

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

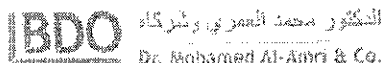
**INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) AND
INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 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 NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2020

INDEX	PAGE
INDEPENDENT AUDITORS' REVIEW REPORT	1
INTERIM STATEMENT OF FINANCIAL POSITION	2
INTERIM STATEMENT OF INCOME	3
INTERIM STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM STATEMENT OF CHANGES IN EQUITY	5
INTERIM STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION	7-42



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 of 30 September 2020 and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim statements of changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant policies 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, "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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Riyadh 11482
Kingdom of Saudi Arabia

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License Number 409

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Date: 9 November 2020

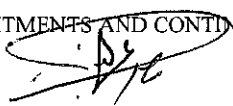

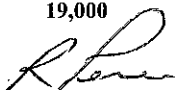
Corresponding to: 23 Rabi' al-Awwal , 1442 AH



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

	Notes	SAR '000	
		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Cash and bank balances	4	734,597	481,018
Contributions and re-takaful / reinsurance balances receivable, net	5	620,784	336,149
Re-takaful / reinsurance share of unearned contributions	9.2	230,809	111,870
Re-takaful / reinsurance share of outstanding claims	9.1 (a)	81,625	110,180
Re-takaful / reinsurance share of claims incurred but not reported	9.1 (a)	25,681	13,413
Re-takaful / reinsurance share of mathematical reserve at fair value through statement of income (FVSI)		24	21
Deferred policy acquisition costs		64,151	44,512
Investments mandatorily measured at fair value through statement of income (FVSI)	8 (a)	362,795	183,556
Investments designated as fair value through other comprehensive income (FVOCI)	8 (b)	310,078	276,696
Investments held at amortised cost	8 (c)	1,728,901	1,813,705
Prepayments and other assets		153,866	156,206
Property and equipment		44,620	25,263
Statutory deposit	7	39,969	39,969
Accrued income on statutory deposit		1,875	944
Right-of-use assets	6	43,612	9,772
TOTAL ASSETS		4,443,387	3,603,274
LIABILITIES			
Payables, accruals and other liabilities		256,369	128,702
Re-takaful / reinsurance balances payable		225,316	94,637
Unearned contributions	9.2	1,300,550	1,123,170
Unearned re-takaful / reinsurance commission income		17,904	8,792
Gross outstanding claims	9.1 (a)	297,147	353,601
Claims incurred but not reported	9.1 (a)	817,194	776,962
Contribution deficiency reserve	9.1 (a)	122,389	26,303
Other reserves		58,974	-
Unit linked liabilities at FVSI	9.1 (a), 15	124,497	86,821
End-of-service benefits (EOSB)		21,579	18,620
Provision for zakat and income tax	14	44,433	40,932
Payables to SAMA		6,584	5,654
Lease liabilities		39,771	6,978
		3,332,707	2,671,172
Takaful operations' surplus payable		47,664	56,883
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		3,380,371	2,728,055
EQUITY			
Share capital	16	400,000	400,000
Statutory reserve		152,499	113,082
Retained earnings		472,905	335,138
Remeasurement reserve for EOSB		(1,528)	(1,528)
Fair value reserve - investments designated as FVOCI		39,140	28,527
TOTAL EQUITY		1,063,016	875,219
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY		4,443,387	3,603,274
COMMITMENTS AND CONTINGENCIES	10	19,000	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 NINE MONTH PERIODS ENDED

	Notes	For the three-month period ended		For the nine-month period ended	
		SAR '000		SAR '000	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
REVENUES					
Gross contribution written	9.2	703,763	583,385	2,160,321	1,971,616
Re-takaful / reinsurance contributions ceded - domestic	9.2	(4,514)	(1,274)	(8,049)	(2,085)
Re-takaful / reinsurance contributions ceded - foreign	9.2	(84,418)	(30,925)	(319,737)	(64,880)
Excess of loss expenses (XOL)	9.2	(2,065)	(2,304)	(6,192)	(5,536)
Net contributions written	9.2	612,766	548,882	1,826,343	1,899,115
Changes in unearned contributions, net		(8,121)	91,285	(58,441)	119,673
Net contributions earned		604,645	640,167	1,767,902	2,018,788
Re-takaful / reinsurance commission income		5,820	2,652	15,928	6,591
Other underwriting income		936	464	2,216	1,567
TOTAL REVENUES		611,401	643,283	1,786,046	2,026,946
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses		(373,339)	(480,564)	(1,093,821)	(1,789,231)
Surrenders and maturities		(4,415)	(2,696)	(8,780)	(5,704)
Expenses incurred related to claims		(14,452)	(14,506)	(40,172)	(47,576)
Re-takaful / reinsurance share of claims paid		28,968	2,041	53,673	305,558
Net claims and other benefits paid		(363,238)	(495,725)	(1,089,100)	(1,536,953)
Changes in outstanding claims, net		6,612	24,652	27,899	(19,602)
Changes in claims incurred but not reported, net		(20,742)	(38,918)	(27,964)	(81,510)
Change in contribution deficiency reserve		(6,096)	23,381	(96,086)	(24,419)
Change in other reserves		(46,950)	-	(58,974)	-
Net claims and other benefits incurred		(430,414)	(486,610)	(1,244,225)	(1,662,484)
Change in unit linked liabilities at FVSI, net		(10,709)	(5,173)	(30,990)	(17,919)
Policy acquisition costs		(44,236)	(30,678)	(99,813)	(86,814)
Other underwriting expenses		(5,741)	(3,474)	(17,526)	(17,338)
TOTAL UNDERWRITING COSTS AND EXPENSES		(491,100)	(525,935)	(1,392,554)	(1,784,555)
NET UNDERWRITING INCOME		120,301	117,348	393,492	242,391
OTHER OPERATING (EXPENSES)/ INCOME					
Reversal / (allowance) for doubtful debts - contributions and re-takaful / reinsurance balances receivable	5	4,623	(9,535)	(12,777)	(12,859)
General and administrative expenses		(73,606)	(63,771)	(223,952)	(174,343)
Special commission income		14,556	17,484	43,670	54,633
Net gains on investments mandatorily measured at FVSI		3,793	2,820	10,266	10,546
Dividend income		2,054	2,007	5,888	5,409
Impairment (loss) / reversal on financial assets		(86)	(55)	389	59
Other income		241	312	632	1,191
TOTAL OTHER OPERATING EXPENSES		(48,425)	(50,738)	(175,884)	(115,364)
Net income for the period before zakat		71,876	66,610	217,608	127,027
Net income for the period attributable to takaful operations	19.2	(6,823)	(6,030)	(20,524)	(10,987)
Net income for the period before zakat attributable to the shareholders		65,053	60,580	197,084	116,040
Provision for zakat	14	(7,250)	(6,600)	(19,900)	(17,100)
Net income for the period after zakat attributable to the shareholders		57,803	53,980	177,184	98,940
Earnings per share					
Basic and diluted earning per share		1.45	1.35	4.43	2.47

