has been made at 2.5% of the higher of approximate zakat base and adjusted net income attributable to the Saudi shareholders of the Company.

Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

Shareholding subject to zakat and income tax

The following is the shareholding percentage for computation as at the end of the period/year:

	September 30, 2020	December 31, 2019
	%	%
Shareholding subject to zakat	90.22	94.75
Shareholding subject to income tax	9.78	5.25

16. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 646 million at June 30, 2020 consisting of 64.6 million shares of SAR 10 each (December 31, 2019: SAR 528 million consisting of 52.8 million shares of SAR 10 each).

In the year 2015, the Company had increased its share capital from SAR 200 million to SAR 400 million, by issuing 20 million right shares to its existing shareholders, which were offered at an exercise price of SAR 12 per share. This resulted in a share premium less issuance cost amounting to SAR 30.1 million.

The Company's Board of Directors in their meeting held on April 8, 2019 corresponding to 3 Sha'aban 1440H recommended to the Extraordinary General Assembly Meeting to increase share capital of the Company. The Extraordinary General Assembly approved to increase share capital of the Company from SAR 440 million to SAR 528 million by issuing one bonus share for every five existing shares owned by the shareholder. The increase in share capital is through capitalization of retained earnings of SAR 88 million. The increase in share capital was approved by the shareholders in their meeting held on 16 Ramadan 1440H (Corresponding to May 21, 2019).

The Board of Directors in their meeting held on September 29, 2019 (corresponding to 30 Muharram 1441 H) resolved to increase the share capital from SAR 528,000,000 to SAR 646,397,060 by issuing 11,839,706 ordinary shares to merge MetLife into the Company and transferring all of MetLife's assets and liabilities to the Company through a securities exchange offer (note 4)

During the nine months period ended September 30, 2020, the Company issued 11,839,706 ordinary shares as a purchase consideration to merge MetLife into the company on the basis of closing market price of SAR 16.18 per share on Tadawul on the last trading date prior to acquisition. This has resulted an increase in share premium amounting to SAR 73.169 million (note 4).

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

16. SHARE CAPITAL (CONTINUED)

The shareholding structure of the Company is as below:

	September 30, 2020 (Unaudited)		
	Authorized and issued	Paid up	
	No. of Shares	SAR "000"	
American Life Insurance	3,552,000	35,520	35,520
Arab National Bank	3,545,146	35,451	35,451
International General Insurance Company-IGI	2,772,000	27,720	27,720
Others	54,770,560	547,706	547,706
Total	64,639,706	646,397	646,397
	December 31, 2019 (audited)		
	Authorized and issued	Paid up	
	No. of Shares	SAR "000"	
International General Insurance Company	2,772,000	27,720	27,720
Others	50,028,000	500,280	500,280
Total	52,800,000	528,000	528,000

17. DIVIDEND

No dividend was proposed or paid during the period.

18. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

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

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

19. EARNINGS PER SHARE (“EPS”)

Basic and diluted earnings per share from shareholders' income is calculated by dividing net income for the period by weighted average number of ordinary shares outstanding during the period.

20. GROSS PREMIUMS WRITTEN

(Unaudited)	For the nine months period ended September 30, 2020					
	Corporate					Total Gross premiums written
Class	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	12,078	9,400	6,890	30,674	7,938	66,980
Motor	672	3,119	9,865	147,055	364,486	525,197
Property	1,858	10,523	7,571	203,665	-	223,617
Engineering	1,193	908	4,584	76,765	-	83,450
Protection & Savings	(10)	88	249	1,823	3,254	5,404
Others	3,200	10,211	14,736	109,495	2,328	139,970
Total	18,991	34,249	43,895	569,477	378,006	1,044,618

(Unaudited)	For the nine months period ended September 30, 2019					
	Corporate					Total Gross premiums written
Class	Micro	Small	Medium	Large	Individual	
	SR'000					
Medical	5,652	16,219	8,599	21,004	2,660	54,134
Motor	463	3,384	12,477	44,954	402,169	463,447
Property	271	2,055	6,448	171,534	-	180,308
Engineering	209	1,364	6,486	46,928	-	54,987
Others	1,349	5,451	12,916	83,525	361	103,602
Total	7,944	28,473	46,926	367,945	405,190	856,478

