

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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

To The Shareholders of
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 June 30, 2020, the related interim condensed statements of income and comprehensive income for the three and six month periods then ended, and the interim condensed statements of changes in equity and cash flows for the six 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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Dhu'l-Hijjah 16, 1441H
August 6, 2020 G

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Notes	June 30, 2020 - (Unaudited)	December 31, 2019 - (Audited)
		SAR'000	
ASSETS			
Cash and cash equivalents	5	675,956	560,925
Short term deposits		214,258	341,074
Long term deposits		50,000	-
Premiums and reinsurers' receivable - net	6	250,560	150,094
Reinsurers' share of unearned premiums	8.2	220,763	274,137
Reinsurers' share of outstanding claims	8.1	107,743	97,837
Reinsurers' share of claims incurred but not reported	8.1	65,021	44,218
Reinsurer's share of mathematical reserves		145,624	-
Deferred policy acquisition costs		31,169	16,733
Investments	7	436,203	404,248
Due from shareholders'/insurance operations		82,760	12,312
Prepaid expenses and other assets		74,614	49,205
Property and equipment, net	9	16,564	17,350
Intangible assets		1,541	1,128
Goodwill		35,289	-
Statutory deposit		99,640	52,800
Accrued income on statutory deposit		9,783	5,607
Accrued commission income		5,848	5,059
TOTAL ASSETS		2,523,336	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 JUNE 30, 2020

	Notes	June 30, 2020 - (Unaudited)	December 31, 2019 - (Audited)
		SAR'000	
<u>LIABILITIES</u>			
Policyholders claims payable		26,033	20,876
Accrued and other liabilities	10	124,921	97,270
Reinsurers' balances payable		149,377	173,378
Unearned premiums	8.2	645,577	637,828
Unearned reinsurance commission		20,125	14,086
Outstanding claims	8.1	177,699	140,433
Claims incurred but not reported	8.1	207,439	192,740
Gross mathematical reserves		145,624	-
Additional premium reserves	8.1	56,437	4,970
Other technical reserves	8.1	13,383	29,700
Due to insurance / shareholders 'operations		82,760	12,312
End-of-service indemnities		20,061	17,906
Zakat and income tax	15	12,139	15,578
Accrued commission income payable to SAMA		9,783	5,607
Surplus distribution payable		5,548	3,491
TOTAL LIABILITIES		1,696,906	1,366,175
<u>EQUITY</u>			
Share capital	16	646,397	528,000
Share premium	16	81,019	30,108
Statutory reserve		53,102	53,102
Fair value reserve (loss)/gain on investment		(4,813)	17,650
Retained earnings		53,439	40,406
TOTAL SHAREHOLDERS' EQUITY		829,144	669,266
Re-measurement reserve of defined benefit obligation – related to insurance operations		(2,714)	(2,714)
TOTAL EQUITY		826,430	666,552
TOTAL LIABILITIES AND EQUITY		2,523,336	2,032,727
Commitments and contingencies	11	7,958	6,450



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 SIX MONTH PERIODS ENDED JUNE 30, 2020


	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2020	2019	2020	2019
		SAR'000		SAR'000	
<u>REVENUES</u>					
Gross premiums written					
- Direct		297,411	297,728	630,982	573,371
- Reinsurance		654	388	1,064	388
	8.2	298,065	298,116	632,046	573,759
Reinsurance premiums ceded					
- Local ceded		(3,970)	(4,046)	(6,452)	(6,201)
- Foreign ceded		(96,358)	(108,618)	(185,186)	(169,863)
	8.2	(100,328)	(112,664)	(191,638)	(176,064)
Excess of loss expenses	8.2	(1,658)	(2,316)	(3,445)	(4,333)
Net premiums written		196,079	183,136	436,963	393,362
Changes in unearned premiums		43,328	(18,500)	34,533	(34,857)
Changes in reinsurance share of unearned premiums		(43,297)	12,946	(86,197)	(5,944)
Net premiums earned		196,110	177,582	385,299	352,561
Reinsurance commissions		9,556	6,657	16,983	11,995
Other underwriting income		7,997	685	8,629	1,148
TOTAL REVENUES		213,663	184,924	410,911	365,704
<u>UNDERWRITING COSTS AND EXPENSES</u>					
Gross claims paid		81,156	136,408	236,216	277,495
Surrenders and maturities		3,478	-	7,875	-
Expenses incurred related to claims		11,212	9,781	22,106	15,689
Reinsurers' share of claims paid		(7,242)	(5,854)	(20,565)	(19,933)
Net claims and other benefits paid		88,604	140,335	245,632	273,251
Changes in outstanding claims		17,566	9,414	15,445	(14,165)
Changes in reinsurance share of outstanding claims		2,275	40	7,342	17,485
Changes in IBNR		(23,827)	32,259	(11,345)	22,204
Changes in reinsurance share of IBNR		(3,366)	(17,970)	(3,309)	(14,255)
Net claims and other benefits incurred		81,252	164,078	253,765	284,520
Additional premium reserves		51,896	3,114	51,467	2,223
Other technical reserves		(2,998)	(8,534)	(16,317)	(11,051)
Policy acquisition costs		11,872	12,505	21,160	25,838
Other underwriting expenses		6,086	8,055	12,644	11,839
TOTAL UNDERWRITING COSTS AND EXPENSES		148,108	179,218	322,719	313,369
NET UNDERWRITING INCOME		65,555	5,706	88,192	52,335



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 SIX MONTH PERIODS ENDED JUNE 30, 2020

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2020	2019	2020	2019
		SAR'000		SAR'000	
OTHER OPERATING (EXPENSES) / INCOME					
(Allowance) /reversal for doubtful debts		(9,948)	1,747	(12,418)	(4,480)
General and administrative expenses		(28,126)	(30,762)	(63,786)	(60,897)
Commission income		3,829	6,891	7,579	13,356
Dividend income on investments		2	587	23	698
TOTAL OTHER OPERATING EXPENSES		(34,243)	(21,537)	(68,602)	(51,323)
Total income/ (loss) for the period before zakat and income tax		31,312	(15,831)	19,590	1,012
Zakat for the period	15	(1,995)	(4,133)	(4,245)	(7,972)
Income tax for the period	15	(255)	162	(255)	(70)
Total income/ (loss) for the period		29,062	(19,802)	15,090	(7,030)
Total income attributed to the insurance Operations	21	(2,960)	-	(2,057)	-
Net income / (loss) for the period attributable to the shareholders		26,102	(19,802)	13,033	(7,030)
Earnings /(loss) per share (EPS)					
Basic and diluted EPS (SAR per share)	19	0.40	(0.38)	0.21	(0.13)
Weighted average number of ordinary outstanding shares (in thousands)		64,640	52,800	60,802	52,800