Naser Abdullah Aloufi
Member-Board

Abdulaziz Mohammed Al Sedeas
Chief Executive Officer

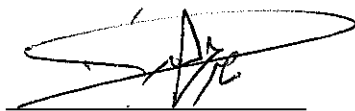
Robert Pereira
Chief Financial Officer

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 NINE MONTH PERIODS ENDED SEPTEMBER 30

Notes	<i>For the three-month</i>		<i>For the nine-month period</i>	
	SAR '000		SAR '000	
	September 30,2020	September 30,2019	September 30,2020	September 30, 2019
Net income for the period after zakat attributable to the shareholders	57,803	53,980	177,184	98,940
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) 28,405	(8,731)	8,626	2,858
- Takaful operations income	8 (b) 5,246	279	1,987	1,955
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	91,454	45,528	187,797	103,753



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Robert Pereira
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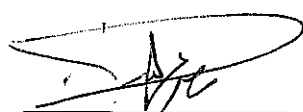
INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30

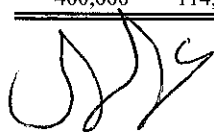
(SAR in '000')

	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - investments designated as FVOCI	Total
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		-	-	177,184	-	-	177,184
Net fair value changes on investments designated as FVOCI	19.3	-	-	-	-	10,613	10,613
Transfer to statutory reserve		-	-	177,184	-	10,613	187,797
		-	39,417	(39,417)	-	-	-
Balance as at September 30, 2020		400,000	152,499	472,905	(1,528)	39,140	1,063,016

		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		-	-	98,940	-	-	98,940
Net fair value changes on investments designated as FVOCI	19.3	-	-	-	-	4,813	4,813
Transfer to statutory reserve		-	-	98,940	-	4,813	103,753
		-	23,208	(23,208)	-	-	-
Balance as at September 30, 2019		400,000	114,510	346,465	(187)	11,366	872,154



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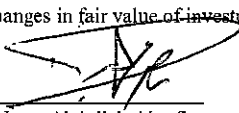
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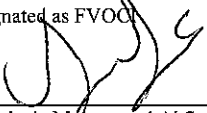
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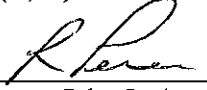
INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30,

	Notes	SAR '000	
		September 30, 2020	September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before zakat		217,608	127,027
Adjustments for non-cash items:			
Depreciation of property and equipment		6,088	6,440
Depreciation of right-of-use assets		5,896	4,310
Allowance for doubtful debts -Contributions and re-takaful / reinsurance	5	12,777	12,867
Unrealized gain on investments mandatorily measured at FVSI		(6,971)	(3,372)
Reversal of impairment loss on financial assets		(389)	(59)
End-of-service benefits liability (EOSB)		5,006	4,124
		240,015	151,337
Changes in operating assets and liabilities:			
Contributions and re-takaful / reinsurance balances receivable		(297,412)	50,136
Re-takaful / reinsurance share of unearned contributions		(118,939)	(1,838)
Re-takaful / reinsurance share of outstanding claims		28,555	268,803
Re-takaful / reinsurance share of claims incurred but not reported		(12,268)	1,508
Re-takaful / reinsurance share of mathematical reserve at FVSI		(3)	13
Deferred policy acquisition costs		(19,639)	15,320
Prepayments and other assets		2,340	(116,889)
Right-of-use assets		(39,736)	(14,903)
Accrued income on statutory deposit		(931)	(483)
Payable, accruals and other liabilities		127,667	(16,517)
Unit linked liabilities at FVSI		37,676	21,390
Re-takaful / reinsurance balances payable		130,679	1,934
Unearned contributions		177,380	(117,836)
Unearned re-takaful / reinsurance commission		9,112	2,065
Gross outstanding claims		(56,454)	(249,199)
Claims Incurred but not reported		40,232	89,036
Contribution deficiency reserve		96,086	15,385
Other reserves		58,974	-
Lease obligations		32,793	8,247
Deposit against guarantees		3,456	(2,541)
Payables to SAMA		930	484
		440,513	105,452
Zakat paid	14	(16,399)	(15,457)
Takaful operations' surplus paid		(29,743)	-
End-of-service benefits paid (EOSB)		(2,047)	(1,175)
Net cash generated from operating activities		392,324	88,820
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments mandatorily measured at FVSI	8 (a)	(1,673,501)	(1,454,436)
Disposals of investments mandatorily measured at FVSI	8 (a)	1,501,233	1,453,537
Purchase of investments designated as FVOCI	8 (b)	(38,599)	-
Disposals of investments designated as FVOCI		15,934	-
Movement in cash balance in equity share portfolio		(104)	520
Purchase of investments held at amortised cost		(739,834)	(1,245,001)
Disposal of investments held at amortised cost	8 (c)	825,000	1,220,000
Additions in property and equipment		(25,445)	(3,901)
Net cash used in from investing activities		(135,316)	(29,281)
Net change in cash and cash equivalents		257,008	59,539
Cash and cash equivalents, at the beginning of the period	4	453,880	476,940
Cash and cash equivalents, at the end of the period	4	710,888	536,479
NON-CASH INFORMATION			
Changes in fair value of investments designated as FVOCI	8 (b)	(10,613)	(4,813)


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Member-Board


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Chief Executive Officer


Robert Pereira
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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 nine-month periods ended September 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 nine-months periods ended 30 September 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 ("SOCPA")."

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

Notes to the interim condensed financial information

For the nine month period ended September 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 ("SAMA").

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 (continued)

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 September 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 16.4 mn (December 31, 2019: 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.

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)

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 as no significant policies were written during that period.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at segmented level for motor line of business and recorded a Contribution deficiency reserve amounting to SR 103.6 mn as at 30 September, 2020 (December 31, 2019: Nil)

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 Q4 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 nine-month periods ended 30 September 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

a) 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 17 - Insurance Contracts

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2023, 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 Company has decided not to early adopt this new standard.

(b) IFRS 17 – Insurance Contracts

Overview

This standard has been published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- i. embedded derivatives, if they meet certain specified criteria;
- ii. distinct investment components; and
- iii. any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General model is based on the following "building blocks":

- a) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
 - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
 - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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

4. CASH AND CASH EQUIVALENTS

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

	Takaful operations	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000		
Bank balances and cash	491,890	319,609
Deposits maturing within 3 months from the acquisition date	-	100,000
Cash and cash equivalents in the statement of cash flow	491,890	419,609
Less : Impairment loss	-	(27)
Cash and cash equivalents, net	491,890	419,582
Deposits against letters of guarantee	19,000	22,456
Cash and bank balances	510,890	442,038
	Shareholders' operations	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000		
Bank balances and cash	134,558	34,271
Receivable - Matured Murabaha Deposit	75,000	-
Cash balance with Al Rajhi Capital	9,440	-
Cash and cash equivalents in the statement of cash flow	218,998	34,271
Less : Impairment loss	-	-
Cash and cash equivalents, net	218,998	34,271
Cash at banks (statutory deposit income)	4,709	4,709
Cash and bank balances	223,707	38,980
Total	734,597	481,018

