

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, 2021**

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, 2021**

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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, 2021, 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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Dhul-Hijjah 29, 1442 H
August 08, 2021



WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Notes	June 30, 2021 - (Unaudited)	December 31, 2020 - (Audited)
SAR'000			
ASSETS			
Cash and cash equivalents	5	516,433	687,297
Short term deposits		200,000	217,274
Long term deposits		50,000	50,000
Premiums and reinsurers' receivable - net	6	410,017	333,020
Reinsurers' share of unearned premiums	8.2	581,699	363,490
Reinsurers' share of outstanding claims	8.1	285,346	162,891
Reinsurers' share of claims incurred but not reported	8.1	105,528	57,700
Reinsurer's share of mathematical reserves		131,299	138,959
Deferred policy acquisition costs		28,937	25,355
Investments	7	664,833	515,790
Due from shareholders' operations		4,314	86,072
Prepaid expenses and other assets		91,200	90,243
Property and equipment, net	9	33,735	14,240
Intangible assets		34,412	34,720
Goodwill		24,415	24,415
Statutory deposit		64,640	64,640
Accrued income on statutory deposit		10,439	10,114
Accrued commission income		6,396	3,882
TOTAL ASSETS		3,243,643	2,880,102



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, 2021

	Notes	June 30, 2021 - (Unaudited)	December 31, 2020 - (Audited)
SAR'000			
<u>LIABILITIES</u>			
Policyholders claims payable		33,446	34,794
Accrued and other liabilities	10	159,979	152,190
Reinsurers' balances payable		211,952	232,814
Unearned premiums	8.2	1,055,994	789,964
Unearned reinsurance commission		37,355	20,472
Outstanding claims	8.1	387,776	233,498
Claims incurred but not reported	8.1	219,391	170,977
Gross mathematical reserves		131,299	138,959
Additional premium reserves	8.1	12,075	26,010
Other technical reserves	8.1	9,214	8,642
Due to insurance operations		4,314	86,072
End-of-service indemnities		21,739	21,724
Zakat and income tax	15	29,351	28,864
Accrued commission income payable to SAMA		10,439	10,114
Surplus distribution payable		9,774	9,774
TOTAL LIABILITIES		2,334,098	1,964,868
<u>EQUITY</u>			
Share capital	16	646,397	646,397
Share premium	16	103,277	103,277
Statutory reserve		63,327	63,327
Fair value reserve gain on investment		37,020	21,989
Retained earnings		60,584	81,304
TOTAL SHAREHOLDERS' EQUITY		910,605	916,294
Re-measurement reserve of defined benefit obligation – related to insurance operations		(1,060)	(1,060)
TOTAL EQUITY		909,545	915,234
TOTAL LIABILITIES AND EQUITY		3,243,643	2,880,102
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 SIX MONTH PERIODS ENDED JUNE 30, 2021

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2021	2020	2021	2020
		SAR'000		SAR'000	
REVENUES					
Gross premiums written					
- Direct		799,992	297,411	1,140,425	630,982
- Reinsurance		42,568	654	45,493	1,064
	8.2	842,560	298,065	1,185,918	632,046
Reinsurance premiums ceded					
- Local ceded		(3,688)	(3,970)	(8,849)	(6,452)
- Foreign ceded		(554,627)	(96,358)	(649,535)	(185,186)
	8.2	(558,315)	(100,328)	(658,384)	(191,638)
Excess of loss expenses	8.2	(1,409)	(1,658)	(2,881)	(3,445)
Net premiums written		282,836	196,079	524,653	436,963
Changes in unearned premiums		(304,028)	43,328	(266,030)	34,533
Changes in reinsurance share of unearned premiums		278,109	(43,297)	218,209	(86,197)
Net premiums earned		256,917	196,110	476,832	385,299
Reinsurance commissions		17,963	9,556	28,176	16,983
Other underwriting income		39	7,997	761	8,629
TOTAL REVENUES		274,919	213,663	505,769	410,911
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		273,670	81,156	485,577	236,216
Surrenders and maturities		6,183	3,478	10,363	7,875
Expenses incurred related to claims		3,891	11,311	10,845	22,381
Reinsurers' share of claims paid		(88,240)	(7,242)	(103,466)	(20,565)
Net claims and other benefits paid		195,504	88,703	403,319	245,907
Changes in outstanding claims		118,923	20,113	154,278	16,854
Changes in reinsurance share of outstanding claims		(102,851)	2,275	(122,455)	7,342
Changes in IBNR		61,584	(25,545)	48,414	(11,345)
Changes in reinsurance share of IBNR		(51,921)	(3,366)	(47,828)	(3,309)
Net claims and other benefits incurred		221,239	82,180	435,728	255,449
Additional premium reserves		(2,401)	51,895	(13,935)	51,467
Other technical reserves		170	(3,827)	572	(17,726)
Policy acquisition costs		13,492	11,872	27,816	21,160
Other underwriting expenses		16,756	6,007	38,061	12,355
TOTAL UNDERWRITING COSTS AND EXPENSES		249,256	148,127	488,242	322,705
NET UNDERWRITING INCOME		25,663	65,536	17,527	88,206


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, 2021

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2021	2020	2021	2020
		SAR'000		SAR'000	
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
Allowance for doubtful debts		(4,243)	(9,948)	(5,998)	(12,418)
General and administrative expenses		(35,930)	(28,107)	(71,799)	(63,800)
Commission income		9,953	3,829	14,163	7,579
Dividend income on investments		4,954	2	6,211	23
Realized gain on investments		4,711	-	17,924	-
Unrealized gain on investments		5,429	-	8,652	-
TOTAL OTHER OPERATING EXPENSES		(15,126)	(34,224)	(30,847)	(68,616)
Total income/ (loss) for the period before zakat and income tax		10,537	31,312	(13,320)	19,590
Zakat for the period	15	(3,650)	(1,995)	(7,400)	(4,245)
Income tax for the period	15	-	(255)	-	(255)
Total income/ (loss) for the period		6,887	29,062	(20,720)	15,090
Total income attributed to the insurance Operations	21	-	(2,960)	-	(2,057)
Net income / (loss) for the period attributable to the shareholders		6,887	26,102	(20,720)	13,033
Earnings /(loss) per share					
Basic and diluted (SAR per share)	19	0.11	0.40	(0.32)	0.21
Weighted average number of ordinary outstanding shares (in thousands)		64,640	64,640	64,640	60,802



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, 2021

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2021	2020	2021	2020
		SAR'000		SAR'000	
Total income / (loss) for the period		6,887	29,062	(20,720)	15,090
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	10,110	14,456	15,031	(22,463)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		16,997	43,518	(5,689)	(7,373)
Total comprehensive income attributed to the insurance operations		-	(2,960)	-	(2,057)
Total comprehensive income / (loss) for the period attributable to the shareholders		16,997	40,558	(5,689)	(9,430)



