

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

**INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) AND
INDEPENDENT AUDITORS' REVIEW REPORT**

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

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

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

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الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

TO THE SHAREHOLDERS OF AL RAJHI COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at 30 June 2020 and the related interim statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.


SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 (ISRE), "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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, as 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 information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

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Date: August 18, 2020
Corresponding to: 28 Dhul-Hijja, 1441 AH

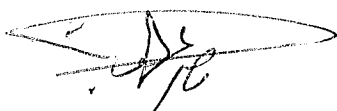


AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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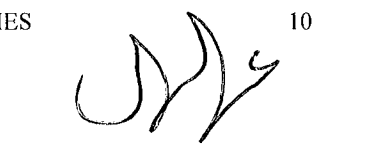
INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

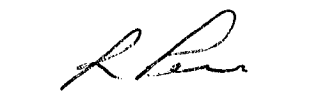
	Notes	SAR '000	
		June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Cash and bank balances	4	520,354	481,018
Contributions and re-takaful / reinsurance balances receivable, net	5	634,527	336,149
Re-takaful / reinsurance share of unearned contributions	9.2	245,060	111,870
Re-takaful / reinsurance share of outstanding claims	9.1 (a)	107,436	110,180
Re-takaful / reinsurance share of claims incurred but not reported	9.1 (a)	20,449	13,413
Re-takaful / reinsurance share of mathematical reserve at fair value through statement of income (FVSI)		25	21
Deferred policy acquisition costs		51,467	44,512
Investments mandatorily measured at fair value through statement of income (FVSI)	8 (a)	405,490	183,556
Investments designated as fair value through other comprehensive income (FVOCI)	8 (b)	276,427	276,696
Investments held at amortised cost	8 (c)	1,653,987	1,813,705
Prepayments and other assets		126,589	156,206
Property and equipment		45,547	25,263
Statutory deposit	7	39,969	39,969
Accrued income on statutory deposit		1,522	944
Right-of-use assets	6	45,897	9,772
TOTAL ASSETS		4,174,746	3,603,274
LIABILITIES			
Payables, accruals and other liabilities		135,398	128,702
Re-takaful / reinsurance balances payable		227,446	94,637
Unearned contributions	9.2	1,306,679	1,123,170
Unearned re-takaful / reinsurance commission income		17,191	8,792
Gross outstanding claims	9.1 (a)	329,570	353,601
Claims incurred but not reported	9.1 (a)	791,220	776,962
Contribution deficiency reserve	9.1 (a)	116,293	26,303
Other reserves		12,024	-
Unit linked liabilities at FVSI	9.1 (a), 15	106,252	86,821
End-of-service benefits (EOSB)		20,682	18,620
Provision for zakat and income tax	14	53,582	40,932
Payables to SAMA		6,232	5,654
Lease liabilities		39,771	6,978
		3,162,340	2,671,172
Takaful operations' surplus payable		40,844	56,883
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		3,203,184	2,728,055
EQUITY			
Share capital	16	400,000	400,000
Statutory reserve		139,678	113,082
Retained earnings		427,923	335,138
Remeasurement reserve for EOSB		(1,528)	(1,528)
Fair value reserve - investments designated as FVOCI		5,489	28,527
TOTAL EQUITY		971,562	875,219
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY		4,174,746	3,603,274
COMMITMENTS AND CONTINGENCIES	10	19,162	22,456



Naser Abdullah Aloufi
Member-Board



Abdulaziz Mohammed Al Sedeas
Chief Executive Officer



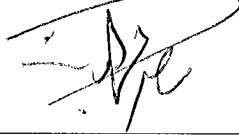
Robert Pereira
Chief Financial Officer


The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.


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

**INTERIM STATEMENT OF INCOME
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30**

	Notes	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
		<i>SAR '000</i>		<i>SAR '000</i>	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
REVENUES					
Gross contribution written	9.2	669,016	544,658	1,456,558	1,388,231
Re-takaful / reinsurance contributions ceded - domestic	9.2	(1,450)	(539)	(3,535)	(811)
Re-takaful / reinsurance contributions ceded - foreign	9.2	(179,273)	(17,727)	(235,319)	(33,955)
Excess of loss expenses (XOL)	9.2	(2,064)	(2,308)	(4,127)	(3,232)
Net contributions written	9.2	486,229	524,084	1,213,577	1,350,233
Changes in unearned contributions, net		87,564	162,866	(50,319)	28,388
Net contributions earned		573,793	686,950	1,163,258	1,378,621
Re-takaful / reinsurance commission income		4,606	1,896	10,108	3,939
Other underwriting income		589	337	1,280	1,103
TOTAL REVENUES		578,988	689,183	1,174,646	1,383,663
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses		(266,102)	(502,168)	(720,482)	(1,308,667)
Surrenders and maturities		(1,477)	(1,900)	(4,365)	(3,008)
Expenses incurred related to claims		(8,719)	(16,123)	(25,720)	(33,070)
Re-takaful / reinsurance share of claims paid		15,281	6,704	24,705	303,517
Net claims and other benefits paid		(261,017)	(513,487)	(725,862)	(1,041,228)
Changes in outstanding claims, net		16,801	(3,181)	21,286	(44,254)
Changes in incurred but not reported (IBNR) claims, net		(18,100)	(46,790)	(7,222)	(51,626)
Change in contribution deficiency reserve		(105,881)	14,457	(89,990)	(38,766)
Change in other reserves		(12,024)	-	(12,024)	-
Net claims and other benefits incurred		(380,221)	(549,001)	(813,812)	(1,175,874)
Change in unit linked liabilities at FVSI, net		(11,720)	(6,024)	(20,281)	(12,746)
Policy acquisition costs		(27,192)	(29,337)	(55,577)	(56,136)
Other underwriting expenses		(6,058)	(6,909)	(11,785)	(13,864)
TOTAL UNDERWRITING COSTS AND EXPENSES		(425,191)	(591,271)	(901,455)	(1,258,620)
NET UNDERWRITING INCOME		153,797	97,912	273,191	125,043
OTHER OPERATING (EXPENSES)/ INCOME					
Allowance for doubtful debts - contributions and re-takaful / reinsurance balances receivable	5	(44)	(2,070)	(17,400)	(3,324)
General and administrative expenses		(69,172)	(66,424)	(150,346)	(110,572)
Special commission income		13,980	18,534	29,114	37,149
Net gains on investments mandatorily measured at FVSI		4,136	4,835	6,473	7,726
Dividend income		2,451	2,531	3,834	3,402
Reversal of impairment loss on financial assets		547	185	475	114
Other income		116	413	391	879
TOTAL OTHER OPERATING EXPENSES		(47,986)	(41,996)	(127,459)	(64,626)
Net income for the period before zakat		105,811	55,916	145,732	60,417
Net income for the period attributable to takaful operations	19.2	(10,105)	(4,840)	(13,701)	(4,957)
Net income for the period before zakat attributable to the shareholders		95,706	51,076	132,031	55,460
Provision for zakat	14	(6,850)	(5,685)	(12,650)	(10,500)
Net income for the period after zakat attributable to the shareholders		88,856	45,391	119,381	44,960
Earnings per share					
Basic and diluted earning-per-share	18	2.22	1.13	2.98	1.12


Naser Abdullah Aloufi
Member-Board


Abdulaziz Mohammed Al Sedeas
Chief Executive Officer


Robert Pereira
Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30

	Notes	<i>For the three month period ended</i>		<i>For the Six month period</i>	
		SAR '000		SAR '000	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net income for the period after zakat attributable to the shareholders		88,856	45,391	119,381	44,960
Other comprehensive income:					
Items that will not be reclassified to statement of income in subsequent periods					
- Net fair value changes on investments designated as FVOCI					
- Shareholder's operations income / (loss)	8 (b)	20,577	(1,775)	(19,779)	11,589
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS					
		109,433	43,616	99,602	56,549
Net income for the period attributable to takaful operation		10,105	4,840	13,701	4,957
Items that will not be reclassified to statement of income in subsequent periods					
- Net fair value changes on investments designated as FVOCI					
- Takaful operations income / (loss)	8 (b)	434	714	(3,259)	1,676
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO TAKAFUL OPERATIONS					
		10,539	5,554	10,442	6,633
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
		119,972	49,170	110,044	63,182



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Chief Executive Officer



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Chief Financial Officer

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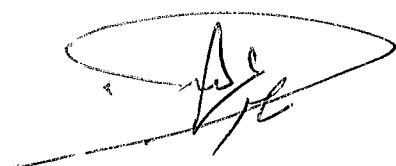
AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED JUNE 30

