

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2022**

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REVIEW REPORT (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

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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 March 31, 2022, the related interim condensed statements of income and comprehensive income for the three month period then ended, and the interim condensed statements of changes in equity and cash flows for the three 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.

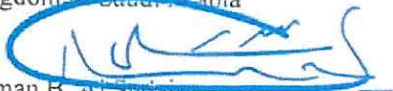
Scope of review

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

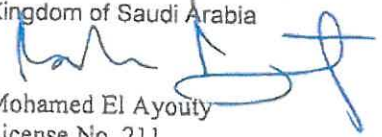
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of Walaa Cooperative Insurance Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the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

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15 Shawwal 1443
16 May 2022

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	Notes	March 31, 2022 - (Unaudited)	December 31, 2021 - (Audited)
SAR'000			
ASSETS			
Cash and cash equivalents	5	431,074	325,055
Short term deposits		203,424	201,659
Long term deposits		80,000	100,000
Premiums and reinsurers' receivable - net	6	470,272	582,129
Reinsurers' share of unearned premiums	8.2	332,899	538,598
Reinsurers' share of outstanding claims	8.1	325,321	338,919
Reinsurers' share of claims incurred but not reported	8.1	135,509	149,655
Reinsurer's share of mathematical reserves		108,525	123,696
Deferred policy acquisition costs		40,515	36,476
Investments	7	728,705	773,236
Due from insurance operations		13,694	4,437
Prepaid expenses and other assets		93,184	97,401
Property and equipment, net	9	30,854	30,969
Intangible assets		37,091	37,713
Goodwill		24,415	24,415
Statutory deposit		64,640	64,640
Accrued income on statutory deposit		10,925	10,764
Accrued commission income		4,355	7,419
TOTAL ASSETS		3,135,402	3,447,181



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 MARCH 31, 2022

	Notes	March 31, 2022 - (Unaudited)	December 31, 2021 - (Audited)
SAR'000			
<u>LIABILITIES</u>			
Policyholders claims payable		58,860	47,658
Accrued and other liabilities	10	201,630	190,702
Reinsurers' balances payable		204,794	335,026
Unearned premiums	8.2	904,481	1,074,103
Unearned reinsurance commission		23,358	31,258
Outstanding claims	8.1	495,521	480,616
Claims incurred but not reported	8.1	252,394	266,202
Gross mathematical reserves		108,525	123,696
Additional premium reserves	8.1	12,950	9,054
Other technical reserves	8.1	7,102	7,701
Due to shareholders' operations		13,694	4,437
End-of-service indemnities		22,086	21,982
Zakat and income tax	15	35,708	31,208
Accrued commission income payable to SAMA		10,925	10,764
Surplus distribution payable		2,148	2,148
TOTAL LIABILITIES		2,354,176	2,636,555
<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 investments		45,931	38,522
Accumulated losses		(77,559)	(40,750)
TOTAL SHAREHOLDERS' EQUITY		781,373	810,773
Re-measurement reserve of defined benefit obligation – related to insurance operations		(147)	(147)
TOTAL EQUITY		781,226	810,626
TOTAL LIABILITIES AND EQUITY		3,135,402	3,447,181
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 MONTH PERIOD ENDED MARCH 31, 2022

	Notes	For the three month period ended	
		March 31,	
		2022	2021
		SAR'000	
<u>REVENUES</u>			
Gross premiums written			
- Direct		392,889	340,433
- Reinsurance		1,397	2,925
	8.2	394,286	343,358
Reinsurance premiums ceded			
- Local ceded		(1,531)	(5,161)
- Foreign ceded		(83,323)	(94,908)
	8.2	(84,854)	(100,069)
Excess of loss expenses	8.2	(1,539)	(1,472)
Net premiums written		307,893	241,817
Changes in unearned premiums		169,622	(59,900)
Changes in reinsurance share of unearned premiums		(205,699)	37,998
Net premiums earned		271,816	219,915
Reinsurance commissions		17,758	10,213
Other underwriting income		37	722
TOTAL REVENUES		289,611	230,850
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid		259,780	211,907
Surrenders and maturities		13,170	4,180
Expenses incurred related to claims		9,406	6,954
Reinsurers' share of claims paid		(36,922)	(15,226)
Net claims and other benefits paid		245,434	207,815
Changes in outstanding claims		14,905	35,355
Changes in reinsurance share of outstanding claims		13,598	(19,604)
Changes in IBNR		(13,808)	(13,170)
Changes in reinsurance share of IBNR		14,146	4,093
Net claims and other benefits incurred		274,275	214,489
Additional premium reserves		3,896	(11,534)
Other technical reserves		(599)	402
Policy acquisition costs		18,787	14,324
Other underwriting expenses		27,003	21,305
TOTAL UNDERWRITING COSTS AND EXPENSES		323,362	238,986
NET UNDERWRITING LOSS		(33,751)	(8,136)


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 MONTH PERIOD ENDED MARCH 31, 2022

	Notes	For the three month period ended	
		2022	2021
		SAR'000	
<u>OTHER OPERATING (EXPENSES) / INCOME</u>			
Allowance for doubtful debts		(14,365)	(1,755)
General and administrative expenses		(36,674)	(35,869)
Commission income		4,029	4,210
Dividend income on investments		3,953	1,257
Realized gain on investments		30,453	13,213
Unrealized gain on investments		14,046	3,223
TOTAL OTHER OPERATING INCOME \ (EXPENSES)		1,442	(15,721)
Total loss for the period before zakat and income tax		(32,309)	(23,857)
Zakat for the period	15	(4,500)	(3,750)
Total loss for the period		(36,809)	(27,607)
Total income attributed to the insurance Operations	21	-	-
Net loss for the period attributable to the shareholders		(36,809)	(27,607)
Loss per share			
Basic and diluted (SAR per share)	19	(0.57)	(0.43)
Weighted average number of ordinary outstanding shares (in thousands)		64,640	64,640