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, 2021

	Notes	Share capital	Share premium	Statutory reserve	Fair value reserve for investments SAR '000	Retained earnings	Total
2021							
Balance at January 1, 2020 (Audited)		646,397	103,277	63,327	21,989	81,304	916,294
Comprehensive income for the period:							
Net loss for the period attributable to the shareholders		-	-	-	-	(20,720)	(20,720)
Unrealized changes in fair value of available-for-sale investments, net		-	-	-	15,031	-	15,031
Total comprehensive loss for the period attributable to Shareholders		-	-	-	15,031	(20,720)	(5,689)
Issuance of share capital	16	-	-	-	-	-	-
Share premium	16	-	-	-	-	-	-
Balance at June 30, 2021 (Unaudited)		646,397	103,277	63,327	37,020	60,584	910,605
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
Share premium adjusted due to increase in purchase consideration		-	22,258	-	-	-	22,258
Balance at June 30, 2020 (Unaudited) (Restated)		646,397	103,277	53,102	(4,813)	53,439	851,402

Ascham
Chief Financial Officer

[Signature]
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)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	2021	2020
	SAR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/ income for the period before zakat and income tax	(13,320)	19,590
Adjustments for non-cash:		
Depreciation of property and equipment	4,991	12,847
Amortization of intangible assets	389	4,417
Allowance for doubtful debts	5,998	12,418
Dividend income on investments	(6,211)	(23)
Commission income on deposits	(14,163)	(7,579)
Gain on disposal of investments	(17,924)	-
Provision for end-of-service indemnities	1,935	1,885
Lease finance cost	(10)	-
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	(82,995)	(85,467)
Reinsurers' share of unearned premiums	(218,209)	86,197
Reinsurers' share of outstanding claims	(122,455)	7,342
Reinsurers' share of claims incurred but not reported	(47,828)	(3,309)
Reinsurers' share of mathematical reserves	7,660	9,565
Deferred policy acquisition costs	(3,582)	(11,719)
Prepaid expenses and other assets	(957)	(13,922)
Policyholders claim payables	(1,348)	(1,181)
Accrued and other liabilities	4,477	22,525
Reinsurers' balances payable	(20,862)	(59,081)
Unearned premiums	266,030	(34,533)
Unearned reinsurance commission	16,883	674
Outstanding claims	154,278	15,445
Claims incurred but not reported	48,414	(11,345)
Gross mathematical reserves	(7,660)	(9,565)
Additional premium reserves	(13,935)	51,467
Other technical reserves	572	(16,317)
	(59,832)	(9,669)
End-of-service indemnities paid	(1,920)	(1,010)
Zakat and income tax paid	(6,913)	(11,787)
Net cash used in operating activities	(68,665)	(22,466)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in investments	(116,088)	(51,243)
Commission income received	11,649	6,790
Dividend received	6,211	23
Cash and cash equivalents acquired through business combination	-	43,589
Short term deposits	17,274	129,867
Long term deposits	-	39,000
Purchase of land	(16,400)	-
Additions in property and equipment	(1,782)	(11,330)
Additions in intangible assets	(81)	(4,605)
Net cash (used in)/ generated from investing activities	(99,217)	152,091


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, 2021

	2021	2020
	SAR'000	
CASH FLOWS FROM FINANCING ACTIVITIES		
Statutory deposit	-	(11,840)
Lease rentals	(2,982)	(2,754)
Net cash used in financing activities	(2,982)	(14,594)
Net change in cash and cash equivalents	(170,864)	115,031
Cash and cash equivalents, beginning of the period	687,297	560,925
Cash and cash equivalents, end of the period	516,433	675,956
NON-CASH INFORMATION		
Unrealised changes in fair value of available for sale investments	15,031	(22,463)



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, 2021**

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 UNN 7001526578 (formerly Commercial Registration no. 2051034982) dated Jumada II 19, 1428H corresponding to July 4, 2007. The registered address of the Company's head office is as follows:

Walaa Cooperative Insurance Company
Head Office
4513, Adh Dhahran Al Khubar Al Janubiyah
Unit No: 8, Al-Khobar 34621-8615
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 Central Bank (“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/16/20087) 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.

Proposed merger

The Company signed a non-binding Memorandum of Understanding (the “MOU”) with SABB Takaful on 04/12/1442H corresponding to 14 July 2021 to evaluate a potential merger between the two companies. Both companies will conduct operational, technical, financial, legal, and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger.

The MOU would expire on the earlier of the signing of the merger agreement or after a period of 180 days from the date of the MOU. The MOU can be extended by mutual consent of the parties thereto. The parties can mutually agree to terminate the MOU by written notice at any time.

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, 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

The financial statements of the Company as at and for the period and year ended June 30, 2021, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On July 23, 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia.

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, 2021

2. BASIS OF PREPARATION (CONTINUED)

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 held for trading and 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.

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 unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for 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, 2020.

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, 2020.

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, 2021

2. BASIS OF PREPARATION (CONTINUED)

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

Further, the Company has considered the following:

On 11 March 2020, the World Health Organization (“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.

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 management has considered the impact of Covid-19 and the Decree as mentioned above in these interim condensed financials.

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, 2020.

4. BUSINESS COMBINATION

The Company held an ordinary general assembly meeting on 27 January 2020 corresponding to 2 Jumada II 1441H and approved the purchase of the insurance portfolio and the related net assets and liabilities of the MetLife AIG ANB Cooperative Insurance Company (“MetLife”) effective 1 March 2020. 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 MAA. The acquisition resulted in goodwill amounting to SAR 24.415 million and intangibles amounting to SAR 33.133 million.

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

	<u>SAR’000</u>
MAA’s net assets as at acquisition date	134,018
Goodwill arising from the acquisition	24,415
Intangibles recognized from the acquisition	33,133
Purchase consideration	<u>191,566</u>

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, 2021

4. BUSINESS COMBINATION (Continued)

Purchase consideration and Goodwill & Intangibles

Initially, a provisional amounts for Goodwill & intangibles amounting to SAR 35,289 thousands and Share Premium amounting to SAR 50,911 thousands were recognized based on estimation of purchase consideration at SAR 169,308 thousands to account for business combination as at the date of acquisition of MAA by the Company. However, during the period ended 30 September 2020, the purchase consideration was revised to SAR 191,566 thousands taking into consideration the closing market price of ordinary shares of the Walaa which were issued as consideration for the acquisition. The fair value of the newly issued shares of the Walaa was determined on the basis of closing market price of its 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. This change in purchase consideration from SAR 169,308 thousands to SAR 191,566 thousands increased the previously recognised amounts of Goodwill & intangibles and Share Premium each by SAR 22,258 thousands and was consequently restated.

After the quarter ended 30 September 2020, the management has carried out a comprehensive undertaking of Purchase Price Allocation wherein the provisional amounts could be finalized. Following the application of Purchase Price Allocation Methodology, the previously recognised goodwill amounting to SAR 57,548 thousands has been divided between intangible assets and goodwill by SAR 33,133 thousands and SAR 24,415 thousands respectively. The said revisions were within the aforementioned measurement period of one year from the acquisition date.