	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - investments designated as FVOCI	Total
SAR '000							
Balance as at January 1, 2020		400,000	113,082	335,138	(1,528)	28,527	875,219
Total comprehensive income attributable to the shareholders :							
Net income for the period after zakat attributable to the shareholders		-	-	119,381	-	-	119,381
-Net fair value changes on investments designated as FVOCI	19.3	-	-	-	-	(23,038)	(23,038)
		-	-	119,381	-	(23,038)	96,343
Transfer to statutory reserve		-	26,596	(26,596)	-	-	-
Balance as at June 30, 2020		400,000	139,678	427,923	(1,528)	5,489	971,562


	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - investments designated as FVOCI	Total
Balance as at January 1, 2019		400,000	91,302	270,733	(187)	6,553	768,401
Total comprehensive income attributable to the shareholders							
Net income for the period after zakat attributable to the shareholders		-	-	44,960	-	-	44,960
-Net fair value changes on investments designated as FVOCI	19.3	-	-	-	-	13,265	13,265
		-	-	44,960	-	13,265	58,225
Transfer to statutory reserve		-	11,095	(11,095)	-	-	-
Balance as at June 30, 2019		400,000	102,397	304,598	(187)	19,818	826,626



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Chief Executive Officer



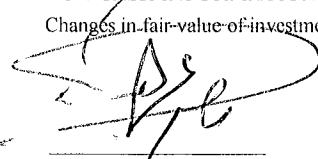
Robert Pereira
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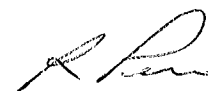
AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30,**

		SAR '000	
		June 30, 2020	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
		145,732	60,417
		Adjustments for non-cash items:	
		3,358	4,309
		3,611	2,675
	5	17,400	3,324
		8,631	(3,966)
		(475)	(114)
		3,287	2,380
		181,544	69,025
Changes in operating assets and liabilities:			
		(315,778)	(47,366)
		(133,190)	8,326
		2,744	268,031
		(7,036)	1,322
		(4)	9
		(6,955)	12,034
		29,617	(22,564)
		(39,736)	(14,011)
		(578)	3,319
		6,696	16,554
		19,431	16,675
		132,809	(15,330)
		183,509	(36,713)
		8,399	1,038
		(24,031)	(223,778)
		14,258	50,305
		89,990	38,766
		12,024	-
		32,793	9,932
		3,294	(1,096)
		578	484
		-	(3,801)
		190,378	131,161
	14	-	(15,457)
		(29,740)	-
		(1,225)	(743)
		159,413	114,961
CASH FLOWS FROM INVESTING ACTIVITIES			
	8 (a)	(1,220,232)	(1,035,394)
	8 (a)	989,667	1,022,004
	8 (b)	(38,599)	-
		15,934	-
		(104)	(399)
		(564,834)	(925,000)
	8 (c)	725,000	920,000
		(23,642)	(3,138)
		(116,810)	(21,927)
		42,603	93,034
	4	453,880	476,940
	4	496,483	569,974
NON-CASH INFORMATION			
	8 (b)	23,038	13,265


Naser Abdullah Aloufi
Member-Board


Abdulaziz Mohammed Al Sedeas
Chief Executive Officer


Robert Pereira
Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial information.

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

Notes to the interim condensed financial information For the three-month and six-month periods ended June 30, 2020

1. GENERAL

Al Rajhi Company for Cooperative Insurance (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. (M/35) dated Jumada al thani 27, 1429. (January 1, 2008). The Company operates under Commercial Registration no. 1010270371 dated Rajab 5, 1430, corresponding to June 28, 2009. The registered address of the Company's head office is as follows:

Al Rajhi Company for Cooperative Insurance
P.O. Box 67791
Riyadh 11517
Kingdom of Saudi Arabia.

The purpose of the Company is to conduct takaful operations and all related activities including re-takaful / re-insurance and agency activities. Its principal lines of business include motor, medical, protection & savings, marine, fire, engineering and casualty insurance.

On July 31, 2003, corresponding to Jumada al thani 2, 1424, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On April 20, 2004, corresponding to Rabi' al-awwal 1, 1425, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32).

As a commitment from the Company for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Company has established a Shari'a Authority to review and approve the activities and the products of the Company.

Statement of compliance

The interim condensed financial statements (interim condensed financial information) of the Company as at and for the three-month and six-months periods ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia ("KSA"), and other standards and pronouncements issued by the Saudi Organization of Certified Public Accountants

Notes to the interim condensed financial information

For the six month period ended June 30, 2020

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial information does not include all of the information required and should be read in conjunction with the annual financial statement as of and for the year ended December 31, 2019. This interim condensed financial information is expressed in Saudi Arabian Riyals (SAR) and is rounded off to the nearest thousand.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for financial assets measured at fair value through statement of income (FVSI), financial assets measured at fair value through other comprehensive income (FVOCI), financial liabilities measured at fair value through statement of income (FVSI), and end of service benefits (EOSB) at present value.

The Company's interim statement of financial position is not presented using a current / non-current classification. The following balances would generally be classified as non-current: financial assets at fair value through other comprehensive income, financial asset at amortised cost, property and equipment, statutory deposit, other assets, end of service benefits and payable to shareholders. All other assets and liabilities are classified as current.

As required by the Saudi Arabian Insurance Regulations and guidelines of the sharia board, the Company maintains separate books of accounts for takaful operations and shareholders' operations and presents the financial information accordingly (refer note 19). 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.

As per the Company's policy, all general and administrative expenses of takaful operations are charged to shareholders' operations. The Company in accordance with the Islamic Shariah provisions manages the co-operative insurance operations and calculates the management fee in the below manner and pays it in full shortly after at the end of the fiscal year.

The first component of the management fee is calculated based on the net contributions written for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the interim statement of income – shareholders operations (refer note 19); and the other component of the management fee is determined up to 90% of the net surplus, if any, for the period from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Authority

The interim statement of financial position, statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in note 19 of the condensed interim financial information have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the takaful operations and the shareholders' operations. Accordingly, the interim statements of financial position, statements of income, comprehensive income and cash flows prepared for the takaful 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 information in compliance with IFRSs, the balances and transactions of the takaful operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the takaful operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

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

2. BASIS OF PREPARATION

b) Critical accounting judgments, estimates and assumptions

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

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

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

In response to the spread of the Covid-19 virus in the Country 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.

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

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at June 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 6.7 mn (December 31, 2019: Nil ; March 31, 2020: Nil) as a contribution deficiency reserve.

Motor technical reserves

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

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period.

For new retail motor policies issued as per above circular, the premium is earned over the period of 12 month as the impact of earnings over the period of coverage. i.e 14 month are not considered significant by the management for the period ended June 30, 2020 and subsequent periods.

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

2. BASIS OF PREPARATION

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

Motor technical reserves (continued)

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated level for motor line of business and recorded a Contribution deficiency reserve amounting to SR 116 mm as at 30 June, 2020

Financial assets

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine the impact of expected credit losses ("ECL") on its financial assets. These current events and the prevailing economic condition may require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around either adjusting macroeconomic factors used by the Company in estimation of expected credit losses (and or) revisions to the scenario probabilities currently being used by the Company in ECL estimation. However, the management believe these factors are not certain yet and will incorporate any such adjustment in Q2 2020 financial statements.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three and six-month periods ended 30 June 2020. The Company's management continues to monitor the situation closely.