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

21. SUPPLEMENTARY STATEMENTS

Interim condensed financial position

	<u>September 30, 2020 - (Unaudited)</u>			<u>December 31, 2019 - (Audited)</u>		
	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders'		operations	holders'	
	SAR'000			SAR'000		
ASSETS						
Cash and cash equivalents	713,992	-	713,992	560,925	-	560,925
Short term deposits	-	217,274	217,274	130,000	211,074	341,074
Long term deposits	-	50,000	50,000	-	-	-
Premiums and reinsurers' receivable - net	327,058	-	327,058	150,094	-	150,094
Reinsurers' share of unearned premiums	310,863	-	310,863	274,137	-	274,137
Reinsurers' share of outstanding claims	173,728	-	173,728	97,837	-	97,837
Reinsurers' share of claims incurred but not reported	49,849	-	49,849	44,218	-	44,218
Reinsurers' share of mathematical reserves	142,170	-	142,170	-	-	-
Deferred policy acquisition Costs	28,222	-	28,222	16,733	-	16,733
Investments	-	451,184	451,184	-	404,248	404,248
Due from shareholders'/ insurance operations	-	61,466	61,466	-	12,312	12,312
Prepaid expenses and other Assets	80,107	4,948	85,055	49,205	-	49,205
Property and equipment	15,178	-	15,178	17,350	-	17,350
Intangible assets	1,435	-	1,435	1,128	-	1,128
Goodwill	-	57,548	57,548	-	-	-
Statutory deposit	-	64,640	64,640	-	52,800	52,800
Accrued income on statutory deposit	-	9,949	9,949	-	5,607	5,607
Accrued commission income	-	3,819	3,819	214	4,845	5,059
TOTAL ASSETS	1,842,602	920,828	2,763,430	1,341,841	690,886	2,032,727

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed financial position (Continued)

	September 30, 2020 - (Unaudited)			December 31, 2019- (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
LIABILITIES						
Policyholders claims payable	28,273	-	28,273	20,876	-	20,876
Accrued and other liabilities	129,626	4,152	133,778	96,835	435	97,270
Reinsurers' balances payable	237,049	-	237,049	173,378	-	173,378
Unearned premiums	711,169	-	711,169	637,828	-	637,828
Unearned reinsurance commission	21,702	-	21,702	14,086	-	14,086
Outstanding claims	245,524	-	245,524	140,433	-	140,433
Claims incurred but not reported	182,685	-	182,685	192,740	-	192,740
Gross mathematical reserves	142,170	-	142,170	-	-	-
Additional premium reserves	43,908	-	43,908	4,970	-	4,970
Other technical reserves	12,683	-	12,683	29,700	-	29,700
Due to insurance / shareholders' operations	61,466	-	61,466	12,312	-	12,312
End-of-service indemnities	20,922	-	20,922	17,906	-	17,906
Zakat and income tax	-	22,939	22,939	-	15,578	15,578
Accrued commission income payable to SAMA	-	9,949	9,949	-	5,607	5,607
Insurance operation surplus	8,139	-	8,139	3,491	-	3,491
TOTAL LIABILITIES	1,845,316	37,040	1,882,356	1,344,555	21,620	1,366,175
EQUITY						
Share capital	-	646,397	646,397	-	528,000	528,000
Share premium	-	103,277	103,277	-	30,108	30,108
Statutory reserve	-	53,102	53,102	-	53,102	53,102
Fair value reserve for investments	-	13,379	13,379	-	17,650	17,650
Retained earnings	-	67,633	67,633	-	40,406	40,406
TOTAL SHAREHOLDERS' EQUITY	-	883,788	883,788	-	669,266	669,266
Re-measurement of defined benefit obligation	(2,714)	-	(2,714)	(2,714)	-	(2,714)
TOTAL EQUITY	(2,714)	883,788	881,074	(2,714)	669,266	666,552
TOTAL LIABILITIES AND EQUITY	1,842,602	920,828	2,763,430	1,341,841	690,886	2,032,727