All these adjustments and classifications were completed with retrospective effect during the measurement period that is one year from the acquisition date.

During the year end December 31, 2020, the management carried out impairment testing by using Value-In-Use (VIU) assessment for the goodwill impairment based on a detailed five-year business plan, in addition to the 'Share Price' and 'Market' approach on the trading activity of the Company's stock. This assessment was carried-out by a consultant appointed by the Company. As per the management's assessment, there is no indication of impairment.

Purchase price allocation

The purchase price allocation undertaken by the Company and has identified the following intangible assets and their valuation approach and methodologies are further detailed below:

	SAR'000
Goodwill	24,415
<i>Intangible Assets acquired in merger</i>	
- Customer Contract ('ALICO')	5,454
- Customer Relationship	2,832
- Product Licenses (Protection & savings)	24,847
Total	57,548

Valuation approach and methodologies – Intangible assets acquired in merger.

- Customer Contract ('ALICO')

On the Acquisition Date, Walaa acquired the Saudi run-off portfolio of American Life Insurance Company "ALICO" which was transferred initially to MAA on April 1st, 2015 as per the portfolio transfer agreement entered between MetLife ALICO and MAA and was 100% reinsured back to MetLife under a quota-share reinsurance agreement. This portfolio includes long term life protection, savings insurance products and personal accident policies. As per the terms of the portfolio transfer agreement and the quota-share reinsurance agreement, the Company is entitled to a reinsurance commission at an agreed rate and reimbursement of all expenses related to administration of the portfolio. The management has employed "Multi Period Excess Earning Method" for valuing the contractual customer relationship and is considered to have a useful life of 83 years based on the run-off of the customer portfolio.

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4. BUSINESS COMBINATION (Continued)

- **Customer Relationship**

IAS 38 specifies that if an entity can evidence that it can control economic benefits from non-contractual relationships, those customer relationships are identified as separable and can be recognized as an intangible asset. Arab National Bank ("has a relationship and was also 30% stakeholder of MAA) has historically contributed a consistent revenue stream for MAA with various insurance agreements. Hence, the relationship has been regarded to represent a Customer Relationship intangible. The management has employed "Multi Period Excess Earning Method" for valuing the non-contractual customer relationship and is considered to have a useful life of 6 years.

- **Product Licenses**

As a result of the Transaction, Walaa acquired the Protection & savings Insurance License. This license has been identified as an intangible asset. This life insurance intangible was valued using the "Multi Period Excess Earning Method" from the Protection & savings Line of Business for valuing product licenses. This is considered to be an intangible asset with an indefinite life and will therefore be subject to the annual impairment assessments.

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Cash and bank balances	516,032	687,297
Deposits maturing within 3 months from the acquisition date	-	-
Total	516,032	687,297
	Shareholders' operations	
	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Bank balances	401	-
Deposits maturing within 3 months from the acquisition date	-	-
Total	401	-
Total cash and cash equivalents	516,433	687,297

6. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprises of amounts due from the following:

	Insurance operations	
	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Policyholders	135,361	63,511
Brokers and agents	271,650	274,934
Related parties	20,301	28,318
Receivables from reinsurers	27,016	5,574
	454,328	372,337
Less: Provision for doubtful receivables	(44,311)	(39,317)
Premiums and reinsurers' receivable – net	410,017	333,020

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7. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Available for sale investments	284,876	291,390
Held for trading investments	67,621	-
Held to maturity	312,336	224,400
	664,833	515,790

Movement in available for sale investments is as follows:

	Shareholders' operations	
	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Opening balance	291,390	254,906
Acquired through business combination	-	3,175
Purchases	33,273	33,170
Disposals	(54,818)	(3,700)
Changes in fair value of investments, net	15,031	3,839
Closing balance	284,876	291,390

Available-for-sale investments include the following:

	Shareholders' operations	
	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Quoted securities	218,515	245,849
Unquoted securities	66,361	45,541
	284,876	291,390

Movement in held to maturity investments is as follows:

	Shareholders' operations	
	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Opening balance	224,400	149,342
Additional during the year	87,947	75,000
Amortization / adjustment, net	(11)	58
Closing balance	312,336	224,400

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, 2021

8. TECHNICAL RESERVES

8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	SAR'000	
Outstanding claims	387,776	233,498
Gross Claims incurred but not reported	234,909	183,235
Less: Net realizable value of salvage and subrogation	(15,518)	(12,258)
Claims incurred but not reported	219,391	170,977
Additional premium reserves:		
- Premium deficiency reserve	12,075	26,010
-Additional unexpired risk reserve	-	-
	12,075	26,010
Other technical reserves:		
- Claims handling expense provision	-	-
- Unallocated loss adjustment expense provision	9,214	8,642
- Non-proportional reinsurance accrual reserve	-	-
	9,214	8,642
Net outstanding claims and reserves	628,456	439,127
Less:		
-Reinsurer's share of outstanding claims	(285,346)	(162,891)
-Reinsurer's share of claims incurred but not reported	(105,528)	(57,700)
	(390,874)	(220,591)
Net outstanding claims and reserves	237,582	218,536

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8. TECHNICAL RESERVES (CONTINUED)

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	June 30, 2021 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	789,964	(363,490)	426,474
Premiums written during the period	1,185,918	(661,265)	524,653
Premiums earned during the period	(919,888)	443,056	(476,832)
Balance as at the end of the period	1,055,994	(581,699)	474,295
	December 31, 2020 (Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	637,828	(274,137)	363,691
Additions from merger	42,282	(32,823)	9,459
Premiums written during the year	1,472,703	(622,767)	849,936
Premiums earned during the year	(1,362,849)	566,237	(796,611)
Balance as at the end of the year	789,964	(363,490)	426,474

9. PROPERTY AND EQUIPMENT, NET

	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Land	16,400	-
Property and equipment	9,395	10,136
Right of use assets (note 9.1)	7,940	4,104
	33,735	14,240

9.1 Depreciation charges on right of use assets amounted to SAR 1.412 million.

10. ACCRUED AND OTHER LIABILITIES

	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	SAR'000	
Accrued and other liabilities	153,823	149,249
Lease rentals	6,151	2,941
	159,974	152,190

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10. ACCRUED AND OTHER LIABILITIES (CONTINUED)

Maturity analysis of lease rentals is as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	SAR'000	
Payable within one year	2,902	1,129
Payable more than one year but less than five years	3,249	1,812
	6,151	2,941

11. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	SAR'000	
Letters of guarantee	9,454	9,254

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, 2020.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most 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	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
SAR'000					
June 30, 2021 (Unaudited)					
Financial assets measured at fair value					
-Quoted securities - Held for trading	67,621	67,621	-	-	67,621
-Quoted securities - Available for sale	218,515	218,515	-	-	218,515
	286,136	286,136	-	-	286,136

Shareholders' Operations	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
SAR'000					
December 31, 2020 (Audited)					
Financial assets measured at fair value					
Available for sale investments					
-Quoted securities	245,849	245,849	-	-	245,849
	245,849	245,849	-	-	245,849

b. Measurement of fair values

The Company has investments amounting to SAR 66.361 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. One segment named "Energy" is newly added during 2nd quarter ended June 30, 2021 in the operating segments list. This segment has insignificant balances during last year hence, comparatives not updated.