Credit risk management

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

c) Seasonality of operations

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

d) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial information values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions adopted in the preparation of this interim condensed financial information are consistent with those described in the annual financial statements for the year ended December 31, 2019

Standards issued but not yet effective

The following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the IFRS, which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 17 - Insurance Contracts

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim statement of cash flows comprise the following:

	Takaful operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000		
Bank balances and cash	349,609	319,609
Deposits maturing within 3 months from the acquisition date	-	100,000
Cash and cash equivalents in the statement of cash flow	349,609	419,609
Less : Impairment loss	-	(27)
Cash and cash equivalents, net	349,609	419,582
Deposits against letters of guarantee	19,162	22,456
Cash and bank balances	368,771	442,038
	Shareholders' operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000		
Bank balances and cash	62,137	34,271
Deposits maturing within 3 months from the acquisition date	75,000	-
Cash balance with Al Rajhi Capital	9,737	-
Cash and cash equivalents in the statement of cash flow	146,874	34,271
Less : Impairment loss	-	-
Cash and cash equivalents, net	146,874	34,271
Cash at banks (statutory deposit income)	4,709	4,709
Cash and bank balances	151,583	38,980
Total	520,354	481,018

5. CONTRIBUTIONS AND RE-TAKAFUL / RE-INSURANCE BALANCES RECEIVABLE - NET

Receivables comprise amounts due from the following:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000		
Policyholders	326,449	147,344
Brokers and agents	62,767	132,590
Related parties	351,549	143,711
Receivables from re-takaful / reinsurance	7,123	8,465
	747,888	432,110
Provision for doubtful receivables	(113,361)	(95,961)
Contributions and re-takaful / reinsurance balances receivable – net	634,527	336,149

6. RIGHT -OF-USE ASSETS

The following table presents the right-of-use assets for the Company:

	Offices	Vehicles	Equipments	Total
Balance at January 1, 2020	7,213	1,370	1,189	9,772
Additions	39,736	-	-	39,736
Depreciation / Amortization	(3,100)	(247)	(264)	(3,611)
Balance at June 30, 2020	43,849	1,123	925	45,897
Balance at December 31, 2019	7,213	1,370	1,189	9,772

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7. STATUTORY DEPOSIT

Statutory deposit amounting to SAR 40 million (December 2019: SAR 40 million) kept with a local bank, represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA.

8. INVESTMENTS

Investments are classified as follows:

SAR'000	Notes	Takaful operations	
		June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
- Investments mandatorily measured at FVSI (mutual funds)	8 (a)	330,919	170,552
- Investments designated as FVOCI (equity shares)	8 (b)	26,723	29,982
- Investments held at amortised cost (deposits and sukuks)	8 (c)	1,464,004	1,598,708
Total		1,821,646	1,799,242

SAR'000	Notes	Shareholders' operations	
		June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
- Investments mandatorily measured at FVSI (mutual funds)	8 (a)	74,571	13,004
- Investments designated as FVOCI (equity shares)	8 (b)	249,704	246,714
- Investments held at amortised cost (deposits and sukuks)	8 (c)	189,983	214,997
Total		514,258	474,715

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8. INVESTMENTS (continued)

b) Investments designated as FVOCI (equity shares)

SAR'000	Takaful operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Opening balance	29,982	25,327
Changes in fair value of investments	(3,259)	4,655
Closing balance	26,723	29,982
SAR'000	Shareholders' operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At the beginning of the period / year		
Balance of equity shares portfolio with Al Rajhi Capital	239,276	122,507
Cash balance with Al Rajhi Capital	(104)	86
Equity - unlisted shares	7,542	7,542
Total at the beginning of the period / year	246,714	130,135
Movement during the period / year		
Purchased during the period / year	38,599	99,450
Sold during the period / year	(15,934)	-
Net change in fair values during the period / year	(19,779)	17,319
Net change in cash balance with Al Rajhi Capital	104	(190)
Closing balance of equity shares portfolio	249,704	246,714
Portfolio balance with Al Rajhi Capital at the end of the period	242,162	239,276
Cash balance with Al Rajhi Capital	-	(104)
Equity - unlisted shares	7,542	7,542
At the end of the period / year	249,704	246,714
Total	276,427	276,696

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8. INVESTMENTS (continued)

c) Investments held at amortised cost (deposits and sukuk)

Investments in Murabaha deposits and Sukuks are classified as investments measured at amortised cost. The Company's business model for these investments is to hold to collect the contractual cash flows. The cash flows of Murabaha deposits and Sukuks represent solely payments of principal and profit on the principal outstanding.

The movement during the period / year is set out below:

SAR'000	SAR' 000	
	Takaful operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At the beginning of the period / year		
Murabaha deposits	1,550,000	1,655,000
Sukuk	50,000	50,000
Purchases	414,834	1,250,000
Disposals / maturities	(550,000)	(1,355,000)
At the end of the period / year, gross	1,464,834	1,600,000
Less: Impairment loss	(830)	(1,292)
At the end of the period / year, net	1,464,004	1,598,708

SAR'000	SAR' 000	
	Shareholders' operations	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At the beginning of the period / year		
Murabaha deposits	175,001	65,000
Sukuk	40,074	20,074
Purchased during the period / year	150,000	545,001
Maturities during the period / year	(175,000)	(415,000)
At the end of the period / year, gross	190,075	215,075
Less: Impairment loss	(92)	(78)
At the end of the period / year, net	189,983	214,997
Total	1,653,987	1,813,705

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d) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

i) Takaful operations

Financial statement line item	June 30, 2020 (Unaudited)			December 31, 2019	
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Bank balances and cash	368,771	-	-	368,771	442,038
Investments held at amortised cost	1,464,834	-	-	1,464,834	1,600,000
Gross carrying amount	1,833,605	-	-	1,833,605	2,042,038
Loss allowance	(830)	-	-	(830)	(1,319)
Carrying amount	1,832,775	-	-	1,832,775	2,040,719

Credit grade	June 30, 2020 (Unaudited)			December 31, 2019	
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Investment grade	1,833,605	-	-	1,833,605	2,042,038
Non investment grade	-	-	-	-	-
Gross carrying amount	1,833,605	-	-	1,833,605	2,042,038
Loss allowance	(830)	-	-	(830)	(1,319)
Carrying amount	1,832,775	-	-	1,832,775	2,040,719

The Company's exposures to credit risk are not collateralized.

Investment grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

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d) Maximum exposure to credit risk – financial instruments subject to ECL (continued)

ii) Shareholders' operations

Financial statement line item	June 30, 2020 (Unaudited)			December 31, 2019	
	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000	SAR'000
Bank balances	151,583	-	-	151,583	38,980
Investments held at amortised cost	190,075	-	-	190,075	215,075
Statutory deposit	40,000	-	-	40,000	40,000
Gross carrying amount	381,658	-	-	381,658	294,055
Loss allowance	(123)	-	-	(123)	(109)
Carrying amount	381,535	-	-	381,535	293,946

Credit grade	June 30, 2020 (Unaudited)			December 31, 2019	
	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000	SAR'000
Investment grade	381,658	-	-	381,658	294,055
Non investment grade	-	-	-	-	-
Gross carrying amount	381,658	-	-	381,658	294,055
Loss allowance	(123)	-	-	(123)	(109)
Carrying amount	381,535	-	-	381,535	293,946

The Company's exposures to credit risk are not collateralized.

Investment Grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

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e) Loss allowance

The loss allowance recognised in the period and the change in the loss allowance between the beginning and the end of the annual period is given below.

i) Takaful operations:

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2020	1,319	-	-	1,319
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	172	-	-	172
Net re-measurement of loss allowance	-	-	-	-
Financial assets derecognised during the period	(661)	-	-	(661)
Write-offs	-	-	-	-
Total loss allowance for the period	(490)	-	-	(490)
Loss allowance as at June 30, 2020	830	-	-	830

ii) Shareholders' operations:

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2020	109	-	-	109
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	309	-	-	309
Net re-measurement of loss allowance	-	-	-	-
Financial assets derecognised during the period	(296)	-	-	(296)
Write-offs	-	-	-	-
Total loss allowance for the period	13	-	-	13
Loss allowance as at June 30, 2020	122	-	-	122

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9. TECHNICAL RESERVES

9.1 Net outstanding claims and reserves

a) Net outstanding claims and reserves comprise of the following:

SAR'000	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Outstanding claims	441,102	458,876
Less: Realizable value of salvage and subrogation	(111,532)	(105,275)
	329,570	353,601
Claims incurred but not reported	791,220	776,962
Contribution deficiency reserve	116,293	26,303
Other reserves	12,024	-
	1,249,107	1,156,866
Unit linked liabilities at FVSI	106,252	86,821
	1,355,359	1,243,687
Less:		
Re-takaful / reinsurance share of outstanding claims	107,436	110,180
Re-takaful / reinsurance share of claims incurred but not reported	20,449	13,413
	127,885	123,593
Net outstanding claims and reserves	1,227,474	1,120,094

9.2 Movement in unearned contributions

Movement in unearned contributions comprise of the following:

SAR'000	Six month period ended June 30, 2020 (Unaudited)			
	Gross	Re-takaful (Reinsurance)	XOL	Net
Balance at the beginning of the period	1,123,170	(111,870)	-	1,011,300
Contribution written during the period	1,456,558	(238,854)	(4,127)	1,213,577
Contribution earned during the period	(1,273,049)	105,664	4,127	(1,163,258)
Balance at the end of the period	1,306,679	(245,060)	-	1,061,619
	Year ended December 31, 2019 (Audited)			
	Gross	Re-takaful (Reinsurance)	XOL	Net
Balance at the beginning of the year	1,302,633	(88,458)	-	1,214,175
Contribution written during the year	2,569,804	(125,835)	(7,833)	2,436,136
Contribution earned during the year	(2,749,267)	102,423	7,833	(2,639,011)
Balance at the end of the year	1,123,170	(111,870)	-	1,011,300

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10. COMMITMENTS AND CONTIGENCIES

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

SAR'000	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Letters of guarantee	<u>19,162</u>	<u>22,456</u>
Total	<u>19,162</u>	<u>22,456</u>

b) The Company enters into takaful contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position.