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 COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2020	2019	2020	2019
		SAR'000		SAR'000	
Total income / (loss) for the period		29,062	(19,802)	15,090	(7,030)
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	14,456	(1)	(22,463)	17,403
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		43,518	(19,803)	(7,373)	10,373
Total comprehensive income attributed to the insurance operations		(2,960)	-	(2,057)	-
Net comprehensive income / (loss) for the period attributable to the shareholders		<u>40,558</u>	<u>(19,803)</u>	<u>(9,430)</u>	<u>10,373</u>



Chief Financial Officer



Chief Executive Officer


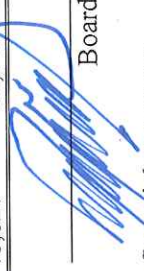


Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 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		-	-	-	-	13,033	13,033
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	(22,463)	-	(22,463)
Total comprehensive loss for the period attributable to Shareholders		-	-	-	(22,463)	13,033	(9,430)
Issuance of share capital	16	118,397	-	-	-	-	118,397
Share premium	16	-	50,911	-	-	-	50,911
Balance at June 30, 2020 (Unaudited)		646,397	81,019	53,102	(4,813)	53,439	829,144
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 loss for the period attributable to the shareholders		-	-	-	-	(7,030)	(7,030)
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	17,403	-	17,403
Total comprehensive income for the period attributable to shareholders		-	-	-	17,403	(7,030)	10,373
Bonus shares		88,000	-	-	-	(88,000)	-
Dividend		-	-	-	-	(44,000)	(44,000)
Balance at June 30, 2019 (Unaudited)		528,000	30,108	48,827	13,985	16,276	637,196
							
		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)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	2020	2019
	SAR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before zakat and income tax	19,590	1,012
Adjustments for non-cash items:		
Depreciation of property and equipment	12,847	3,333
Amortization of intangible assets	4,417	248
Allowance for doubtful debts	12,418	4,480
Dividend income on investments	(23)	(698)
Commission income on deposits	(7,579)	(13,356)
Provision for end-of-service indemnities	1,885	1,830
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	(85,467)	(13,239)
Reinsurers' share of unearned premiums	86,197	5,944
Reinsurers' share of outstanding claims	7,342	17,485
Reinsurers' share of claims incurred but not reported	(3,309)	(14,255)
Reinsurers' share of mathematical reserves	9,565	-
Deferred policy acquisition costs	(11,719)	2,416
Prepaid expenses and other assets	(13,922)	41
Policyholders claim payables	(1,181)	6,348
Accrued and other liabilities	22,525	(12,153)
Reinsurers' balances payable	(59,081)	14,813
Unearned premiums	(34,533)	34,857
Unearned reinsurance commission	674	1,968
Outstanding claims	15,445	(14,165)
Claims incurred but not reported	(11,345)	22,204
Gross mathematical reserves	(9,565)	-
Additional premium reserves	51,467	2,223
Other technical reserves	(16,317)	(11,051)
	(9,669)	40,285
End-of-service indemnities paid	(1,010)	(290)
Zakat and income tax paid	(11,787)	(12,864)
Net cash (used in) / generated from operating activities	(22,466)	27,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in investments	(51,243)	(49,464)
Commission income received	6,790	13,145
Dividend received	23	698
Cash and cash equivalents acquired through business combination	43,589	-
Short term deposits	129,867	(506,256)
Long term deposits	39,000	-
Additions in property and equipment	(11,330)	(11,382)
Additions in intangible assets	(4,605)	(301)
Net cash generated from / (used in) investing activities	152,091	(553,560)


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 CASH FLOWS (UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	2020	2019
	SAR'000	
CASH FLOWS FROM FINANCING ACTIVITIES		
Statutory deposit	(11,840)	-
Increase in statutory deposit	-	(8,800)
Dividend paid	-	(44,000)
Lease rentals	(2,754)	(2,899)
Net cash used in financing activities	(14,594)	(55,699)
Net change in cash and cash equivalents	115,031	(582,128)
Cash and cash equivalents, beginning of the period	560,925	1,122,329
Cash and cash equivalents, end of the period	675,956	540,201
<u>NON-CASH INFORMATION</u>		
Unrealised changes in fair value of available for sale investments	(22,463)	17,403



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 SIX MONTH PERIODS ENDED JUNE 30, 2020**

1. GENERAL

Wala 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:

Wala 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 June 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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 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.

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

Further, the Company has considered the following:

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other territories 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

2. BASIS OF PREPARATION (CONTINUED)

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

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the “Decree”) dated May 8, 2020 to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters relating to the insurance sector, the Decree instructs all the insurance companies to extend the period of validity of all existing retail motor insurance policies by two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this Decree and allowing insurance companies not to cancel the policy in the event the insured fails to pay the premiums. The Company has taken the financial impact in premium deficiency reserve.

Impact of Covid-19 on the medical technical reserves and financial assets

Medical technical reserves

Notwithstanding these challenges, the Company’s management believes that the technical reserves for the medical line of business remain largely unaffected as the insurance industry is facilitated by the Saudi Arabian Government initiative of bearing all costs associated with Covid-19 pandemic, which include testing and treatment costs. Moreover, there is a general decrease in trend in medical claims which are of a routine nature. Furthermore, the industry has not experienced a significantly high number of reported claims. Based on these factors, the Company’s management believes that the Covid-19 pandemic has had no additional material effects on Company’s reported results for the six months period ended 30 June 2020. The Company’s management continues to monitor the situation closely.

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 are 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 the 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 additional material effects on Company’s reported results for the six months period ended 30 June 2020. The Company’s management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at 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.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

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 0.65776144444444 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.

Purchase consideration

The purchase consideration was determined to be SAR 169,308 thousands which consisted of the issue of 11,839,706 new shares to the shareholders of Metlife.

The fair value of the new issued shares of the Company was determined on the basis of the closing market price of the ordinary shares of SAR 14.30 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 50,911 thousand, respectively.