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

Receivables comprise amounts due from the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
SAR'000		
Policyholders	192,438	147,344
Brokers and agents	218,869	132,590
Related parties	306,847	143,711
Receivables from re-takaful / reinsurance	11,368	8,465
	729,522	432,110
Provision for doubtful receivables	(108,738)	(95,961)
Contributions and re-takaful / reinsurance balances receivable – net	620,784	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	(5,128)	(372)	(396)	(5,896)
Balance at September 30, 2020	41,821	998	793	43,612
Balance at December 31, 2019	7,213	1,370	1,189	9,772

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

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		Takaful operations	
		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	Notes		
- Investments mandatorily measured at FVSI (mutual funds)	8 (a)	340,600	170,552
- Investments designated as FVOCI (equity shares)	8 (b)	31,969	29,982
- Investments held at amortised cost (deposits and sukuks)	8 (c)	1,638,870	1,598,708
Total		2,011,439	1,799,242
		Shareholders' operations	
SAR'000		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
- Investments mandatorily measured at FVSI (mutual funds)	8 (a)	22,195	13,004
- Investments designated as FVOCI (equity shares)	8 (b)	278,109	246,714
- Investments held at amortised cost (deposits and sukuks)	8 (c)	90,031	214,997
Total		390,335	474,715
SAR'000		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
- Investments mandatorily measured at FVSI (mutual funds)		362,795	183,556
- Investments designated as FVOCI (equity shares)		310,078	276,696
- Investments held at amortised cost (deposits and sukuks)		1,728,901	1,813,705

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

8. INVESTMENTS (continued)

Movement in the investment balance is as follows:

a) Investments mandatorily measured at FVSI (mutual funds)

SAR'000

At the beginning of the period / year
Purchased during the period / year
Sold during the period / year
Net change in fair values during the period / year
At the end of the period / year

Takaful operations	
September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
170,552	129,853
965,501	1,219,416
(802,419)	(1,185,249)
6,966	6,532
340,600	170,552

SAR'000

At the beginning of the period / year
Purchased during the period / year
Sold during the period / year
Net change in fair values during the period / year
At the end of the period / year

Shareholders' operations	
September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
13,004	33,975
708,000	545,000
(698,814)	(565,829)
5	(142)
22,195	13,004
362,795	183,556

Total

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

8. INVESTMENTS (continued)

b) Investments designated as FVOCI (equity shares)

SAR'000	Takaful operations	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Opening balance	29,982	25,327
Changes in fair value of investments	1,987	4,655
Closing balance	31,969	29,982
	Shareholders' operations	
	September 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	8,626	17,319
Net change in cash balance with Al Rajhi Capital	104	(190)
Closing balance of equity shares portfolio	278,109	246,714
Portfolio balance with Al Rajhi Capital at the end of the period	270,567	239,276
Cash balance with Al Rajhi Capital	-	(104)
Equity - unlisted shares	7,542	7,542
At the end of the period / year	278,109	246,714
Total	310,078	276,696

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

8. INVESTMENTS (continued)

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

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	
	September 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	589,834	1,250,000
Disposals / maturities	(550,000)	(1,355,000)
At the end of the period / year, gross	1,639,834	1,600,000
Less: Impairment loss	(964)	(1,292)
At the end of the period / year, net	1,638,870	1,598,708
	SAR' 000	
	Shareholders' operations	
	September 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	(275,000)	(415,000)
At the end of the period / year, gross	90,075	215,075
Less: Impairment loss	(44)	(78)
At the end of the period / year, net	90,031	214,997
Total	1,728,901	1,813,705

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

8. INVESTMENTS (continued)

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	September 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 and cash	510,890	-	-	510,890	442,038
Investments held at amortised cost	1,639,834	-	-	1,639,834	1,600,000
Gross carrying amount	2,150,724	-	-	2,150,724	2,042,038
Loss allowance	(964)	-	-	(964)	(1,319)
Carrying amount	2,149,760	-	-	2,149,760	2,040,719

Credit grade	September 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	2,150,724	-	-	2,150,724	2,042,038
Non investment grade	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	2,150,724	-	-	2,150,724	2,042,038
Loss allowance	(964)	-	-	(964)	(1,319)
Carrying amount	2,149,760	-	-	2,149,760	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.

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

8. INVESTMENTS (continued)

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

ii) Shareholders' operations

Financial statement line item	September 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	223,707	-	-	223,707	38,980
Investments held at amortised cost	90,075	-	-	90,075	215,075
Statutory deposit	40,000	-	-	40,000	40,000
Gross carrying amount	353,782	-	-	353,782	294,055
Loss allowance	(75)	-	-	(75)	(109)
Carrying amount	353,707	-	-	353,707	293,946

Credit grade	September 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	353,782	-	-	353,782	294,055
Non investment grade	-	-	-	-	-
Special monitoring	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	353,782	-	-	353,782	294,055
Loss allowance	(75)	-	-	(75)	(109)
Carrying amount	353,707	-	-	353,707	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.

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

8. INVESTMENTS (continued)

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	306	-	-	306
Net re-measurement of loss allowance	-	-	-	-
Financial assets derecognised during the period	(661)	-	-	(661)
Write-offs	-	-	-	-
Total loss allowance for the period	(355)	-	-	(355)
Loss allowance as at September 30, 2020	964	-	-	964

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	(343)	-	-	(343)
Write-offs	-	-	-	-
Total loss allowance for the period	(34)	-	-	(34)
Loss allowance as at September 30, 2020	75	-	-	75

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

9. TECHNICAL RESERVES

9.1 Net outstanding claims and reserves

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

SAR'000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Outstanding claims	439,987	458,876
Less: Realizable value of salvage and subrogation	(142,840)	(105,275)
	<u>297,147</u>	<u>353,601</u>
Claims incurred but not reported	817,194	776,962
Contribution deficiency reserve	122,389	26,303
Other reserves	58,974	-
	<u>1,295,704</u>	<u>1,156,866</u>
Unit linked liabilities at FVSI	124,497	86,821
	<u>1,420,201</u>	<u>1,243,687</u>
Less:		
Re-takaful / reinsurance share of outstanding claims	81,625	110,180
Re-takaful / reinsurance share of claims incurred but not reported	25,681	13,413
	<u>107,306</u>	<u>123,593</u>
Net outstanding claims and reserves	<u><u>1,312,895</u></u>	<u><u>1,120,094</u></u>

9.2 Movement in unearned contributions

Movement in unearned contributions comprise of the following:

SAR'000	Nine month period ended September 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	2,160,321	(327,786)	(6,192)	1,826,343
Contribution earned during the period	(1,982,941)	208,847	6,192	(1,767,902)
Balance at the end of the period	<u>1,300,550</u>	<u>(230,809)</u>	-	<u>1,069,741</u>
	Year ended December 31, 2019 (Audited)			
SAR'000	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	<u>1,123,170</u>	<u>(111,870)</u>	-	<u>1,011,300</u>

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

10. COMMITMENTS AND CONTINGENCIES

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

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

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

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	
September 30, 2020 (Unaudited)					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	362,795	362,795	-	-	362,795
- Investments designated as FVOCI – Quoted securities	302,536	302,536	-	-	302,536
- Investments designated as FVOCI – Unquoted securities	7,542	-	-	7,542	7,542
	672,873	665,331	-	7,542	672,873
Financial assets not measured at fair value					
- Cash and bank balances	734,597	-	-	-	734,597
- Investments held at amortised cost	1,728,901	-	-	-	1,728,901
- Statutory deposit	39,969	-	-	-	39,969
- Other assets	32,606	-	-	-	32,606
	2,536,073	-	-	-	2,536,073
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
	460,252	452,710	-	7,542	460,252
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	25,101	-	-	-	25,101
	2,359,793	-	-	-	2,359,793

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

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

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	
September 30, 2020 (Unaudited)					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	124,497	124,497	-	-	124,497
	<u>124,497</u>	<u>124,497</u>	<u>-</u>	<u>-</u>	<u>124,497</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 September 30, 2020	<u><u>7,542</u></u>

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

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 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.