11. 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

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 and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

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11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2020 (Unaudited)					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	405,490	405,490	-	-	405,490
- Investments designated as FVOCI – Quoted securities	268,885	268,885	-	-	268,885
- Investments designated as FVOCI – Unquoted securities	7,542	-	-	7,542	7,542
	<u>681,917</u>	<u>674,375</u>	<u>-</u>	<u>7,542</u>	<u>681,917</u>
Financial assets not measured at fair value					
- Cash and bank balances	520,354	-	-	-	520,354
- Investments held at amortised cost	1,653,987	-	-	-	1,653,987
- Statutory deposit	39,969	-	-	-	39,969
- Other assets	32,825	-	-	-	32,825
	<u>2,247,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,247,135</u>

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2019 (Audited)					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	183,556	183,556	-	-	183,556
- Investments designated as FVOCI – Quoted securities	269,154	269,154	-	-	269,154
- Investments designated as FVOCI – Unquoted securities	7,542	-	-	7,542	7,542
	<u>460,252</u>	<u>452,710</u>	<u>-</u>	<u>7,542</u>	<u>460,252</u>
Financial assets not measured at fair value					
- Cash and bank balances	481,018	-	-	-	481,018
- Investments held at amortised cost	1,813,705	-	-	-	1,813,705
- Statutory deposits at amortised cost	39,969	-	-	-	39,969
- Other assets	17,152	-	-	-	17,152
	<u>2,351,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,351,844</u>

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

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11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2020 (Unaudited)					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	106,252	106,252	-	-	106,252
	<u>106,252</u>	<u>106,252</u>	<u>-</u>	<u>-</u>	<u>106,252</u>

SAR'000s	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2019 (Audited)					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	86,821	86,821	-	-	86,821
	<u>86,821</u>	<u>86,821</u>	<u>-</u>	<u>-</u>	<u>86,821</u>

i) Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Shareholders' operations

SAR'000s	Financial assets at FVOCI – Unquoted securities
Balance at January 1, 2020	7,542
Purchases	-
Sales	-
Gain / loss included in statement of income	-
Gain / loss included in OCI	-
Balance at June 30, 2020	<u><u>7,542</u></u>

The fair value of unquoted securities at level 3 is not materially different than its cost price.

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12. OPERATING SEGMENTS

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment surplus or deficit since December 31, 2019.

Segment assets do not include takaful operations' bank balances and cash, net contributions receivable, investments etc., accordingly, they are included in unallocated assets. Segment liabilities do not include takaful operations' payables accruals and other liabilities and re-takaful / re-insurance balances payable etc., accordingly, they are included in

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

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

For the three month period ended June 30, 2020					
(Unaudited)					
Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
SAR'000					
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	10,243	209,878	77	19,297	239,495
Very small	1,244	-	-	-	1,244
Small	5,293	2,011	-	-	7,304
Medium	5,649	10,907	90	-	16,646
Corporate	21,023	186,355	178,362	18,587	404,327
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	43,452	409,151	178,529	37,884	669,016
For the three month period ended June 30, 2019					
(Unaudited)					
Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
SAR'000					
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	10,527	119,022	1,567	11,128	142,244
Very small	20,247	-	-	-	20,247
Small	15,549	23,217	-	-	38,766
Medium	29,455	44,634	-	-	74,089
Corporate	29,466	205,598	22,214	12,034	269,312
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	105,244	392,471	23,781	23,162	544,658

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12. OPERATING SEGMENTS (continued)

For the six month period ended June 30, 2020
(Unaudited)

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	16,997	367,608	3,447	36,296	424,348
Very small	4,524	-	-	-	4,524
Small	17,668	7,890	-	-	25,558
Medium	19,673	37,199	90	-	56,962
Corporate	76,245	599,505	232,195	37,221	945,166
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>135,107</u>	<u>1,012,202</u>	<u>235,732</u>	<u>73,517</u>	<u>1,456,558</u>

For the six month period ended June 30, 2019
(Unaudited)

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	16,761	232,581	2,951	21,882	274,175
Very small	55,859	-	-	-	55,859
Small	42,899	27,255	-	-	70,154
Medium	81,266	50,505	-	-	131,771
Corporate	101,336	692,584	38,577	23,775	856,272
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>298,121</u>	<u>1,002,925</u>	<u>41,528</u>	<u>45,657</u>	<u>1,388,231</u>

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12. OPERATING SEGMENTS (continued)

As at June 30, 2020 (Unaudited)							
Operating segments	Takaful operations				Total - Takaful operations	Shareholders' operations	Total
	Medical	Motor	Property & Casualty	Protection & Savings			
	SAR'000						
Assets:							
Cash and bank balances	-	-	-	-	368,771	151,583	520,354
Contributions and re-takaful / reinsurance balances receivable – net	-	-	-	-	634,527	-	634,527
Re-takaful / reinsurance share of unearned contributions	-	25,281	217,052	2,727	245,060	-	245,060
Re-takaful / reinsurance share of outstanding claims	-	12,210	86,610	8,616	107,436	-	107,436
Re-takaful / reinsurance share of claims incurred but not reported	-	-	9,595	10,854	20,449	-	20,449
Deferred policy acquisition costs	10,438	31,859	8,603	567	51,467	-	51,467
Investments mandatorily measured at FVSI	-	-	-	-	330,919	74,571	405,490
Investments designated as FVOCI	-	-	-	-	26,723	249,704	276,427
Investments held at amortised cost	-	-	-	-	1,464,004	189,983	1,653,987
Right-of-use assets	-	-	-	-	-	45,897	45,897
Unallocated assets	-	-	-	-	56,097	157,555	213,652
Total assets	10,438	69,350	321,860	22,764	3,305,453	869,293	4,174,746
Liabilities:							
Unearned contributions	134,875	935,403	231,538	4,863	1,306,679	-	1,306,679
Unearned re-takaful / reinsurance commission	-	947	16,244	-	17,191	-	17,191
Gross outstanding claims	4,866	221,278	90,522	12,904	329,570	-	329,570
Claims incurred but not reported	89,434	672,991	11,368	17,427	791,220	-	791,220
Contribution deficiency reserve	15,121	96,085	5,087	-	116,293	-	116,293
Other reserves	-	12,024	-	-	12,024	-	12,024
Lease obligations	-	-	-	-	-	39,771	39,771
Unallocated liabilities, equity and surplus	-	-	-	-	458,825	1,103,173	1,561,998
Total liabilities, accumulated surplus and equity	244,296	1,938,728	354,759	35,194	3,031,802	1,142,944	4,174,746

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12. OPERATING SEGMENTS (continued)

As at December 31, 2019
(Audited)

