



His Royal Highness
**Prince Mohammad Bin Salman
Bin Abdulaziz Al-Saud**
Crown Prince, First Deputy Prime
Minister And Minister of Defense.



Custodian of the
Two Holy Mosques
**King Salman Bin
Abdulaziz Al-Saud**

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Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I present the 12th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2019.

Market conditions were more challenging in 2019 with negative growth compared to the previous years. Nevertheless, the Company adjusted its strategies to these conditions in order to maintain its profitability

As part of our Multi-distribution strategy, we expanded our sales channels in the 3 main regions of the country to better serve our customers and partners.

Despite the challenging situation in 2019 we were able meet the targeted profitability with a Net Profit before Zakat & Tax of SAR 41.6 Million, the highest since establishment in 2007. This increase represents a growth of 12.3% compared to 2018. This also shows how efficient the company's underwriting policies have been over the past few years.

Under our Corporate Social Responsibility activities the company launched a CSR Campaign in 2019. In August 2019, the Company organized a football tournament for teenagers and two were chosen to represent the Kingdom in the Allianz Junior Football Camp which is held every year in cooperation with Bundesliga giants Bayern Munich in Munich, Germany.

In 2020, the Company will focus on further enhancing the customer experience and the digitalization of services and operations. Furthermore, we will continue to develop our multi-distribution channels strategy for both Retail and Corporate Customers.

Development and empowering our employees are an essential part of our renewal agenda in order to reinforce the culture of the Company where people and performance matter without excluding anyone.

I express my sincere gratitude to all of our employees and distribution partners for this outstanding achievement. I remain convinced that a motivated and well-qualified workforce is of utmost importance and the basis for our success. Likewise the positive results of our annual Allianz Engagement Survey show that our employees continue to value Allianz Saudi Fransi as an attractive employer.

I would also like to express my deepest gratitude to the Custodian of the Two Holy Mosques King Salman Bin Abdul Aziz Al Saud and his Crown Prince Mohammad Bin Salman Al Saud for their continuous support to the Insurance Industry. I would also like to thank the Saudi Arabian Monetary Agency, the Council of Cooperative Health Insurance, the Capital Market Authority and the Ministry of Commerce. I take this opportunity to thank the Board of Directors, the Management and the Staff for their support and dedication.

Al Waleed Abdulrazak Al Dryaan
Chairman

The Board of Directors' Report

The Board of Directors (BOD) of Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's 11th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2019.

Following is a presentation of the most significant developments, operational activities and financial results:

1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company is a joint stock company, founded upon the decision of the Council of Ministers No. 233 dated 161427/9/ H, 9th October 2006 and the Royal Decree No. 60/M dated 181427/09/ H, 11th October 2006.

The initial authorized and issued Capital of the Company was SAR 100 million. In April 2010, the Company increased its capital through rights issue. The share capital of the Company became SAR 200 million consisting of 20 million shares. The ownership of Allianz Saudi Fransi's shares as of 31st December 2019 is as follows:

- 18.5% Allianz Europe B.V
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- 14.00% Banque Saudi Fransi (BSF)
- Within the remaining 35% public shareholders, the following owns more than 1% share:
 - 1.47% Naif Abdul Rahman Al Einaz
 - 1.22% Fahdah Hussain Al Athel
 - 1.10% Abdullah Abdul Rahman Al Omrani
 - 1.08% Mostafa Fouad Ali Redha
 - 1.06% Abdullah Mohammed Al Rasheed

The Company has received its operational license (Ref: TMN/1120083/) from the Saudi Arabian Monetary Agency (SAMA) on 301429/02/ H, 8th March 2008 and has successfully renewed it on 301432/02/ H– 5th February 2011 on 291435/02/ H - 1st January 2014 and on 281438/02/ corresponding to 28th November 2016 and on 281441/02/ corresponding to 28th October 2019 for a period of another 3 years.

2. The Company's Vision, Mission, Strategy & Values

Our Vision is

To be amongst top Saudi Insurers with global expertise and local insight, providing world class products and services in all lines of business, with nationwide reach using diverse channels of distribution, through highly trained and motivated employees.

Our Mission Statement is

Create Trust – Deliver Excellence

Our Values are

Expertise, Integrity and Sustainability.

Our Strategy is

To provide insurance solutions in all lines of business through three axes of development:

- Banque Saudi Fransi: to provide Retail and Corporate Bancassurance products.
- Direct Sales Force: to provide individual insurance solutions.
- Selected brokers and dedicated account executives: to provide comprehensive solutions for corporate customers.

The Company will keep investing strongly to develop those distribution channels with the aim to further develop its market position in Property, Casualty and Health Business as well as in Protection and Savings products.

3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments:

2006

October

The founders received the authorization to establish the Company as per Royal Decree No. 60/M

2007

March

The Company went public through an Initial Public Offering

June

The Constituting General Assembly was held

2008

March

The Operational License from SAMA (Ref: TMN/11/20083) was obtained

September

The Company moved to the New Head Office in Riyadh and received its first products' approval

November

SAMA approved the transfer of Insaudi portfolio subject to no goodwill

2009

January

Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009

March

The individual Protection & Savings products approvals were received

November

Banque Saudi Fransi Bancassurance Protection & Savings products approvals are received

2010

April

The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million

November

BSF Bancassurance Portfolio transfer was completed

2011

February

The Company renewed its operational license from SAMA (Ref: TMN/1120083/) for another 3 years

June

The Company launched the Sharia Compliant Protection & Savings "Gold" Products

2012

January

The Company restructured its Direct Sales Force for Retail Business as well as its branches

August

The Company restructured its Corporate Sales Force to better serve corporate and commercial customers

2013

January

Launched common workflow platform for all Sales Channels including Sales Support function

August

Xavier Denys succeeded Antoine Issa as Chief Executive Officer

2014

January

The Company obtained from SAMA the renewal of its operational license for 3 years

May

Mr. Ammar Al Khudairy appointed as new Chairman of the Company

September

D&O Liability and Medical Malpractice Insurance Products approved by SAMA

November

Mr. Oliver Bäte, Future CEO of Allianz SE (Effective 7th of May 2015) visited the company

2015

September

Mr. Sergio Balbinot, Member of Allianz SE Board of Management, Insurance Western & Southern Europe, Middle East, Africa, India visited the company

October

The Company obtained from SAMA the Visitor insurance product approval. Claims Workflow launched in the H.O. and Branches

November

Launching the new strategic initiatives (Renewal Agenda)

December

The Company achieved the highest Net Profit - before zakat and tax since the establishment

2016

February

Renewal Agenda official kick off and announcement to employees

February

The Company participated in the Janadriyah Festival as part of the German Guest of Honor Pavilion

November

The Company obtained from SAMA the renewal of its operational license for 3 years.

December

Full Fledged Customer Call Center launched.

2017

March

The Company opened Travel Insurance Points of Sale at the VFS Centers in Riyadh, Jeddah and Khobar

September

Fast Quote online Motor Quotation Tool launched.

October

Allianz Group reached an agreement with Bank Saudi Fransi to purchase an 18.5% shareholding in Allianz Saudi Fransi from the Bank.



2018

March

Eng. Alwaleed Al Dryaan appointed as Chairman of the Board of Directors.

March

Allianz Group completed an agreement with Bank Saudi Fransi to purchase an 18.5% shareholding in Allianz Saudi Fransi from the Bank.

June

The Board recommends to increase capital through rights issue with a total value of SAR 400Mn

November

The Company obtained SAMA's non-objection to proceed with the Rights Issue.

November

The company announces the resignation of Mr. Xavier Denys and the appointment of Mr. Andreas Brunner as CEO of the company with an effective date 1st January 2019

2019

January

Andreas Brunner succeeded Xavier Denys as Chief Executive Officer

October

The Company obtained from SAMA the renewal of its operation license for three years.

November

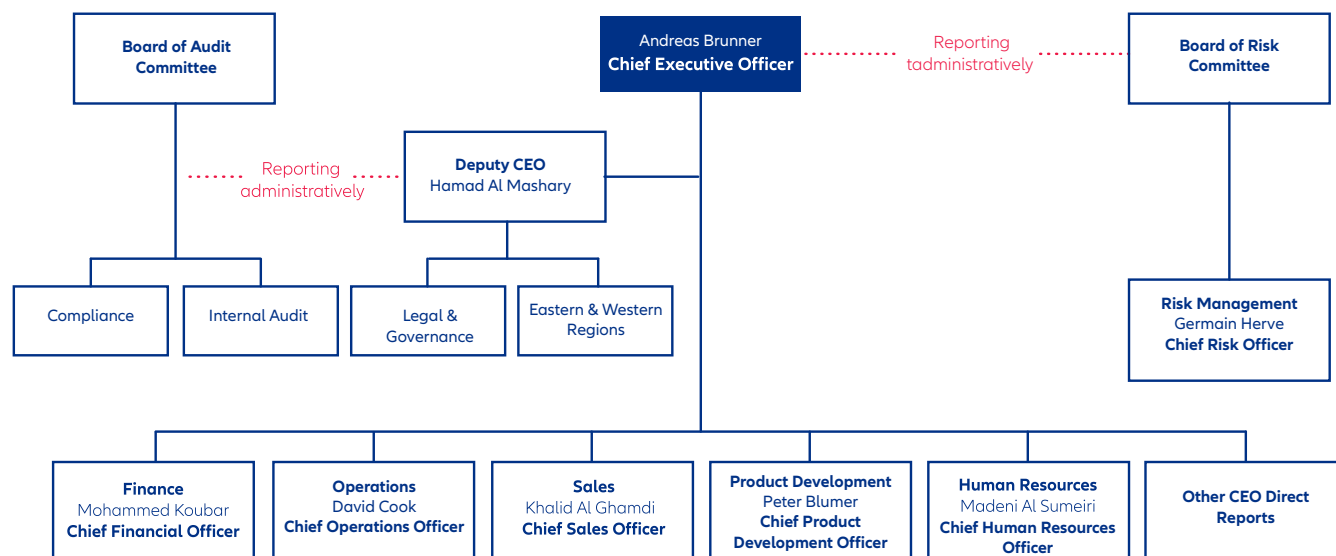
Mr. Niran Peiris, Member of the Board of Management of Allianz SE, Global Insurance Lines & Anglo Markets, Reinsurance, Middle East, Africa, visited the Company.

November

Online TPL Insurance Portal Launched

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2019 is shown here below:



* Effective 1 January 2019, Andreas Brunner succeeded Xavier Denys as Chief Executive Officer.