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

For the three month period ended September 30, 2020 (Unaudited)					
Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
SAR'000					
GROSS CONTRIBUTION WRITTEN					
Retail	5,014	272,645	763	21,024	299,446
Very small	3,923	-	-	-	3,923
Small	16,691	1,905	-	-	18,596
Medium	14,138	58,387	53	-	72,578
Corporate	31,797	171,533	84,832	21,058	309,220
TOTAL GROSS CONTRIBUTION WRITTEN	71,563	504,470	85,648	42,082	703,763
For the three month period ended September 30, 2019 (Unaudited)					
Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
SAR'000					
GROSS CONTRIBUTION WRITTEN					
Retail	7,690	123,168	3,370	12,007	146,235
Very small	17,925	-	-	-	17,925
Small	13,766	12,470	-	-	26,236
Medium	26,077	14,367	-	-	40,444
Corporate	26,903	268,300	45,389	11,953	352,545
TOTAL GROSS CONTRIBUTION WRITTEN	92,361	418,305	48,759	23,960	583,385

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

12. OPERATING SEGMENTS (continued)

For the nine month period ended September 30, 2020
(Unaudited)

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	22,011	640,253	4,210	54,828	721,302
Very small	8,447	-	-	-	8,447
Small	34,359	9,795	-	-	44,154
Medium	33,811	95,586	143	-	129,540
Corporate	108,042	771,038	317,027	60,771	1,256,878
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>206,670</u>	<u>1,516,672</u>	<u>321,380</u>	<u>115,599</u>	<u>2,160,321</u>

For the nine month period ended September 30, 2019
(Unaudited)

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	24,451	355,749	6,321	33,889	420,410
Very small	73,784	-	-	-	73,784
Small	56,664	39,725	-	-	96,389
Medium	107,343	64,872	-	-	172,215
Corporate	128,240	960,884	83,966	35,728	1,208,818
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	<u>390,482</u>	<u>1,421,230</u>	<u>90,287</u>	<u>69,617</u>	<u>1,971,616</u>

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

12. OPERATING SEGMENTS (continued)

As at September 30, 2020
(Unaudited)

Operating segments	Takaful operations					Total	
	Medical	Motor	Property & Casualty	Protection & Savings	Total - Takaful operations		Shareholders' operations
	SAR'000						
Assets:							
Cash and bank balances	-	-	-	-	510,890	223,707	734,597
Contributions and re-takaful / reinsurance balances receivable – net	-	-	-	-	620,784	-	620,784
Re-takaful / reinsurance share of unearned contributions	-	20,807	207,332	2,670	230,809	-	230,809
Re-takaful / reinsurance share of outstanding claims	-	14,506	51,940	15,179	81,625	-	81,625
Re-takaful / reinsurance share of claims incurred but not reported	-	-	11,825	13,856	25,681	-	25,681
Deferred policy acquisition costs	9,480	48,134	6,071	466	64,151	-	64,151
Investments mandatorily measured at FVSI	-	-	-	-	340,600	22,195	362,795
Investments designated as FVOCI	-	-	-	-	31,969	278,109	310,078
Investments held at amortised cost	-	-	-	-	1,638,870	90,031	1,728,901
Right-of-use assets	-	-	-	-	-	43,612	43,612
Unallocated assets	-	-	-	-	79,233	161,121	240,354
Total assets	9,480	83,447	277,168	32,171	3,624,612	818,775	4,443,387
Liabilities:							
Unearned contributions	127,306	945,568	223,415	4,261	1,300,550	-	1,300,550
Unearned re-takaful / reinsurance commission	-	817	17,087	-	17,904	-	17,904
Gross outstanding claims	5,157	213,480	56,373	22,137	297,147	-	297,147
Claims incurred but not reported	111,168	671,783	13,805	20,438	817,194	-	817,194
Contribution deficiency reserve	16,362	103,634	2,393	-	122,389	-	122,389
Other reserves	-	56,474	2,500	-	58,974	-	58,974
Lease obligations	-	-	-	-	-	39,771	39,771
Unallocated liabilities, equity and surplus	-	-	-	-	601,787	1,187,671	1,789,458
Total liabilities, accumulated surplus and equity	259,993	1,991,756	315,573	46,836	3,215,945	1,227,442	4,443,387

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

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

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

12. OPERATING SEGMENTS (continued)

For the three month period ended September 30, 2020

(Unaudited)

Operating segments	Medical	Motor	Property & Casualty	Protection & Savings	Total
	SAR'000				
REVENUES					
Gross contributions written	71,563	504,470	85,648	42,082	703,763
Re-takaful / reinsurance contributions ceded	-	(507)	(73,944)	(14,481)	(88,932)
Excess of loss expenses (XOL)	-	(1,217)	(848)	-	(2,065)
Net contributions written	71,563	502,746	10,856	27,601	612,766
Changes in unearned contributions, net	7,569	(14,637)	(1,597)	544	(8,121)
Net contributions earned	79,132	488,109	9,259	28,145	604,645
Re-takaful / reinsurance commission income	-	288	5,532	-	5,820
Other underwriting income	(29)	296	19	650	936
TOTAL REVENUES	79,103	488,693	14,810	28,795	611,401
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(64,250)	(275,596)	(20,617)	(12,876)	(373,339)
Surrender and maturities	-	-	-	(4,415)	(4,415)
Expenses incurred related to claims	62	(14,514)	-	-	(14,452)
Re-takaful / reinsurance share of claims paid	-	-	20,233	8,735	28,968
Net claims and other benefits paid	(64,188)	(290,110)	(384)	(8,556)	(363,238)
Changes in outstanding claims, net	(291)	10,094	(520)	(2,671)	6,612
Changes in claims incurred but not reported	(21,734)	1,208	(207)	(9)	(20,742)
Contribution deficiency reserve	(1,241)	(7,549)	2,694	-	(6,096)
Change in other reserves	-	(44,450)	(2,500)	-	(46,950)
Net claims and other benefits incurred	(87,454)	(330,807)	(917)	(11,236)	(430,414)
Change in unit linked liabilities at FVSI, net	-	-	-	(10,709)	(10,709)
Policy acquisition costs	(7,384)	(27,992)	(4,858)	(4,002)	(44,236)
Other underwriting expenses	(628)	(4,246)	(575)	(292)	(5,741)
TOTAL UNDERWRITING COSTS AND EXPENSES	(95,466)	(363,045)	(6,350)	(26,239)	(491,100)
NET UNDERWRITING INCOME	(16,363)	125,648	8,460	2,556	120,301
OTHER OPERATING EXPENSES					
Reversal / (allowance) for doubtful debts - contributions and re-takaful / reinsurance balances	-	-	-	-	4,623
General and administrative expenses	-	-	-	-	(73,606)
Special commission income	-	-	-	-	14,556
Net gains on investments mandatorily measured	-	-	-	-	3,793
Dividend income	-	-	-	-	2,054
Impairment loss on financial assets	-	-	-	-	(86)
Other income	-	-	-	-	241
NET INCOME FOR THE PERIOD BEFORE ZAKAT					71,876