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the three months period ended

(Unaudited)	September 30, 2020			September 30, 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	406,645	-	406,645	282,719	-	282,719
- Reinsurance	5,927	-	5,927	-	-	-
	412,572	-	412,572	282,719	-	282,719
Reinsurance premiums ceded						
- Local ceded	(3,530)	-	(3,530)	(1,739)	-	(1,739)
- Foreign ceded	(223,263)	-	(223,263)	(129,713)	-	(129,713)
	(226,793)	-	(226,793)	(131,452)	-	(131,452)
Excess of loss expenses	(8,718)	-	(8,718)	(8,244)	-	(8,244)
Net premiums written	177,061	-	177,061	143,023	-	143,023
Changes in unearned premiums, net	24,508	-	24,508	35,001	-	35,001
Net premiums earned	201,569	-	201,569	178,024	-	178,024
Reinsurance commissions	14,259	-	14,259	5,977	-	5,977
Other underwriting income	1,381	-	1,381	470	-	470
TOTAL REVENUES	217,209	-	217,209	184,471	-	184,471
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	170,288	-	170,288	161,189	-	161,189
Surrenders and maturities	4,743	-	4,743	-	-	-
Expenses incurred related to claims	4,331	-	4,331	7,620	-	7,620
Reinsurers' share of claims paid	(31,762)	-	(31,762)	(21,027)	-	(21,027)
Net claims and other benefits paid	147,600	-	147,600	147,782	-	147,782
Changes in outstanding claims, net	1,840	-	1,840	(12,947)	-	(12,947)
Changes in IBNR, net	(9,582)	-	(9,582)	(1,260)	-	(1,260)
Net claims and other benefits Incurred	139,858	-	139,858	133,575	-	133,575
Additional premium reserves	(12,529)	-	(12,529)	(2,940)	-	(2,940)
Other technical reserves	(700)	-	(700)	5,710	-	5,710
Policy acquisition costs	13,165	-	13,165	11,138	-	11,138
Other underwriting expenses	7,946	-	7,946	6,551	-	6,551
TOTAL UNDERWRITING COSTS AND EXPENSES	147,740	-	147,740	154,034	-	154,034
NET UNDERWRITING INCOME	69,469	-	69,469	30,437	-	30,437

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the three month periods ended (Continued)

(Unaudited)	September 30, 2020			September 30, 2019 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(7,774)	-	(7,774)	1,128	-	1,128
General and administrative expenses	(36,511)	(2,655)	(39,166)	(26,504)	(2,846)	(29,350)
Commission income	723	2,384	3,107	2,526	3,611	6,137
Dividend income on Investments	-	2,226	2,226	-	350	350
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(43,562)	1,955	(41,607)	(22,850)	1,115	(21,735)
Total income for the period before zakat and income tax	25,907	1,955	27,862	7,587	1,115	8,702
Zakat	-	(10,629)	(10,629)	-	(459)	(459)
Income tax	-	(448)	(448)	-	(80)	(80)
NET INCOME / (LOSS) FOR THE PERIOD	25,907	(9,122)	16,785	7,587	576	8,163
Surplus transferred to Shareholders	(23,316)	23,316	-	(6,828)	6,828	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	2,591	14,194	16,785	759	7,404	8,163
Earnings per share (Expressed in SAR per share)						
Basic and diluted EPS		<u>0.22</u>			<u>0.14</u>	

Interim condensed statement of comprehensive income for the three months period ended

(Unaudited)	September 30, 2020			September 30, 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income for the period	2,591	14,194	16,785	759	7,404	8,163
Other comprehensive (loss) income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
- Net change in fair value	-	18,192	18,192	-	(7,994)	(7,994)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	2,591	32,386	34,977	759	(590)	169

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the nine months period ended (Continued)