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4. BUSINESS COMBINATION (CONTINUED)

Identifiable assets acquired and liabilities assumed

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

	SAR'000
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	441,800
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	2,653
TOTAL LIABILITIES	307,781
Metlife's net assets as at acquisition date	134,019
Goodwill arising from the acquisition	35,289
Purchase consideration	169,308

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4. BUSINESS COMBINATION (CONTINUED)

METLIFE Statutory deposit

The statutory deposit of MetLife amounting to SAR 35 million are included in the statutory deposit amounting to SAR 99.64 million presented in the statement of financial position of the Company as at June 30, 2020. On June 21, 2020, the Company obtained SAMA approval for the release of the MetLife's Statutory deposit. On July 14, 2020, subsequent to the period end, the Company requested the relevant bank for its release. The settlement of the same is still in process as at the date of these interim condensed financial statements.

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.

	June 30, 2020 - (Unaudited)	February 29, 2020 - (Unaudited)
	SAR'000	
<u>ASSETS</u>		
Cash and cash equivalents	5,720	5,384
Premiums and reinsurers' receivable - net	161	114
Reinsurers' share of unearned premiums	(2)	(11)
Reinsurers' share of outstanding claims	10,279	10,504
Reinsurers' share of claims incurred but not reported	122	133
Reinsurer's share of mathematical reserves	145,624	155,189
Due from related parties	443	375
Prepaid expenses and other assets	-	133
TOTAL ASSETS	162,347	171,821
	June 30, 2020 - (Unaudited)	February 29, 2020 - (Unaudited)
	SAR'000	
<u>Liabilities</u>		
Payables, accruals and others	205	280
Reinsurers' balances payable	3,488	3,506
Unearned premiums	(2)	(11)
Outstanding claims	10,279	10,504
Claims incurred but not reported	122	133
Gross mathematical reserves	145,624	155,189
Due to related parties	2,631	2,220
TOTAL ASSETS	162,347	171,821

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Cash and bank balances	673,003	220,925
Deposits maturing within 3 months from the acquisition date	-	340,000
Total	673,003	560,925

	Shareholders' operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Bank balances	2,953	-
Deposits maturing within 3 months from the acquisition date	-	-
Total	2,953	-
Total cash and cash equivalents	675,956	560,925

6. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprises of amounts due from the following:

	Insurance operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Policyholders	72,833	51,898
Brokers and agents	220,734	138,823
Related parties	1,680	311
Receivables from reinsurers	1,503	1,678
	296,750	192,710
Less: Provision for doubtful receivables	(46,190)	(42,616)
Premiums and reinsurers' receivable – net	250,560	150,094

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7. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	June 30,	December 31,
	2020	2019
	(Unaudited)	(Audited)
	SAR'000	
Available for sale investments	236,780	254,906
Held to maturity	199,423	149,342
	436,203	404,248

Movement in available for sale investments is as follows:

	Shareholders' operations	
	June 30,	December 31,
	2020	2019
	(Unaudited)	(Audited)
	SAR'000	
Opening balance	254,906	162,876
Acquired through business combination	3,175	-
Purchase	1,162	70,962
Changes in fair value of investments, net	(22,463)	21,068
Closing balance	236,780	254,906

Available-for-sale investments include the following:

	Shareholders' operations	
	June 30,	December 31,
	2020	2019
	(Unaudited)	(Audited)
	SAR'000	
Quoted securities	210,482	231,783
Unquoted securities	26,298	23,123
	236,780	254,906

Movement in held to maturity investments is as follows:

	Shareholders' operations	
	June 30,	December 31,
	2020	2019
	(Unaudited)	(Audited)
	SAR'000	
Opening balance	149,342	-
Additional during the year	50,000	149,482
Amortization / adjustment, net	81	(140)
Closing balance	199,423	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.

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

8. TECHNICAL RESERVES

8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Outstanding claims	181,329	153,084
Less: Realizable value of salvage and subrogation	(3,630)	(12,651)
	177,699	140,433
Claims incurred but not reported	207,439	192,740
Additional premium reserves:		
- Premium deficiency reserve	56,437	4,952
-Additional unexpired risk reserve	-	18
	56,437	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	700	
- Non-proportional reinsurance accrual reserve	-	985
	13,383	29,700
Net outstanding claims and reserves	454,958	367,843
Less:		
-Reinsurer's share of outstanding claims	(107,743)	(97,837)
-Reinsurer's share of claims incurred but not reported	(65,021)	(44,218)
	(172,764)	(142,055)
Net outstanding claims and reserves	282,194	225,788

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8. TECHNICAL RESERVES (CONTINUED)

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	June 30, 2020 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	637,828	(274,137)	363,691
Premiums written during the period	632,046	(195,083)	436,963
Premiums earned during the period	(624,297)	248,457	(375,840)
Balance as at the end of the period	645,577	(220,763)	424,814

	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

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Property and equipment	11,051	9,907
Right of use assets (note 9.1)	5,513	7,443
	16,564	17,350

9.1 Depreciation charges on right of use assets amounted to SAR 1.04 million.

10. ACCRUED AND OTHER LIABILITIES

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
	SAR'000	
Accrued and other liabilities	121,230	91,401
Lease rentals	3,691	5,869
	124,921	97,270

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10. ACCRUED AND OTHER LIABILITIES (CONTINUED)

Maturity analysis of lease rentals is as follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Payable within one year	3,174	3,807
Payable more than one year but less than five years	517	2,062
	3,691	5,869

11. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	June 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.

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Shareholders' Operations	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
		SAR'000			
June 30, 2020 (Unaudited)					
Financial assets measured at fair value					
Available for sale investments					
-Quoted securities	210,482	210,482	-	-	210,482
Held to Maturity investments	199,423	199,423	-	-	199,423
	409,905	409,905	-	-	409,905
Shareholders' Operations					
	Carrying 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
Held to Maturity investments	149,342	149,342	-	-	149,342
	381,125	381,125	-	-	381,125

b. Measurement of fair values

The Company has investments amounting to SAR 26.3 million in unquoted securities. 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.