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

12. OPERATING SEGMENTS (continued)

For the three month period ended September 30, 2019
(Unaudited)

Operating segments	Medical	Motor	Property & casualty	Protection & Savings	Total
REVENUES					
Gross contributions written	92,361	418,305	48,759	23,960	583,385
Re-takaful / reinsurance contributions ceded	-	(214)	(27,673)	(4,312)	(32,199)
Excess of loss expenses (XOL)	-	(1,638)	(666)	-	(2,304)
Net contributions written	92,361	416,453	20,420	19,648	548,882
Changes in unearned contributions, net	68,560	32,884	(11,180)	1,021	91,285
Net contributions earned	160,921	449,337	9,240	20,669	640,167
Re-takaful / reinsurance commission income	-	103	2,549	-	2,652
Other underwriting income	(98)	93	29	440	464
TOTAL REVENUES	160,823	449,533	11,818	21,109	643,283
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(158,387)	(319,725)	(1,646)	(806)	(480,564)
Surrender and maturities	-	-	-	(2,696)	(2,696)
Expenses incurred related to claims	(868)	(13,638)	-	-	(14,506)
Re-takaful / reinsurance share of claims paid	-	456	948	637	2,041
Net claims and other benefits paid	(159,255)	(332,907)	(698)	(2,865)	(495,725)
Changes in outstanding claims, net	48,490	(22,182)	163	(1,819)	24,652
Changes in incurred but not reported (IBNR) claims, net	(24,866)	(8,083)	(175)	(5,794)	(38,918)
Change in contribution deficiency reserve	23,381	-	-	-	23,381
Net claims and other benefits incurred	(112,250)	(363,172)	(710)	(10,478)	(486,610)
Change in unit linked liabilities at FVSI	-	-	-	(5,173)	(5,173)
Policy acquisition costs	(13,566)	(11,212)	(3,204)	(2,696)	(30,678)
Other underwriting expenses	4	(2,943)	(416)	(119)	(3,474)
TOTAL UNDERWRITING COSTS AND EXPENSES	(125,812)	(377,327)	(4,330)	(18,466)	(525,935)
NET UNDERWRITING INCOME	35,011	72,206	7,488	2,643	117,348
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	-	-	-	-	(9,535)
General and administrative expenses	-	-	-	-	(63,771)
Special commission income	-	-	-	-	17,484
Net gains on investments mandatorily measured at FVSI	-	-	-	-	2,820
Dividend income	-	-	-	-	2,007
Reversal of impairment loss on financial assets	-	-	-	-	(55)
Other income	-	-	-	-	312
NET INCOME FOR THE PERIOD BEFORE ZAKAT					66,610

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

12. OPERATING SEGMENTS (continued)

Operating segments	For the nine month period ended September 30, 2020				Total
	(Unaudited)				
	Medical	Motor	Property & Casualty	Protection & Savings	
	SAR'000				
REVENUES					
Gross contributions written	206,670	1,516,672	321,380	115,599	2,160,321
Re-takaful / reinsurance contributions ceded	-	(2,750)	(295,315)	(29,721)	(327,786)
Excess of loss expenses (XOL)	-	(3,648)	(2,544)	-	(6,192)
Net contributions written	206,670	1,510,274	23,521	85,878	1,826,343
Changes in unearned contributions, net	66,412	(127,625)	1,924	848	(58,441)
Net contributions earned	273,082	1,382,649	25,445	86,726	1,767,902
Re-takaful / reinsurance commission income	-	1,161	14,767	-	15,928
Other underwriting income	(30)	584	42	1,620	2,216
TOTAL REVENUES	273,052	1,384,394	40,254	88,346	1,786,046
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(328,544)	(698,652)	(26,221)	(40,404)	(1,093,821)
Surrender and maturities	-	-	-	(8,780)	(8,780)
Expenses incurred related to claims	(653)	(39,519)	-	-	(40,172)
Re-takaful / reinsurance share of claims paid	-	1,503	25,327	26,843	53,673
Net claims and other benefits paid	(329,197)	(736,668)	(894)	(22,341)	(1,089,100)
Changes in outstanding claims, net	18,016	12,507	(292)	(2,332)	27,899
Changes in incurred but not reported (IBNR) claims, net	62,827	(87,180)	(341)	(3,270)	(27,964)
Contribution deficiency reserve	8,930	(103,634)	(1,382)	-	(96,086)
Change in other reserves	-	(56,474)	(2,500)	-	(58,974)
Net claims and other benefits incurred	(239,424)	(971,449)	(5,409)	(27,943)	(1,244,225)
Change in unit linked liabilities at FVSI, net	-	-	-	(30,990)	(30,990)
Policy acquisition costs	(21,614)	(56,665)	(8,873)	(12,661)	(99,813)
Other underwriting expenses	(1,389)	(13,068)	(2,251)	(818)	(17,526)
TOTAL UNDERWRITING COSTS AND EXPENSES	(262,427)	(1,041,182)	(16,533)	(72,412)	(1,392,554)
NET UNDERWRITING INCOME	10,625	343,212	23,721	15,934	393,492
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	-	-	-	-	(12,777)
General and administrative expenses	-	-	-	-	(223,952)
Special commission income	-	-	-	-	43,670
Net gains on investments mandatorily measured at FVSI	-	-	-	-	10,266
Dividend income	-	-	-	-	5,888
Reversal of impairment loss on financial assets	-	-	-	-	389
Other income	-	-	-	-	632
NET INCOME FOR THE PERIOD BEFORE ZAKAT					217,608

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

12. OPERATING SEGMENTS (continued)

For the nine month period ended September 30, 2019
(Unaudited)