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 MONTH PERIOD ENDED MARCH 31, 2022

	Notes	For the three month period ended	
		March 31,	
		2022	2021
		SAR'000	
Total loss for the period		(36,809)	(27,607)
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:			
- Realized gain transferred to income		(27,136)	(13,213)
- Changes in fair value	7	34,545	18,134
COMPREHENSIVE LOSS FOR THE PERIOD		(29,400)	(22,686)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD ATTRIBUTED TO POLIYHOLDERS		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		(29,400)	(22,686)

Chief Financial Officer

Chief Executive Officer


Board Member

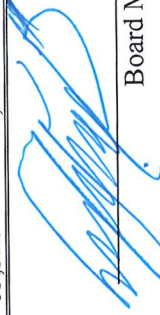
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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

	Share capital	Share premium	Statutory reserve	Fair value reserve for investments	(Accumulated losses)/ Retained earnings	Total
Notes	SAR '000					
2022						
Balance at January 1, 2022 (Audited)	646,397	103,277	63,327	38,522	(40,750)	810,773
Comprehensive (loss)/ income for the period:						
Net loss for the period attributable to the shareholders	-	-	-	-	(36,809)	(36,809)
Realized gain transferred to income	-	-	-	(27,136)	-	(27,136)
Unrealized changes in fair value of available-for-sale investments	-	-	-	34,545	-	34,545
Total comprehensive (loss)/ income for the period attributable to Shareholders	-	-	-	7,409	(36,809)	(29,400)
Balance at March 31, 2022 (Unaudited)	646,397	103,277	63,327	45,931	(77,559)	781,373
2021						
Balance at January 1, 2021 (Audited)	646,397	103,277	63,327	21,989	81,304	916,294
Comprehensive (loss)/ income for the period:						
Net income for the period attributable to the shareholders	-	-	-	-	(27,607)	(27,607)
Realized gain transferred to income	-	-	-	(13,213)	-	(13,213)
Unrealized changes in fair value of available-for-sale investments	-	-	-	18,134	-	18,134
Total comprehensive (loss)/ income for the period attributable to shareholders	-	-	-	4,921	(27,607)	(22,686)
Balance at March 31, 2021 (Unaudited)	646,397	103,277	63,327	26,910	53,697	893,608


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Chief Financial Officer


Board Member


Chief Executive Officer

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

	2022	2021
	SAR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period before zakat and income tax	(32,309)	(23,857)
Adjustments for non-cash items:		
Depreciation of property and equipment	1,316	2,304
Amortization of intangible assets	621	203
Allowance for doubtful debts	14,365	1,755
Dividend income on investments	(3,953)	(1,257)
Commission income on deposits	(4,029)	(4,210)
Gain on disposal of investments	(30,453)	(13,213)
Provision for end-of-service indemnities	1,034	1,053
Lease finance cost	564	25
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	97,492	23,358
Reinsurers' share of unearned premiums	205,699	59,900
Reinsurers' share of outstanding claims	13,598	(19,604)
Reinsurers' share of claims incurred but not reported	14,146	4,093
Reinsurers' share of mathematical reserves	15,171	2,614
Deferred policy acquisition costs	(4,039)	(1,782)
Prepaid expenses and other assets	4,217	4,717
Policyholders claim payables	11,202	2,216
Accrued and other liabilities	18,439	(17,622)
Reinsurers' balances payable	(130,232)	(44,820)
Unearned premiums	(169,622)	(37,998)
Unearned reinsurance commission	(7,900)	695
Outstanding claims	14,905	35,355
Claims incurred but not reported	(13,808)	(13,170)
Gross mathematical reserves	(15,171)	(2,614)
Additional premium reserves	3,896	(11,534)
Other technical reserves	(599)	402
	4,550	(52,991)
End-of-service indemnities paid	(930)	(1,704)
Net cash generated from/(used in) operating activities	3,620	(54,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Movement in investments, net	82,393	(84,338)
Short term deposits	(1,765)	17,274
Commission income received	7,093	3,231
Dividend income	3,953	1,257
Disposals of Long term deposits	20,000	-
Additions in property and equipment	(1,200)	(1,308)
Net cash generated from/(used in) investing activities	110,474	(63,884)


Chief Financial Officer


Chief Executive Officer


Board Member

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WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
	<u>SAR'000</u>	
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rentals	<u>(8,075)</u>	<u>(127)</u>
Net cash used in financing activities	<u>(8,075)</u>	<u>(127)</u>
Net change in cash and cash equivalents	106,019	(118,706)
Cash and cash equivalents, beginning of the period	325,055	687,297
Cash and cash equivalents, end of the period	<u>431,074</u>	<u>568,591</u>
<u>NON-CASH INFORMATION</u>		
Net changes in fair value of available for sale investments	<u>7,409</u>	<u>4,921</u>



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 MONTH PERIOD ENDED MARCH 31, 2022