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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 June 30, 2019 and December 31, 2019, its total revenues, expenses, and net income for the the three months period ended, are as follows:

	As at June 30, 2020 (Unaudited)								
	Insurance operations								
	Medical	Motor	Property	Engineering	Protection & Savings	Others	Total - Insurance operations	Shareholders' operations	Total
	SAR'000								
Assets									
Reinsurers' share of unearned premiums	5,393	362	62,830	67,129	27	85,022	220,763	-	220,763
Reinsurers' share of outstanding claims	-	365	68,551	11,293	14,961	12,573	107,743	-	107,743
Reinsurers' share of claims incurred but not reported	850	-	16,240	16,600	312	31,019	65,021	-	65,021
Reinsurer's share of mathematical reserves	-	-	-	-	145,624	-	145,624	-	145,624
Deferred policy acquisition costs	3,949	17,126	2,089	3,949	40	4,016	31,169	-	31,169
Unallocated assets	-	-	-	-	-	1,057,774	1,057,774	895,242	1,953,016
Total assets	10,192	17,853	149,710	98,971	160,964	1,190,404	1,628,094	895,242	2,523,336
Liabilities and shareholders' equity									
Unearned premiums	63,239	348,396	65,224	69,882	349	98,487	645,577	-	645,577
Unearned Insurance commission	702	37	4,685	7,730	103	6,868	20,125	-	20,125
Outstanding claims	14,669	41,446	69,376	12,848	17,326	22,034	177,699	-	177,699
Claims incurred but not reported	17,005	118,187	17,094	17,474	543	37,136	207,439	-	207,439
Gross mathematical reserves	-	-	-	-	145,624	-	145,624	-	145,624
Additional Premium Reserve	4,553	51,884	-	-	-	-	56,437	-	56,437
Other Technical Reserve	211	10,216	349	349	206	2,052	13,383	-	13,383
Unallocated liabilities and shareholders' equity	-	-	-	-	-	361,810	361,810	895,242	1,257,052
Total liabilities and shareholders' equity	100,379	570,166	156,728	108,283	164,151	528,387	1,628,094	895,242	2,523,336

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13. OPERATING SEGMENTS (CONTINUED)

Financial Position (continued)

	As at December 31, 2019 (Audited)							
	Insurance operations							
	Medical	Motor	Property	Engineering	Others	Total - Insurance operations	Shareholders' operations	Total
	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	908,916	690,886	1,599,802
Total assets	4,910	7,258	217,556	93,658	1,018,459	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	322,084	690,886	1,012,970
Total liabilities and shareholders' equity	90,135	468,190	224,334	100,128	459,054	1,341,841	690,886	2,032,727

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13. OPERATING SEGMENTS (CONTINUED)

	For the three Months period ended June 30, 2020 (Unaudited)						Total
	Medical	Motor	Property	Engineering	Protection & Savings	Others	
	SAR'000						
REVENUES							
Gross premiums written							
- Direct	24,582	162,300	42,890	20,054	1,331	46,254	297,411
- Reinsurance	-	-	654	-	-	-	654
	24,582	162,300	43,544	20,054	1,331	46,254	298,065
Reinsurance premiums ceded							
- Local ceded	-	-	(3,001)	(969)	-	-	(3,970)
- Foreign ceded	(565)	(232)	(38,735)	(18,409)	(1,003)	(37,414)	(96,358)
	(565)	(232)	(41,736)	(19,378)	(1,003)	(37,414)	(100,328)
Excess of loss expenses	(216)	(790)	(204)	(204)	-	(244)	(1,658)
Net premiums written	23,801	161,278	1,604	472	328	8,596	196,079
Changes in unearned premiums, net	4,005	(2,033)	(694)	317	2	(1,566)	31
Net premiums earned	27,806	159,245	910	789	330	7,030	196,110
Reinsurance commissions	344	9	2,888	1,932	384	3,999	9,556
Other underwriting income	2,964	942	3	2	76	4,010	7,997
TOTAL REVENUES	31,114	160,196	3,801	2,723	790	15,039	213,663
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	21,042	55,558	752	135	519	3,150	81,156
Surrenders and maturities	-	-	-	-	3,478	-	3,478
Expenses incurred related to claims	503	10,709	-	-	-	-	11,212
Reinsurers' share of claims paid	(592)	(14)	(664)	(95)	(3,878)	(1,999)	(7,242)
Net claims and other benefits paid	20,953	66,253	88	40	119	1,151	88,604
Changes in outstanding claims, net	(1,079)	19,530	337	31	(48)	1070	19,841
Changes in IBNR, net	(4,410)	(20,431)	194	(813)	(18)	(1,715)	(27,193)
Net claims and other benefits incurred	15,464	65,352	619	(742)	53	506	81,252
Additional premium reserves	323	51,884	-	(311)	-	-	51,896
Other technical reserves	(113)	(2,571)	(52)	(228)	206	(240)	(2,998)
Policy acquisition costs	1,628	6,334	1,101	970	(30)	1,869	11,872
Other underwriting expenses	1,840	4,298	(4)	(46)	(4)	2	6,086
TOTAL UNDERWRITING COSTS AND EXPENSES	19,142	125,297	1,664	(357)	225	2,137	148,108
NET UNDERWRITING INCOME	11,972	34,899	2,137	3,080	565	12,902	65,555
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(9,948)
General and administrative expenses							(28,126)
Commission income on deposits							3,829
Dividend income on investments							2
TOTAL OTHER OPERATING EXPENSES							(34,243)
Total income for the period before zakat and income tax & surplus attribution							31,312
Zakat							(1,995)
Income tax							(255)
NET INCOME FOR THE PERIOD							29,062
Total income for the period attributable to insurance operations							(2,960)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS							26,102

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13. OPERATING SEGMENTS (CONTINUED)