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, 2021 and December 31, 2020, its total revenues, expenses, and net income for the the three months period ended, are as follows:

	As at June 30, 2021 (Unaudited)							Total - Insurance operations	Shareholders' operations	Total
	Insurance operations									
	Medical	Motor	Property	Energy	Engineering	Protection & Savings	Others			
	SAR'000									
Assets										
Reinsurers' share of unearned premiums	2,578	142	58,292	340,033	61,879	2,447	116,328	581,699	-	581,699
Reinsurers' share of outstanding claims	-	-	216,986	-	18,069	15,362	34,929	285,346	-	285,346
Reinsurers' share of claims incurred but not reported	-	-	15,714	55,933	21,454	2,918	9,509	105,528	-	105,528
Reinsurer's share of mathematical reserves	-	-	-	-	-	131,299	-	131,299	-	131,299
Deferred policy acquisition costs	7,189	11,543	1,834	-	3,717	183	4,471	28,937	-	28,937
Unallocated assets	-	-	-	-	-	-	-	1,153,433	957,401	2,110,834
Total assets	9,767	11,685	292,826	395,966	105,119	152,209	165,237	2,286,242	957,401	3,243,643
Liabilities and shareholders' equity										
Unearned premiums	138,132	309,432	62,385	340,580	64,564	8,655	132,246	1,055,994	-	1,055,994
Unearned Insurance commission	577	14	4,634	16,930	7,445	31	7,724	37,355	-	37,355
Outstanding claims	28,102	40,390	217,751	-	18,611	37,442	45,480	387,776	-	387,776
Claims incurred but not reported	18,429	83,910	16,541	56,021	22,583	8,006	13,901	219,391	-	219,391
Gross mathematical reserves	-	-	-	-	-	131,299	-	131,299	-	131,299
Additional Premium Reserve	3,907	8,168	-	-	-	-	-	12,075	-	12,075
Other Technical Reserve	381	5,080	343	22	354	1,213	1,821	9,214	-	9,214
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	-	433,138	957,401	1,390,539
Total liabilities and shareholders' equity	189,528	446,994	301,654	413,553	113,557	186,646	201,172	2,286,242	957,401	3,243,643

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13. OPERATING SEGMENTS (CONTINUED)

Financial Position (continued)

	As at December 31, 2020								
	Insurance operations						Total - Insurance operations	Shareholder s' operations	Total
	Medical	Motor	Property	Engineering	Protection and Savings	Others			
SAR '000									
Assets									
Reinsurers' share of unearned premiums	496	164	163,545	79,842	309	119,134	363,490	-	363,490
Reinsurers' share of outstanding claims	-	-	58,760	56,200	14,933	32,998	162,891	-	162,891
Reinsurers' share claims incurred but not Reported	1,532	-	14,292	25,573	3,539	12,764	57,700	-	57,700
Reinsurers' share of mathematical reserves	-	-	-	-	138,959	-	138,959	-	138,959
Deferred policy acquisition costs	3,690	12,049	1,805	3,425	19	4,367	25,355	-	25,355
Unallocated assets	-	-	-	-	-	-	1,176,195	955,512	2,131,707
Total assets	5,718	12,213	238,402	165,040	157,759	169,263	1,924,590	955,512	2,880,102
Liabilities and shareholders' equity									
Unearned premiums	70,264	336,922	165,917	82,374	1,243	133,244	789,964	-	789,964
Unearned reinsurance commission	54	22	5,795	7,264	136	7,201	20,472	-	20,472
Outstanding claims	17,811	41,840	59,443	56,592	16,858	40,954	233,498	-	233,498
Claims incurred but not reported	17,438	88,303	15,044	26,919	5,009	18,264	170,977	-	170,977
Gross mathematical reserves	-	-	-	-	138,959	-	138,959	-	138,959
Additional premium reserves	5,726	20,284	-	-	-	-	26,010	-	26,010
Other technical reserves	283	5,252	319	386	367	2,035	8,642	-	8,642
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	536,068	955,512	1,491,580
Total liabilities and shareholders' equity	111,576	492,623	246,518	173,535	162,572	201,698	1,924,590	955,512	2,880,102

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13. OPERATING SEGMENTS (CONTINUED)

	For the three Months period ended June 30, 2021 (Unaudited)							Total
	Medical	Motor	Property	Energy	Engineering	Protection &Savings	Others	
	SAR'000							
REVENUES								
Gross premiums written								
- Direct	94,186	134,232	31,512	452,896	14,082	12,366	60,718	799,992
- Reinsurance	-	-	2,229	-	258	40,081	-	42,568
	94,186	134,232	33,741	452,896	14,340	52,447	60,718	842,560
Reinsurance premiums ceded								
- Local ceded	-	-	(2,957)	(5)	(726)	-	-	(3,688)
- Foreign ceded	(3,077)	(189)	(27,018)	(452,168)	(12,942)	(6,636)	(52,597)	(554,627)
	(3,077)	(189)	(29,975)	(452,173)	(13,668)	(6,636)	(52,597)	(558,315)
Excess of loss expenses	-	(626)	(276)	-	(276)	-	(231)	(1,409)
Net premiums written	91,109	133,417	3,490	723	396	45,811	7,890	282,836
Changes in unearned premiums, net	(44,492)	21,774	(1,839)	(547)	589	(2,511)	1,107	(25,919)
Net premiums earned	46,617	155,191	1,651	176	985	43,300	8,997	256,917
Reinsurance commissions	282	12	4,012	5,583	3,066	379	4,629	17,963
Other underwriting income	-	10	3	-	2	-	24	39
TOTAL REVENUES	46,899	155,213	5,666	5,759	4,053	43,679	13,650	274,919
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	33,104	142,710	44,813	-	31,410	17,775	3,858	273,670
Surrenders and maturities	-	-	-	-	-	6,183	-	6,183
Expenses incurred related to claims	722	3,169	-	-	-	-	-	3,891
Reinsurers' share of claims paid	(112)	(12)	(43,451)	-	(31,216)	(11,550)	(1,899)	(88,240)
Net claims and other benefits paid	33,714	145,867	1,362	-	194	12,408	1,959	195,504
Changes in outstanding claims, net	1,250	(1,002)	194	-	39	17,013	(1,422)	16,072
Changes in IBNR, net	6,654	571	11	88	-	2,608	(269)	9,663
Net claims and other benefits incurred	41,618	145,436	1,567	88	233	32,029	268	221,239
Additional premium reserves	(1,860)	(541)	-	-	-	-	-	(2,401)
Other technical reserves	75	(52)	18	22	-	328	(221)	170
Policy acquisition costs	2,971	5,462	1,289	-	1,535	67	2,168	13,492
Other underwriting expenses	3,216	12,512	678	-	122	-	228	16,756
TOTAL UNDERWRITING COSTS AND EXPENSES	46,020	162,817	3,552	110	1,890	32,424	2,443	249,256
NET UNDERWRITING INCOME/ (LOSS)	879	(7,604)	2,114	5,649	2,163	11,255	11,207	25,663
OTHER OPERATING (EXPENSES)/ INCOME								
Allowance for doubtful debts								(4,243)
General and administrative expenses								(35,930)
Commission income on deposits								9,953
Dividend income on investments								4,954
Realized gain on investments								4,711
Unrealized gain on investments								5,429
TOTAL OTHER OPERATING EXPENSES								(15,126)
Total income for the period before zakat and income tax & surplus attribution								10,537
Zakat for the period								(3,650)
NET INCOME FOR THE PERIOD								6,887
Total income for the period attributable to insurance operations								-
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS								6,887