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 Company (“SABB Takaful”) on 05/12/1442H (corresponding to 15/07/2021G) to evaluate a potential merger between the two companies. Later, the Company announced on Tadawul’s website on 07/06/1443H (corresponding to 10/01/2022G) the extension of the MOU for another 45 days expiring on 24/02/2022G. The Company announced further on 26/07/1443H (corresponding to 27/02/2022G) that it has signed a binding merger agreement with SABB Takaful on 23/07/1443H (corresponding to 24/02/2022G) (the “Merger Agreement”) reflecting the agreement of both companies to merge through a share swap transaction, whereby Walaa shall issue /0.6005476176470590/ nominal shares in Walaa against each issued share in SABB Takaful (“Exchange Ratio”), to the benefit of eligible shareholders in SABB Takaful (i.e., shareholders owning the shares issued in SABB Takaful Company on the effective date of the Merger Transaction) and as consideration for the transfer of assets and liabilities of SABB Takaful, and without any additional cash consideration being paid (“Merger Transaction” or “Merger”). This is in accordance with the Companies Law issued by the Ministry of Commerce, the regulations of the Capital Market Authority (“CMA”), including the Mergers and Acquisitions Regulations, the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules issued by the Saudi Stock Exchange (Tadawul), as well as the relevant regulations of the Saudi Central Bank (“SAMA”). The said merger is subject to approval by concerned regulatory authorities and by shareholders of both Companies in their Extraordinary General Assembly Meetings.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended March 31, 2022 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 ended March 31, 2022 , 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.

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

2. BASIS OF PREPARATION (CONTINUED)

(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, 2021.

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, 2021.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

4. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATION

During the year ended December 31, 2020, 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 AIG ANB Cooperative Insurance Company “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 0.6577614444444444 new shares in the Company for each share in MAA subject to the terms and conditions of the Merger Agreement.

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 Company has undertaken a comprehensive purchase price allocation and has identified the following intangible assets. Their valuation approach and methodologies are further detailed below:

	Shareholders’ operations
	March 31, 2022
	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

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.

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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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Cash and bank balances	415,212	322,883
Deposits maturing within 3 months from the acquisition date	-	-
Total	415,212	322,883
	Shareholders' operations	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Bank balances	15,862	2,172
Deposits maturing within 3 months from the acquisition date	-	-
Total	15,862	2,172
Total cash and cash equivalents	431,074	325,055

6. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprises of amounts due from the following:

	Insurance operations	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Policyholders	208,348	201,080
Brokers and agents	291,229	393,052
Related parties	6,738	5,938
Receivables from reinsurers	28,965	32,702
	535,280	632,772
Less: Provision for doubtful receivables	(65,008)	(50,643)
Premiums and reinsurers' receivable – net	470,272	582,129

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7. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	2022	2021
	SAR'000	
Available for sale investments	311,560	374,554
Held for trading	89,839	86,367
Held to maturity	264,358	249,367
	665,757	710,288
	Policyholders' operations	
	2022	2021
	SAR'000	
Held to maturity	62,948	62,948
	62,948	62,948
	Total	
	2022	2021
	SAR'000	
Available for sale investments	311,560	374,554
Held for trading	89,839	86,367
Held to maturity	327,306	312,315
	728,705	773,236

Movement in available for sale investments is as follows:

	Shareholders' operations	
	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
SAR'000		
Opening balance	374,554	291,390
Purchases	5,957	178,048
Impairment of investment	-	(6,765)
Disposals	(76,360)	(119,726)
Changes in fair value of investments, net	7,409	31,607
Closing balance	311,560	374,554

Available-for-sale investments include the following:

	Shareholders' operations	
	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
SAR'000		
Quoted securities	174,404	237,398
Unquoted securities	137,156	137,156
	311,560	374,554

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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7. INVESTMENTS (CONTINUED)

Movement in held to maturity investments is as follows:

	Shareholders' operations	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Opening balance	312,315	224,400
Additional during the year	15,002	88,173
Amortization	(11)	(258)
Closing balance	327,306	312,315

Investments in sukuk 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.

8. TECHNICAL RESERVES

8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Outstanding claims	495,521	480,616
Gross Claims incurred but not reported	269,274	283,457
Less: Net realizable value of salvage and subrogation	(16,880)	(17,255)
Claims incurred but not reported	252,394	266,202
Additional premium reserves:		
- Premium deficiency reserve	12,950	9,054
- Additional unexpired risk reserve	-	-
	12,950	9,054
Other technical reserves:		
- Claims handling expense provision	-	-
- Unallocated loss adjustment expense provision	7,102	7,701
- Non-proportional reinsurance accrual reserve	-	-
	7,102	7,701
Net outstanding claims and reserves	767,967	763,573
Less:		
- Reinsurer's share of outstanding claims	(325,321)	(338,919)
- Reinsurer's share of claims incurred but not reported	(135,509)	(149,655)
	(460,830)	(488,574)
Net outstanding claims and reserves	307,137	274,999

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8. TECHNICAL RESERVES (CONTINUED)

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	March 31, 2022 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	1,074,103	(538,598)	535,505
Premiums written during the period	394,286	(86,393)	307,893
Premiums earned during the period	(563,908)	292,092	(271,816)
Balance as at the end of the period	904,481	(332,899)	571,582
	December 31, 2021(Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	789,964	(363,490)	426,474
Premiums written during the year	2,338,834	(1,188,273)	1,150,561
Premiums earned during the year	(2,054,695)	1,013,165	(1,041,530)
Balance as at the end of the year	1,074,103	(538,598)	535,505

9. PROPERTY AND EQUIPMENT, NET

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Land	16,400	16,400
Property and equipment	8,421	8,119
Right of use assets (note 9.1)	6,033	6,450
	30,854	30,969

9.1 Depreciation charges on right of use assets amounted to SAR 0.4 million.

10. ACCRUED AND OTHER LIABILITIES

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Accrued and other liabilities	195,500	185,135
Lease rentals	6,130	5,567
	201,630	190,702

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10. ACCRUED AND OTHER LIABILITIES (CONTINUED)

Maturity analysis of lease rentals is as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Payable within one year	3,059	2,948
Payable more than one year but less than five years	3,071	2,619
	6,130	5,567

11. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000	
Letters of guarantee	9,375	8,375

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, 2021.