	For the three months ended June 30, 2019 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	12,730	159,635	72,170	21,191	32,002	297,728
- Reinsurance	-	-	388	-	-	388
	12,730	159,635	72,558	21,191	32,002	298,116
Reinsurance premiums ceded						
- Local ceded	-	-	(2,686)	(1,360)	-	(4,046)
- Foreign ceded	-	(182)	(68,459)	(18,453)	(21,524)	(108,618)
	-	(182)	(71,145)	(19,813)	(21,524)	(112,664)
Excess of loss expenses	(622)	(1,177)	(148)	(148)	(221)	(2,316)
Net premiums written	12,108	158,276	1,265	1,230	10,257	183,136
Changes in unearned premiums, net	6,838	(9,230)	(450)	18	(2,730)	(5,554)
Net premiums earned	18,946	149,046	815	1,248	7,527	177,582
Reinsurance commissions	-	2	3,032	1,525	2,098	6,657
Other underwriting income	-	664	2	2	17	685
TOTAL REVENUES	18,946	149,712	3,849	2,775	9,642	184,924
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	17,414	112,209	664	484	5,637	136,408
Expenses incurred related to claims	780	9,001	-	-	-	9,781
Reinsurers' share of claims paid	(709)	-	(632)	(414)	(4,099)	(5,854)
Net claims and other benefits paid	17,485	121,210	32	70	1,538	140,335
Changes in outstanding claims, net	4,104	2,136	63	1,066	2,085	9,454
Changes in IBNR, net	(11,585)	19,894	339	411	5,230	14,289
Net claims and other benefits incurred	10,004	143,240	434	1,547	8,853	164,078
Changes in unexpired risks	(1,510)	-	-	961	3,663	3,114
Other technical reserves	408	(5,018)	(2,051)	(921)	(952)	(8,534)
Policy acquisition costs	1,227	7,813	1,635	957	873	12,505
Other underwriting expenses	2,732	5,308	-	-	15	8,055
TOTAL UNDERWRITING COSTS AND EXPENSES	12,861	151,343	18	2,544	12,452	179,218
NET UNDERWRITING INCOME (LOSS)	6,085	(1,631)	3,831	231	(2,810)	5,706
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses						(30,762)
Allowance for doubtful debts						1,747
Commission income						6,891
Dividend income on investments						587
TOTAL OTHER OPERATING EXPENSES						(21,537)
Total loss for the period before zakat and income tax						(15,831)
Zakat and income tax for the period						(3,971)
NET LOSS FOR THE PERIOD						(19,802)
Total income for the period attributable to insurance operations						-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						(19,802)

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13. OPERATING SEGMENTS (CONTINUED)

	For the six Months period ended June 30, 2020 (Unaudited)						
	Medical	Motor	Property	Engineering	Protection & Savings	Others	Total
	SAR'000						
REVENUES							
Gross premiums written							
- Direct	51,379	369,116	60,196	54,995	1,995	93,301	630,982
- Reinsurance	-	-	1,064	-	-	-	1,064
	51,379	369,116	61,260	54,995	1,995	93,301	632,046
Reinsurance premiums ceded							
- Local ceded	-	-	(2,113)	(4,339)	-	-	(6,452)
- Foreign ceded	(2,995)	(677)	(56,274)	(46,995)	(1,631)	(76,614)	(185,186)
	(2,995)	(677)	(58,387)	(51,334)	(1,631)	(76,614)	(191,638)
Excess of loss expenses	(432)	(1,576)	(407)	(407)	-	(623)	(3,445)
Net premiums written	47,952	366,863	2,466	3,254	364	16,064	436,963
Changes in unearned premiums, net	5,140	(52,198)	(919)	(1,522)	(86)	(2,079)	(51,664)
Net premiums earned	53,092	314,665	1,547	1,732	278	13,985	385,299
Reinsurance commissions	473	23	5,797	3,674	442	6,574	16,983
Other underwriting income	2,964	1,447	6	4	185	4,023	8,629
TOTAL REVENUES	56,529	316,135	7,350	5,410	905	24,582	410,911
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	40,491	181,186	1,405	620	852	11,662	236,216
Surrenders and maturities	-	-	-	-	7,875	-	7,875
Expenses incurred related to claims	1,386	20,720	-	-	-	-	22,106
Reinsurers' share of claims paid	(3,491)	(14)	(1,092)	(407)	(8,476)	(7,085)	(20,565)
Net claims and other benefits paid	38,386	201,892	313	213	251	4,577	245,632
Changes in outstanding claims, net	(1,593)	24,837	(758)	416	(150)	35	22,787
Changes in IBNR, net	1,537	(14,214)	199	(645)	19	(1,550)	(14,654)
Net claims and other benefits incurred	38,330	212,515	(246)	(16)	120	3,062	253,765
Additional premium reserves	(186)	51,884	-	(18)	-	(213)	51,467
Other technical reserves	(1,049)	(16,917)	(107)	(107)	206	1,657	(16,317)
Policy acquisition costs	3,070	10,654	2,205	1,793	(29)	3,467	21,160
Other underwriting expenses	3,562	9,115	(1)	(74)	(1)	43	12,644
TOTAL UNDERWRITING COSTS AND EXPENSES	43,727	267,251	1,851	1,578	296	8,016	322,719
NET UNDERWRITING INCOME	12,802	48,884	5,499	3,832	609	16,566	88,192
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(12,418)
General and administrative expenses							(63,786)
Commission income on deposits							7,579
Dividend income on investments							23
TOTAL OTHER OPERATING EXPENSES							(68,602)
Total income for the period before zakat and income tax & surplus attribution							19,590
Zakat							(4,245)
Income tax							(255)
NET INCOME FOR THE PERIOD							15,090
Total income for the period attributable to insurance operations							(2,057)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS							13,033

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13. OPERATING SEGMENTS (CONTINUED)

	For the six months ended June 30, 2019 (Unaudited)					
	Medical	Motor	Property	Engineering	Others	Total
	SAR'000					
REVENUES						
Gross premiums written						
- Direct	30,327	344,792	92,399	40,215	65,638	573,371
- Reinsurance	-	-	388	-	-	388
	30,327	344,792	92,787	40,215	65,638	573,759
Reinsurance premiums ceded						
- Local ceded	-	-	(3,291)	(2,910)	-	(6,201)
- Foreign ceded	-	(182)	(87,017)	(33,998)	(48,666)	(169,863)
	-	(182)	(90,308)	(36,908)	(48,666)	(176,064)
Excess of loss expenses	(1,254)	(2,056)	(297)	(297)	(429)	(4,333)
Net premiums written	29,073	342,554	2,182	3,010	16,543	393,362
Changes in unearned premiums, net	10,554	(47,641)	(592)	(672)	(2,450)	(40,801)
Net premiums earned	39,627	294,913	1,590	2,338	14,093	352,561
Reinsurance commissions	-	2	5,974	2,833	3,186	11,995
Other underwriting income	-	1,105	5	4	34	1,148
TOTAL REVENUES	39,627	296,020	7,569	5,175	17,313	365,704
UNDERWRITING COSTS AND EXPENSES						
Gross claim paid	41,557	216,225	2,837	8,336	8,540	277,495
Expenses incurred related to claims	1,483	14,206	-	-	-	15,689
Reinsurers' share of claims paid	(4,536)	-	(2,480)	(8,004)	(4,913)	(19,933)
Net claims and other benefits paid	38,504	230,431	357	332	3,627	273,251
Changes in outstanding claims, net	(3,740)	3,465	(297)	1,153	2,739	3,320
Changes in IBNR, net	(2,282)	3,904	691	777	4,859	7,949
Net claims and other benefits incurred	32,482	237,800	751	2,262	11,225	284,520
Unexpired risk reserves	(1,582)	-	-	445	3,360	2,223
Other technical reserves	423	(7,039)	(2,067)	(1,302)	(1,066)	(11,051)
Policy acquisition costs	2,899	15,761	3,170	1,642	2,204	25,676
Other underwriting expenses	3,667	8,300	-	-	34	12,001
TOTAL UNDERWRITING COSTS AND EXPENSES	37,889	254,822	1,854	3,047	15,757	313,369
NET UNDERWRITING INCOME	1,738	41,198	5,715	2,128	1,556	52,335
OTHER OPERATING (EXPENSES) / INCOME						
General and administrative expense						(60,897)
Allowance for doubtful debts						(4,480)
Commission income						13,356
Dividend income on investment						698
TOTAL OTHER OPERATING EXPENSES						(51,323)
Total income for the period before zakat and income tax						1,012
Zakat and income tax for the period						(8,042)
NET LOSS FOR THE PERIOD						(7,030)
Total income for the period attributable to insurance operations						-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS						(7,030)