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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	10,808	-	-	-	-	11,311
Reinsurers' share of claims paid	(592)	(14)	(664)	(95)	(3,878)	(1,999)	(7,242)
Net claims and other benefits paid	20,953	66,352	88	40	120	1,150	88,703
Changes in outstanding claims, net	(1,046)	21,404	341	34	156	1,499	22,388
Changes in IBNR, net	(4,410)	(22,150)	194	(813)	19	(1,751)	(28,911)
Net claims and other benefits incurred	15,497	65,606	623	(739)	295	898	82,180
Additional premium reserves	323	51,884	-	(312)	-	-	51,895
Other technical reserves	(146)	(2,727)	(56)	(230)	(206)	(462)	(3,827)
Policy acquisition costs	1,628	6,334	1,101	970	(30)	1,869	11,872
Other underwriting expenses	1,892	4,103	-	-	-	12	6,007
TOTAL UNDERWRITING COSTS AND EXPENSES	19,197	125,200	1,668	(311)	59	2,314	148,127
NET UNDERWRITING INCOME	11,917	34,996	2,133	3,034	654	12,802	65,536
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(9,948)
General and administrative expenses							(28,107)
Commission income on deposits							3,829
Dividend income on investments							2
TOTAL OTHER OPERATING EXPENSES							(34,224)
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 six Months period ended June 30, 2021 (Unaudited)							Total
	Medical	Motor	Property	Energy	Engineering	Protection & Savings	Others	
	SAR'000							
REVENUES								
Gross premiums written								
- Direct	150,779	298,337	42,032	452,896	43,413	28,188	124,780	1,140,425
- Reinsurance	-	-	2,229	-	335	42,929	-	45,493
	150,779	298,337	44,261	452,896	43,748	71,117	124,780	1,185,918
Reinsurance premiums ceded								
- Local ceded	-	-	(3,975)	(5)	(4,869)	-	-	(8,849)
- Foreign ceded	(3,910)	(189)	(35,570)	(452,168)	(36,326)	(16,082)	(105,290)	(649,535)
	(3,910)	(189)	(39,545)	(452,173)	(41,195)	(16,082)	(105,290)	(658,384)
Excess of loss expenses	-	(1,253)	(583)	-	(583)	-	(462)	(2,881)
Net premiums written	146,869	296,895	4,133	723	1,970	55,035	19,028	524,653
Changes in unearned premiums, net	(65,786)	27,468	(1,721)	(547)	(153)	(5,274)	(1,808)	(47,821)
Net premiums earned	81,083	324,363	2,412	176	1,817	49,761	17,220	476,832
Reinsurance commissions	359	27	7,251	5,583	5,922	531	8,503	28,176
Other underwriting income	114	155	6	-	4	-	482	761
TOTAL REVENUES	81,556	324,545	9,669	5,759	7,743	50,292	26,205	505,769
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	64,062	310,837	47,661	-	31,769	25,036	6,212	485,577
Surrenders and maturities	-	-	-	-	-	10,363	-	10,363
Expenses incurred related to claims	2,272	8,573	-	-	-	-	-	10,845
Reinsurers' share of claims paid	(1,281)	(26)	(45,929)	-	(31,526)	(21,156)	(3,548)	(103,466)
Net claims and other benefits paid	65,053	319,384	1,732	-	243	14,243	2,664	403,319
Changes in outstanding claims, net	10,291	(1,450)	82	-	150	20,155	2,595	31,823
Changes in IBNR, net	2,523	(4,393)	75	88	(217)	3,618	(1,108)	586
Net claims and other benefits incurred	77,867	313,541	1,889	88	176	38,016	4,151	435,728
Additional premium reserves	(1,819)	(12,116)	-	-	-	-	-	(13,935)
Other technical reserves	98	(172)	24	22	(32)	846	(214)	572
Policy acquisition costs	5,167	12,897	2,491	-	2,851	87	4,323	27,816
Other underwriting expenses	6,143	28,120	872	-	520	485	1,921	38,061
TOTAL UNDERWRITING COSTS AND EXPENSES	87,456	342,270	5,276	110	3,515	39,434	10,181	488,242
NET UNDERWRITING INCOME/ (LOSS)	(5,900)	(17,725)	4,393	5,649	4,228	10,858	16,024	17,527
OTHER OPERATING (EXPENSES)/ INCOME								
Allowance for doubtful debts								(5,998)
General and administrative expenses								(71,797)
Commission income on deposits								14,163
Dividend income on investments								6,211
Realized gain on investments								17,924
Unrealized gain on investments								8,652
TOTAL OTHER OPERATING EXPENSES								(30,847)
Total loss for the period before zakat and income tax & surplus attribution								(13,320)
Zakat								(7,400)
NET LOSS FOR THE PERIOD								(20,720)
Total income for the period attributable to insurance operations								-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS								(20,720)

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13. OPERATING SEGMENTS (CONTINUED)

	For the six Months period ended June 30, 2020 (Unaudited)						Total
	Medical	Motor	Property	Engineering	Protection & Savings	Others	
	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	20,995	-	-	-	-	22,381
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	202,167	313	213	251	4,577	245,907
Changes in outstanding claims, net	(1,540)	25,080	(624)	745	29	506	24,196
Changes in IBNR, net	1,537	(14,214)	199	(645)	19	(1,550)	(14,654)
Net claims and other benefits incurred	38,382	213,032	(113)	313	338	3,497	255,449
Additional premium reserves	(186)	51,884	-	(18)	-	(213)	51,467
Other technical reserves	(1,102)	(17,160)	(242)	(436)	(180)	1,394	(17,726)
Policy acquisition costs	3,070	10,654	2,205	1,793	(29)	3,467	21,160
Other underwriting expenses	2,052	10,273	-	-	-	30	12,355
TOTAL UNDERWRITING COSTS AND EXPENSES	42,216	268,683	1,850	1,652	129	8,175	322,705
NET UNDERWRITING INCOME	14,148	47,453	5,499	3,759	592	16,755	88,206
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(12,418)
General and administrative expenses							(63,800)
Commission income on deposits							7,579
Dividend income on investments							23
TOTAL OTHER OPERATING EXPENSES							(68,616)
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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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, 2021 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	SAR'000		SAR'000	
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written / receivable from				
- BOD and related parties	31,894	1,899	20,126	28,105
- Key management personnel	9	-	-	-
Reinsurance business with Directors and related parties	-	-	-	(104)
Gross Claims paid and payable to directors and their related parties	24,845	819	7,629	(972)
Premium ceded , XOL and balances payables for premium ceded and XOL	-	4,865	-	(8,703)
Reinsurance share of claims paid	(4,177)	(5,340)	6,770	
Other business	(19)	(667)	(13)	188