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 management assessed that cash and short-term deposits, premium and reinsurance receivables, receivables from related parties, trade and other payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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 information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Policyholders and Shareholders'

Operations

March 31, 2022	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
		SAR '000			
Financial assets measured at fair value					
Available for sale investments	174,404	174,404	-	-	174,404
Held for trading Investments	89,839	89,839	-	-	89,839
	264,243	264,243	-	-	264,243

Policyholders and Shareholders'

Operations

December 31, 2021	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
		SAR '000			
Financial assets measured at fair value					
Available for sale investments	237,398	237,398	-	-	237,398
Held for trading Investments	86,367	86,367	-	-	86,367
	323,765	323,765	-	-	323,765

b. Measurement of fair values

The Company has investments amounting to SAR 137.156 million (31 December 2021: SAR 137.156 million) in unquoted securities and investments amounting to SAR 327.306 million in held to maturity investments recorded at amortized costs (31 December 2021: SAR 312.315 million). These investments in unquoted securities and recorded at amortized costs have not been measured at fair values in the absence of active market or other means of reliably measuring their fair values for certain investments. 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 year, there were no transfers into or out of each level.

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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, investments, accrued commission income, prepaid expenses & other assets, property and equipment and intangible assets. Accordingly, these 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, these are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

Segments do not include shareholders' assets and liabilities and equity hence, these are presented under unallocated assets / liabilities accordingly.

The segment information provided to the Company's chief executive officer for the reportable segments for the Company's total assets and liabilities at March 31, 2022 and December 31, 2021, its total revenues, expenses, and net income for the period ended 31 March 2022 and 31 March 2021, are as follows:

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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 March 31, 2022 and December 31, 2021, its total revenues, expenses, and net income for the the three months period ended 31 March 2022 and 31 March 2021, are as follows:

	As at March 31, 2022 (Unaudited)									
	Insurance operations								Shareholders'	Total
	Medical	Motor	Property	Energy	Engineering	Protection &Savings	Others	Total - Insurance operations	operations	Total
	SAR'000									
Assets										
Reinsurers' share of unearned premiums	2,669	175	109,317	37,940	49,011	3,007	130,780	332,899	-	332,899
Reinsurers' share of outstanding claims	446	-	216,112	-	33,456	17,442	57,865	325,321	-	325,321
Reinsurers' share of claims incurred but not reported	-	-	31,854	64,300	20,046	2,097	17,212	135,509	-	135,509
Reinsurer's share of mathematical reserves	-	-	-	-	-	108,525	-	108,525	-	108,525
Deferred policy acquisition costs	15,337	13,416	2,423	24	3,454	168	5,693	40,515	-	40,515
Unallocated assets	-	-	-	-	-	-	-	1,361,529	831,104	2,192,633
Total assets	18,452	13,591	359,706	102,264	105,967	131,239	211,550	2,304,298	831,104	3,135,402
Liabilities and shareholders' equity										
Unearned premiums	265,585	273,713	113,468	38,219	52,469	6,889	154,138	904,481	-	904,481
Unearned Insurance commission	605	17	6,428	1,856	6,576	59	7,817	23,358	-	23,358
Outstanding claims	50,580	57,902	217,709	-	34,160	64,338	70,832	495,521	-	495,521
Claims incurred but not reported	31,034	71,701	33,057	64,623	21,496	8,849	21,634	252,394	-	252,394
Gross mathematical reserves	-	-	-	-	-	108,525	-	108,525	-	108,525
Additional Premium Reserve	1,596	10,857	-	-	-	497	-	12,950	-	12,950
Other Technical Reserve	698	4,740	190	32	180	436	826	7,102	-	7,102
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	-	499,967	831,104	1,331,071
Total liabilities and shareholders' equity	350,098	418,930	370,852	104,730	114,881	189,593	255,247	2,304,298	831,104	3,135,402

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

13. OPERATING SEGMENTS (CONTINUED)

Financial Position (continued)

	As at December 31, 2021									
	Insurance operations							Total - Insurance operations	Shareholders' operations	Total
	Medical	Motor	Property	Energy	Engineering	Protection and Savings	Others			
SAR '000										
Assets										
Reinsurers' share of unearned premiums	3,564	47	178,620	144,495	57,986	587	153,299	538,598	-	538,598
Reinsurers' share of outstanding claims	446	-	232,018	-	33,813	15,284	57,358	338,919	-	338,919
Reinsurers' share claims incurred but not Reported	-	-	33,416	63,217	34,280	6,735	12,007	149,655	-	149,655
Reinsurers' share of mathematical reserves	-	-	-	-	-	123,696	-	123,696	-	123,696
Deferred policy acquisition costs	10,548	13,005	3,241	37	3,414	123	6,108	36,476	-	36,476
Unallocated assets	-	-	-	-	-	-	-	1,404,958	854,879	2,259,837
Total assets	14,558	13,052	447,295	207,749	129,493	146,425	228,772	2,592,302	854,879	3,447,181
Liabilities and shareholders' equity										
Unearned premiums	196,922	304,320	184,173	145,081	61,650	3,491	178,466	1,074,103	-	1,074,103
Unearned reinsurance commission	801	5	9,059	6,456	6,635	25	8,277	31,258	-	31,258
Outstanding claims	45,290	46,500	233,827	-	35,033	47,588	72,378	480,616	-	480,616
Claims incurred but not reported	29,675	68,348	34,273	63,339	35,431	18,872	16,264	266,202	-	266,202
Gross mathematical reserves	-	-	-	-	-	123,696	-	123,696	-	123,696
Additional premium reserves	86	8,841	-	-	-	127	-	9,054	-	9,054
Other technical reserves	614	5,468	146	12	165	445	851	7,701	-	7,701
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	-	599,672	854,879	1,454,551
Total liabilities and shareholders' equity	273,388	433,482	461,478	214,888	138,914	194,244	276,236	2,592,302	854,879	3,447,181