5. Top Management

The members of the Top Management of the Company as of 31/12/2019 are:

Name	Position	Year of Birth	Latest Degree	Previous Experience
Andreas Brunner	Chief Executive Officer	1972	Masters in Business Administration	Worked in similar leadership positions within Allianz Group
Hamad Al Mashary	Deputy Chief Executive Officer	1978	Masters of Science in Risk Management & Insurance, Economics	Held various leadership from SAMA and other insurance companies
Mohammad Koubar	Chief Financial Officer	1979	BA Finance & Accounting	Worked in the External Audit function in one of the big 4 firms
David Cook	Chief Operations Officer	1958	Bachelor of Political Science and Public Administration	Worked in similar leadership positions within Allianz
Khalid Al-Ghamdi	Chief Sales Officer	1972	BA in Mass Communication – Public Relations & Advertising	Worked in similar positions in the Saudi Insurance Industry
Germain Herve	Chief Risk Officer	1981	Masters in Management	Worked in similar leadership positions within Allianz Group
Madeni Al Sumeiri	Chief Human Resources Officer	1963	BA Business Administration, Diploma BSF PDP	Worked in the Human Resource & Government Relations in Banque Saudi Fransi
Peter Blumer	Chief Product Development Officer	1971	Masters Degree in Economics and PhD In Political Sciences	Worked in similar leadership positions within Allianz Group

6. Human Resources

As part of our Renewal Agenda, we introduced the Inclusive Meritocracy initiative to re-enforce a culture where both people and performance matter. We foster knowledge and strive for excellence at every point with the customer. Thus it's important that we empower our employees and provide them with purpose and direction, encourage them to take the initiative to improve our customer experience and move forward in their careers. In 2019 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2019 the percentage of Saudi nationals within the company represented 76%.

7. Geographical Presence

Our geographical presence in the Kingdom of Saudi Arabia is shown here below:

Office	Address	Telephone & Fax	
Riyadh Head Office & Riyadh Branch	Al Safwa Commercial Building, Khorais Road, Al Khaleej Bridge, Malaz District, P.O. Box 3540, Riyadh 11481	Tel: +966 (11) 821 3000 Tel: +966 (11) 920028727 Fax: +966 (11) 821 3999 Toll Free: 800301001	
Jeddah Regional Office	Ibrahim Juffali Street (intersection with Tahlia Street), Andalus District, P.O. Box 122901, Jeddah 21332	Tel: +966 (12) 283 0228 Fax: +966 (12) 283 0718	
Khobar Branch (Corporate Sales & Claims)	Al Sharq Tower, 3rd Floor Office No. 12, Al Dhahran Street, P.O. Box 15217, Khobar 31952	Tel: +966 (13) 898 2671 Fax: +966 (13) 898 2646	
Hassa Branch (Retail Sales & Claims)	Al Harshan Tower, 1st Floor,, Al Dhahran Street, Al Mubarraz, Al Shroufiyah District P.O. Box 3996, Dammam 31429	Tel: +966 (13) 531 4521 Fax: +966 (13) 582 8118	
Dammam Branch (Retail Sales)	Reviera Building, Al Khaleej Road, P.O. Box 36622, Dammam 31429	Tel: +966 (13) 802 0385 Fax: +966 (13) 802 0392	
Madinah Branch (Retail Sales & Claims)	AlDiola Building, King Abdul Aziz Road P.O. Box 501, Madinah 41421	Tel: +966 (14) 834 0627 Fax: +966 (14) 834 3788	

8. The Company's Products and Services

Allianz Saudi Fransi provides comprehensive insurance services to corporate and individual customers. With the General line of business (Property and Casualty insurance), Allianz Saudi Fransi embraces the entire spectrum of risk management supported by a diversified range of insurance products for corporate and individual customers. With the Protection, Savings and Health insurances, the company plays a leading role in the field of Employee Benefits schemes as well as in retail with Health, Retirement and Education savings plans.

The Company provides corporate and individual solutions as listed hereunder:

Corporate Solutions	Individual Solutions	Bancassurance Solutions
Employee Benefits	Protection & Savings	Protection & Savings
Group Protection & Health	Waad Al Ousra Gold (Protection)	Al Anjal (Education)
Workmen Compensation	Waad Al Ajyal Gold (Education)	Al Ghad (Retirement)
Group Personal Accidents (PA)	Waad Al Isteqrar Gold (Retirement)	Protection & Savings (Takaful)
Engineering	Property, Casualty & Health	Takaful Al Anjal (Education)
Contractors All Risks (CAR)	ASF Property & House Occupants	Takaful Al Ghad (Retirement)
Erection All Risks (EAR)	Comprehensive	Property, Casualty & Health
Machinery Breakdown	ASF Motor	Comprehensive Motor Insurance
Electronic Equipment	ASF Health	Third Party Liability Motor Insurance
Boiler Pressure & Vessel	ASF Personal Accident	Travel Insurance
Contractors Plant & Machinery	ASF Travel	
Property & Casualty		
Property All Risks		
Fire, Theft, Money		
Sabotage and Terrorism		
Motor Fleet		
Liability		
Fidelity Guarantee		
Comprehensive Crime		
Third Party Liability		
Public & Product Liability		
Public Liability		
Bankers Blanket Bond and Electronic and Computer Crime		
Marine & Cargo		
Credit Insurance		
D&O Insurance		
Medical Malpractice Insurance		

9. Financial Highlights

a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 1011.7 Million for the twelve months ended December 2019 against SAR 870.7 Million for the twelve months ended December 2018 showing an increase of 16.2%. The split per line of business is as follows:

SAR Million	2019	2018	2017	2016	2015
■ Property, Casualty & Health:	892.9	752.2	788.9	686.3	632.2
a) Motor:	469.1	397.0	428.1	299.0	199.0
b) Engineering:	41.5	52.3	50.4	74.0	107.2
c) Medical:	190.2	110.9	104.4	123.8	103.1
d) Other General:	192.2	192.0	206	189.5	222.9
■ Protection & Savings:	118.7	118.5	136.6	149.9	171.0

Gross Written Premiums in property, casualty and health increased by 18.7% compared to 2018. This was driven by the growth in Motor business of 18.2% and in medical business of 71.5%. Engineering is showing 20.7% decline compared to 2018 while other general businesses are showing 0.1% growth compared to 2018. Protection & Savings Gross Written Premiums are showing a growth of 0.2% compared to 2018.

Although all the premiums are booked in the Head Office in Riyadh, the sales process is decentralized in the various offices in the Kingdom of Saudi Arabia.

The volumes generated in each region are summarized below:

SAR Million	2019	2018	2017	2016	2015
Central Region:	727.4	616.7	684.7	611.0	582.6
Western Region:	141.7	105.0	135.3	99.8	126.1
Eastern Region:	142.5	149.0	105.5	125.4	94.5

b) Net Premiums Earned

The Net Premiums Earned calculated after deducting the premiums ceded to reinsurers and the reserves for unearned premiums, amounted to SAR 685.4 Million for the year ended December 2019 against SAR 601.2 Million for the year ended December 2018.

The company retains the bigger part of the business in Motor and Medical while in Engineering and other general lines, reinsurance cession are more important in view of the size of the risk and the exposure. Therefore, and as a result of the growth in the gross written premium, the net earned premium increased by 14.0% in 2019 compared to the previous year.

c) Reinsurance Commissions

Reinsurance commissions amounted to SAR 17.2 Million compared to SAR 16.6 Million and showing an increase of 3.7%. This is mainly driven by the positive performance in general lines.

d) Net Claims and Other Benefits Incurred

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (515.9) Million for the twelve months ended December 2019 against SAR (459.8) Million for the twelve months ended December 2018, representing an increase of 12.2%. This is mainly due to the increase of business in Motor and Medical which showed a net earned premium growth by 21.6% in 2019 compared to the previous year

e) Unrealized Gain on Unit-Linked Investment

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 19.7 Million for the twelve months ended December 2019 against SAR 17.0 Million in 2018. This is coming from the market fluctuation of the underlying funds.

f) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR 22.3 Million for the twelve months ended December 2019 against SAR 15.3 Million in 2018 due to the net impact of written premiums, Surrenders and revaluation of Unit Link Investments.

g) Policy Acquisition Costs

The commissions paid to producers (policy acquisition costs) amounted to (65.1) Million compared to (54.2) Million showing an increase of 20.1%. This is mainly influenced by the growth in gross written premium and the change of the business mix.

h) General Expenses

The Company has incurred during 2019 insurance operations expenses of SAR (123.3) Million, against insurance operations expenses of SAR (99.5) Million during 2018. The increase was driven by expenses incurred to reinforce the company's structure and to support the overall business growth.

In addition, the Company incurred during 2019 inspection expenses of SAR (7.0) Million compared to SAR (4.9) Million in 2018. This is mainly influenced by the level of business booked during the year.

Also, the Company incurred during 2019 provision of doubtful debts of SAR (3.0) Million compared to SAR (5.6) Million in 2018.

i) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2019 are summarized here below.

SAR Million	2019	2018	2017	2016	2015
Cash & cash equivalents:	148.9	93.1	133.3	93.5	56.8
Sukuk/Funds:	379.1	328.2	305.8	237.2	226.6
Subscription in Najm & NextCare Companies	3.2	3.2	3.2	3.2	3.2
Saudi Aramco	3.1	-	-	-	-
Held to maturity	-	-	-	-	-

The investment income excluding unrealized gain on investments from unit-linked Protection & Savings products and excluding Other Operational Income amounted to SAR 10.4 Million as of December 2019 against SAR 10.8 Million as of December 2018.

j) Other Income

Other Income represents mainly the income generated to the company from Manafeth arrangement which is amounting to SAR 5.0 Million vs. SAR 3.8 Million in 2018.

k) Net Income from insurance operations (Operating Results)

The technical result before shareholder investment income and before shareholder general expenses is showing a Net Surplus of SAR 39.9 Million for the twelve months ended December 2019 against a Net Surplus of SAR 34.4 Million for the twelve months ended December 2018, representing an increase by 15.9%.

This result was mainly driven by the excellent technical performance of the general lines and the improvement in the Medical portfolio.

Note: The operating result announced on Tadawul represents the operating results explained above and amounting to SAR 39.9 Million, minus the fair value change in policyholders' unit linked investments amounting to SAR 19.7 Million, and Insurance Operations' investment income amounting to SAR 3.7 Million in 2019.