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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 six Months period ended		Net balance receivable / (payable) as at	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2019 (Unaudited)	December 31, 2019 (Audited)
	SAR'000		SAR'000	
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written / receivable from	1,899	1,717	1,801	659
Other business	(667)	462	2,337	(30)
Gross Claims paid to directors and their related parties	819	940	(386)	(154)
Premium ceded , XOL and balances payables for premium ceded and XOL	4,865	-	(20,890)	-
Reinsurance share of claims paid	(5,340)	-	-	-

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

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	2,539	2,507
End of service indemnities	212	506
	2,751	3,013
Remuneration to those charged with governance	1,836	4,666

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 period ended June 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.

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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:

	June 30, 2020	December 31, 2019
	%	%
	SAR'000	
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.

During the period, 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 14.30 per share on Tadawul on the last trading date prior to acquisition. This has resulted an increase in share premium amounting to SAR 50.911 million (note 4).

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16. SHARE CAPITAL (CONTINUED)

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)

The shareholding structure of the Company is as below:

	June 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.

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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. The basic and diluted EPS of the Company for the six months period ended June 30, 2019 has been restated due to the issuance of 8.8 million bonus shares in the second quarter of 2019.

20. GROSS PREMIUMS WRITTEN

(Unaudited)	For the six months period ended June 30, 2020					
	Corporate					Total Gross premiums written
Class	Micro	Small	Medium	Large	Individual	
SR'000						
Medical	5,870	4,323	5,204	28,387	7,595	51,379
Motor	212	2,093	8,735	132,345	225,731	369,116
Property	156	1,121	5,207	54,776	-	61,260
Engineering	54	592	2,536	51,813	-	54,995
Protection & Savings	(10)	-	(7)	357	1,655	1,995
Others	491	2,889	8,708	80,282	931	93,301
Total	6,773	11,018	30,383	347,960	235,912	632,046

(Unaudited)	For the six months period ended June 30, 2019					
	Corporate					Total Gross premiums written
Class	Micro	Small	Medium	Large	Individual	
SR'000						
Medical	4,076	9,612	4,435	10,412	1,792	30,327
Motor	627	3,323	10,990	38,832	291,020	344,792
Property	199	1,381	4,148	87,059	-	92,787
Engineering	104	1,341	4,901	33,869	-	40,215
Others	506	5,285	9,681	49,982	184	65,638
Total	5,512	20,942	34,155	220,154	292,996	573,759

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21. SUPPLEMENTARY STATEMENTS

Interim condensed financial position

	June 30, 2020 - (Unaudited)			December 31, 2019 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
ASSETS						
Cash and cash equivalents	673,003	2,953	675,956	560,925	-	560,925
Short term deposits	-	214,258	214,258	130,000	211,074	341,074
Long term deposits	-	50,000	50,000	-	-	-
Premiums and reinsurers' receivable - net	250,560	-	250,560	150,094	-	150,094
Reinsurers' share of unearned premiums	220,763	-	220,763	274,137	-	274,137
Reinsurers' share of outstanding claims	107,743	-	107,743	97,837	-	97,837
Reinsurers' share of claims incurred but not reported	65,021	-	65,021	44,218	-	44,218
Reinsurers' share of mathematical reserves	145,624	-	145,624	-	-	-
Deferred policy acquisition costs	31,169	-	31,169	16,733	-	16,733
Investments	-	436,203	436,203	-	404,248	404,248
Due from shareholders'/ insurance operations	41,962	40,798	82,760	-	12,312	12,312
Prepaid expenses and other assets	74,142	472	74,614	49,205	-	49,205
Property and equipment	16,564	-	16,564	17,350	-	17,350
Intangible assets	1,541	-	1,541	1,128	-	1,128
Goodwill	-	35,289	35,289	-	-	-
Statutory deposit	-	99,640	99,640	-	52,800	52,800
Accrued income on statutory deposit	-	9,783	9,783	-	5,607	5,607
Accrued commission income	2	5,846	5,848	214	4,845	5,059
TOTAL ASSETS	1,628,094	895,242	2,523,336	1,341,841	690,886	2,032,727

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed financial position (Continued)