Operating segments	Medical	Motor	Property & casualty	Protection & Savings	Total
<u>REVENUES</u>					
Gross contributions written	390,482	1,421,230	90,287	69,617	1,971,616
Re-takaful / reinsurance contributions ceded	-	(1,860)	(54,270)	(10,835)	(66,965)
Excess of loss expenses (XOL)	-	(4,348)	(1,188)	-	(5,536)
Net contributions written	390,482	1,415,022	34,829	58,782	1,899,115
Changes in unearned contributions, net	139,462	(7,534)	(13,487)	1,232	119,673
Net contributions earned	529,944	1,407,488	21,342	60,014	2,018,788
Re-takaful / reinsurance commission income	-	512	6,079	-	6,591
Other underwriting income	(203)	396	137	1,237	1,567
<u>TOTAL REVENUES</u>	529,741	1,408,396	27,558	61,251	2,026,946
<u>UNDERWRITING COSTS AND EXPENSES</u>					
Gross claims paid and loss adjustment expenses	(527,573)	(956,018)	(296,976)	(8,664)	(1,789,231)
Surrender and maturities	-	-	-	(5,704)	(5,704)
Expenses incurred related to claims	(3,256)	(44,320)	-	-	(47,576)
Re-takaful / reinsurance share of claims paid	-	4,750	295,209	5,599	305,558
Net claims and other benefits paid	(530,829)	(995,588)	(1,767)	(8,769)	(1,536,953)
Changes in outstanding claims, net	29,406	(47,154)	(101)	(1,753)	(19,602)
Changes in incurred but not reported (IBNR) claims, net	(100,967)	25,231	286	(6,060)	(81,510)
Change in contribution deficiency reserve	(23,381)	-	(1,038)	-	(24,419)
Net claims and other benefits incurred	(625,771)	(1,017,511)	(2,620)	(16,582)	(1,662,484)
Change in unit linked liabilities at FVSI	-	-	-	(17,919)	(17,919)
Policy acquisition costs	(41,709)	(31,391)	(6,941)	(6,773)	(86,814)
Other underwriting expenses	(5,730)	(10,952)	(310)	(346)	(17,338)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(673,210)	(1,059,854)	(9,871)	(41,620)	(1,784,555)
NET UNDERWRITING INCOME	(143,469)	348,542	17,687	19,631	242,391
<u>OTHER OPERATING EXPENSES</u>					
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable					(12,859)
General and administrative expenses					(174,343)
Special commission income					54,633
Net gains on investments mandatorily measured at FVSI					10,546
Dividend income					5,409
Reversal of impairment loss on financial assets					59
Other income					1,191
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT</u>					<u>127,027</u>

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

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	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000			
Major shareholders				
Gross contribution written	571,000	678,187	303,668	142,152
Claims paid	352,075	475,969	132,993	(3,348)
Claims incurred and notified during the period	290,756	391,664	-	(194,312)
Bank Balance	-	-	614,213	332,713
Investment in shares of Al Rajhi Banking and Investment Corporation	-	-	29,920	29,783
Entities controlled, jointly controlled or significantly influenced by related parties				
Gross contribution written	9,237	2,199	3,179	1,559
Claims paid	707	2,099	-	-
Claims incurred and notified during the period	767	2,501	520	(568)
Investments managed by affiliates	4,291	24,500	226,369	115,228
Income received from sale of investment in Al Rajhi Capital commodity fund	4,267	5,962	-	-
Investment management fee paid to Al Rajhi Capital	1,597	2,106	-	-
Cash balance with Al Rajhi Capital	-	-	9,440	-

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

	For the period ended	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
	SAR'000	
Salaries and other allowances	5,494	5,515
End of service benefits	3,800	2,267
	9,294	7,782
Shariah committee remuneration	150	188

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

14. ZAKAT AND INCOME TAX

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

	September 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	19,900	22,700
Payments during the period / year	(16,399)	(15,457)
Balance at end of the period / year	<u>44,433</u>	<u>40,932</u>

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:

	September 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	30,992	27,946
Net change in fair values during the period / year	6,684	6,539
At the end of the period / year	<u>124,497</u>	<u>86,821</u>

16. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company was SAR 400 million at September 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.

	September 30, 2020 (Unaudited)		
	Authorized and issued No. of shares	SAR'000	Paid up
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
	<u>40,000,000</u>	<u>400,000</u>	<u>400,000</u>
	December 31, 2019 (Audited)		
	Authorized and issued No. of Shares	SAR'000	Paid up
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
	<u>40,000,000</u>	<u>400,000</u>	<u>400,000</u>

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

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 September 30, 2020 consists of paid-up share capital of SAR 400 million, statutory reserves of SAR 152.5 million and retained earnings of SAR 472.9 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 periods ended September 30, 2020 and September 30, 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 September 30, 2020 and September 30, 2019.

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

19. SUPPLEMENTARY INFORMATION
19.1 Interim Statement of financial position

	SAR '000				
	September 30, 2020 (Unaudited)		December 31, 2019 (Audited)		
	Takaful operations	Shareholders' operations	Total	Shareholders' operations	Total
ASSETS:					
Cash and bank balances	510,890	223,707	734,597	442,038	38,980
Contributions and re-takaful / reinsurance balances receivable - net	620,784	-	620,784	336,149	-
Re-takaful / reinsurance share of unearned contributions	230,809	-	230,809	111,870	-
Re-takaful / reinsurance share of outstanding claims	81,625	-	81,625	110,180	-
Re-takaful / reinsurance share of claims incurred but not reported	25,681	-	25,681	13,413	-
Re-takaful / reinsurance share of mathematical reserve at FVSI	24	-	24	21	-
Deferred policy acquisition costs	64,151	-	64,151	44,512	-
Investments mandatorily measured at FVSI	340,600	22,195	362,795	170,552	13,004
Investments designated as FVOCI	31,969	278,109	310,078	29,982	246,714
Due (to)/ from shareholders / takaful operations	(408,667)	408,667	-	(328,011)	328,011
Investments held at amortised cost	1,638,870	90,031	1,728,901	1,598,708	214,997
Prepayments and other assets	79,209	74,657	153,866	89,074	67,132
Property and equipment	-	44,620	44,620	-	25,263
Statutory deposit	-	39,969	39,969	-	39,969
Accrued income on statutory deposit	-	1,875	1,875	-	944
Right-of-use assets	-	43,612	43,612	-	9,772
TOTAL ASSETS	3,215,945	1,227,442	4,443,387	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			
	September 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Takaful operations	Shareholders' operations	Total	Total
LIABILITIES:				
Payables, accruals and other liabilities	203,379	52,990	256,369	92,374
Re-takaful / reinsurance balances payable	225,316	-	225,316	94,637
Unearned contributions	1,300,550	-	1,300,550	1,123,170
Unearned re-takaful / reinsurance commission income	17,904	-	17,904	8,792
Gross outstanding claims	297,147	-	297,147	353,601
Claim incurred but not reported	817,194	-	817,194	776,962
Contribution deficiency reserve	122,389	-	122,389	26,303
Other reserves	58,974	-	58,974	-
Unit linked liabilities at FVSI	124,497	-	124,497	86,821
End-of-service benefits	-	21,579	21,579	18,620
Provision for zakat and income tax	-	44,433	44,433	40,932
Payables to SAMA	-	6,584	6,584	5,654
Lease liabilities	-	39,771	39,771	6,978
	3,167,350	165,357	3,332,707	2,562,660
	47,664	-	47,664	56,883
Takaful operations' surplus payable	-	-	-	-
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	3,215,014	165,357	3,380,371	2,619,543
				108,512
EQUITY:				
Share capital	-	400,000	400,000	400,000
Statutory reserve	-	152,499	152,499	113,082
Retained earnings	-	472,905	472,905	335,138
Remeasurement reserve for EOSB	-	(1,528)	(1,528)	(1,528)
Fair value reserve - Investments designated as FVOCI	931	38,209	39,140	29,582
	931	1,063,085	1,063,016	876,274
TOTAL EQUITY	3,215,945	1,227,442	4,443,387	2,618,488
				984,786
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY				3,603,274
	19,000	-	19,000	22,456
COMMITMENTS AND CONTINGENCIES				-