This is done only to comply with the announcement requirements on Tadawul and does not reflect the actual operating results

l) Net Income before Zakat and Tax

The result for the twelve months ended 31st December 2019 is a Net Income before zakat & tax of SAR 41.6 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 4.0 Million against a Net Income of SAR 37.1 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 3.4 Million for the twelve months ended 31st December 2018. The increase in net profit before zakat is mainly due to the following:

- 1- Focus on profitable business demonstrated by the excellent performance in Motor and in other P&C lines.
- 2- Good control over expenses and receivables leading to lower total expenses by 2% (110 Mn in 2018 vs. 112 Mn in 2017)
- 3- Efficient cash and investment management leading to an increase of 36% in investment income (10.8mn in 2018 vs 7.9mn in 2017).

m) Assets

The total Assets of the Company as of 31st December 2019 amounted to SAR 2,334.2 Million divided as follows:

SAR Million	2019	2018	2017	2016	2015
Insurance Operations' Assets	1977.1	1,790.6	1,744.0	1,756.5	1,692.4
Shareholders' Assets	357.1	306.6	273.6	238.1	215.9

n) Shareholder's Equity

The Shareholder's Equity as of 31st December 2019 amounted to SAR 326.7 Million, split as follows

SAR Million	2019	2018	2017	2016	2015
Share Capital	200.0	200.0	200.0	200.0	200.0
Retained Earnings (Accumulated Losses)	75.0	49.6	19.9	(0.4)	(19.5)
Statutory Reserve	20.7	14.4	7.0	-	-
Other Reserves	31.0	17.3	24.2	21.7	20.4

The share premium included in the other Reserves remained constant at SAR 22.7 Million.

o) Profit Distribution Strategy

As stated in the articles of association of the Company, article 44, shareholder's profits shall be distributed in the following way:

- Zakat & Tax allocations are to be withheld.
- Zakat & Tax allocations are to be withheld.
- As per bylaws of the Company, the Company shall allocate 20% of the Net Income of each period to the statutory reserve.
- The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up reserves allocated for specific purposes.
- The remainder shall be distributed to shareholders as share profits or to be transferred to retained profits account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

As a cooperative insurance company, Allianz Saudi Fransi distributes on a yearly basis 10% of the annual Net Surplus arising from its insurance operation to the policyholders in accordance with the rules and regulations applicable to cooperative insurance companies. This 10% of Net Surplus, if any, is calculated at the end of each fiscal year, audited and distributed upon approval of the Saudi Arabian Monetary Authority (SAMA). For the year ending 2019, this 10% of Net Surplus represents SAR 4.0 Million. It corresponds to the Net Insurance Operations Surplus after shareholders' appropriation

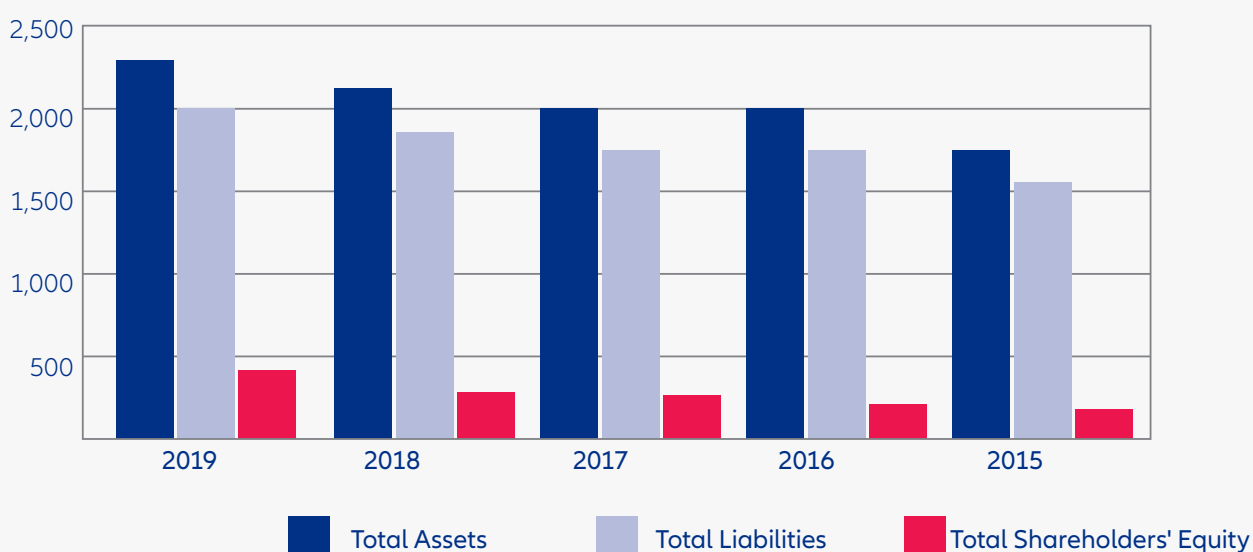
p) Financial highlights

The following is a summary of the most important indicators for the past five years:

SAR Million	2019	2018	2017	2016	2015
Gross Written Premium	1011.7	870.7	925.5	836.2	803.2
Net Premium Earned	685.4	601.1	639.3	500.0	388.2
Reinsurance Commission	17.2	16.6	25.7	17.5	18.8
Net Claims and other benefits incurred	(515.9)	(459.8)	(504.7)	(376.5)	(277.9)
Unrealized gain on UL	19.7	17.0	16.6	14.6	0.7
Mathematical Reserve Change	22.3	15.3	20.7	(0.9)	0.8
Policy acquisition costs	(65.1)	(54.2)	(57.9)	(48.9)	(38.9)
General Expenses Insurance operations (including Inspection and Supervision Fees)	(130.3)	(104.4)	(100.4)	(81.2)	(75.6)
Provision of doubtful debts	(3.0)	(5.6)	(11.9)	-	-
Investment income	10.4	10.8	7.9	-	-
Other Income	5.0	3.8	3.0	8	6.4
Net Income for the year before surplus, Zakat and income tax	45.6	40.5	38.3	26.5	22.5
Surplus attributed to insurance operations	(4.0)	(3.4)	(3.4)	(2.6)	(2.2)
Net income before Zakat and Income Tax	41.6	37.1	35.0	24.4	23.8

Balance Sheet "SAR Million"	2019	2018	2017	2016	2015
Total Assets	2,334.2	2,097.1	2,017.6	1,994.6	1,908.3
Total Liabilities	1,999.7	1,820.2	1,768.2	1,773.3	1,707.4
Total Shareholders' Equity	334.5	276.9	249.4	221.3	200.9

Balance Sheet (SAR Million)



10. Corporate Governance, Regulations & Committees

a) Compliance with Corporate Governance

In 2019, Allianz Saudi Fransi was in full compliance with the CMA corporate governance regulations, Insurance Corporate Governance regulations issued by SAMA, and other guidelines except in the following issues:

- In February 2019, the Company received a financial penalty of SAR 50,000 from SAMA regarding dealing with Arab Loss Adjuster that has an expired license. The company set up a new process and controls to ensure dealing with licensed parties. In addition, the company is developing a new automated tool to control such process.
- In July 2019, the Company received a financial penalty of SAR 125,000 from SAMA regarding completing controls surrounding Anti-Money Laundry. The fine came as a result of the findings noted during an inspection visit. During 2019 the company revised its AML processes and developed an automated tools where all findings are properly addressed.
- In July 2019, the company received a financial penalty of SAR 10,000 from CMA regarding a missed deadline to provide annual information due to the fact of certain misunderstanding. The management reviewed the issue and set up the process within compliance and legal departments to avoid such incident in the future

Certain paragraphs from the CMA regulations (listed below), are not applicable and accordingly no further disclosure is required on the related topics:

- Article 43 of the listing rules paragraphs (7),(8),(13),(14),(15), and (19)
- Article 6 of the Corporate Governance Regulations paragraph (d)

b) Board of Directors (up to 07 August 2019)

Name of the Board Members	No. of Shares beginning of year**	No. of Shares end of year**	Change in No. of Shares	Board Member	Rep.	Member Classification
Alwaleed Al Dryaan	1,000	1,000	Nil	<ul style="list-style-type: none"> Al Khaleej Training and Education Al Enayah Medical Co. Saudi Telecom Co. Malaz Capital Co. Arabian Cement Co 	Public	Independent
Qualification: B.S & M.S Electrical Engineering			Experience: MD of Al Khaleej Traning Egypt - MD of Fast Lane Co. - Chairman of Online Trading Academy Dubai - Chairman of Franklin Covey Co. Dubai			
Abdullah Al-Hussaini	1,000	1,000	Nil	<ul style="list-style-type: none"> Saudi Advanced Industries Co. Deutsch Gulf Finance Co. 	Public	Independent
Qualification: PhD in Accounting			Experience: Dean of Student Affairs - Financial Manager - Financial Advisor - Financial Accountant and internal auditor			
Adel Mallawi	Nil	Nil	Nil	Nil	Banque Saudi Fransi	Non Executive
Qualification: B.S Education (Chemistry)			Experience: •Chief Financial Officer (Banque Saudi Fransi) - Head of Global Markets Group – Treasurer (Banque Saudi Fransi)			
Mazen AlTamimi	Nil	Nil	Nil	<ul style="list-style-type: none"> Saudi Fransi Leasing Co. Saudi Fransi Capital Co 	Banque Saudi Fransi	Non Executive
Qualification: B.S Computer Science			Experience: •Senior Executive Director (Banque Saudi Fransi) - Western Region Manager (Banque Saudi Fransi)			
Hicham Raissi	Nil	Nil	Nil	<ul style="list-style-type: none"> Allianz Life Assurance Co. Allianz Morocco 	Allianz MENA Holding Bermuda	Non Executive
Qualification: M.S. Engineering			Experience: Allianz SE: Head of Business Division Africa, MENA and India Allianz SE: Country Manager Africa			
Antoine Issa	Nil	Nil	Nil	<ul style="list-style-type: none"> Allianz SNA SAL Lebanon Allianz Egypt Life Allianz Egypt P&C Al Nisr Al Arabi – Jordan MedGulf Takaful – Bahrain 	Allianz France	Non Executive
Qualification: M.S. Finance - M.S. Engineering			Experience: •Allianz MENA CEO • Allianz SNA Chairman • Allianz Egypt Chairman • Allianz SF MD			

*Owned by Board of Directors, their spouses or their children in Allianz Saudi Fransi.