(Unaudited)	September 30, 2020			September 30, 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	1,037,627	-	1,037,627	856,090	-	856,090
- Reinsurance	6,991	-	6,991	388	-	388
	1,044,618		1,044,618	856,478		856,478
Reinsurance premiums ceded						
- Local ceded	(9,982)	-	(9,982)	(7,940)	-	(7,940)
- Foreign ceded	(408,449)	-	(408,449)	(299,576)	-	(299,576)
	(418,431)		(418,431)	(307,516)		(307,516)
Excess of loss expenses	(12,163)	-	(12,163)	(12,577)	-	(12,577)
Net premiums written	614,024		614,024	536,385		536,385
Changes in unearned premiums, net	(27,156)	-	(27,156)	(5,800)	-	(5,800)
Net premiums earned	586,868		586,868	530,585		530,585
Reinsurance commissions	31,242	-	31,242	17,972	-	17,972
Other underwriting income	10,010	-	10,010	1,618	-	1,618
TOTAL REVENUES	628,120		628,120	550,175		550,175
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	406,504	-	406,504	438,684	-	438,684
Surrenders and maturities	12,618	-	12,618	-	-	-
Expenses incurred related to claims	26,437	-	26,437	23,309	-	23,309
Reinsurers' share of claims paid	(52,327)	-	(52,327)	(40,960)	-	(40,960)
Net claims and other benefits paid	393,232		393,232	421,033		421,033
Changes in outstanding claims, net	24,627	-	24,627	(9,627)	-	(9,627)
Changes in IBNR, net	(24,236)	-	(24,236)	6,689	-	6,689
Net claims and other benefits Incurred	393,623		393,623	418,095		418,095
Additional premium reserves	38,938	-	38,938	(717)	-	(717)
Other technical reserves	(17,017)	-	(17,017)	(5,341)	-	(5,341)
Policy acquisition costs	34,325	-	34,325	36,814	-	36,814
Other underwriting expenses	20,590	-	20,590	18,552	-	18,552
TOTAL UNDERWRITING COSTS AND EXPENSES	470,459		470,459	467,403		467,403
NET UNDERWRITING INCOME	157,661		157,661	82,772		82,772

WALAA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the nine months period ended (Continued)

(Unaudited)	September 30, 2020			September 30, 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(20,192)	-	(20,192)	(3,352)	-	(3,352)
General and administrative expenses	(93,109)	(9,843)	(102,952)	(83,648)	(6,599)	(90,247)
Commission income	2,115	8,571	10,686	8,425	11,068	19,493
Dividend income on Investments	2	2,247	2,249	-	1,048	1,048
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(111,184)	975	(110,209)	(78,575)	5,517	(73,058)
Total income for the period before zakat and income tax	46,477	975	47,452	4,197	5,517	9,714
Zakat	-	(14,874)	(14,874)	-	(8,431)	(8,431)
Income tax	-	(703)	(703)	-	(150)	(150)
NET INCOME / (LOSS) FOR THE PERIOD	46,477	(14,602)	31,875	4,197	(3,064)	1,133
Surplus transferred to Shareholders	(41,829)	41,829	-	(3,777)	3,777	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	4,648	27,227	31,875	420	713	1,133
Earnings per share (Expressed in SAR per share)						
Basic and diluted EPS		<u>0.44</u>			<u>0.01</u>	

Interim condensed statement of comprehensive income for the nine months period ended

(Unaudited)	September 30, 2020			September 30, 2019		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income for the period	4,648	27,227	31,875	420	713	1,133
Other comprehensive (loss) income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
- Net change in fair value	-	(4,271)	(4,271)	-	9,409	9,409
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	4,648	22,956	27,604	420	10,122	10,542