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)

(5.55) (35,522)

	SAR '000					
	September 30, 2020			September 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	703,763	-	703,763	583,385	-	583,385
Re-takaful / reinsurance contributions ceded - domestic	(4,514)	-	(4,514)	(1,274)	-	(1,274)
Re-takaful / reinsurance contributions ceded - foreign	(84,418)	-	(84,418)	(30,925)	-	(30,925)
Excess of loss expenses – foreign	(2,065)	-	(2,065)	(2,304)	-	(2,304)
Net contributions written	612,766	-	612,766	548,882	-	548,882
Changes in unearned contributions, net	(8,121)	-	(8,121)	91,285	-	91,285
Net contributions earned	604,645	-	604,645	640,167	-	640,167
Re-takaful / reinsurance commission income	5,820	-	5,820	2,652	-	2,652
Other underwriting income	936	-	936	464	-	464
TOTAL REVENUES	611,401	-	611,401	643,283	-	643,283
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	(373,339)	-	(373,339)	(480,564)	-	(480,564)
Surrenders and maturities	(4,415)	-	(4,415)	(2,696)	-	(2,696)
Expenses incurred related to claims	(14,452)	-	(14,452)	(14,506)	-	(14,506)
Reinsurers' share of claims paid	28,968	-	28,968	2,041	-	2,041
Net claims and other benefits paid	(363,238)	-	(363,238)	(495,725)	-	(495,725)
Changes in outstanding claims, net	6,612	-	6,612	24,652	-	24,652
Changes in claims incurred but not reported	(20,742)	-	(20,742)	(38,918)	-	(38,918)
Change in contribution deficiency reserve	(6,096)	-	(6,096)	23,381	-	23,381
Change in other reserves	(46,950)	-	(46,950)	-	-	-
Net claims and other benefits incurred	(430,414)	-	(430,414)	(486,610)	-	(486,610)
Change in unit linked liabilities at FVSI, net	(10,709)	-	(10,709)	(5,173)	-	(5,173)
Policy acquisition costs	(44,236)	-	(44,236)	(30,678)	-	(30,678)
Other underwriting expenses	(5,741)	-	(5,741)	(3,474)	-	(3,474)
TOTAL UNDERWRITING COSTS AND EXPENSES	(491,100)	-	(491,100)	(525,935)	-	(525,935)
NET UNDERWRITING INCOME	120,301	-	120,301	117,348	-	117,348
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal / (allowance) for doubtful debts - contributions and re-takaful / reinsurance balances receivable	4,623	-	4,623	(9,535)	-	(9,535)
Management fee for administration of takaful operations	(73,606)	73,606	-	(63,771)	63,771	-
General and administrative expenses	-	(73,606)	(73,606)	-	(63,771)	(63,771)
Special commission income	13,876	680	14,556	14,066	3,418	17,484
Net gains on investments mandatorily measured at FVSI	3,169	624	3,793	2,276	544	2,820
Dividend income	-	2,054	2,054	-	2,007	2,007
Reversal of impairment loss on financial assets	(134)	48	(86)	(77)	22	(55)
Other income	-	241	241	-	312	312
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(52,072)	3,647	(48,425)	(57,041)	6,303	(50,738)
NET INCOME FOR THE PERIOD BEFORE ATTRIBUTION OF MANAGEMENT FEE	68,229	3,647	71,876	60,307	6,303	66,610
Management fee attributable to shareholders' operations	(61,406)	61,406	-	(54,277)	54,277	-
NET INCOME FOR THE PERIOD AFTER ATTRIBUTION OF MANAGEMENT FEE	6,823	65,053	71,876	6,030	60,580	66,610
Provision for zakat	-	(7,250)	(7,250)	-	(6,600)	(6,600)
Net income for the period after zakat	6,823	57,803	64,626	6,030	53,980	60,010

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

19. SUPPLEMENTARY INFORMATION (continued)

19.2 Interim Statement of income (continued)

(For the nine month period ended)

	SAR '000					
	September 30, 2020			September 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	2,160,321	-	2,160,321	1,971,616	-	1,971,616
Re-takaful / reinsurance contributions ceded - domestic	(8,049)	-	(8,049)	(2,085)	-	(2,085)
Re-takaful / reinsurance contributions ceded - foreign	(319,737)	-	(319,737)	(64,880)	-	(64,880)
Excess of loss expenses – foreign	(6,192)	-	(6,192)	(5,536)	-	(5,536)
Net contributions written	1,826,343	-	1,826,343	1,899,115	-	1,899,115
Changes in unearned contributions, net	(58,441)	-	(58,441)	119,673	-	119,673
Net contributions earned	1,767,902	-	1,767,902	2,018,788	-	2,018,788
Re-takaful / reinsurance commission income	15,928	-	15,928	6,591	-	6,591
Other underwriting income	2,216	-	2,216	1,567	-	1,567
TOTAL REVENUES	1,786,046	-	1,786,046	2,026,946	-	2,026,946
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	(1,093,821)	-	(1,093,821)	(1,789,231)	-	(1,789,231)
Surrenders and maturities	(8,780)	-	(8,780)	(5,704)	-	(5,704)
Expenses incurred related to claims	(40,172)	-	(40,172)	(47,576)	-	(47,576)
Reinsurers' share of claims paid	53,673	-	53,673	305,558	-	305,558
Net claims and other benefits paid	(1,089,100)	-	(1,089,100)	(1,536,953)	-	(1,536,953)
Changes in outstanding claims, net	27,899	-	27,899	(19,602)	-	(19,602)
Changes in incurred but not reported (IBNR) claims, net	(27,964)	-	(27,964)	(81,510)	-	(81,510)
Change in contribution deficiency reserve	(96,086)	-	(96,086)	(24,419)	-	(24,419)
Change in other reserves	(58,974)	-	(58,974)	-	-	-
Net claims and other benefits incurred	(1,244,225)	-	(1,244,225)	(1,662,484)	-	(1,662,484)
Change in unit linked liabilities at FVSI, net	(30,990)	-	(30,990)	(17,919)	-	(17,919)
Policy acquisition costs	(99,813)	-	(99,813)	(86,814)	-	(86,814)
Other underwriting expenses	(17,526)	-	(17,526)	(17,338)	-	(17,338)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,392,554)	-	(1,392,554)	(1,784,555)	-	(1,784,555)
NET UNDERWRITING INCOME	393,492	-	393,492	242,391	-	242,391
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable	(12,777)	-	(12,777)	(12,859)	-	(12,859)
Management fee for administration of takaful operations	(223,952)	223,952	-	(174,343)	174,343	-
General and administrative expenses	-	(223,952)	(223,952)	-	(174,343)	(174,343)
Special commission income	39,545	4,125	43,670	45,763	8,870	54,633
Net gains on investments mandatorily measured at FVSI	8,575	1,691	10,266	8,798	1,748	10,546
Dividend income	-	5,888	5,888	-	5,409	5,409
Reversal of impairment loss on financial assets	355	34	389	124	(65)	59
Other income	-	632	632	-	1,191	1,191
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(188,254)	12,370	(175,884)	(132,517)	17,153	(115,364)
NET INCOME FOR THE PERIOD BEFORE ATTRIBUTION OF MANAGEMENT FEE	205,238	12,370	217,608	109,874	17,153	127,027
Management fee attributable to shareholders' operations	(184,714)	184,714	-	(98,887)	98,887	-
NET INCOME FOR THE PERIOD AFTER ATTRIBUTION OF MANAGEMENT FEE	20,524	197,084	217,608	10,987	116,040	127,027
Provision for zakat	-	(19,900)	(19,900)	-	(17,100)	(17,100)
Net income for the period after zakat	20,524	177,184	197,708	10,987	98,940	109,927