Operating segments	Takaful operations				Total - Takaful operations	Shareholders' operations	Total
	Medical	Motor	Property & casualty	Protection & Savings			
							SAR'000
Assets:							
Cash and bank balances	-	-	-	-	442,038	38,980	481,018
Contributions and re-takaful / reinsurance balances receivable -- net	-	-	-	-	336,149	-	336,149
Re-takaful / reinsurance share of unearned contributions	-	30,343	79,824	1,703	111,870	-	111,870
Re-takaful / reinsurance share of outstanding claims	-	19,531	80,685	9,964	110,180	-	110,180
Re-takaful / reinsurance share of claims incurred but not reported	-	-	6,815	6,598	13,413	-	13,413
Deferred policy acquisition costs	13,430	24,567	6,096	419	44,512	-	44,512
Investments mandatorily measured at FVSI	-	-	-	-	170,552	13,004	183,556
Investments designated as FVOCI	-	-	-	-	29,982	246,714	276,696
Investments held at amortised cost	-	-	-	-	1,598,708	214,997	1,813,705
Right-of-use assets	-	-	-	-	-	9,772	9,772
Unallocated assets	-	-	-	-	89,095	133,308	222,403
Total assets	13,430	74,441	173,420	18,684	2,946,499	656,775	3,603,274
Liabilities:							
Unearned contributions	193,718	827,478	97,831	4,143	1,123,170	-	1,123,170
Unearned re-takaful / reinsurance commission	-	1,291	7,501	-	8,792	-	8,792
Gross outstanding claims	23,172	231,011	84,827	14,591	353,601	-	353,601
Claims incurred but not reported	173,995	584,603	8,454	9,910	776,962	-	776,962
Contribution deficiency reserve	25,292	-	1,011	-	26,303	-	26,303
Lease obligations	-	-	-	-	-	6,978	6,978
Unallocated liabilities, equity and surplus	-	-	-	-	329,660	977,808	1,307,468
Total liabilities, accumulated surplus and equity	416,177	1,644,383	199,624	28,644	2,618,488	984,786	3,603,274

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12. OPERATING SEGMENTS (continued)

Operating segments	For the three month period ended June 30, 2020				
	(Unaudited)				
	Medical	Motor	Property & Casualty	Protection & Savings	Total
SAR'000					
REVENUES					
Gross contributions written	43,452	409,151	178,529	37,884	669,016
Re-takaful / reinsurance contributions ceded	-	(1,067)	(170,570)	(9,086)	(180,723)
Excess of loss expenses (XOL)	-	(1,216)	(848)	-	(2,064)
Net contributions written	43,452	406,868	7,111	28,798	486,229
Changes in unearned contributions, net	43,275	45,739	(1,036)	(414)	87,564
Net contributions earned	86,727	452,607	6,075	28,384	573,793
Re-takaful / reinsurance commission income	-	394	4,212	-	4,606
Other underwriting income	-	105	9	475	589
TOTAL REVENUES	86,727	453,106	10,296	28,859.00	578,988
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(107,518)	(139,122)	(3,666)	(15,796)	(266,102)
Surrender and maturities	-	-	-	(1,477)	(1,477)
Expenses incurred related to claims	16	(8,735)	-	-	(8,719)
Re-takaful / reinsurance share of claims paid	-	1,424	3,589	10,268	15,281
Net claims and other benefits paid	(107,502)	(146,433)	(77)	(7,005)	(261,017)
Changes in outstanding claims, net	7,931	7,675	(32)	1,227	16,801
Changes in incurred but not reported (IBNR) claims, net	45,955	(62,409)	(157)	(1,489)	(18,100)
Contribution deficiency reserve	(5,390)	(96,085)	(4,406)	-	(105,881)
Change in other reserves	-	(12,024)	-	-	(12,024)
Net claims and other benefits incurred	(59,006)	(309,276)	(4,672)	(7,267)	(380,221)
Change in unit linked liabilities at FVSI, net	-	-	-	(11,720)	(11,720)
Policy acquisition costs	(6,733)	(14,994)	(996)	(4,469)	(27,192)
Other underwriting expenses	(278)	(4,259)	(1,259)	(262)	(6,058)
TOTAL UNDERWRITING COSTS AND EXPENSES	(66,017)	(328,529)	(6,927)	(23,718)	(425,191)
NET UNDERWRITING INCOME	20,710	124,577	3,369	5,141	153,797
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	-	-	-	-	(44)
General and administrative expenses	-	-	-	-	(69,172)
Special commission income	-	-	-	-	13,980
Net gains on investments mandatorily measured	-	-	-	-	4,136
Dividend income	-	-	-	-	2,451
Impairment loss on financial assets	-	-	-	-	547
Other income	-	-	-	-	116
NET INCOME FOR THE PERIOD BEFORE ZAKAT					105,811

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12. OPERATING SEGMENTS (continued)

Operating segments	For the three month period ended June 30, 2019 (Unaudited)				
	Medical	Motor	Property & casualty	Protection & Savings	Total
	SAR'000				
<u>REVENUES</u>					
Gross contributions written	105,244	392,471	23,781	23,162	544,658
Re-takaful / reinsurance contributions ceded	-	(487)	(14,527)	(3,252)	(18,266)
Excess of loss expenses (XOL)	-	(1,639)	(669)	-	(2,308)
Net contributions written	105,244	390,345	8,585	19,910	524,084
Changes in unearned contributions, net	80,223	84,764	(2,734)	613	162,866
Net contributions earned	185,467	475,109	5,851	20,523	686,950
Re-takaful / reinsurance commission income	-	178	1,718	-	1,896
Other underwriting income	(105)	63	25	354	337
<u>TOTAL REVENUES</u>	185,362	475,350	7,594	20,877	689,183
<u>UNDERWRITING COSTS AND EXPENSES</u>					
Gross claims paid and loss adjustment expenses	(207,941)	(303,361)	(1,904)	(5,085)	(518,291)
Surrender and maturities	-	-	-	(1,900)	(1,900)
Expenses incurred related to claims	-	-	-	-	-
Re-takaful / reinsurance share of claims paid	-	1,569	1,800	3,335	6,704
Net claims and other benefits paid	(207,941)	(301,792)	(104)	(3,650)	(513,487)
Changes in outstanding claims, net	23,064	(26,790)	(227)	772	(3,181)
Changes in incurred but not reported (IBNR) claims, net	(54,586)	6,912	319	565	(46,790)
Change in contribution deficiency reserve	12,928	-	1,529	-	14,457
Net claims and other benefits incurred	(226,535)	(321,670)	1,517	(2,313)	(549,001)
Change in unit linked liabilities at FVSI	-	-	-	(6,024)	(6,024)
Policy acquisition costs	(12,798)	(11,920)	(1,908)	(2,711)	(29,337)
Other underwriting expenses	(2,404)	(4,137)	(253)	(115)	(6,909)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(241,737)	(337,727)	(644)	(11,163)	(591,271)
NET UNDERWRITING INCOME	(56,375)	137,623	6,950	9,714	97,912
<u>OTHER OPERATING EXPENSES</u>					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable					(2,070)
General and administrative expenses					(66,424)
Special commission income	-	-	-	-	18,534
Net gains on investments mandatorily measured at FVSI	-	-	-	-	4,835
Dividend income	-	-	-	-	2,531
Reversal of impairment loss on financial assets	-	-	-	-	185
Other income	-	-	-	-	413
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT</u>					<u>55,916</u>

12. OPERATING SEGMENTS (continued)

Operating segments	For the six month period ended June 30, 2020				Total
	(Unaudited)				
	Medical	Motor	Property & Casualty	Protection & Savings	
SAR'000					
<u>REVENUES</u>					
Gross contributions written	135,107	1,012,202	235,732	73,517	1,456,558
Re-takaful / reinsurance contributions ceded	-	(2,243)	(221,371)	(15,240)	(238,854)
Excess of loss expenses (XOL)	-	(2,431)	(1,696)	-	(4,127)
Net contributions written	135,107	1,007,528	12,665	58,277	1,213,577
Changes in unearned contributions, net	58,843	(112,987)	3,521	304	(50,319)
Net contributions earned	193,950	894,541	16,186	58,581	1,163,258
Re-takaful / reinsurance commission income	-	872	9,236	-	10,108
Other underwriting income	(1)	289	23	969	1,280
<u>TOTAL REVENUES</u>	193,949	895,702	25,445	59,550	1,174,646
<u>UNDERWRITING COSTS AND EXPENSES</u>					
Gross claims paid and loss adjustment expenses	(264,294)	(423,056)	(5,604)	(27,528)	(720,482)
Surrender and maturities	-	-	-	(4,365)	(4,365)
Expenses incurred related to claims	(715)	(25,005)	-	-	(25,720)
Re-takaful / reinsurance share of claims paid	-	1,503	5,094	18,108	24,705
Net claims and other benefits paid	(265,009)	(446,558)	(510)	(13,785)	(725,862)
Changes in outstanding claims, net	18,306	2,412	228	340	21,286
Changes in incurred but not reported (IBNR) claims, net	84,561	(88,388)	(134)	(3,261)	(7,222)
Contribution deficiency reserve	10,171	(96,085)	(4,076)	-	(89,990)
Change in other reserves	-	(12,024)	-	-	(12,024)
Net claims and other benefits incurred	(151,971)	(640,643)	(4,492)	(16,706)	(813,812)
Change in unit linked liabilities at FVSI, net	-	-	-	(20,281)	(20,281)
Policy acquisition costs	(14,229)	(28,675)	(4,014)	(8,659)	(55,577)
Other underwriting expenses	(760)	(8,822)	(1,677)	(526)	(11,785)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(166,960)	(678,140)	(10,183)	(46,172)	(901,455)
NET UNDERWRITING INCOME	26,989	217,562	15,262	13,378	273,191
<u>OTHER OPERATING EXPENSES</u>					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	-	-	-	-	(17,400)
General and administrative expenses	-	-	-	-	(150,346)
Special commission income	-	-	-	-	29,114
Net gains on investments mandatorily measured at FVSI	-	-	-	-	6,473
Dividend income	-	-	-	-	3,834
Reversal of impairment loss on financial assets	-	-	-	-	475
Other income	-	-	-	-	391
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT</u>					145,732