Board of Directors (Current term) 08 August 2019 to 07 August 2022

Name of the Board Members	No. of Shares beginning of year**	No. of Shares end of year**	Change in No. of Shares	Board Member	Rep.	Member Classification
Alwaleed Al Dryaan	1,000	1,000	Nil	• Al Khaleej Training and Education • Al Enayah Medical Co. • Saudi Telecom Co. • Malaz Capital Co. • Arabian Cement Co	Public	Independent
Qualification: B.S & M.S Electrical Engineering			Experience: MD of Al Khaleej Training Egypt - MD of Fast Lane Co. - Chairman of Online Trading Academy Dubai - Chairman of Franklin Covey Co. Dubai			
Abdullah Al-Hussaini	1,000	1,000	Nil	• Saudi Advanced Industries Co. • Deutsch Gulf Finance Co.	Public	Independent
Qualification: PhD in Accounting			Experience: Dean of Student Affairs - Financial Manager - Financial Advisor - Financial Accountant and internal auditor			
Mazen AlTamimi	Nil	Nil	Nil	• Saudi Fransi Leasing Co. • Saudi Fransi Capital Co	Banque Saudi Fransi	Non Executive
Qualification: B.S Computer Science			Experience: • Senior Executive Director (Banque Saudi Fransi) - Western Region Manager (Banque Saudi Fransi)			
Hicham Raissi	Nil	Nil	Nil	• Allianz Life Assurance Co. • Allianz Morocco	Allianz MENA Holding Bermuda	Non Executive
Qualification: M.S. Engineering			Experience: Allianz SE: Head of Business Division Africa, MENA and India Allianz SE: Country Manager Africa			
Andreas Brunner	Nil	Nil	Nil	• Nil	Public	Executive
Qualification: M.S. Politics, Law, and Psychology B.S. Management Technology			Experience: • Chief Executive Officer of Allianz Saudi Fransi • Partner & Member of Executive Leadership Team (Allianz SE) • Executive Assistant & Senior Project Manager (Allianz SE)			
Kamel Al Munajjed	Nil	Nil	Nil	• Tanmiah Food Group	Public	Independent
Qualification: M.S. Business Administration B.S. Electrical Engineering			Experience: • General Manager of Urjuan Real Estate Development • Vice President (Almunajem) • Head of Investment & Private Banking (Banque Saudi Fransi)			
Basil Bin Jbr	Nil	Nil	Nil	• Taiba Investment Co. • Tayseer Finance Co. • Jarir Marketing Co.	Public	Independent
Qualification: M.S. Business Administration B.S. Business Administration			Experience: • Vice-President of Development Affairs (Bin Laden Group) • President of Interactive Saudi Arabia Ltd.			
Herve Gloaguen	Nil	Nil	Nil	• Nil	Public	Non-Executive
Qualification: Executive Program Grand Ecole (Accounting)			Experience: • Global Head of Internal Audit of the Allianz Group • Member of the Board of Management of Allianz France • Head of Internal Audit of AGF Group • Deputy CEO of Banque AGF			
Antoine Issa	Nil	Nil	Nil	• Allianz SNA SAL Lebanon • Allianz Egypt Life • Allianz Egypt P&C • Al Nisr Al Arabi – Jordan • MedGulf Takaful – Bahrain	Allianz France	Non Executive
Qualification: M.S. Finance - M.S. Engineering			Experience: • Allianz MENA CEO • Allianz SNA Chairman • Allianz Egypt Chairman • Allianz SF MD			

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Members of the Top Management		A. Brunner	H. Al Mashary	M. Koubar	D. Cook	K. Al Ghamdi	G. Herve	M. Al Sumeiri	P. Blumer
Number of Shares*	beginning of year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Owned by the Top Management, their spouses or their children in Allianz Saudi Fransi.

BOD Responsibilities

Without prejudice to the competencies of the General Assembly, the Board shall have the broadest powers in managing the Company and guiding its activities to achieve its objectives.

The Board of Directors is ultimately responsible for the policies and management of the Company. The Board of Directors approves strategic, accounting, organizational, and financing policies adopted by the Company as well as strategic plans and major transactions. Its responsibilities include the appointment and appropriate succession planning of executive officers and authorized signatories of the Company, in addition to supervision over the Company's management and performance. The Board of Directors also ensures the integrity of the accounting and financial reporting as well as the appropriateness of its disclosure. It promotes high standards of Corporate Governance and ensures compliance with applicable laws and regulation. It ensures that the interest of the policyholders is always protected. The Board of Directors is also entrusted with organizing the Shareholders' meetings and carrying out Shareholders' resolutions.

The Board of Directors shall also review and approve on annual or periodic basis the policies and procedures of the Company.

The Board shall also assess the performance of the Board Committees on periodic basis.

1. The major duties and responsibilities of the Board of Directors are highlighted as follows:

Relation with Stakeholders

- Representing the Company and acting on its behalf before others whether it is a private or public party. Those may include but are not limited to the following parties within or outside the Kingdom of Saudi Arabia (KSA).
 - Ministries and Governmental agencies.
 - Financial institutes.
 - All kind of courts and judicial parties.
 - Capital Market Authority (CMA)
 - Customs offices.
 - Police Departments.
 - Civil Affairs departments.
 - Etc.
- Ensure that systems are in place for communication and relations with stakeholder including the mentioned above, monitor system effectiveness and significant sensitive and legally required communications.
- Develop and adopt mechanisms for indemnifying the Company stakeholders in case of contravening their rights under the law and their respective contracts. Noting that the members of the Board, who had committed a mistake that harmed the interests of the shareholders and which resulted in a profit to them, shall return to the company all the profits they have gained from this mistake.
- Discuss any comment raised by any shareholder regarding the company and its performance. Such discussion must be minuted and circulated to all Board Members.
- Preparing the Board Report and approving it before publishing it to the shareholders and CMA, addressing the following as a minimum:
 - A description of the principal activities of the Company. If two or more activities are described, a statement must be included giving for each activity the turnover and contribution to trading results attributable to it;
 - A description of the Company's significant plans and decisions (including any restructuring, business expansion or discontinuance of operations of the Company), the future prospects of the Company's business and any risks facing the Company;
 - A summary, in the form of a table or a chart, of the assets and liabilities of the Company and of the Company's business results for the last five financial years or from incorporation, whichever is shorter;
 - A geographical analysis of the Company's gross revenues;
 - An explanation for any material differences in the operating results of the previous year or any announced forecast made by the Company;
 - An explanation for any departure from the accounting and financial reporting standards;
 - A description of the Company's dividend policy;
 - A description of any interest in a class of voting shares held by persons (other than the Company's Directors, senior executives and their relatives) that have notified the Company of their holdings together with any change to such interests during the last financial year;
 - A description of any interest, contractually based securities, and subscription rights of the Company's Directors, senior executives and their relatives in the shares or debt instruments of the Company, together with any change to

such interest or rights during the last financial year;

- Information relating to any borrowings of the Company (whether repayable on demand or otherwise), and a statement of the aggregate indebtedness of the Company together with any amounts paid by the Company as a repayment of loans during the year. In case there are no loans outstanding for the Company, it must provide an appropriate statement;
- The number of meetings of the Directors held during the last financial year and the attendance record of each meeting listing names of the attendees;
- A description of any transaction between the Company and any related party;
- Information relating to any businesses or contract to which the Company is a party and in which a board Director of the Company, the CEO, COO, CFO or any person related to any of them is or was interested, or if there are no such businesses or contracts, the Company must submit an appropriate statement;
- A description of any arrangement or agreement under which a Director or a senior executive of the Company has waived any salary or compensation;
- A description of any arrangement or agreement under which a shareholder of the Company has waived any rights to dividends;
- A statement of the value of any outstanding statutory payment on account of any zakat, taxes, fees or any other charges with a brief description and the reasons therefore;
- A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Company;
- Declaration that:
 - Proper books of account have been maintained;
 - The system of internal control is sound in design and has been effectively implemented; and
 - There are no significant doubts concerning the Company's ability to continue as a going concern; if any of the statements above cannot be made, the report must contain a statement clarifying the reasons thereof.
- If the external auditor's report containing reservations or the relevant annual financial statements is qualified, the Directors report must include such qualifications, its reasons and any related information.
- If the Directors recommend that the external auditors should be changed before the elapse of the term it is appointed for, the report must contain a statement to that effect and the reasons for such recommendation;
- Names of any joint stock company or companies in which the company Board of Directors member acts as a member of its Board of Directors.
- Formation of the Board of Directors and classification of its members as follows: executive board member, non-executive board member, or independent board member.
- A brief description of the jurisdictions and duties of the Board's main committees such as the Audit, Risk, & Compliance Committee, the Governance, Nomination & Remuneration Committee, Executive & Investment Committee; indicating their names, names of their chairmen, names of their members, and the aggregate of their respective meetings.
- Details of compensation and remuneration paid to each of the following:
 - The Chairman and members of the Board of Directors.
 - The Top Five executives who have received the highest compensation and remuneration from the company. The MD, CEO, COO, and CFO shall be included if they are not within the top five.
- Any punishment or penalty or preventive restriction imposed on the company by the Authority or any other supervisory or regulatory or judiciary body; and,
- Results of the annual audit of the effectiveness of the internal control procedures of the company.

2. Overseeing the Company's Operations

- Determine and control in broad terms the purposes, goals, mission, visions, activities and general characteristics of the Company.
- Strategic Planning & Budgets:
 - Set and approve the Company's strategic business plan proposed by the management and adopt such a plan with such changes, upon annual reviews and assessments, as the Board of Directors deems appropriate;
 - Review and approve the Company operational plans, financial plans and budgets proposed by the management and adopt the same with such changes as the Board of Directors deems appropriate;
 - In connection with such reviews, the Board of Directors shall seek to provide a balance of long-term versus short-term orientation of the Company strategic and operational plans; and
 - Review corporate performance against strategic plan, operations plans, financial, budget plans and peers

performance.

- Hiring and dismissal of the CEO, planning for his succession.
- Ensure that senior officers are achieving acceptable current financial results relative to corporate objectives, budgets, and the economic environment, and are developing the resources necessary for future success. These resources include:
 - Management competence, organization, and depth;
 - Fixed assets;
 - Marketing capability – Customer loyalty, distribution organization, and market knowledge;
 - Work force and employee relations;
 - Financial resources, including relations with the financial community; and
 - Reputation and relations with various regulators.
- Establish an overall compensation policy, based on a recommendation from the Governance, Nomination & Remuneration Committee, for the Company and monitor its implementation with special attention devoted to the senior officers. Review the policy from time to time to ensure that it continues to be appropriate and in line with better practices.
- Oversee corporate financial operations, including:
 - Capital structure management, maintaining reasonable financial flexibility and safety while achieving an appropriate return on equity;
 - Reviewing the Company's interim and annual financial statements to ensure sufficiency and reliability of applied financial reporting controls, and approving them before publishing them;
 - Allocation of Company assets;
 - Maintaining access to suitable sources of new capital;
 - Indemnity, social security and other major employee benefit programs;
 - Dividend pay-out policy and action; and
 - Propose selection of external auditors for approval by the General Assembly.
- Maintenance of Systems Integrity:
 - Reviewing the effectiveness of the Company's internal control procedures on an annual basis by obtaining a report from and confirming with the Audit, Risk, & Compliance Committee that it has reviewed and discussed the adequacy of the Company internal controls;
 - Ensure that the Board of Directors has free and full access to management regarding all matters of compliance and performance; and,
 - Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties.
- Oversee the conduct and performance of the Company and its divisions to ensure they are being properly and appropriately managed. To discharge this duty the Board of Directors will give specific and regular attention to:
 - Ensuring setting key performance indicators/objectives for the performance of the Company functions/ departments, and approve the same;
 - Monitoring performance against the strategic and business plans, and key performance indicators;
 - Monitoring performance against peer and competitor companies; and,
 - Enquiring into and following up areas of poor performance and their cause.
- Review and approve material transactions outside of the corporate budget, including but not limited to material licenses, long term contracts or obligations.
- Sell, accept payment on behalf, mortgage, all the Company assets and properties with the following restrictions:
 - Documentation of reasons and purpose of sales;
 - The sale must be at least at market value;
 - Proper guarantee of all sales; and
 - Such sales do not affect the Company operations.
- Enter in and obtain loan agreements from financial institutions.
- Write off bad debts based on the following and in line with the approved authority matrix:
 - Bad debt has aged for over a year at minimum;
 - Write offs can only be performed once per year per debtor and not to exceed 1% of the Company's capital;
 - The total bad debt write off not to exceed SAR 4 million per year; and,
 - Bad debts write off shall not be delegated to anyone else by the Board.