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					
	September 30, 2020			September 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income for the period after zakat attributable to the shareholders	-	57,803	57,803	-	53,980	53,980
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	5,246	28,405	33,651	279	(8,731)	(8,452)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	5,246	86,208	91,454	279	45,249	45,528

	For the nine month period ended					
	(Unaudited)					
	SAR '000					
	September 30, 2020			September 30, 2019		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income for the period after zakat attributable to the shareholders	-	177,184	177,184	-	98,940	98,940
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	1,987	8,626	10,613	1,955	2,858	4,813
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	1,987	185,810	187,797	1,955	101,798	103,753

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

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

	SAR '000					
	September 30, 2020		September 30, 2019		Total	
	Takaful operations	Shareholders' operations	Takaful operations	Shareholders' operations		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat	20,524	197,084	217,608	10,987	116,040	127,027
Adjustments for non-cash items:						
Depreciation of property and equipment	-	6,088	6,088	-	6,440	6,440
Depreciation of right-of-use assets	-	5,896	5,896	-	4,310	4,310
Management fee for administration of takaful operations	223,952	(223,952)	-	174,343	(174,343)	-
Management fee attributable to shareholders' operations	184,714	(184,714)	-	98,886	(98,886)	-
Allowance for doubtful debts - contribution and retakaful / reinsurance balances receivable	12,777	-	12,777	12,867	-	12,867
Unrealized gain / (loss) on investments mandatorily measured at FVSI	(6,966)	(5)	(6,971)	(3,549)	177	(3,372)
Reversal / Impairment loss on financial assets	(355)	(34)	(389)	(124)	65	(59)
End-of-service benefits liability (EOSB)	-	5,006	5,006	-	4,124	4,124
	434,646	(194,631)	240,015	293,410	(142,073)	151,337
Changes in operating assets and liabilities:						
Contributions and re-takaful balances receivable	(297,412)	-	(297,412)	50,136	-	50,136
Re-takaful / reinsurance share of unearned contributions	(118,939)	-	(118,939)	(1,838)	-	(1,838)
Re-takaful / reinsurance share of outstanding claims	28,555	-	28,555	268,803	-	268,803
Re-takaful / reinsurance share of claims incurred but not reported	(12,268)	-	(12,268)	1,508	-	1,508
Re-takaful / reinsurance share of financial liabilities at FVSI	(3)	-	(3)	13	-	13
Deferred policy acquisition costs	(19,639)	-	(19,639)	15,320	-	15,320
Prepayments and other assets	9,865	(7,525)	2,340	(83,878)	(33,011)	(116,889)
Right-of-use assets	-	(39,736)	(39,736)	-	(14,903)	(14,903)
Accrued income on statutory deposit	-	(931)	(931)	-	(483)	(483)
Payable to SAMA	-	930	930	-	484	484
Payables, accruals and other liabilities	111,005	16,662	127,667	(9,481)	(7,036)	(16,517)
Financial liabilities at FVSI	37,676	-	37,676	21,390	-	21,390
Re-takaful / reinsurance balances payable	130,679	-	130,679	1,934	-	1,934
Unearned contributions	177,380	-	177,380	(117,836)	-	(117,836)
Unearned re-takaful / reinsurance commission	9,112	-	9,112	2,065	-	2,065

**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					
	September 30, 2020		September 30, 2019		Total
	Takaful operations	Shareholders' operations	Takaful operations	Shareholders' operations	
Gross outstanding claims	(56,454)	-	(249,199)	-	(249,199)
Claims Incurred but not reported	40,232	-	89,036	-	89,036
Contribution deficiency reserve	96,086	-	15,385	-	15,385
Other reserves	58,974	-	-	-	-
Lease liabilities	-	32,793	-	8,247	8,247
Deposit against letters of guarantee	3,456	-	(2,541)	-	(2,541)
Management fee (paid) / received	632,951	(192,438)	294,227	(188,775)	105,452
Zakat paid	(328,011)	328,011	(401,888)	401,888	-
Takaful operations' surplus paid	-	(16,399)	-	(15,457)	(15,457)
End-of-service benefits paid (EOSB)	(29,743)	-	-	-	-
Net cash generated from operating activities	275,197	(2,047)	(2,047)	(1,175)	(1,175)
	-	117,127	-	196,481	88,820
	-	392,324	-	-	-
	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments mandatorily measured at FVSI	(965,501)	(708,000)	(1,019,436)	(435,000)	(1,454,436)
Disposals of investments mandatorily measured at FVSI	802,419	698,814	990,962	462,575	1,453,537
Purchase of investments designated as FVOCI	-	(38,599)	-	-	-
Disposals of investments designated as FVOCI	-	15,934	-	-	-
Movement in cash balance in equity share portfolio	-	(104)	-	520	520
Purchase of investments held at amortised cost	(589,834)	(150,000)	(700,000)	(545,001)	(1,245,001)
Disposal of investments held at amortised cost	550,000	275,000	905,000	315,000	1,220,000
Additions in property and equipment	-	(25,445)	-	(3,901)	(3,901)
Net cash (used in) / generated from investing activities	(202,916)	67,600	176,526	(205,807)	(29,281)
Net change in cash and cash equivalents	72,281	184,727	68,865	(9,326)	59,539
Cash and cash equivalents, beginning of the period	419,609	34,271	453,880	121,515	476,940
Cash and cash equivalents, end of the period	491,890	218,998	710,888	112,189	536,479
NON-CASH INFORMATION					
Changes in fair value of investments designated as FVOCI	1,987	8,626	1,955	2,858	4,813

20. APPROVAL OF THE FINANCIAL STATEMENTS

These Interim condensed financial information were approved by the Board of Directors of the Company, on Rabi Al -Awwal 11 1442, corresponding October 28, 2020.