12. OPERATING SEGMENTS (continued)

Operating segments	For the six month period ended June 30, 2019 (Unaudited)				
	Medical	Motor	Property & casualty	Protection & Savings	Total
	SAR'000				
<u>REVENUES</u>					
Gross contributions written	298,121	1,002,925	41,528	45,657	1,388,231
Re-takaful / reinsurance contributions ceded	-	(1,646)	(26,597)	(6,523)	(34,766)
Excess of loss expenses (XOL)	-	(2,710)	(522)	-	(3,232)
Net contributions written	298,121	998,569	14,409	39,134	1,350,233
Changes in unearned contributions, net	70,902	(40,418)	(2,307)	211	28,388
Net contributions earned	369,023	958,151	12,102	39,345	1,378,621
Re-takaful / reinsurance commission income	-	409	3,530	-	3,939
Other underwriting income	(105)	303	108	797	1,103
<u>TOTAL REVENUES</u>	368,918	958,863	15,740	40,142	1,383,663
<u>UNDERWRITING COSTS AND EXPENSES</u>					
Gross claims paid and loss adjustment expenses	(371,574)	(666,975)	(295,330)	(7,858)	(1,341,737)
Surrender and maturities	-	-	-	(3,008)	(3,008)
Re-takaful / reinsurance share of claims paid	-	4,294	294,261	4,962	303,517
Net claims and other benefits paid	(371,574)	(662,681)	(1,069)	(5,904)	(1,041,228)
Changes in outstanding claims, net	(19,084)	(24,972)	(264)	66	(44,254)
Changes in incurred but not reported (IBNR) claims, net	(85,135)	33,314	461	(266)	(51,626)
Net claims and other benefits incurred	(513,521)	(654,339)	(1,910)	(6,104)	(1,175,874)
Change in unit linked liabilities at FVSI	-	-	-	(12,746)	(12,746)
Policy acquisition costs	(28,143)	(20,179)	(3,737)	(4,077)	(56,136)
Other underwriting expenses	(5,734)	(8,009)	106	(227)	(13,864)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(547,398)	(682,527)	(5,541)	(23,154)	(1,258,620)
NET UNDERWRITING INCOME	(178,480)	276,336	10,199	16,988	125,043
<u>OTHER OPERATING EXPENSES</u>					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable					(3,324)
General and administrative expenses					(110,572)
Special commission income					37,149
Net gains on investments mandatorily measured at FVSI					7,726
Dividend income					3,402
Reversal of impairment loss on financial assets					114
Other income					879
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT</u>					<u>60,417</u>

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13. 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 period ended		Balance receivable / (payable) as at	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000				
<u>Major shareholders</u>				
Gross contribution written	426,991	444,884	343,604	142,152
Claims paid	224,217	324,445	(2,500)	(3,348)
Claims incurred and notified during the period	204,697	294,857	174,791	(194,312)
Reimbursement from related party	-	-	-	-
Bank Balance	-	-	395,482	332,713
Investment in shares of Al Rajhi Banking and Investment Corporation	-	-	25,775	29,783
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Gross contribution written	7,902	1,327	7,945	1,559
Claims paid	459	985	-	-
Claims incurred and notified during the period	518	2,085	518	(568)
Investments managed by affiliates	3,083	21,265	217,161	115,228
Income received from sale of investment in Al Rajhi Capital commodity fund	2,832	4,024	-	-
Investment management fee paid to Al Rajhi Capital	1,384	1,450	-	-
Cash balance with Al Rajhi Capital	-	-	9,737	-

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

	For the period ended	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
SAR'000		
Salaries and other allowances	3,582	3,571
End of service benefits	3,669	2,171
	<u>7,251</u>	<u>5,742</u>
Shariah committee remuneration	<u>105</u>	<u>128</u>

14. ZAKAT AND INCOME TAX

A summary of Movement in the Zakat and income tax accrued during the six month period ended 30 June 2020 and the year ended 31 December 2019 are as follows:

	June 30, 2020 (Unaudited) SR '000	December 31, 2019 (Audited) SR '000
Balance at beginning of the year	40,932	33,689
Provided during the period / year	12,650	22,700
Payments during the period / year	-	(15,457)
Balance at end of the period / year	53,582	40,932

Status of assessments

The company has submitted Zakat and income tax returns to the General Authority of Zakat and Income Tax for the years 2010 to 2019.

The General Authority of Zakat and Income requested data from the company for the years from 2014 to 2018 and the data is being prepared

15. UNIT LINKED LIABILITIES AT FVSI

The movement during the period / year in financial liabilities at fair value through statement of income is set out below:

	June 30, 2020 (Unaudited) SAR'000	December 31, 2019 (Audited) SAR'000
At the beginning of the period / year	86,821	52,336
Net changes in reserve during the period / year	20,284	27,946
Net change in fair values during the period / year	(853)	6,539
At the end of the period / year	106,252	86,821

16. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company was SAR 400 million at June 30, 2020 (December 31, 2019: SAR 400 million) consisting of 40 million shares (December 31, 2019: 40 million shares) of SAR 10 each.

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

	June 30, 2020 (Unaudited)		
	Authorized and issued		Paid up
	No. of shares	SAR'000	SAR'000
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Oman Insurance Company - Dubai	2,400,000	24,000	24,000
Others	18,000,000	180,000	180,000
	40,000,000	400,000	400,000
	December 31, 2019 (Audited)		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	SAR'000
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Oman Insurance Company - Dubai	2,400,000	24,000	24,000
Others	18,000,000	180,000	180,000
	40,000,000	400,000	400,000

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17. 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.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SAR 200 million

Premium Solvency Margin

Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at June 30, 2020 consists of paid-up share capital of SAR 400 million, statutory reserves of SAR 139.7 million and retained earnings of SAR 427.9 million (December 31, 2019: paid-up share capital of SAR 400 million, statutory reserves of SAR 113.1 million and retained earnings of SAR 335.1 million.) in the statement of financial position

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. The Company's management has concluded that based on the stress testing performed the solvency margin of the Company can be impacted $\pm 1\%$ to 5%. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

18. EARNINGS PER SHARE

Earnings per share for the period ended June 30, 2020 and year ended December 31, 2019 is calculated by dividing the net income for the period/year attributable to the equity holders by 40 million shares. There were no dilutive potential shares in issue as at June 30, 2020 and December 31, 2019.