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13. OPERATING SEGMENTS (CONTINUED)

	For the three Month period ended March 31, 2022 (Unaudited)							
	Medical	Motor	Property	Energy	Engineering	Protection & Savings	Others	Total
	SAR'000							
REVENUES								
Gross premiums written								
- Direct	174,068	113,956	12,176	24,095	12,807	16,252	39,535	392,889
- Reinsurance	-	-	1,292	-	59	46	-	1,397
	174,068	113,956	13,468	24,095	12,866	16,298	39,535	394,286
Reinsurance premiums ceded								
- Local ceded	-	-	(592)	-	(939)	-	-	(1,531)
- Foreign ceded	50	(175)	(11,013)	(24,078)	(10,371)	(9,099)	(28,637)	(83,323)
	50	(175)	(11,605)	(24,078)	(11,310)	(9,099)	(28,637)	(84,854)
Excess of loss expenses	-	(685)	(327)	-	(327)	-	(200)	(1,539)
Net premiums written	174,118	113,096	1,536	17	1,229	7,199	10,698	307,893
Changes in unearned premiums, net	(69,558)	30,735	1,401	307	206	(979)	1,811	(36,077)
Net premiums earned	104,560	143,831	2,937	324	1,435	6,220	12,509	271,816
Reinsurance commissions	188	5	4,559	6,320	2,506	342	3,838	17,758
Other underwriting income	-	12	3	-	2	-	20	37
TOTAL REVENUES	104,748	143,848	7,499	6,644	3,943	6,562	16,367	289,611
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	87,221	138,333	16,743	-	575	11,896	5,012	259,780
Surrenders and maturities	-	-	-	-	-	13,170	-	13,170
Expenses incurred related to claims	5,917	3,489	-	-	-	-	-	9,406
Reinsurers' share of claims Paid	(568)	(113)	(16,274)	-	(314)	(17,067)	(2,586)	(36,922)
Net claims and other benefits paid	92,570	141,709	469	-	261	7,999	2,426	245,434
Changes in outstanding claims, Net	5,290	11,402	(213)	-	(516)	14,592	(2,052)	28,503
Changes in IBNR, net	1,359	3,353	346	201	299	(5,386)	166	338
Net claims and other benefits Incurred	99,219	156,464	602	201	44	17,205	540	274,275
Additional premium reserves	1,510	2,016	-	-	-	370	-	3,896
Other technical reserves	84	(728)	44	20	15	(10)	(24)	(599)
Policy acquisition costs	5,961	6,999	1,770	20	1,278	108	2,651	18,787
Other underwriting expenses	6,762	13,632	64	5,765	66	11	703	27,003
TOTAL UNDERWRITING COSTS AND EXPENSES	113,536	178,383	2,480	6,006	1,403	17,684	3,870	323,362
NET UNDERWRITING INCOME/ (LOSS)	(8,788)	(34,535)	5,019	638	2,540	(11,122)	12,497	(33,751)
OTHER OPERATING (EXPENSES)/ INCOME								
Allowance for doubtful debts								(14,365)
General and administrative expenses								(36,674)
Commission income on deposits								4,029
Dividend income on investments								3,953
Impairment on investments								-
Realized gain on investments								30,453
Unrealized gain on investments								14,046
TOTAL OTHER OPERATING EXPENSES								1,442
Total loss for the period before zakat and income tax & surplus attribution								(32,309)
Zakat for the period								(4,500)
NET LOSS FOR THE PERIOD								(36,809)
Total income for the period attributable to insurance operations								-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS								(36,809)

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13. OPERATING SEGMENTS (CONTINUED)

	For the three Month period ended March 31, 2021 (Unaudited)						Total
	Medical	Motor	Property	Engineering	Protection & Savings	Others	
	SAR'000						
REVENUES							
Gross premiums written							
- Direct	56,593	164,104	10,521	29,331	15,822	64,062	340,433
- Reinsurance	-	-	-	77	2,848	-	2,925
	56,593	164,104	10,521	29,408	18,670	64,062	343,358
Reinsurance premiums ceded							
- Local ceded	-	-	(1,018)	(4,143)	-	-	(5,161)
- Foreign ceded	(833)	-	(8,552)	(23,384)	(9,446)	(52,693)	(94,908)
	(833)	-	(9,570)	(27,527)	(9,446)	(52,693)	(100,069)
Excess of loss expenses	-	(626)	(307)	(307)	-	(232)	(1,472)
Net premiums written	55,760	163,478	644	1,574	9,224	11,137	241,817
Changes in unearned premiums, net	(21,296)	5,693	120	(742)	(2,763)	(2,914)	(21,902)
Net premiums earned	34,464	169,171	764	832	6,461	8,223	219,915
Reinsurance commissions	77	15	3,240	2,856	152	3,873	10,213
Other underwriting income	114	145	3	2	-	458	722
TOTAL REVENUES	34,655	169,331	4,007	3,690	6,613	12,554	230,850
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	30,958	168,127	2,848	360	7,261	2,353	211,907
Surrenders and maturities					4,180		4,180
Expenses incurred related to claims	1,550	5,404	-	-	-	-	6,954
Reinsurers' share of claims paid	(1,169)	(13)	(2,479)	(310)	(9,607)	(1,648)	(15,226)
Net claims and other benefits paid	31,339	173,518	369	50	1,834	705	207,815
Changes in outstanding claims, net	9,042	(448)	(111)	112	3,142	4,014	15,751
Changes in IBNR, net	(4,130)	(4,964)	64	(217)	1,010	(840)	(9,077)
Net claims and other benefits incurred	36,251	168,106	322	(55)	5,986	3,879	214,489
Additional premium reserves	41	(11,575)	-	-	-	-	(11,534)
Other technical reserves	23	(120)	7	(32)	519	5	402
Policy acquisition costs	2,196	7,435	1,202	1,316	20	2,155	14,324
Other underwriting expenses	2,927	15,608	194	398	485	1,693	21,305
TOTAL UNDERWRITING COSTS AND EXPENSES	41,438	179,454	1,725	1,627	7,010	7,732	238,986
NET UNDERWRITING INCOME	(6,783)	(10,123)	2,282	2,063	(397)	4,822	(8,136)
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(1,755)
General and administrative expenses							(35,869)
Commission income on deposits							4,210
Dividend and realized gain on investments							14,470
Unrealized gain on investments							3,223
TOTAL OTHER OPERATING EXPENSES							(15,721)
Total loss for the period before zakat and income tax & surplus attribution							(23,857)
Zakat and Income tax							(3,750)
NET LOSS FOR THE PERIOD							(27,607)
Total income for the period attributable to insurance operations							-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS							(27,607)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