	June 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	26,033	-	26,033	20,876	-	20,876
Accrued and other liabilities	122,707	2,214	124,921	96,835	435	97,270
Reinsurers' balances payable	149,377	-	149,377	173,378	-	173,378
Unearned premiums	645,577	-	645,577	637,828	-	637,828
Unearned reinsurance commission	20,125	-	20,125	14,086	-	14,086
Outstanding claims	177,699	-	177,699	140,433	-	140,433
Claims incurred but not reported	207,439	-	207,439	192,740	-	192,740
Gross mathematical reserves	145,624	-	145,624	-	-	-
Additional premium reserves	56,437	-	56,437	4,970	-	4,970
Other technical reserves	13,383	-	13,383	29,700	-	29,700
Due to insurance / shareholders' operations	40,798	41,962	82,760	12,312	-	12,312
End-of-service indemnities	20,061	-	20,061	17,906	-	17,906
Zakat and income tax	-	12,139	12,139	-	15,578	15,578
Accrued commission income payable to SAMA	-	9,783	9,783	-	5,607	5,607
Insurance operation surplus	5,548	-	5,548	3,491	-	3,491
TOTAL LIABILITIES	1,630,808	66,098	1,696,906	1,344,555	21,620	1,366,175
EQUITY						
Share capital	-	646,397	646,397	-	528,000	528,000
Share premium	-	81,019	81,019	-	30,108	30,108
Statutory reserve	-	53,102	53,102	-	53,102	53,102
Fair value reserve for investments	-	(4,813)	(4,813)	-	17,650	17,650
Retained earnings	-	53,439	53,439	-	40,406	40,406
TOTAL SHAREHOLDERS' EQUITY	-	829,144	829,144	-	669,266	669,266
Re-measurement of defined benefit obligation	(2,714)	-	(2,714)	(2,714)	-	(2,714)
TOTAL EQUITY	(2,714)	829,144	826,430	(2,714)	669,266	666,552
TOTAL LIABILITIES AND EQUITY	1,628,094	895,242	2,523,336	1,341,841	690,886	2,032,727

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the three months period ended

(Unaudited)	June 30, 2020			June 30, 2019 (Restated)		
	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders' operations		operations	holders' operations	
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	297,411	-	297,411	297,728	-	297,728
- Reinsurance	654	-	654	388	-	388
	298,065	-	298,065	298,116		298,116
Reinsurance premiums ceded						
- Local ceded	(3,970)	-	(3,970)	(4,046)	-	(4,046)
		-				(108,618)
- Foreign ceded	(96,358)		(96,358)	(108,618)	-	(108,618)
		-				(112,664)
	(100,328)		(100,328)	(112,664)	-	(112,664)
Excess of loss expenses	(1,658)	-	(1,658)	(2,316)	-	(2,316)
Net premiums written	196,079	-	196,079	183,136	-	183,136
Changes in unearned premiums, net	31	-	31	(5,554)		(5,554)
Net premiums earned	196,110	-	196,110	177,582	-	177,582
Reinsurance commissions	9,556	-	9,556	6,657	-	6,657
Other underwriting income	7,997	-	7,997	685	-	685
TOTAL REVENUES	213,663	-	213,663	184,924	-	184,924
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	81,156	-	81,156	136,408	-	136,408
Surrenders and maturities	3,478	-	3,478	-	-	-
Expenses incurred related to claims	11,212	-	11,212	9,781	-	9,781
Reinsurers' share of claims paid	(7,242)	-	(7,242)	(5,854)	-	(5,854)
Net claims and other benefits paid	88,604	-	88,604	140,335	-	140,335
Changes in outstanding claims, net	19,841	-	19,841	9,454	-	9,454
Changes in IBNR, net	(27,193)	-	(27,193)	14,289	-	14,289
Net claims and other benefits Incurred	81,252	-	81,252	164,078	-	164,078
Additional premium reserves	51,896	-	51,896	3,114	-	3,114
Other technical reserves	(2,998)	-	(2,998)	(8,534)	-	(8,534)
Policy acquisition costs	11,872	-	11,872	12,505	-	12,505
Other underwriting expenses	6,086	-	6,086	8,055	-	8,055
TOTAL UNDERWRITING COSTS AND EXPENSES	148,108	-	148,108	179,218	-	179,218
NET UNDERWRITING INCOME	65,555	-	65,555	5,706	-	5,706

WALAA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	June 30, 2020			June 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	(9,948)	-	(9,948)	1,747	-	1,747
General and administrative expenses	(26,565)	(1,561)	(28,126)	(28,886)	(1,876)	(30,762)
Commission income	557	3,272	3,829	2,852	4,039	6,891
Dividend income on Investments	2	-	2	-	587	587
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(35,954)	1,711	(34,243)	(24,287)	2,750	(21,537)
Total income for the period before zakat and income tax	29,601	1,711	31,312	(18,581)	2,750	(15,831)
Zakat	-	(1,995)	(1,995)	-	(4,133)	(4,133)
Income tax		(255)	(255)		162	162
NET INCOME / (LOSS) FOR THE PERIOD	29,601	(539)	29,062	(18,581)	(1,221)	(19,802)
Surplus transferred to Shareholders	(26,641)	26,641	-	18,581	(18,581)	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	2,960	26,102	29,062	-	(19,802)	(19,802)
Earnings/ (loss) per share (Expressed in SAR per share)						
Basic and diluted EPS		0.40			(0.38)	

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

(Unaudited)	June 30, 2020			June 30, 2019 (Restated)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income / (loss) for the period	2,960	26,102	29,062	-	(19,802)	(19,802)
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	-	14,456	14,456	-	(1)	(1)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	2,960	40,558	43,518	-	(19,803)	(19,803)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

	June 30, 2020			June 30, 2019 (Restated)		
(Unaudited)	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	630,982	-	630,982	573,371	-	573,371
- Reinsurance	1,064	-	1,064	388	-	388
	632,046	-	632,046	573,759	-	573,759
Reinsurance premiums ceded						
- Local ceded	(6,452)	-	(6,452)	(6,201)	-	(6,201)
- Foreign ceded	(185,186)	-	(185,186)	(169,863)	-	(169,863)
	(191,638)	-	(191,638)	(176,064)	-	(176,064)
Excess of loss expenses	(3,445)	-	(3,445)	(4,333)	-	(4,333)
Net premiums written	436,963	-	436,963	393,362	-	393,362
Changes in unearned premiums, net	(51,664)	-	(51,664)	(40,801)	-	(40,801)
Net premiums earned	385,299	-	385,299	352,561	-	352,561
Reinsurance commissions	16,983	-	16,983	11,995	-	11,995
Other underwriting income	8,629	-	8,629	1,148	-	1,148
TOTAL REVENUES	410,911	-	410,911	365,704	-	365,704
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	236,216	-	236,216	277,495	-	277,495
Surrenders and maturities	7,875	-	7,875			
Expenses incurred related to claims	22,106	-	22,106	15,689	-	15,689
Reinsurers' share of claims paid	(20,565)	-	(20,565)	(19,933)	-	(19,933)
Net claims and other benefits paid	245,632	-	245,632	273,251	-	273,251
Changes in outstanding claims, net	22,787	-	22,787	3,320	-	3,320
Changes in IBNR, net	(14,654)	-	(14,654)	7,949	-	7,949
Net claims and other benefits Incurred	253,765	-	253,765	284,520	-	284,520
Additional premium reserves	51,467	-	51,467	2,223	-	2,223
Other technical reserves	(16,317)	-	(16,317)	(11,051)	-	(11,051)
Policy acquisition costs	21,160	-	21,160	25,838	-	25,838
Other underwriting expenses	12,644	-	12,644	11,839	-	11,839
TOTAL UNDERWRITING COSTS AND EXPENSES	322,719	-	322,719	313,369	-	313,369
NET UNDERWRITING INCOME	88,192	-	88,192	52,335	-	52,335