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

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
	SAR'000	
Salaries and other allowances	2,883	2,539
End of service indemnities	751	212
	3,634	2,751
Remuneration to those charged with governance	1,263	1,836

15. ZAKAT AND INCOME TAX

The Company has filed Zakat and income tax returns with Zakat, Tax, and Customs Authority known previously as the General Authority of Zakat and Tax ("GAZT") up to the year ended December 31, 2020 and obtained the required certificate from Zakat, Tax, and Customs Authority that was valid up to April 30, 2022.

Status of assessments

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.

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15. ZAKAT AND INCOME TAX (CONTINUED)

During 2020, the Company received an assessment order for the year 2014 for an additional zakat and tax liability amounting to SR 5.9 million. Further, during 2020, the company has received assessment orders for the years 2015, 2017 and 2018 for an additional zakat and tax liability amounting to SR 9.3 million. The company has appealed against these assessments, which are under review and consideration by the General Secretariat of Tax Committees ("GSTC").

The management of the Company reviewed assessment letters and responded 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.

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, 2021	December 31, 2020
	%	%
	SAR'000	
Shareholding subject to zakat	87.35	87.35
Shareholding subject to income tax	12.65	12.65

16. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 646.4 million at March 31, 2021 consisting of 64.6 million shares of SAR 10 each (December 31, 2020: SAR 646.4 million consisting of 64.6 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 30 Muharram 1441 H (corresponding to September 29, 2019) 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). Later, the shareholders in the EGM held on January 27, 2020 corresponding to 2 Jumada II 1441H approved the proposed merger of the Company and MAA 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

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16. SHARE CAPITAL (CONTINUED)

0.6577614444444444 new shares in the Company for each share in MAA subject to the terms and conditions of the Merger Agreement. 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.

The Board of Directors in their meeting held on 27 Jumada I 1442 H (corresponding to 11 January 2021) recommended to increase share capital by offering right issue with an additional amount of SAR 775million to support growth plan of the company and maintain its solvency margin. However, subsequent to the quarter ended 30 June 2021, the Company announced on Tadawul on 15 July 2021 corresponding to 05/12/1442H to delay the rights issue due to signing of a memorandum of understanding ("MOU") with SABB Takaful Company ("SABB Takaful") to assess the feasibility of merging the two companies.

The shareholding structure of the Company is as below:

	June 30, 2021 (Unaudited)		
	Authorized and issued	Paid up	
No. of Shares	SAR "000"		
American Life Insurance	3,551,911	35,519	35,519
Arab National Bank	3,545,146	35,451	35,451
International General Insurance Company-IGI	2,020,569	20,206	20,206
Others	55,522,080	555,221	555,221
Total	64,639,706	646,397	646,397
	December 31, 2020 (audited)		
	Authorized and issued	Paid up	
No. of Shares	SAR "000"		
American Life Insurance	3,551,911	35,519	35,519
Arab National Bank	3,545,146	35,451	35,451
International General Insurance Company	2,020,569	20,206	20,206
Others	55,522,080	555,221	555,221
Total	64,639,706	646,397	646,397

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/ (loss) is calculated by dividing net income/ (loss) for the period by weighted average number of ordinary shares outstanding during the period.

20. GROSS PREMIUMS WRITTEN

(Unaudited)	For the six months period ended June 30, 2021					
	Corporate					Total Gross premiums written
Class	Micro	Small	Medium	Large	Individual	
SR'000						
Medical	4,667	8,444	13,463	114,517	9,688	150,779
Motor	13,075	3,795	8,158	46,701	226,608	298,337
Property	4,382	2,053	8,431	29,395	-	44,261
Engineering	1,780	2,033	13,148	26,787	-	43,748
Energy	-	-	-	452,896	-	452,896
Protection & Savings	3,069	220	300	66,048	1,480	71,117
Others	9,163	10,675	13,468	89,409	2,065	124,780
Total	36,136	27,220	56,968	825,753	239,841	1,185,918
(Unaudited)	For the six months period ended June 30, 2020					
Corporate						
Class	Micro	Small	Medium	Large	Individual	Total Gross premiums written
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

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21. SUPPLEMENTARY STATEMENTS

Interim condensed financial position

	June 30, 2021 - (Unaudited)			December 31, 2020 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
ASSETS						
Cash and cash equivalents	516,032	401	516,433	687,297	-	687,297
Short term deposits	100,000	100,000	200,000	50,000	167,274	217,274
Long term deposits	-	50,000	50,000	-	50,000	50,000
Premiums and reinsurers' receivable – net	410,017	-	410,017	333,020	-	333,020
Reinsurers' share of unearned Premiums	581,699	-	581,699	363,490	-	363,490
Reinsurers' share of outstanding claims	285,346	-	285,346	162,891	-	162,891
Reinsurers' share of claims incurred but not reported	105,528	-	105,528	57,700	-	57,700
Reinsurers' share of mathematical reserves	131,299	-	131,299	138,959	-	138,959
Deferred policy acquisition Costs	28,937	-	28,937	25,355	-	25,355
Investments	-	664,833	664,833	-	515,790	515,790
Due from shareholders' operations	4,314	-	4,314	-	86,072	86,072
Prepaid expenses and other assets	87,281	3,919	91,200	90,051	192	90,243
Property and equipment	33,735	-	33,735	14,240	-	14,240
Intangible assets	1,279	33,133	34,412	1,587	33,133	34,720
Goodwill	-	24,415	24,415	-	24,415	24,415
Statutory deposit	-	64,640	64,640	-	64,640	64,640
Accrued income on statutory deposit	-	10,439	10,439	-	10,114	10,114
Accrued commission income	775	5,621	6,396	-	3,882	3,882
TOTAL ASSETS	2,286,242	957,401	3,243,643	1,924,590	955,512	2,880,102

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21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed financial position (Continued)