3. Risk Management

The Board establishes, oversees and monitors internal controls and risk management framework including the Market Risk (Interest Rate Risk, Equity Risk, Property Risk, Currency Risk, Spread Risk and Liquidity Risk), Counterparty default Risk (Reinsurance, Concentration, Other counterparties and Credit Risk), Non Life Underwriting Risk (Pricing [General], Pricing [Health], Reserving [General], Reserving [Health], Non-Life catastrophe and Lapse), Life Underwriting Risk (Mortality, Longevity, Morbidity & Disability, Lapse, Expense and Catastrophe), Strategic Risk (Business, Market/ Country and Reputational), Operational Risk (Internal fraud, external fraud, HR, Physical Damage, Cyber-attack, System Failure, Data Quality and Process management), Actuarial Outputs Risk (Reserving, Underwriting non-life, Underwriting Life, Reinsurance and Solvency), Oversight Risk (Senior Management, Risk Management, Compliance, Audit, Operational management), Conduct of Business Risk (Product development, Product promotion disclosure & sales, Claims, Complaints and Privacy protection), and Regulatory & AML Risk (Regulatory, AML)

The Board is responsible to ensure the following with the assistance of the management, and Audit, Risk & Compliance: Approving the risk appetite statement and levels.

- Identify the principal risks of the Company business and ensure implementation and monitoring of systems to effectively mitigate/manage these risks.
- Implement and ensure that systems are in place to monitor and maintain the integrity of the Company internal controls and information systems.
- Risk Identification and Management:
 - Ensuring the implementation of appropriate control for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company.
 - Instruct management to regularly advise on Company's business risks; and
 - Review and discuss with management such risks and the systems designed to monitor and manage such risks.
 - Oversee the Company's capacity to identify and respond to changes in its economic and operating environments.

4. Investment

- The Board of Directors shall be responsible for the approval of the investment policy and activities, taking into account the analysis of the asset/liability relationship, the Company's overall risk tolerance, its long-term risk-return requirements, its liquidity requirements and its solvency position.
- The Board of Directors is also responsible for approving policies on related issues of a more operational nature, including:
 - The criteria for selection of the external investment manager(s).
 - The selection and use of partners and brokers.
 - The nature of custodial arrangements.
 - The methodology and frequency of the performance and investment risk measurement
- The Board of Directors authorizes the investment committee and the senior management to formulate the investment policy, review it and implement the overall investment activities.
- The Board of Directors must also ensure that adequate reporting and internal control systems of the Company are in place, and designed to monitor that assets are being managed in accordance with the investment policy, and legal and regulatory requirements. This should be done by ensuring that:
 - The board receive quarterly information, including feedback from the Company's risk management function, on asset exposures, and the associated risks.
 - The systems provide accurate and timely information on asset risk exposure and are capable of generating ad-hoc requests.
 - Remuneration policies are structured to avoid potential incentives for unauthorized risk taking.
- The Board of Directors must ensure that senior management is in a position to monitor the performance of the external investment manager(s) against Board approved policies and procedures. The Board of Directors should review on an annual base the adequacy of its overall investment policy in the light of the Company's activities, and its overall risk tolerance, long-term risk return requirements, and solvency position.

5.Compliance

The Board is responsible to ensure the following with the assistance of the management, and Audit, Risk & Compliance:

- Ensure existence of appropriate controls and procedures in place for compliance with applicable laws and regulations (SAMA, CMA, Ministry of Commerce & Industry, municipalities, etc.).
- Ensure that the Company has in place appropriate environmental, health and safety policies, having regard to legal, industry and community standards, and ensure implementation of management systems to monitor the effectiveness of those policies.
- Provide leadership and policy direction to the management with a view of establishing and maintaining a high standard of legal and ethical conduct for the Company by:
 - Taking all necessary steps to ensure that the Company complies with applicable laws and regulations, and with its internal regulations, including its Articles of Association, and that it operates to high ethical and moral standards; being alert and sensitive to situations that could be considered illegal, unethical or improper, and taking corrective steps;
 - Establishing the means of monitoring performance in this area with assistance of legal counsel; and
 - Complying with legal requirements, applicable to the Board of Directors, including, without limitation, the duty to act honestly and in good faith with a view to the best interests of the Company and all its shareholders, and the duty to exercise the care, diligence and skill that reasonably prudent people exercise in comparable circumstances.

6. Other Board Responsibilities

- Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.
- Manage Board operations, including, without limitation:
 - Ensure adopting a transparent mechanism to orient new Board members on company and Board matters, including demonstrating Company strategy, accomplishments, threats, financial position, and Board working mechanism, in addition to developing briefing material on the same.
 - Influence the structuring of agendas and how meeting time is spent.

7. Duties of Individual Members / Directors

■ Tasks and Duties of the Board Members

Without prejudice to duties and responsibilities of the Board as a whole each member of the Board shall, being a Board member, perform the following tasks and duties:

- Providing proposals to develop the strategy of the Company;
- Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company;
- Reviewing reports related to the performance of the Company;
- Ensuring the integrity and impartiality of the financial statements and information of the Company;
- Ensuring that the financial control and risk management systems are sound;
- Determining the appropriate level of remunerations of the members of the Executive Management;
- Expressing opinions as to the appointment and dismissal of members of the Executive Management;
- Participating in developing the succession and replacement plans of executive positions within the Company;
- Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs;
- Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the chairman of the Board shall be notified by prior notice, or for emergency reasons;
- Allocating sufficient time to fulfil his/her responsibilities and preparing for the Board and its committees meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives;
- Studying and analysing all information related to the matters looked into by the Board before expressing an opinion on the same;
- Enabling other Board members to express their opinions freely, and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Company's Executive Management and others, when necessary;
- Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest,

the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. the concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;

- Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Company and all shareholders;
- Recognising his/her duties, roles and responsibilities arising from the membership;
- Developing his/her knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields; and
- Resigning from the membership of the Board if he/she is unable to fully fulfil his/her duties in the Board.

■ Tasks and Duties of the Independent Director

Without prejudice to duties and responsibilities of the Board as a whole and other executive / non-executive members, an Independent Director of the Board shall effectively participate in the following duties:

- Expressing his/her independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management.
- Ensuring that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest.
- Overseeing the development of the Company's Corporate Governance rules, and monitoring the implementation of the rules by the Executive Management.

8. Matters Reserved for the Board of Directors

There are matters that must be considered by the Board of Directors as a whole and may not be delegated, even to a Committee of the Board of Directors. The Board of Directors reserves the right to review and amend these matters from time to time as considered necessary.

These matters include the following:

- Temporary nomination and Remuneration of Directors (to fill the vacant position) for approval by the General Assembly.
- Appointment of the Chief Executive Officer (CEO) / Managing Director (MD).
- Appointment/resignation and termination and remuneration of the CEO supported with the recommendations of the Governance, Nomination & Remuneration Committee.
- Membership and terms of reference of Board committees (apart from the Audit, Risk, & Compliance, and Governance, Nomination & Remuneration committees).
- Providing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
 - Increasing or decreasing the share capital of the Company; and
 - Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
- Providing recommendation to the Ordinary General Assembly as to what it deems appropriate regarding:
 - Using the consensual reserve of the Company, if such has been formed by the Extraordinary General Assembly and has not been allocated to a specific purpose;
 - Forming additional financial allocations or reserves for the Company; and
 - The method of distributing the net profits of the Company.
- Approving the Company's interim and annual financial statements and approving them before publishing them.
- Annual review and update (if necessary) of the Board of Director's Charter.
- Matters referred to the Board of Directors by Board Committees.
- Approve of the write offs as per the approved authority matrix and the Company's bylaws.
- Approve loans and financing facilities as per the approved authority matrix and the Company's bylaws.

- Conduct the Board annual performance self-assessment relative to the Board purpose, duties, and responsibilities outlined herein as well as those of its individual members.
- Decide upon corporate governance matters relating to the Board of Directors and senior management, and matters of principle regarding corporate governance structure, such as developing/updating the Company's organizational structure and the underlying functional responsibilities as the need arise and which is recommended by the Governance, Nomination, & Remuneration Committee.
- Review prior Board minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Board meetings, in order to ensure that matters raised have been resolved.
- The Board of Directors reserves the right to review and amend this list from time to time as considered necessary.

c) BOD Meetings

The BOD met seven times during the year ended 31st December 2019 with attendance of 92.9%

BOD #	Date	Attendance	Percentage	Percentage with Proxy
59 (Former Board)	22/01/2019	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100%	100%
60 (Former Board)	10/04/2019	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
61 (Former Board)	15/05/2019	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
62 (Former Board)	22/07/2019	Alwaleed Al Dryaan, Antoine Issa, Adel Mallawi, Mazen AlTamimi, Abdullah Al-Hussaini	83.3%	83.3%
63 (Current Board)	23/09/2019	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, , Abdullah Al-Hussaini, Kamel AlMunajjed, Andreas Brunner, Basil Bin Jbr, Herve Gloaguen	88.9%	100.0%
64 (Current Board)	29/10/2019	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Abdullah Al-Hussaini, Andreas Brunner, Basel Bin Jbr, Herve Gloaguen	77.9%	77.9%
65 (Current Board)	22/11/2019	Alwaleed Al Dryaan, Mazen AlTamimi, Hicham Raissi, Antoine Issa, Abdullah Al-Hussaini, Andreas Brunner, Herve Gloaguen, Kamel AlMunajjed, Basel Bin Jbr	100.0%	100.0%

The above BOD meetings covered the following major tasks:

- Discussed and agreed on the preparations to elect the new Board of Directors on the next General Assembly.
- Appointed Eng. Alwaleed Al Dryaan as BOD Chairman.
- Appointed Mr. Mazen AlTamimi as Vice Chairman.
- Discussed and approved the Actuarial Services Agreement 2019 with the Sidat Hyder Morshed Associates (Pvt) Ltd.
- Regularly analyzed the Company performance and achievement versus plan including analysis of market information and Company Strategic positioning.
- Reviewed and approved the quarterly and annual financial statements based on the Audit Committee recommendations (Q4 2018, Q1 2019, Q2 2019 by circulation and Q3 2019).
- Discussed and agreed to nominate the Executive Committee Members.
- Discussed and agreed to nominate the Nomination and Remuneration Committee Members.
- Discussed and agreed to nominate the Investment Committee Members
- Discussed and agreed to nominate the Audit Committee Members.
- Discussed and agreed to nominate the Risk Management Members.
- Discussed and agreed to appoint the new Board Secretary.
- Approved the strategy and the business plan for the following years.
- Discussed Human Resources, Succession Plan and Training Program Status.
- Approved the new and updated company policies following Committee recommendations
- Followed the activities of the Executive Committee, the Audit Committee, the Investment Committee, the Nomination & Remuneration Committee and the Risk Committee.
- Regularly follow the Appointed Actuary's Report on Motor & Medical Pricing as well as the Financial Condition Report.
- Facilitated the Ordinary General Assembly meeting in May 2019
- Discussed the SAMA's Annual Supervisory Visit that will be conducted on December 15, 2019.
- Regularly review the Quality Review Action Plan.
- Discussed and reviewed the latest update of the AML Corrective Action Plan.