WALAA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	June 30, 2020			June 30, 2019 (Restated)		
	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders'		operations	holders'	
		operations			operations	
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(12,418)	-	(12,418)	(4,480)	-	(4,480)
General and administrative expenses	(56,598)	(7,188)	(63,786)	(57,144)	(3,753)	(60,897)
Commission income	1,392	6,187	7,579	5,899	7,457	13,356
Dividend income on Investments	2	21	23	-	698	698
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(67,622)	(980)	(68,602)	(55,725)	4,402	(51,323)
Total income for the period before zakat and income tax	20,570	(980)	19,590	(3,390)	4,402	1,012
Zakat	-	(4,245)	(4,245)	-	(7,972)	(7,972)
Income tax		(255)	(255)		(70)	(70)
NET INCOME / (LOSS) FOR THE PERIOD	20,570	(5,480)	15,090	(3,390)	(3,640)	(7,030)
Surplus transferred to Shareholders	(18,513)	18,513	-	3,390	(3,390)	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	2,057	13,033	15,090	-	(7,030)	(7,030)
Earnings / (loss) per share (Expressed in SAR per share)						
Basic and diluted EPS	0.21			(0.13)		

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

(Unaudited)	June 30, 2020			June 30, 2019 (Restated)		
	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders'		operations	holders'	
		operations		operations	operations	
	SAR'000			SAR'000		
Total income / (loss) for the period	2,057	13,033	15,090	-	(7,030)	(7,030)
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	-	(22,463)	(22,463)	-	17,403	17,403
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	2,057	(9,430)	(7,373)	-	10,373	10,373

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for six months

(Unaudited)	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	2,057	17,533	19,590	-	1,012	1,012
Adjustments for non-cash items:						
Depreciation of property and equipment	12,847	-	12,847	3,333	-	3,333
Amortization of intangible assets	4,417	-	4,417	248	-	248
Allowance for doubtful debts	12,418	-	12,418	4,480	-	4,480
Dividend income on investments	(2)	(21)	(23)	(5,899)	(7,457)	(13,356)
Commission income	(1,392)	(6,187)	(7,579)	-	(698)	(698)
Provision for end-of-service indemnities	1,885	-	1,885	1,830	-	1,830
Changes in operating assets and liabilities:						
Premiums and reinsurers’ receivable	(85,467)	-	(85,467)	(13,239)	-	(13,239)
Reinsurers’ share of unearned premiums	86,197	-	86,197	5,944	-	5,944
Reinsurers’ share of outstanding claims	7,342	-	7,342	17,485	-	17,485
Reinsurers’ share of claims incurred but not reported	(3,309)	-	(3,309)	(14,255)	-	(14,255)
Reinsurers’ share of mathematical reserves	9,565	-	9,565	-	-	-
Deferred policy acquisition costs	(11,719)	-	(11,719)	2,416	-	2,416
Prepaid expenses and other assets	(14,783)	861	(13,922)	41	-	41
Policyholders and accounts payables	(1,181)	-	(1,181)	6,348	-	6,348
Accrued and other liabilities	20,979	1,546	22,525	(10,640)	(1,513)	(12,153)
Reinsurers' balances payable	(59,081)	-	(59,081)	14,813	-	14,813
Unearned premiums	(34,533)	-	(34,533)	34,857	-	34,857
Unearned reinsurance commission	674	-	674	1,968	-	1,968
Outstanding claims	15,445	-	15,445	(14,165)	-	(14,165)
Claims incurred but not reported	(11,345)	-	(11,345)	22,204	-	22,204
Gross mathematical reserves	(9,565)	-	(9,565)	-	-	-
Additional premium reserves	51,467	-	51,467	2,223	-	2,223
Other technical reserves	(16,317)	-	(16,317)	(11,051)	-	(11,051)
	(23,401)	13,732	(9,669)	48,941	(8,656)	40,285
End-of-service indemnities paid	(1,010)	-	(1,010)	(290)	-	(290)
Zakat and income tax paid	-	(11,787)	(11,787)	-	(12,864)	(12,864)
Net cash (used in)/ generated from operating activities	(24,411)	1,945	(22,466)	48,651	(21,520)	27,131

WALAA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for six 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	(4,605)	-	(4,605)	(301)	-	(301)
Additions in investments	-	-	-	-	(49,464)	(49,464)
HTM, net	-	(51,243)	(51,243)			
Commission income received	1,604	5,186	6,790	6,744	6,401	13,145
Dividend received	2	21	23	-	698	698
Cash and cash equivalents acquired through business combination	34,413	9,176	43,589			
Additions/disposals in short term deposits	133,051	(3,184)	129,867	(126,823)	(379,433)	(506,256)
Additions/disposals in long term deposits	-	39,000	39,000			
Additions in property and equipment	(11,330)	-	(11,330)	(11,382)	-	(11,382)
Net cash generated from / (used in) investing activities	153,135	(1,044)	152,091	(131,762)	(421,798)	(553,560)
CASH FLOWS FROM FINANCING ACTIVITIES						
Statutory deposit	-	(11,840)	(11,840)	-	(8,800)	(8,800)
Due from shareholders/insurance operations	(13,892)	13,892	-	(27,795)	27,795	-
Dividend paid	-	-	-	-	(44,000)	(44,000)
Lease rentals	(2,754)	-	(2,754)	(2,899)	-	(2,899)
Net cash (used in) / generated from financing activity	(16,646)	2,052	(14,594)	(30,694)	(25,005)	(55,699)
Net change in cash and cash equivalents	112,078	2,953	115,031	(113,805)	(468,323)	(582,128)
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	673,003	2,953	675,956	540,201	-	540,201
NON-CASH TRANSACTION						
Unrealised changes in fair value of available for sale investments	-	(22,463)	(22,463)	-	17,403	17,403

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on July 23, 2020.