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for nine months

(Unaudited)	Share-holders' operations			Share-holders' operations		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	2020 SAR'000			2019 SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat	4,648	42,804	47,452	420	9,294	9,714
Adjustments for non-cash items:						
Depreciation of property and equipment	15,028	-	15,028	5,074	-	5,074
Amortization of intangible assets	4,569	-	4,569	379	-	379
Allowance for doubtful debts	20,192	-	20,192	3,352	-	3,352
Dividend income on investments	(2)	(2,247)	(2,249)	-	(1,048)	(1,048)
Commission income	(2,115)	(8,571)	(10,686)	(8,425)	(11,068)	(19,493)
Provision for end-of-service indemnities	2,911	-	2,911	2,745	-	2,745
Premiums and reinsurers' receivable	(169,739)	-	(169,739)	46,038	-	46,038
Reinsurers' share of unearned premiums	(3,903)	-	(3,903)	(30,448)	-	(30,448)
Reinsurers' share of outstanding claims	(58,643)	-	(58,643)	33,536	-	33,536
Reinsurers' share of claims incurred but not reported	11,863	-	11,863	(14,036)	-	(14,036)
Reinsurers' share of mathematical reserves	13,019	-	13,019	-	-	-
Deferred policy acquisition costs	(8,772)	-	(8,772)	4,742	-	4,742
Prepaid expenses and other assets	(20,748)	(3,615)	(24,363)	(6,801)	-	(6,801)
Policyholders and accounts payables	1,059	-	1,059	2,217	-	2,217
Accrued and other liabilities	29,064	3,484	32,548	(13,475)	(414)	(13,889)
Reinsurers' balances payable	28,591	-	28,591	9,960	-	9,960
Unearned premiums	31,059	-	31,059	36,248	-	36,248
Unearned reinsurance commission	2,251	-	2,251	3,071	-	3,071
Outstanding claims	83,270	-	83,270	(43,163)	-	(43,163)
Claims incurred but not reported	(36,099)	-	(36,099)	20,725	-	20,725
Gross mathematical reserves	(13,019)	-	(13,019)	-	-	-
Additional premium reserves	38,938	-	38,938	(717)	-	(717)
Other technical reserves	(17,017)	-	(17,017)	(5,341)	-	(5,341)
	(43,595)	31,855	(11,740)	46,101	(3,236)	42,865
End-of-service indemnities paid	(1,175)	-	(1,175)	(831)	-	(831)
Zakat and income tax paid	-	(12,064)	(12,064)	-	(14,738)	(14,738)
Net cash (used in)/ generated from operating activities	(44,770)	19,791	(24,979)	45,270	(17,974)	27,296

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for nine months (Continued)

	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	2020 SAR'000			2019 SAR'000		
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in intangible assets	(4,651)	-	(4,651)	(301)	-	(301)
Additions in investments	-	(48,033)	(48,033)	-	(49,454)	(49,454)
Commission income received	2,329	9,597	11,926	8,445	10,538	18,983
Dividend received	2	2,247	2,249	-	1,048	1,048
Cash and cash equivalents acquired through business combination	34,413	9,176	43,589	-	-	-
Additions/disposals in short term deposits	133,051	(6,200)	126,851	(201,823)	(383,074)	(584,897)
Additions/disposals in long term deposits	-	39,000	39,000	-	-	-
Additions in property and equipment	(12,125)	-	(12,125)	(12,257)	-	(12,257)
Net cash generated from / (used in) investing activities	153,019	5,787	158,806	(205,936)	(420,942)	(626,878)
CASH FLOWS FROM FINANCING ACTIVITIES						
Statutory deposit	-	23,160	23,160	-	(8,800)	(8,800)
Due from shareholders/insurance operations	48,738	(48,738)	-	(23,393)	23,393	-
Dividend paid	-	-	-	-	(44,000)	(44,000)
Lease rentals	(3,920)	-	(3,920)	(2,899)	-	(2,899)
Net cash (used in) / generated from financing activity	44,818	(25,578)	19,240	(26,292)	(29,407)	(55,699)
Net change in cash and cash equivalents	153,067	-	153,067	(186,958)	(468,323)	(655,281)
Cash and cash equivalents, beginning of the period	560,925	-	560,925	654,006	468,323	1,122,329
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	713,992	-	713,992	467,048	-	467,048
NON-CASH TRANSACTION						
Unrealised changes in fair value of available for sale investments	-	(4,271)	(4,271)	-	9,409	9,409

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on October 22, 2020 corresponding to Rabi' Al-Alwwal 05, 1442 AH