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19. SUPPLEMENTARY INFORMATION
19.1 Interim Statement of financial position

	SAR '000			
	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Takaful operations	Shareholders' operations	Total	Shareholders' operations
	Takaful operations	Shareholders' operations	Total	Total
ASSETS:				
Cash and bank balances	368,771	151,583	520,354	442,038
Contributions and re-takaful / reinsurance balances receivable - net	634,527	-	634,527	336,149
Re-takaful / reinsurance share of unearned contributions	245,060	-	245,060	111,870
Re-takaful / reinsurance share of outstanding claims	107,436	-	107,436	110,180
Re-takaful / reinsurance share of outstanding claims IBNR	20,449	-	20,449	13,413
Re-takaful / reinsurance share of mathematical reserve at FVSI	25	-	25	21
Deferred policy acquisition costs	51,467	-	51,467	44,512
Investments mandatorily measured at FVSI	330,919	74,571	405,490	13,004
Investments designated as FVOCI	26,723	249,704	276,427	246,714
Due (to) / from shareholders' / takaful operations	(273,651)	273,651	-	(328,011)
Investments held at amortised cost	1,464,004	189,983	1,653,987	1,598,708
Prepayments and other assets	56,072	70,517	126,589	89,074
Property and equipment	-	45,547	45,547	-
Statutory deposit	-	39,969	39,969	39,969
Accrued income on statutory deposit	-	1,522	1,522	944
Right-of-use assets	-	45,897	45,897	9,772
TOTAL ASSETS	3,031,802	1,142,944	4,174,746	2,618,488
				984,786
				3,603,274

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

19. SUPPLEMENTARY INFORMATION (continued)
19.1 Interim Statement of financial position (continued)

	SAR '000					
	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)			
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
LIABILITIES:						
Payables, accruals and other liabilities	88,597	46,801	135,398	92,374	36,328	128,702
Re-takaful / reinsurance balances payable	227,446	-	227,446	94,637	-	94,637
Unearned contributions	1,306,679	-	1,306,679	1,123,170	-	1,123,170
Unearned re-takaful / reinsurance commission income	17,191	-	17,191	8,792	-	8,792
Gross outstanding claims	329,570	-	329,570	353,601	-	353,601
Claim Incurred but not reported	791,220	-	791,220	776,962	-	776,962
Contribution deficiency reserve	116,293	-	116,293	26,303	-	26,303
Other reserves	12,024	-	12,024	-	-	-
Unit linked liabilities at FVSI	106,252	-	106,252	86,821	-	86,821
End-of-service benefits	-	20,682	20,682	-	18,620	18,620
Provision for zakat and income tax	-	53,582	53,582	-	40,932	40,932
Payables to SAMA	-	6,232	6,232	-	5,654	5,654
Lease obligations	-	39,771	39,771	-	6,978	6,978
	2,995,272	167,068	3,162,340	2,562,660	108,512	2,671,172
	40,844	-	40,844	56,883	-	56,883
Takaful operations' surplus payable						
	3,036,116	167,068	3,203,184	2,619,543	108,512	2,728,055
TOTAL LIABILITIES AND ACCUMULATED SURPLUS						
EQUITY:						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	139,678	139,678	-	113,082	113,082
Retained earnings	-	427,923	427,923	-	335,138	335,138
Re measurement reserve for EOSB	-	(1,528)	(1,528)	-	(1,528)	(1,528)
Fair value reserve - Investments designated as FVOCI	(4,314)	9,803	5,489	(1,055)	29,582	28,527
TOTAL EQUITY	(4,314)	975,876	971,562	(1,055)	876,274	875,219
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY	3,031,802	1,142,944	4,174,746	2,618,488	984,786	3,603,274
COMMITMENTS AND CONTINGENCIES	19,162	-	19,162	22,456	-	22,456

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

19. SUPPLEMENTARY INFORMATION (continued)

19.2 Interim Statement of income
(For the three month period ended)

	SAR '000					
	June 30, 2020			June 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	669,016	-	669,016	544,658	-	544,658
Re-takaful / reinsurance contributions ceded - domestic	(1,450)	-	(1,450)	(539)	-	(539)
Re-takaful / reinsurance contributions ceded - foreign	(179,273)	-	(179,273)	(17,727)	-	(17,727)
Excess of loss expenses – foreign	(2,064)	-	(2,064)	(2,308)	-	(2,308)
Net contributions written	486,229	-	486,229	524,084	-	524,084
Changes in unearned contributions, net	87,564	-	87,564	162,866	-	162,866
Net contributions earned	573,793	-	573,793	686,950	-	686,950
Re-takaful / reinsurance commission income	4,606	-	4,606	1,896	-	1,896
Other underwriting income	589	-	589	337	-	337
TOTAL REVENUES	578,988	-	578,988	689,183	-	689,183
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	(266,102)	-	(266,102)	(502,168)	-	(502,168)
Surrenders and maturities	(1,477)	-	(1,477)	(1,900)	-	(1,900)
Expenses incurred related to claims	(8,719)	-	(8,719)	(16,123)	-	(16,123)
Reinsurers' share of claims paid	15,281	-	15,281	6,704	-	6,704
Net claims and other benefits paid	(261,017)	-	(261,017)	(513,487)	-	(513,487)
Changes in outstanding claims, net	16,801	-	16,801	(3,181)	-	(3,181)
Changes in incurred but not reported (IBNR) claims, net	(18,100)	-	(18,100)	(46,790)	-	(46,790)
Change in contribution deficiency reserve	(105,881)	-	(105,881)	14,457	-	14,457
Change in other reserves	(12,024)	-	(12,024)	-	-	-
Net claims and other benefits incurred	(380,221)	-	(380,221)	(549,001)	-	(549,001)
Change in unit linked liabilities at FVSI, net	(11,720)	-	(11,720)	(6,024)	-	(6,024)
Policy acquisition costs	(27,192)	-	(27,192)	(29,337)	-	(29,337)
Other underwriting expenses	(6,058)	-	(6,058)	(6,909)	-	(6,909)
TOTAL UNDERWRITING COSTS AND EXPENSES	(425,191)	-	(425,191)	(591,271)	-	(591,271)
NET UNDERWRITING INCOME	153,797	-	153,797	97,912	-	97,912
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	(44)	-	(44)	(2,070)	-	(2,070)
Management fee for administration of takaful operations	(69,172)	69,172	-	(66,424)	66,424	-
General and administrative expenses	-	(69,172)	(69,172)	-	(66,424)	(66,424)
Special commission income	12,440	1,540	13,980	14,507	4,027	18,534
Net gains on investments mandatorily measured at FVSI	3,672	464	4,136	4,340	495	4,835
Dividend income	-	2,451	2,451	-	2,531	2,531
Reversal of impairment loss on financial assets	359	188	547	131	54	185
Other income	-	116	116	-	413	413
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(52,745)	4,759	(47,986)	(49,516)	7,520	(41,996)
NET INCOME FOR THE PERIOD BEFORE ATTRIBUTION OF MANAGEMENT FEE	101,052	4,759	105,811	48,396	7,520	55,916
Management fee attributable to shareholders' operations	(90,947)	90,947	-	(43,556)	43,556	-
NET INCOME FOR THE PERIOD AFTER ATTRIBUTION OF MANAGEMENT FEE	10,105	95,706	105,811	4,840	51,076	55,916
Provision for zakat	-	(6,850)	(6,850)	-	(5,685)	(5,685)
Net income for the period after zakat	10,105	88,856	98,961	4,840	45,391	50,231

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

19. SUPPLEMENTARY INFORMATION (continued)

19.2 Interim Statement of income (continued)

(For the six month period ended)

	SAR '000					
	June 30, 2020			June 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	1,456,558	-	1,456,558	1,388,231	-	1,388,231
Re-takaful / reinsurance contributions ceded - domestic	(3,535)	-	(3,535)	(811)	-	(811)
Re-takaful / reinsurance contributions ceded - foreign	(235,319)	-	(235,319)	(33,955)	-	(33,955)
Excess of loss expenses -- foreign	(4,127)	-	(4,127)	(3,232)	-	(3,232)
Net contributions written	1,213,577	-	1,213,577	1,350,233	-	1,350,233
Changes in unearned contributions, net	(50,319)	-	(50,319)	28,388	-	28,388
Net contributions earned	1,163,258	-	1,163,258	1,378,621	-	1,378,621
Re-takaful / reinsurance commission income	10,108	-	10,108	3,939	-	3,939
Other underwriting income	1,280	-	1,280	1,103	-	1,103
TOTAL REVENUES	1,174,646	-	1,174,646	1,383,663	-	1,383,663
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	(720,482)	-	(720,482)	(1,308,667)	-	(1,308,667)
Surrenders and maturities	(4,365)	-	(4,365)	(3,008)	-	(3,008)
Expenses incurred related to claims	(25,720)	-	(25,720)	(33,070)	-	(33,070)
Reinsurers' share of claims paid	24,705	-	24,705	303,517	-	303,517
Net claims and other benefits paid	(725,862)	-	(725,862)	(1,041,228)	-	(1,041,228)
Changes in outstanding claims, net	21,286	-	21,286	(44,254)	-	(44,254)
Changes in incurred but not reported (IBNR) claims, net	(7,222)	-	(7,222)	(51,626)	-	(51,626)
Change in contribution deficiency reserve	(89,990)	-	(89,990)	(38,766)	-	(38,766)
Change in other reserves	(12,024)	-	(12,024)	-	-	-
Net claims and other benefits incurred	(813,812)	-	(813,812)	(1,175,874)	-	(1,175,874)
Change in unit linked liabilities at FVSI, net	(20,281)	-	(20,281)	(12,746)	-	(12,746)
Policy acquisition costs	(55,577)	-	(55,577)	(56,136)	-	(56,136)
Other underwriting expenses	(11,785)	-	(11,785)	(13,864)	-	(13,864)
TOTAL UNDERWRITING COSTS AND EXPENSES	(901,455)	-	(901,455)	(1,258,620)	-	(1,258,620)
NET UNDERWRITING INCOME	273,191	-	273,191	125,043	-	125,043
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts - contribution and retakaful / reinsurance balances receivable	(17,400)	-	(17,400)	(3,324)	-	(3,324)
Management fee for administration of takaful operations	(150,346)	150,346	-	(110,572)	110,572	-
General and administrative expenses	-	(150,346)	(150,346)	-	(110,572)	(110,572)
Special commission income	25,669	3,445	29,114	31,697	5,452	37,149
Net gains on investments mandatorily measured at FVSI	5,406	1,067	6,473	6,522	1,204	7,726
Dividend income	-	3,834	3,834	-	3,402	3,402
Reversal of impairment loss on financial assets	489	(14)	475	201	(87)	114
Other income	-	391	391	-	879	879
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(136,182)	8,723	(127,459)	(75,476)	10,850	(64,626)
NET INCOME FOR THE PERIOD BEFORE ATTRIBUTION OF MANAGEMENT FEE	137,009	8,723	145,732	49,567	10,850	60,417
Management fee attributable to shareholders' operations	(123,308)	123,308	-	(44,610)	44,610	-
NET INCOME FOR THE PERIOD AFTER ATTRIBUTION OF MANAGEMENT FEE	13,701	132,031	145,732	4,957	55,460	60,417
Provision for zakat	-	(12,650)	(12,650)	-	(10,500)	(10,500)
Net income for the period after zakat	13,701	119,381	133,082	4,957	44,960	49,917