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 three Month period ended		Net balance receivable / (payable) as at	
	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	SAR'000		SAR'000	
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written / receivable from				
- BOD and related parties	4,485	14,391	6,738	3,567
- Key management personnel		-		-
Reinsurance business with Directors and related parties	-	-	-	(40)
Gross Claims paid and payable to directors and their related parties	3,809	11,114	3,069	(2,693)

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

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
	SAR'000	
Salaries and other allowances	1,408	1,436
End of service indemnities	454	626
	1,862	2,062
Remuneration to those charged with governance	1,316	1,263

15. ZAKAT AND INCOME TAX

The Company has filed Zakat and income tax return subsequent to the quarter ended March 31, 2022 with Zakat, Tax, and Customs Authority known previously as the General Authority of Zakat and Tax ("GAZT") up to the year ended December 31, 2021 and paid the declared Zakat and is in the process of getting the required certificate from Zakat, Tax, and Customs Authority that is valid up to April 30, 2023.

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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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

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 these 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 tentative shareholding percentage for computation as at the end of the period/year:

	March 31, 2022	December 31, 2021
	%	%
	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 December 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 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 29 September 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 AIG ANB Cooperative Insurance Company “MAA” into the Company and transferring all of MAA’s assets and liabilities to the Company through a securities exchange offer. The merger was successfully completed and shares issued accordingly during the year. The fair value of 11,839,706 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

16. SHARE CAPITAL (CONTINUED)

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 amounting to 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. Later, 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.

Shareholding structure of the Company is as below:

	March 31, 2022		
	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

	December 31, 2021		
	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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

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 three month period ended March 31, 2022					
	Corporate					Total Gross premiums written
Class	Micro	Small	Medium	Large	Individual	
SR'000						
Medical	12,740	10,519	9,781	124,604	16,424	174,068
Motor	379	2,479	3,370	10,781	96,947	113,956
Property	2,955	2,688	1,765	6,060	-	13,468
Engineering	874	960	3,256	7,776	-	12,866
Energy	-	-	8	24,087	-	24,095
Protection & Savings	7,800	400	329	7,307	462	16,298
Others	1,872	6,267	8,002	15,053	8,341	39,535
Total	26,620	23,313	26,511	195,668	122,174	394,286

(Unaudited)	For the three month period ended March 31, 2021					
	Corporate					Total Gross premiums written
Class	Micro	Small	Medium	Large	Individual	
SR'000						
Medical	3,187	2,970	5,812	39,150	5,474	56,593
Motor	786	2,152	4,980	23,996	132,190	164,104
Property	2,102	1,369	3,546	3,504	-	10,521
Engineering	1,024	997	8,015	19,372	-	29,408
Protection & Savings	2,959	94	51	14,796	770	18,670
Others	5,486	7,154	7,576	42,737	1,109	64,062
Total	15,544	14,736	29,980	143,555	139,543	343,358

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

21. SUPPLEMENTARY STATEMENTS

Interim condensed financial position

	March 31, 2022 - (Unaudited)			December 31, 2021 - (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
ASSETS						
Cash and cash equivalents	415,212	15,862	431,074	322,883	2,172	325,055
Short term deposits	203,424	-	203,424	201,659	-	201,659
Long term deposits	80,000	-	80,000	100,000	-	100,000
Premiums and reinsurers' receivable – net	470,272	-	470,272	582,129	-	582,129
Reinsurers' share of unearned Premiums	332,899	-	332,899	538,598	-	538,598
Reinsurers' share of outstanding claims	325,321	-	325,321	338,919	-	338,919
Reinsurers' share of claims incurred but not reported	135,509	-	135,509	149,655	-	149,655
Reinsurers' share of mathematical reserves	108,525	-	108,525	123,696	-	123,696
Deferred policy acquisition Costs	40,515	-	40,515	36,476	-	36,476
Investments	62,950	665,755	728,705	62,948	710,288	773,236
Due from insurance operations	-	13,694	13,694	-	4,437	4,437
Prepaid expenses and other Assets	92,241	943	93,184	97,188	213	97,401
Property and equipment	30,854	-	30,854	30,969	-	30,969
Intangible assets	4,710	32,381	37,091	5,182	32,531	37,713
Goodwill	-	24,415	24,415	-	24,415	24,415
Statutory deposit	-	64,640	64,640	-	64,640	64,640
Accrued income on statutory deposit	-	10,925	10,925	-	10,764	10,764
Accrued commission income	1,866	2,489	4,355	2,000	5,419	7,419
TOTAL ASSETS	2,304,298	831,104	3,135,402	2,592,302	854,879	3,447,181