- Discussed the update on Capital Increase file
- Discussed and approved the revised authorities of the Company's CEO.
- Discussed and approved the new Building Acquisition.
- Conducted the annual performance self-assessment for 2018

d) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, CFO, COO, CRO, CSO, CHRO, and CPDO) during the 12th fiscal year ending 31st December 2019 were:

BOD Executives' Remuneration

SAR	2019							2018			
	Indp Board Members**		Non-Exec Board Members**		Exec Board Members**		Top 5 Executives***	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 5 Executives***
	1st Jan-7th Aug	8th Aug-31 Dec	1st Jan-7th Aug	8th Aug-31 Dec	1st Jan-7th Aug	8th Aug-31 Dec					
Salaries & Remuneration	72,000	144,000	396,000	264,000	-	48,000	5,244,326	287,178	477,041	-	4,081,046
Allowances/	33,000	39,000	112,500	57,000	-	12,000	1,347,461	103,500	175,500	-	237,331
Attendance Fees											
Bonuses							1,711,515	-	-	-	1,627,108
Other Expenses								-	-	-	
Other Benefits*							431,996	-	-	-	456,531
Total	105,000	183,000	508,500	321,000	-	60,000	8,735,298	390,678	652,541	-	6,402,016

* Other benefits include Global equity Incentive plan. The key management personnel of the Company are eligible for a Global Equity Incentive (GEI) plan of Allianz Group, a significant minority shareholder of the Company. The GEI plan consists of Restricted Stock Units (RSU). In accordance with the pre-requisites of these cash-settled equity plans, key management personnel (the eligible personnel) of the Company would be granted, a certain number of RSU's at the time of exercise, provided the eligible personnel were still employed within the Allianz Group.

** Including Chairman

*** CEO, DCEO, CFO, COO, CSO, CRO, CHRO, CPDO

The BOD Remunerations are detailed as follows:

Name of the Board Members	Member Classification	Attendance Fees		Annual Remunerations		Total Remunerations 2019
		1st Jan-7th Aug	8th Aug-31 Dec	1st Jan-7th Aug	8th Aug-31 Dec	
Alwaleed Al Dryaan	Non-Executive	16,500	10,500	108,000	72,000	207,000
Hicham Raissi	Non-Executive	15,000	6,000	72,000	48,000	141,000
Antoine Issa	Non-Executive	30,000	12,000	72,000	48,000	162,000
Mazen AlTamimi	Non-Executive	25,500	12,000	72,000	48,000	157,500
Adel Mallawi (former term)	Non-Executive	25,500	4,500	72,000	-	102,000
Abdullah Al-Hussaini	Independent	33,000	16,500	72,000	48,000	169,500
Andreas Brunner	Executive	-	12,000	-	48,000	60,000
Kamel Al Munajjed	Independent	-	9,000	-	48,000	57,000
Basil Bin Jbr	Independent	-	13,500	-	48,000	61,500
Herve Gloaguen	Non-Executive	-	12,000	-	48,000	60,000
Totals	-	145,500	108,000	468,000	456,000	1,177,500

Furthermore, one Top Executive received an advance from the Company during September 2019 amounting to SAR 142,500 with a last payback installment due in August 2020.

BOD Remuneration Policy:

The annual remuneration of the Chairman shall amount to SAR One Hundred Eighty Thousand (SAR 180,000) and for each members of the BOD SAR One Hundred Twenty Thousand (SAR 120,000). The maximum annual limit shall be SAR 500,000 (Five Hundred Thousand Saudi Riyals) in return of membership of the BOD and their participation in works thereof. The said amount shall include additional remunerations in case of members' participation in one of the committees emanating from BOD.

If the Company achieved profits, then a portion equal to 10% out of the net profit might be distributed after deduction of

the reserves set by General Assembly, in accordance with the provisions of the Law on Supervision of Cooperative Insurance Companies and after the distribution of the dividend among shareholders not less than 5% of the paid share capital of the Company, provided that entitlement of such remuneration is proportional to the number of meetings attended. Any determination of the remunerations made in violation of the abovementioned shall be deemed null and void.

In all cases, the total amount received by a member of the BOD, including remunerations and financial benefits in kind shall not exceed SAR 500,000 (Five Hundred Thousand Saudi Riyals) annually.

Fees for attending the meetings of the BOD and its committees shall not exceed SAR (3,000) (Three Thousand Saudi Riyals) for each meeting. Such amount shall not include travel and accommodations expenses.

Each member of BOD, including the Chairman shall be paid the actual expenses borne thereby for attending meetings of BOD or committees emanating there from, including travel expenses, accommodation and subsistence expenses.

BOD report to the Ordinary General Assembly shall include a full statement of all the amounts received by members of BOD within the fiscal year, including remunerations, expenses and other benefits. The said report shall also include a statement of the amounts received by BOD members in their capacity as employees or administrators, or the amounts received thereby in return of technical, administrative, or consultative works. The said report shall also include the number of meetings of the BOD and the number of meetings attended by each member as from the date of the last meeting of the General Assembly.

e) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2019 there was no contract in which the Company was a party and its Chief Executive Officer, Chief Financial Officer, Board Members or any other person who may have a relationship with any of them benefited from it. Moreover, there are no arrangements or agreements by which any of the members of the Board of Directors or any of the top executives or any of the shareholders of Allianz Saudi Fransi waived their interests or rights to receive dividends.

The Related-Party transactions and balances of shareholders and related affiliates during 2019 are related to the following activities:

Related Party & Shareholders	Relation Nature	Amount "SAR"	Period	Description
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 14% in AzSF and is represented in the Board of Directors by Mr. Adel Mallawi (up to 07 August 2019) and Mr. Mazen ALTamimi	545,163,723	N.A	Portfolio Asset management based on best quotes provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 14% in AzSF and is represented in the Board of Directors by Mr. Adel Mallawi (up to 07 August 2019) and Mr. Mazen ALTamimi	414,621,595	N.A	Banking & Asset Custody balances. The relation is based on best quotes & services provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 14% in AzSF and is represented in the Board of Directors by Mr. Adel Mallawi (up to 07 August 2019) and Mr. Mazen ALTamimi	141,385,497	Annual	Insurance contract mainly in Motor & Life based on best quotes provided by the company
Allianz Group & its affiliates	Allianz Europe BV owns 18.5 % & Allianz France owns 16.25% & Allianz MENA Holding Bermuda owns 16.25%. They are represented by Mr. Hicham Raissi and Mr. Antoine Issa.	166,880,568	Annual	Reinsurance contracts based on best quotes provided by Allianz entities.
Saudi NextCare	Allianz Saudi Fransi is a shareholder in NextCare Saudi Arabia.	9,204,260	Annual	Claims Management "Medical"
DataQuest SAL	DataQuest SAL is a company of Allianz.	2,221,132	Annual	Insurance Management System Maintenance, Support and Development.

f) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and appreciates their continuous support and guidance

g) BOD Committees

BOD Executive Committee

The BOD Executive Committee is responsible for providing recommendations to the Board on various issues including the strategy and business plans. Its primary objective is to oversee the day-to-day performance of the Company and to provide support and guidance to the CEO.

Main responsibilities include:

- Representing the Board of Directors in day-to-day management
- Supervising the organization of the Board's meeting
- Executing the Board's decisions in accordance with the CEO and the Company's management

- Proposing/setting up the general company policy, objectives and strategy
- Studying the budget and following up the performances and achievements versus the plan
- Undertaking and supervising the progress of the operation and project's development
- Review on annual or periodic basis the policies and procedures of the Company.

The Committee comprises the following members:

BOD Executive Committee	As of 31 Dec 2019
Antoine Issa	Chairman
Alwaleed Al Dryaan	Member
Mazen AlTamimi	Member
Andreas Brunner	Member

The BOD Executive Committee met six times during 2019 with 83.3% attendance.

Date	Attendance	Percentage	Percentage with Proxy
21/01/2019 (Former Committee)	Antoine Issa, Adel Mallawi	50%	50%
22/01/2019 (Former Committee)	Hicham Raissi, Antoine Issa, Adel Mallawi, Mazen AlTamimi	100%	100%
10/04/2019 (Former Committee)	Hicham Raissi, Antoine Issa, Adel Mallawi, Mazen AlTamimi	100%	100%
14/05/2019 (Former Committee)	Antoine Issa, Adel Mallawi, Mazen AlTamimi	75%	75%
22/07/2019 (Former Committee)	Antoine Issa, Adel Mallawi, Mazen AlTamimi	75%	75%
22/11/2019 (Current Committee)	Antoine Issa, Alwaleed Al Dryaan, Mazen AlTamimi, Andreas Brunner	100%	100%

The above Executive Committee meetings covered the following major tasks:

- Discussed and reviewed the Brokers Segmentation Initiatives of the Company.
- Discussed and agreed on the proposed Reinsurance Training of the Board.
- Regularly review the results of the Company.
- Reviewed and recommended to the Board new and updated company policies.
- Reviewed and recommended to the Board the Real Estate proposals of new building acquisition
- Reviewed the Bancassurance topic.