	June 30, 2021 - (Unaudited)			December 31, 2020- (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
LIABILITIES						
Policyholders claims payables	33,446	-	33,446	34,794	-	34,794
Accrued and other liabilities	157,287	2,692	159,979	151,950	240	152,190
Reinsurers' balances payable	211,952	-	211,952	232,814	-	232,814
Unearned premiums	1,055,994	-	1,055,994	789,964	-	789,964
Unearned reinsurance commission	37,355	-	37,355	20,472	-	20,472
Outstanding claims	387,776	-	387,776	233,498	-	233,498
Claims incurred but not reported	219,391	-	219,391	170,977	-	170,977
Gross mathematical reserves	131,299	-	131,299	138,959	-	138,959
Additional premium reserves	12,075	-	12,075	26,010	-	26,010
Other technical reserves	9,214	-	9,214	8,642	-	8,642
End-of-service indemnities	21,739	-	21,739	21,724	-	21,724
Zakat and income tax	-	29,351	29,351	-	28,864	28,864
Accrued commission income payable to SAMA	-	10,439	10,439	-	10,114	10,114
Due to insurance operations	-	4,314	4,314	86,072	-	86,072
Insurance operations' surplus	9,774	-	9,774	9,774	-	9,774
TOTAL LIABILITIES	2,287,302	46,796	2,334,098	1,925,650	39,218	1,964,868
EQUITY						
Share capital	-	646,397	646,397	-	646,397	646,397
Share premium	-	103,277	103,277	-	103,277	103,277
Statutory reserve	-	63,327	63,327	-	63,327	63,327
Retained earnings	-	60,584	60,584	-	81,304	81,304
Fair value reserve on investments	-	37,020	37,020	-	21,989	21,989
TOTAL SHAREHOLDERS' EQUITY	-	910,605	910,605	-	916,294	916,294
Re-measurement of defined benefit obligation	(1,060)	-	(1,060)	(1,060)	-	(1,060)
TOTAL EQUITY	(1,060)	910,605	909,545	(1,060)	916,294	915,234
TOTAL LIABILITIES AND EQUITY	2,286,242	957,401	3,243,643	1,924,590	955,512	2,880,102

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, 2021

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the three months period ended

(Unaudited)	June 30, 2021			June 30, 2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	799,992	-	799,992	297,411	-	297,411
- Reinsurance	42,568	-	42,568	654	-	654
	842,560	-	842,560	298,065	-	298,065
Reinsurance premiums ceded						
- Local ceded	(3,688)	-	(3,688)	(3,970)	-	(3,970)
- Foreign ceded	(554,627)	-	(554,627)	(96,358)	-	(96,358)
	(558,315)	-	(558,315)	(100,328)	-	(100,328)
Excess of loss expenses	(1,409)	-	(1,409)	(1,658)	-	(1,658)
Net premiums written	282,836	-	282,836	196,079	-	196,079
Changes in unearned premiums, net	(25,919)	-	(25,919)	31	-	31
Net premiums earned	256,917	-	256,917	196,110	-	196,110
Reinsurance commissions	17,963	-	17,963	9,556	-	9,556
Other underwriting income	39	-	39	7,997	-	7,997
TOTAL REVENUES	274,919	-	274,919	213,663	-	213,663
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	273,670	-	273,670	81,156	-	81,156
Surrenders and maturities	6,183	-	6,183	3,478	-	3,478
Expenses incurred related to claims	3,891	-	3,891	11,311	-	11,311
Reinsurers' share of claims paid	(88,240)	-	(88,240)	(7,242)	-	(7,242)
Net claims and other benefits paid	195,504	-	195,504	88,703	-	88,703
Changes in outstanding claims, net	16,072	-	16,072	22,388	-	22,388
Changes in IBNR, net	9,663	-	9,663	(28,911)	-	(28,911)
Net claims and other benefits Incurred	221,239	-	221,239	82,180	-	82,180
Additional premium reserves	(2,401)	-	(2,401)	51,895	-	51,895
Other technical reserves	170	-	170	(3,827)	-	(3,827)
Policy acquisition costs	13,492	-	13,492	11,872	-	11,872
Other underwriting expenses	16,756	-	16,756	6,007	-	6,007
TOTAL UNDERWRITING COSTS AND EXPENSES	249,256	-	249,256	148,127	-	148,127
NET UNDERWRITING INCOME	25,663	-	25,663	65,536	-	65,536

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, 2021

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	June 30, 2021			June 30, 2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(4,243)	-	(4,243)	(9,948)	-	(9,948)
General and administrative expenses	(34,076)	(1,854)	(35,930)	(26,546)	(1,561)	(28,107)
Commission income	7,146	2,807	9,953	557	3,272	3,829
Dividend income on Investments	-	4,954	4,954	2	-	2
Realized gain/(loss) on investments	-	4,711	4,711	-	-	-
Unrealized gain/(loss) on investments	-	5,429	5,429	-	-	-
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(31,173)	16,047	(15,126)	(35,935)	1,711	(34,224)
Total income for the period before zakat and income tax	(5,510)	16,047	10,537	29,601	1,711	31,312
Zakat	-	(3,650)	(3,650)	-	(1,995)	(1,995)
Income tax	-	-	-	-	(255)	(255)
NET INCOME / (LOSS) FOR THE PERIOD	(5,510)	12,397	6,887	29,601	(539)	29,062
Surplus transferred to Shareholders	5,510	(5,510)	-	(26,641)	26,641	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	-	6,887	6,887	2,960	26,102	29,062
Earnings per share (Expressed in SAR per share)						
Basic and diluted EPS		<u>0.11</u>			<u>0.40</u>	

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

(Unaudited)	June 30, 2021			June 30, 2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income for the period	-	6,887	6,887	2,960	26,102	29,062
Other comprehensive 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	-	10,110	10,110	-	14,456	14,456
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	16,997	16,997	2,960	40,558	43,518

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, 2021

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	June 30, 2021			June 30, 2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	1,140,425	-	1,140,425	630,982	-	630,982
- Reinsurance	45,493	-	45,493	1,064	-	1,064
	1,185,918	-	1,185,918	632,046	-	632,046
Reinsurance premiums ceded						
- Local ceded	(8,849)	-	(8,849)	(6,452)	-	(6,452)
- Foreign ceded	(649,535)	-	(649,535)	(185,186)	-	(185,186)
	(658,384)	-	(658,384)	(191,638)	-	(191,638)
Excess of loss expenses	(2,881)	-	(2,881)	(3,445)	-	(3,445)
Net premiums written	524,653	-	524,653	436,963	-	436,963
Changes in unearned premiums, net	(47,821)	-	(47,821)	(51,664)	-	(51,664)
Net premiums earned	476,832	-	476,832	385,299	-	385,299
Reinsurance commissions	28,176	-	28,176	16,983	-	16,983
Other underwriting income	761	-	761	8,629	-	8,629
TOTAL REVENUES	505,769	-	505,769	410,911	-	410,911
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	485,577	-	485,577	236,216	-	236,216
Surrenders and maturities	10,363	-	10,363	7,875	-	7,875
Expenses incurred related to claims	10,845	-	10,845	22,381	-	22,381
Reinsurers' share of claims paid	(103,466)	-	(103,466)	(20,565)	-	(20,565)
Net claims and other benefits paid	403,319	-	403,319	245,907	-	245,907
Changes in outstanding claims, net	31,823	-	31,823	24,196	-	24,196
Changes in IBNR, net	586	-	586	(14,654)	-	(14,654)
Net claims and other benefits Incurred	435,728	-	435,728	255,449	-	255,449
Additional premium reserves	(13,935)	-	(13,935)	51,467	-	51,467
Other technical reserves	572	-	572	(17,726)	-	(17,726)
Policy acquisition costs	27,816	-	27,816	21,160	-	21,160
Other underwriting expenses	38,061	-	38,061	12,355	-	12,355
TOTAL UNDERWRITING COSTS AND EXPENSES	488,242	-	488,242	322,705	-	322,705
NET UNDERWRITING INCOME	17,527	-	17,527	88,206	-	88,206