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed financial position (Continued)

	<u>March 31, 2022 - (Unaudited)</u>			<u>December 31, 2021- (Audited)</u>		
	Insurance	Share-	Total	Insurance	Share-	Total
	operations	holders'		operations	holders'	
	SAR'000			SAR'000		
LIABILITIES						
Policyholders claims payables	58,860		58,860	47,658	-	47,658
Accrued and other liabilities	198,532	3,098	201,630	188,568	2,134	190,702
Reinsurers' balances payable	204,794	-	204,794	335,026	-	335,026
Unearned premiums	904,481	-	904,481	1,074,103	-	1,074,103
Unearned reinsurance commission	23,358	-	23,358	31,258	-	31,258
Outstanding claims	495,521	-	495,521	480,616	-	480,616
Claims incurred but not reported	252,394	-	252,394	266,202	-	266,202
Gross mathematical reserves	108,525	-	108,525	123,696	-	123,696
Additional premium reserves	12,950	-	12,950	9,054	-	9,054
Other technical reserves	7,102	-	7,102	7,701	-	7,701
End-of-service indemnities	22,086	-	22,086	21,982	-	21,982
Zakat and income tax	-	35,708	35,708	-	31,208	31,208
Accrued commission income payable to SAMA	-	10,925	10,925	-	10,764	10,764
Due to shareholders' operations	13,694	-	13,694	4,437	-	4,437
Insurance operations' surplus	2,148		2,148	2,148	-	2,148
TOTAL LIABILITIES	2,304,445	49,731	2,354,176	2,592,449	44,106	2,636,555
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
Accumulated losses	-	(77,559)	(77,559)	-	(40,750)	(40,750)
Fair value reserve on investments	-	45,931	45,931	-	38,522	38,522
TOTAL SHAREHOLDERS' EQUITY	-	781,373	781,373	-	810,773	810,773
Re-measurement of defined benefit obligation	(147)	-	(147)	(147)	-	(147)
TOTAL EQUITY	(147)	781,373	781,226	(147)	810,773	810,626
TOTAL LIABILITIES AND EQUITY	2,304,298	831,104	3,135,402	2,592,302	854,879	3,447,181

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of income for the three month period ended

(Unaudited)	March 31, 2022			March 31, 2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
REVENUES						
Gross premiums written						
- Direct	392,889	-	392,889	340,433	-	340,433
- Reinsurance	1,397	-	1,397	2,925	-	2,925
	394,286	-	394,286	343,358	-	343,358
Reinsurance premiums ceded						
- Local ceded	(1,531)	-	(1,531)	(5,161)	-	(5,161)
- Foreign ceded	(83,323)	-	(83,323)	(94,908)	-	(94,908)
	(84,854)	-	(84,854)	(100,069)	-	(100,069)
Excess of loss expenses	(1,539)	-	(1,539)	(1,472)	-	(1,472)
Net premiums written	307,893	-	307,893	241,817	-	241,817
Changes in unearned premiums, net	(36,077)	-	(36,077)	(21,902)	-	(21,902)
Net premiums earned	271,816	-	271,816	219,915	-	219,915
Reinsurance commissions	17,758	-	17,758	10,213	-	10,213
Other underwriting income	37	-	37	722	-	722
TOTAL REVENUES	289,611	-	289,611	230,850	-	230,850
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	259,780	-	259,780	211,907	-	211,907
Surrenders and maturities	13,170	-	13,170	4,180	-	4,180
Expenses incurred related to claims	9,406	-	9,406	6,954	-	6,954
Reinsurers' share of claims paid	(36,922)	-	(36,922)	(15,226)	-	(15,226)
Net claims and other benefits paid	245,434	-	245,434	207,815	-	207,815
Changes in outstanding claims, net	28,503	-	28,503	15,751	-	15,751
Changes in IBNR, net	338	-	338	(9,077)	-	(9,077)
Net claims and other benefits Incurred	274,275	-	274,275	214,489	-	214,489
Additional premium reserves	3,896	-	3,896	(11,534)	-	(11,534)
Other technical reserves	(599)	-	(599)	402	-	402
Policy acquisition costs	18,787	-	18,787	14,324	-	14,324
Other underwriting expenses	27,003	-	27,003	21,305	-	21,305
TOTAL UNDERWRITING COSTS AND EXPENSES	323,362	-	323,362	238,986	-	238,986
NET UNDERWRITING LOSS	(33,751)	-	(33,751)	(8,136)	-	(8,136)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

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

(Unaudited)	March 31, 2022			March 31, 2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	(14,365)	-	(14,365)	(1,755)	-	(1,755)
General and administrative expenses	(34,418)	(2,256)	(36,674)	(33,396)	(2,473)	(35,869)
Commission income	1,761	2,268	4,029	976	3,234	4,210
Dividend income on Investments		3,953	3,953	-	1,257	1,257
Impairment on investments	-	-	-	-	-	-
Realized gain/(loss) on investments	-	30,453	30,453	-	13,213	13,213
Unrealized gain/(loss) on investments	-	14,046	14,046	-	3,223	3,223
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(47,022)	48,464	1,442	(34,175)	18,454	(15,721)
Total income for the period before zakat and income tax	(80,773)	48,464	(32,309)	(42,311)	18,454	(23,857)
Zakat						
Income tax	-	(4,500)	(4,500)	-	(3,750)	(3,750)
NET INCOME / (LOSS) FOR THE PERIOD	(80,773)	43,964	(36,809)	(42,311)	14,704	(27,607)
Loss transferred to Shareholders	80,773	(80,773)	-	42,311	(42,311)	-
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	-	(36,809)	(36,809)	-	(27,607)	(27,607)
Loss per share (Expressed in SAR per share)						
Basic and diluted EPS		(0.57)			(0.43)	