The following summarizes the committee's remuneration up to 07 August 2019

Executive Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Hicham Raissi	-	3,000	3,000
Antoine Issa	-	7,500	7,500
Mazen Al Tamimi	-	6,000	6,000
Adel Malawi	-	7,500	7,500
Total	-	24,000	24,000

The following summarizes the committee's remuneration (from 03 September 2019 "subject to SAMA non-objection letter" to 31 December 2019)

Executive Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Antoine Issa	-	1,500	1,500
Alwaleed Al Dryaan	-	1,500	1,500
Mazen Al Tamimi	-	1,500	1,500
Andreas Brunner	-	1,500	1,500
Total	-	6,000	6,000

BOD Audit Committee

The primary responsibility of the Audit Committee is to oversee the Company's financial controls (including appropriate disclosure and internal controls), external and internal audit activities, compliance, and reporting processes, and report the results of its activities to the Board. Further, to review the accounting policies in force and advice the Board of any

recommendations regarding them.

The Company's Management is responsible for preparing the financial statements, and the independent auditors are responsible for auditing those financial statements that are in line with applicable accounting standards e.g. SOCPA and International Financial Reporting Standards (as applicable). The Audit Committee shall take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, compliance culture, and ethical behavior.

In addition, the Audit Committee of "Allianz Saudi Fransi Cooperative Insurance Company" shall take guidance from the Audit Committee Regulation in Insurance and/or Reinsurance Companies issued by SAMA's Insurance Supervision Department.

According to the Capital Market Authority "If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee's recommendations into action as to appointing or dismissal the company's external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations"

The tasks and responsibilities of the Audit Committee include the following

External Audit

- Submit recommendations to the Board to approve the appointment or reappointment, dismissal and remuneration of external auditors. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the independence of the external auditors from the Company, the Board members and the senior management of the company.
- Reviewing the audit plan of the external auditors.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- Reviewing the external auditors reports and submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.
- Reviewing the external auditors' assessment of the internal control of Saudi Arabian Monetary Authority, Insurance Supervision Department processes.
- Assessing the competence level, efficiency and objectivity of the external auditors.
- Discussing the annual and quarterly financial statements with the external auditors and the company's management before issuing them.
- Reviewing the external auditor's comments on the financial statements and follow up actions taken about them
- To review the following topics with the external auditors:
 - Key amendments made by the Company to its accounting policies.
 - Material conflicts with the management regarding any issue pertaining to the safeguarding of invested assets.
 - Violations of Laws, Regulations and Instructions issued by the supervisory and control entities or non-compliance with the Company's policies and procedures.
 - Comments of other auditors (of external, non-Saudi Arabian, branches) on accounting procedures, reports and professional conduct.
 - Deficiencies in the general structure and performance of internal control systems.
 - Material errors in financial statements.
 - Management decisions and the basis on which the external auditors relied to validate critical accounting estimates, such as technical provisions and reserves.
 - Accounting principles and standards and disclosure decisions related to extraordinary transactions.
 - Adequacy of technical provisions and reserves set by the Actuary.
 - Actuary's Reports relevant to the Financial Statements.
 - Any major problems in dealing with the management that affected the working of the audit.
 - Internal control and the assessment of the Company's assets and solvency.
 - Any other issues that the committee is aware of and falls within its responsibilities.
 - Any amendments introduced to the audit scope and the reasons thereof.
 - Reviewing letters to management prepared by the external auditors and the Company's management comments thereon.

Financial Reports

- Reviewing and recommending the approval of the annual and quarterly financial statements to the Board of Directors.
- Reviewing the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.
- Ensure that all financial transactions are according to the local rules and regulations.

Internal Audit

- Submit recommendations to the Board to appointing or dismissing the manager of the internal audit department or the internal auditor. This recommendation requires having obtained SAMA's non-objection in writing.
- Supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the Internal Audit policies and procedures on annual or periodic basis and prepare a written report and its recommendations with respect to it.
- Ensure the independence of the internal audit department or the internal auditor in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
- Determining the monthly salary and bonus of the internal audit department manager or the internal auditor after obtaining the Board's written approval.
- Reviewing the audit plan of the internal auditors.
- Reviewing the reports of the internal audit department or the internal auditor and submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.
- Assessing the competence level, efficiency and objectivity of the internal audit department or the internal auditor.
- Reviewing the internal auditors' assessment of the internal control of Saudi Arabian Monetary Authority, Insurance Supervision Department processes.

Compliance

- Submit recommendations to the Board the appointing or dismissing of the manager, the compliance control department or the compliance officer. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the independence of the compliance control department or the compliance officer in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
- Determining the monthly salary and bonus of the compliance control department manager or the compliance officer after obtaining the Board's written approval.
- Reviewing, approving and monitoring the implementation of the compliance plan and the reports of the compliance control department or the compliance officer including any high risk for fraud findings and submits the related recommendations to the Board.
- Reviewing the comments of SAMA and the related supervisory and control entities and submits the related recommendations to the Board.
- Assessing the competence level, efficiency and objectivity of the compliance control department or the compliance officer.
- Following up on the reports issued by SAMA and the related supervisory and control entities in addition to any international developments such as the guidelines of the International Association of Insurance Supervisors and submits the related recommendations to the Board.

Appointed Actuary

- Submit recommendations to the Board to appoint the Actuary. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the Company's compliance with the actuary suggestions and recommendations.
- Reviewing the actuary reports and submits the related recommendations to the Board

Overseeing Controls over Operations

- Ensuring the Company has a written code of conduct duly approved by its Board of Directors to ensure that the Company's activities are conducted in a fair and ethical manner.

Board of Directors

- Reports directly to the Board of Directors not less than quarterly about its activities, issues and related

recommendations.

- Provide an open avenue of communication between internal audit, the external auditors, and Board of Directors.

Other Responsibilities

- Develop a detailed plan stating its roles, responsibilities and mandate, provided that the plan is approved for implementation by a Board decision.
- Reviewing intra-group transactions and related parties transactions.
- Following up on the important lawsuits filed by or against the company and submits the related periodic reports to the Board.
- Ensuring the optimal use and controls of information technology necessary to generate accurate and reliable information and data are in place.
- The Audit Committee members are accountable to SAMA, the Company's shareholders and the Board for implementing the articles of SAMA's "Audit Committee Regulation in Insurance and/or Reinsurance Companies" and executing the committee's action plan issued by a Board's decision.
- The committee members should, while performing their tasks, give priority to the company's interest against any other considerations that might affect their work or decisions.

Responsibilities of Individual Committee Members

- Attend all or majority of Committee meetings.
- Dedicate enough time to participate in the conduct of AC Committee matters and meetings.
- Inform the Chairman of the Committee in writing if they cannot attend a meeting.
- Maintain the confidentiality of the Company's information gained through performing their duties and shall not publicize confidential information to shareholders out of the General Assembly or to any other party.
- Ensure integrity with the conduct of AC Committee matters and meetings.
- Obtain adequate skills and trainings necessary for the participation and conduct of the Committee matters.
- Participate and vote on the Committee decisions.
- Provide full support to the Chairman (and Vice Chairman) of the Committee in setting-up of the meeting agendas and confirmation on minutes of the meetings.
- Inform other members of the Committee on any change in regulations and leading practices effecting role and responsibilities of the Committee

The Committee comprises the following members:

BOD Audit Committee		As of 31 Dec 2019
Abdullah Al-Hussaini		Chairman
Mohammad Helmi		Member
Mostafa Abdullatif		Member

The Audit Committee met 13 times during 2019 with 95% attendance (95% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
01/01/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
26/02/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
19/03/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
18/04/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
02/05/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
14/05/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
19/05/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
18/07/2019 (Former Committee)	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100%	100%
04/08/2019 (Former Committee)	Abdullah Al-Hussaini, Meshal Al Mugren	67.8%	67.8%
29/10/2019 (Current Committee - Subject to SAMA approval)	Abdullah Al-Hussaini, Mohammad Helmi	67.8%	67.8%
04/11/2019 (Current Committee)	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100%	100%
01/12/2019 (Current Committee)	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100%	100%
19/12/2019 (Current Committee)	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%

There is no financial or family relationship between the BOD members and the Audit Committee. The Audit Committee member & Chairman Abdullah Al-Hussaini is an independent Member of the Board of Directors.

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.
- Reviewed and recommended the quarterly and annual financial statements and reports, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Internal Audit Plan 2019.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the annual and quarterly reporting to Allianz Group.
- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Updated the Internal Audit Manual, Policy and Charter and submitted to the Board of Directors for approval.
- Approved the AML Policy and monitored through Compliance the AML training of the employees.
- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors and consulting actuary and recommended the approval of the contracts to the Board of Directors.

The Internal Audit performed a total of 29 audit missions throughout the year 2019. The 29 missions correspond to the audit categories specified by IA: (10 Ad-Hoc, 13 Regulatory, 3 Regular and 3 Practice). A total of 59 findings were raised under a 'High' risk level. The said findings are either solved or under the process of completion as per the agreed time frame. Internal Audit Department issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various Company's Departments including Marketing Management, Operations, Finance, Actuarial, Human Resources, Claims (Motor and Non-motor) and Sales as well as subunits. The reports and implementation progress are regularly reviewed by the Audit Committee.

The internal controls have been effectively implemented and the Audit Committee is regularly reviewing the outcome of the internal audit on audited controls. No significant deficiencies noted.

The following summarizes the committee's remuneration up to 07 August 2019

Audit Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Abdullah Al-Hussaini	-	13,500	13,500
Mohammad AlShawabkeh	36,129	12,000	48,129
Meshal Al Mugren	36,129	13,500	49,629
Total	72,258	39,000	111,258

The following summarizes the committee's remuneration (from 03 September 2019 "subject to SAMA non-objection letter" to 31 December 2019)

Audit Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Abdullah Al-Hussaini	-	6,000	6,000
Mohammad Helmi	24,000	6,000	30,000
Mostafa Abdullatif	24,000	4,500	28,500
Total	48,000	16,500	64,500

BOD Investment Committee members

The Investment Committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with SAMA's regulations. The Investment Committee reports to the Board and its main responsibilities are:

- Assess the investment recommendation made by the top management.
- Formulate the investment policy and review the implementation of the investment activities on a quarterly basis. These activities include but are not limited to:
 - Reviewing the performance of each asset class.
 - Monitoring the overall risks of the policy.
 - Submitting a performance review report to the Board of Directors.

- Review on annual or periodic basis the investment related policies and procedures of the Company and recommend amendments to its.
- Set the investment strategy in accordance with the investment policy approved by the BOD.
- Ensure the proper implementation of the investment policy/strategy on a quarterly basis.
- Establishing and reviewing Investment guidelines for the Company.
- Establishing and reviewing quality criteria for the Company's investment and strategy.
- Establishing and reviewing guidelines for the Company's portfolio structure.
- Reviewing the Financial markets' analysis prepared by the Investment department and the asset manager.
- Investment income and performance review against the plan.
- Ensure the compliance of all investment activities with the requirements of the Investment Regulation issued by SAMA and any other applicable laws and regulations.
- Review the monthly report prepared by the Management regarding the activities of the period, the portfolio structure and composition, the risk exposure, the details of any regulatory or internal limits breached during the period as well as the actions taken; the activities planned for the future.e
- Reviewing also the Market risk, also referred to as asset liability mismatch risk, and arises in all cases in which assets deviate from liabilities or may deviate in adverse scenarios. Almost any type of investment has inherent market risk, like equity risk, spread risk, rate risk, property risk liquidity risk or currency risk, in addition to exposure to the risk free rate. Liabilities are also exposed at least to movements of the risk free rate used for discounting and may depend on other market risk factors in case of participating life business. Hence, market risk may arise due to underwriting activities as well as due to investment strategies in all portfolios.