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, 2021

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	June 30, 2021			June 30, 2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(5,998)	-	(5,998)	(12,418)	-	(12,418)
General and administrative expenses	(67,472)	(4,327)	(71,799)	(56,612)	(7,188)	(63,800)
Commission income	8,122	6,041	14,163	1,392	6,187	7,579
Dividend income on Investments	-	6,211	6,211	2	21	23
Realized gain/(loss) on investments	-	17,924	17,924	-	-	-
Unrealized gain/(loss) on investments	-	8,652	8,652	-	-	-
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(65,348)	34,501	(30,847)	(67,636)	(980)	(68,616)
Total income for the period before zakat and income tax	(47,821)	34,501	(13,320)	20,570	(980)	19,590
Zakat	-	(7,400)	(7,400)	-	(4,245)	(4,245)
Income tax	-	-	-	-	(255)	(255)
NET INCOME / (LOSS) FOR THE PERIOD	(47,821)	27,101	(20,720)	20,570	(5,480)	15,090
Surplus transferred to Shareholders	47,821	(47,821)	-	(18,513)	18,513	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	-	(20,720)	(20,720)	2,057	13,033	15,090
(Loss)/ Earnings per share (Expressed in SAR per share)						
Basic and diluted		<u>(0.32)</u>			<u>0.21</u>	

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

(Unaudited)	June 30, 2021			June 30, 2020		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income / (loss) for the period	-	(20,720)	(20,720)	2,057	13,033	15,090
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	-	15,031	15,031	-	(22,463)	(22,463)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	-	(5,689)	(5,689)	2,057	(9,430)	(7,373)

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, 2021

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for six months

(Unaudited)	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders' operations		operations	holders' operations	
	2021 SAR'000			2020 SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss)/ income for the period before zakat	-	(13,320)	(13,320)	2,057	17,533	19,590
Adjustments for non-cash items:						
Depreciation of property and equipment	4,991	-	4,991	12,847	-	12,847
Amortization of intangible assets	389	-	389	4,417	-	4,417
Allowance for doubtful debts	5,998	-	5,998	12,418	-	12,418
Dividend income on investments	-	(6,211)	(6,211)	(2)	(21)	(23)
Commission income	(8,122)	(6,041)	(14,163)	(1,392)	(6,187)	(7,579)
Gain on disposal of investments	-	(17,924)	(17,924)	-	-	-
Provision for end-of-service indemnities	1,935	-	1,935	1,885	-	1,885
Lease finance cost	(10)	-	(10)	-	-	-
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(82,995)	-	(82,995)	(85,467)	-	(85,467)
Reinsurers' share of unearned premiums	(218,209)	-	(218,209)	86,197	-	86,197
Reinsurers' share of outstanding claims	(122,455)	-	(122,455)	7,342	-	7,342
Reinsurers' share of claims incurred but not reported	(47,828)	-	(47,828)	(3,309)	-	(3,309)
Reinsurers' share of mathematical reserves	7,660	-	7,660	9,565	-	9,565
Deferred policy acquisition costs	(3,582)	-	(3,582)	(11,719)	-	(11,719)
Prepaid expenses and other assets	2,770	(3,727)	(957)	(14,783)	861	(13,922)
Policyholders and accounts payables	(1,348)	-	(1,348)	(1,181)	-	(1,181)
Accrued and other liabilities	2,025	2,452	4,477	20,979	1,546	22,525
Reinsurers' balances payable	(20,862)	-	(20,862)	(59,081)	-	(59,081)
Unearned premiums	266,030	-	266,030	(34,533)	-	(34,533)
Unearned reinsurance commission	16,883	-	16,883	674	-	674
Outstanding claims	154,278	-	154,278	15,445	-	15,445
Claims incurred but not reported	48,414	-	48,414	(11,345)	-	(11,345)
Gross mathematical reserves	(7,660)	-	(7,660)	(9,565)	-	(9,565)
Additional premium reserves	(13,935)	-	(13,935)	51,467	-	51,467
Other technical reserves	572	-	572	(16,317)	-	(16,317)
	(15,061)	(44,771)	(59,832)	(23,401)	13,732	(9,669)
End-of-service indemnities paid	(1,920)	-	(1,920)	(1,010)	-	(1,010)
Zakat and income tax paid	-	(6,913)	(6,913)	-	(11,787)	(11,787)
Net cash (used in)/ generated from operating activities	(16,981)	(51,684)	(68,665)	(24,411)	1,945	(22,466)

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, 2021

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)
Additions in investments	-	(116,088)	(116,088)	-	(51,243)	(51,243)
Commission income received	7,347	4,302	11,649	1,604	5,186	6,790
Dividend received	-	6,211	6,211	2	21	23
Cash and cash equivalents acquired through business combination	-	-	-	34,413	9,176	43,589
Additions/disposals in short term deposits	(50,000)	67,274	17,274	133,051	(3,184)	129,867
Additions/disposals in long term deposits				-	39,000	39,000
Purchase of land	(16,400)	-	(16,400)	-	-	-
Additions in property and equipment	(1,782)	-	(1,782)	-	-	-
Additions in intangible assets	(81)	-	(81)	(11,330)	-	(11,330)
Net cash generated from / (used in) investing activities	(60,916)	(38,301)	(99,217)	153,135	(1,044)	152,091
CASH FLOWS FROM FINANCING ACTIVITIES						
Statutory deposit	-	-	-	-	(11,840)	(11,840)
Due from shareholders/insurance operations	(90,386)	90,386	-	(13,892)	13,892	-
Dividend paid	-	-	-	-	-	-
Lease rentals	(2,982)	-	(2,982)	(2,754)	-	(2,754)
Net cash (used in) / generated from financing activity	(93,368)	90,386	(2,982)	(16,646)	2,052	(14,594)
Net change in cash and cash equivalents	(171,265)	401	(170,864)	112,078	2,953	115,031
Cash and cash equivalents, beginning of the period	687,297	-	687,297	560,925	-	560,925
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	516,032	401	516,433	673,003	2,953	675,956
NON-CASH TRANSACTION						
Unrealised changes in fair value of available for sale investments	-	15,031	15,031	-	(22,463)	(22,463)

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, 2021

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on August 2, 2021 corresponding to 23 Dhul-Hijjah 1442H.