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

(Unaudited)	March 31, 2022			March 31, 2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR'000			SAR'000		
Total income for the period	-	(36,809)	(36,809)	-	(27,607)	(27,607)
Other comprehensive income						
<i>Items that are or may be reclassified to statement of income in subsequent periods</i>						
Available for sale investments:						
- Changes in fair value	-	34,545	34,545	-	18,134	18,134
-Net amounts transferred to statement of income	-	(27,136)	(27,136)	-	(13,213)	(13,213)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	(29,400)	(29,400)	-	(22,686)	(22,686)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for three month

(Unaudited)	Share-holders' operations			Share-holders' operations		
	Insurance operations	operations	Total	Insurance operations	operations	Total
	2022 SAR'000			2021 SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss)/ income for the period before zakat	-	(32,309)	(32,309)	-	(23,857)	(23,857)
Adjustments for non-cash items:						
Depreciation of property and equipment	1,316	-	1,316	2,304	-	2,304
Amortization of intangible assets	471	150	621	203	-	203
Allowance for doubtful debts	14,365	-	14,365	1,755	-	1,755
Dividend income on investments	-	(3,953)	(3,953)	-	(1,257)	(1,257)
Commission income on deposits	(1,761)	(2,268)	(4,029)	(976)	(3,234)	(4,210)
Gain on investments	-	(30,453)	(30,453)	-	(13,213)	(13,213)
Provision for end-of-service indemnities	1,034	-	1,034	1,053	-	1,053
Lease finance cost	564	-	564	25	-	25
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' receivable	97,492	-	97,492	23,358	-	23,358
Reinsurers' share of unearned premiums	205,699	-	205,699	59,900	-	59,900
Reinsurers' share of outstanding claims	13,598	-	13,598	(19,604)	-	(19,604)
Reinsurers' share of claims incurred but not reported	14,146	-	14,146	4,093	-	4,093
Reinsurers' share of mathematical reserves	15,171	-	15,171	2,614	-	2,614
Deferred policy acquisition costs	(4,039)	-	(4,039)	(1,782)	-	(1,782)
Prepaid expenses and other assets	4,947	(730)	4,217	6,709	(1,992)	4,717
Policyholders claim payables	11,202	-	11,202	2,216	-	2,216
Accrued and other liabilities	17,475	964	18,439	(18,750)	1,128	(17,622)
Reinsurers' balances payable	(130,232)	-	(130,232)	(44,820)	-	(44,820)
Unearned premiums	(169,622)	-	(169,622)	(37,998)	-	(37,998)
Unearned reinsurance commission	(7,900)	-	(7,900)	695	-	695
Outstanding claims	14,905	-	14,905	35,355	-	35,355
Claims incurred but not reported	(13,808)	-	(13,808)	(13,170)	-	(13,170)
Gross mathematical reserves	(15,171)	-	(15,171)	(2,614)	-	(2,614)
Additional premium reserves	3,896	-	3,896	(11,534)	-	(11,534)
Other technical reserves	(599)	-	(599)	402	-	402
	73,149	(68,599)	4,550	(10,566)	(42,425)	(52,991)
End-of-service indemnities paid	(930)	-	(930)	(1,704)	-	(1,704)
Net cash (used in)/ generated from operating activities	72,219	(68,599)	3,620	(12,270)	(42,425)	(54,695)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

21. SUPPLEMENTARY STATEMENTS (CONTINUED)

Interim condensed statement of cash flows for three month (Continued)

	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	2022 SAR'000			2021 SAR'000		
CASH FLOWS FROM INVESTING ACTIVITIES						
(Additions) / Disposals in investments	(2)	82,395	82,393	-	(84,338)	(84,338)
Short term deposits	(1,765)	-	(1,765)	(50,000)	67,274	17,274
(Additions) / Disposals in Commission income received	1,895	5,198	7,093	618	2,613	3,231
(Additions) / Disposals in Dividend income	-	3,953	3,953	-	1,257	1,257
(Additions) / Disposals Long term deposits	20,000	-	20,000	-	-	-
Additions in property and equipment	(1,200)	-	(1,200)	(1,308)	-	(1,308)
Net cash generated from / (used in) investing activities	18,928	91,546	110,474	(50,690)	(13,194)	(63,884)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due from shareholders/insurance operations	9,257	(9,257)	-	(57,435)	57,435	-
Lease rentals	(8,075)	-	(8,075)	(127)	-	(127)
Net cash (used in) / generated from financing activity	1,182	(9,257)	(8,075)	(57,562)	57,435	(127)
Net change in cash and cash equivalents	92,329	13,690	106,019	(120,522)	1,816	(118,706)
Cash and cash equivalents, beginning of the period	322,883	2,172	325,055	687,297	-	687,297
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	415,212	15,862	431,074	566,775	1,816	568,591
NON-CASH TRANSACTION						
Net changes in fair value of available for sale investments	-	7,409	7,409	-	4,921	4,921

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on May 12, 2022 corresponding to 11 Shawwal 1443H.