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

19. SUPPLEMENTARY INFORMATION (continued)

19.3 Interim Statement of comprehensive income

	For the three month period ended					
	(Unaudited)					
	SAR '000					
	June 30, 2020			June 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income after attribution of management fee to shareholders' operations	10,105	88,856	98,961	4,840	45,391	50,231
Other comprehensive income / (loss) :						
Items that will not be reclassified to statement of income in subsequent periods						
- Net change in fair value in investments designated as FVOCI	434	20,577	21,011	714	(1,775)	(1,061)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	10,539	109,433	119,972	5,554	43,616	49,170

	For the six month period ended					
	(Unaudited)					
	SAR '000					
	June 30, 2020			June 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income after attribution of management fee to shareholders' operations	13,701	119,381	133,082	4,957	44,960	49,917
Other comprehensive (loss) / income:						
Items that will not be reclassified to statement of income in subsequent periods						
- Net change in fair value in investments designated as FVOCI	(3,259)	(19,779)	(23,038)	1,676	11,589	13,265
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	10,442	99,602	110,044	6,633	56,549	63,182

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

19. SUPPLEMENTARY INFORMATION (continued)
19.4 Interim Statement of cash flows

	SAR '000					
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat	13,701	132,031	145,732	4,957	55,460	60,417
Adjustments for non-cash items:						
Depreciation of property and equipment	-	3,358	3,358	-	4,309	4,309
Depreciation of right-of-use assets	-	3,611	3,611	-	2,675	2,675
Management fee for administration of takaful operations	150,346	(150,346)	-	110,572	(110,572)	-
Management fee attributable to shareholders' operations	123,305	(123,305)	-	44,610	(44,610)	-
Allowance for doubtful debts - contribution and retakaful / reinsurance balances receivable	17,400	-	17,400	3,324	-	3,324
Unrealized gain / (loss) on investments mandatorily measured at FVSI	8,798	(167)	8,631	(4,031)	65	(3,966)
Reversal / Impairment loss on financial assets	(489)	14	(475)	(201)	87	(114)
End-of-service benefits liability (EOSEB)	-	3,287	3,287	-	2,380	2,380
	313,061	(131,517)	181,544	159,231	(90,206)	69,025
Changes in operating assets and liabilities:						
Contributions and re-takaful balances receivable	(315,778)	-	(315,778)	(47,366)	-	(47,366)
Re-takaful / reinsurance share of unearned contributions	(133,190)	-	(133,190)	8,326	-	8,326
Re-takaful / reinsurance share of outstanding claims	2,744	-	2,744	268,031	-	268,031
Re-takaful / reinsurance share of claims incurred but not reported	(7,036)	-	(7,036)	1,322	-	1,322
Re-takaful / reinsurance share of financial liabilities at FVSI	(4)	-	(4)	9	-	9
Deferred policy acquisition costs	(6,955)	-	(6,955)	12,034	-	12,034
Prepayments and other assets	33,002	(3,385)	29,617	(476)	(22,088)	(22,564)
Right-of-use assets	-	(39,736)	(39,736)	-	(14,011)	(14,011)
Accrued income on statutory deposit payable to SAMIA	-	(578)	(578)	-	3,319	3,319
Payables, accruals and other liabilities	(3,777)	578	6,696	-	484	484
Financial liabilities at FVSI	19,431	10,473	6,696	19,638	(3,084)	16,554
Re-takaful / reinsurance balances payable	132,809	-	19,431	16,675	-	16,675
Unearned contributions	183,509	-	132,809	(15,330)	-	(15,330)
Unearned re-takaful / reinsurance commission	8,399	-	183,509	(36,713)	-	(36,713)
			8,399	1,038	-	1,038

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

19. SUPPLEMENTARY INFORMATION (continued)
19.4 Interim Statement of cash flows (continued)

	SAR '000					
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
	June 30, 2020	June 30, 2019		June 30, 2019		
Gross outstanding claims	(24,031)	-	(24,031)	(223,778)	-	(223,778)
Claims Incurred but not reported	14,258	-	14,258	50,305	-	50,305
Contribution deficiency reserve	89,990	-	89,990	38,766	-	38,766
Other reserves	12,024	-	12,024	-	-	-
Lease obligations	-	32,793	32,793	-	9,932	9,932
Deposit against letters of guarantee	3,294	-	3,294	(1,096)	-	(1,096)
Statutory deposit income	-	-	-	-	(3,801)	(3,801)
Management fee (paid) / received	321,750	(131,372)	190,378	250,616	(119,455)	131,161
Zakat paid	(328,011)	328,011	-	(401,888)	401,888	-
Takaful operations' surplus paid	(29,740)	-	(29,740)	-	(15,457)	(15,457)
End-of-service benefits paid (EOSB)	-	(1,225)	(1,225)	-	(743)	(743)
Net cash generated from operating activities	(36,001)	195,414	159,413	(151,272)	266,233	114,961
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments mandatorily measured at FVSI	(737,232)	(483,000)	(1,220,232)	(743,394)	(292,000)	(1,035,394)
Disposals of investments mandatorily measured at FVSI	568,067	421,600	989,667	712,273	309,731	1,022,004
Purchase of investments designated as FVOCI	-	(38,599)	(38,599)	-	-	-
Disposals of investments designated as FVOCI	-	15,934	15,934	-	-	-
Movement in cash balance in equity share portfolio	-	(104)	(104)	-	(399)	(399)
Purchase of investments held at amortised cost	(414,834)	(150,000)	(564,834)	(500,000)	(425,000)	(925,000)
Disposal of investments held at amortised cost	550,000	175,000	725,000	755,000	165,000	920,000
Additions in property and equipment	-	(23,642)	(23,642)	-	(3,138)	(3,138)
Net cash (used in) / generated from investing activities	(33,999)	(82,811)	(116,810)	223,879	(245,806)	(21,927)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due (to) / from shareholders / takaful operations	-	-	-	-	-	-
Net cash generated from / (used in) financing activities						
Net change in cash and cash equivalents	(70,000)	112,603	42,603	72,607	20,427	93,034
Cash and cash equivalents, beginning of the period	419,609	34,271	453,880	355,425	121,515	476,940
Cash and cash equivalents, end of the period	349,609	146,874	496,483	428,032	141,942	569,974
NON-CASH INFORMATION						
Changes in fair value of investments designated as FVOCI	(3,259)	(19,779)	(23,038)	(1,676)	(11,589)	(13,265)

20. APPROVAL OF THE FINANCIAL STATEMENTS

These Interim condensed financial information were approved by the Board of Directors of the Company, on Dhu'l-Hijjah 5, 1441, corresponding July 26, 2020.