The Committee comprises the following members:

BOD Investment Committee	As of 31 Dec 2019
Hicham Raissi	Chairman
Adel Mallawi	Member
Kamel Al Munajjed	Member
Andreas Brunner	Member
Basel Bin Jbr	Member

The Investment Committee met five times during 2019 with 91.7% attendance.

Date	Attendance	Percentage	Percentage with Proxy
21/01/2019 (Former Committee)	Antoine Issa, Adel Mallawi, Hicham Raissi	100%	100%
09/04/2019 (Former Committee)	Antoine Issa, Adel Mallawi, Hicham Raissi	100%	100%
14/05/2019 (Former Committee)	Antoine Issa, Adel Mallawi	66.7%	66.7%
22/07/2019 (Former Committee)	Antoine Issa, Adel Mallawi	66.7%	66.7%
22/11/2019 (Current Committee)	Hicham Raissi, Adel Mallawi, Kamel Al Munajjed, Basel Bin Jbr, Andreas Brunner	100%	100%

The above Investment Committee meetings covered the following major tasks:

- Reviewed the Company's portfolio structure.
- Reviewed the Company's investment performance.
- Checked the Company's Year to Date transactions.
- Reviewed and approved Investment Policy.
- Discussed the Building Acquisition (real Estate proposals).

The following summarizes the committee's remuneration up to 07 August 2019

Investment Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Antoine Issa	-	6,000	6,000
Adel Mallawi	-	6,000	6,000
Hicham Raissi	-	3,000	3,000
Total	-	15,000	15,000

The following summarizes the committee's remuneration (from 03 September 2019 "subject to SAMA non-objection letter" to 31 December 2019)

Investment Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Hicham Raissi	-	1,500	1,500
Adel Mallawi	-	1,500	1,500
Kamel Al Munajjed	-	1,500	1,500
Andreas Brunner	-	1,500	1,500
Basel Bin Jbr	-	1,500	1,500
Total	-	7,500	7,500

Nomination & Remuneration Committee

The duties and responsibilities of the Nomination & Remuneration Committee are mainly:

- Recommend appointments to the Board appointments of membership to the Board of Directors and of Top Executives in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted or any offense affecting honor or honesty is nominated for such membership.
- Regularly review the structure and composition of the Board of Directors and recommend changes.
- Assess and monitor the independence of Board and Board committee members and ensure the absence of any conflict of interest, including ensuring the independence of the independent members, at least on an annual basis.
- Determine strengths and weaknesses of the BOD and the Committees and recommend remedies.
- Prepare description of required capabilities and qualifications for membership in the BOD, including the time that a Board member should reserve for the activities of the Board.
- Carve clear policies regarding the indemnities and remuneration of the Board Members, Board committees and senior activities.
- Evaluate the performance of the Board and Committee members on a regular basis (at least once per year).
- Approve and evaluate the compensation and succession plans, policies and programs of the Company.
- Make recommendations to the Board with regards to selecting and dismissing members of Senior Executives.
- Provide recommendations to the Board of Directors on various issues related to nomination and remuneration.
- Ensure that an annual remuneration review is conducted independently of executive management (by internal audit or external specialized firm).
- Review on annual or periodic basis the HR policies and procedures and recommend amendments to it.

The Nomination & Remuneration Committee (NRC) comprises the following:

BOD Nomination & Remuneration Committee	As of 31 Dec 2019
Kamel Almunajjed	Chairman
Abdullah Alhussaini	Member
Antoine Issa	Member
Hicham Raissi	Member
Mazen ALTamimi	Member

The N&R committee met four times during 2019 with 100% attendance.

Date	Attendance	Percentage	Percentage with Proxy
21/01/2019 (Former Committee)	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Antoine Issa, Mazen ALTamimi	100%	100%
15/05/2019 (Former Committee)	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Antoine Issa, Mazen ALTamimi	100%	100%
20/06/2019 (Conference Call) (Former Committee)	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Antoine Issa, Mazen ALTamimi	100%	100%
05/11/2019 (Current Committee)	Kamel Almunajjed, Abdullah Al-Hussaini, Antoine Issa, Hicham Raissi, Mazen Altamimi	100%	100%

The above N&R committee meetings covered the following major tasks:

- Reviewed the new Board members qualifications and profiles
- Reviewed the remuneration of Board Members that remained unchanged as well as the Independent Members and submitted the recommendations to the Board of Directors.

- Reviewed the remuneration of Top Executives for 2019 as well as the remuneration adjustment mechanism and amounts for the Company and discussed same with the BOD for approval..
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the remuneration and employee benefits.
- Reviewed the updates on the Company structure as well as the recruitment of new executives and key positions.
- Consistently monitored the Saudization status.
- Consistently monitored the training program of the Company.
- Reviewed the impact of the new taxation imposed to Non Saudis.
- Initiated the BOD & Committees Self-Performance Assessment for 2018.

The following summarizes the committee's remuneration up to 07 August 2019

Remuneration Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Alwaleed Al Dryaan		4,500	4,500
Abdullah Alhussaini	-	4,500	4,500
Antoine Issa	-	4,500	4,500
Mazen AlTamimi	-	4,500	4,500
Total	-	18,000	18,000

The following summarizes the committee's remuneration (From 03 September 2019 "subject to SAMA non-objection letter" to 31 December 2019)

Remuneration Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Kamel Almunajjed	-	1,500	1,500
Abdullah Alhussaini	-	1,500	1,500
Antoine Issa	-	1,500	1,500
Hicham Raissi	-	1,500	1,500
Mazen AlTamimi	-	1,500	1,500
Total	-	7,500	7,500

Risk Committee

The Risk Committee's objective is to oversee the Risk Management Function ensuring the identification of risks that may imperil the Company and maintain an acceptable risk profile. The duties and responsibilities of the Risk Committee are:

- Identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company.
- Overseeing the risk management system and assessing its effectiveness.
- Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis by taking into account developments that are internal and external to the Company.
- Reviewing risk management policies.
- Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g. through stress testing exercises).
- Reporting to the Board details of risk exposures and recommending actions to manage them.
- The scope of the Risk Committee shall cover the below risk categories together with their underlying sub-categories:
- Market Risk: Interest Rate Risk, Equity Risk, Property Risk, Currency Risk, Spread Risk and Liquidity Risk.
- Counterparty default Risk: Reinsurance, Concentration, Other counterparties and Credit Risk.
- Non Life Underwriting: Pricing (General), Pricing (Health), Reserving (General), Reserving (Health), Non-Life catastrophe and Lapse
- Life Underwriting: Mortality, Longevity, Morbidity & Disability, Lapse, Expense and Catastrophe.
- Strategic Risk: Business, Market/ Country and Reputational
- Operational Risk: Internal fraud, external fraud, HR, Physical Damage, Cyber-attack, System Failure, Data Quality and Process management
- Actuarial outputs: Reserving, Underwriting non-life, Underwriting Life, Reinsurance and Solvency
- Oversight: Senior Management, Risk Management, Compliance, Audit, Operational management
- Conduct of Business: Product development, Product promotion disclosure & sales, Claims, Complaints and Privacy

protection

- Regulatory & AML: Regulatory, AML.

The Risk Committee comprises the following:

BOD Risk Committee		As of 31 Dec 2019
Basel Bin Jbr		Chairman
Herve Gloaguen		Member
Adel Mallawi		Member

The Risk committee met four times during 2019 with 83.3% attendance.

Date	Attendance	Percentage	Percentage with Proxy
09/04/2019 (Former Committee)	Mazen AlTamimi, Abdullah Al-Hussaini	66.7%	66.7%
14/05/2019 (Former Committee)	Mazen AlTamimi, Abdullah Al-Hussaini	66.7%	66.7%
29/10/2019 (Current Committee)	Basel Bin Jbr, Herve Gloaguen, Adel Mallawi	100%	100%
22/11/2019 (Current Committee)	Basel Bin Jbr, Herve Gloaguen, Adel Mallawi	100%	100%

The above Risk Committee meeting covered the following topics:

- Monitored the Risk Profile and Exposure of the Company.
- Regularly reviewed the Implementation of the Risk Management.
- Regularly reviewed the Statutory Solvency status.
- Reviewed the Top Risk Assessment
- Discussed and reviewed the Operational Risk.
- Reviewed the Underwriting Risk

The following summarizes the committee's remuneration up to 07 August 2019

Risk Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Abdullah Al-Hussaini	-	3,000	3,000
Hicham Raissi	-	-	-
Mazen AlTamimi	-	3,000	3,000
Total	-	6,000	6,000

The following summarizes the committee's remuneration (From 03 September 2019 "subject to SAMA non-objection letter" to 31 December 2019)

Risk Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Basel Bin Jbr	-	3,000	3,000
Herve Gloaguen	-	3,000	3,000
Adel Mallawi	-	3,000	3,000
Total	-	9,000	9,000

h) Risk Management

During 2019, Allianz Saudi Fransi succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from their core business operations. The strategy considers the impact of market conditions and available expertise on inherent risks to which the company is exposed. Consideration shall not be limited to the risks associated with one class of business but shall extend to risks from all other classes.

The Risks are mentioned here below:

Operational/ Process Risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputational loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and Management ensures that sufficient funds are available to meet any commitments as they arise.

Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs.

Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its bank balances and available for sale investments.

Currency Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

Fund Price Risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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.

Fair Value of Financial Instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

i) Zakat and Legal Payments

Allianz Saudi Fransi allocated SAR 10.2 for Zakat and Tax in 2019 against SAR 7.9 allocated in 2018.

The following table shows a list of legal expenses for the year ended December 31st, 2019 (The amounts charged in 2019 & the related paid amounts as at December 31st, 2019).

SAR Million	2019		2018		2017		2016	2015
	Paid	Charged	Paid	Charged	Paid	Charged	Charged	
Customs Expenses	-	-	-	-	-	-	-	-
Zakat & Tax	5.6	10.2	5.5	7.9	3.9	7.6	5.3	5.2
GOSI Expenses	7.6	7.6	7.3	7.3	5.4	5.4	3.1	2.5
Visa & Passports	1.3	1.3	1.2	1.2	0.3	0.3	0.2	0.4
Inspection & Supervision Fees	7.0	7.0	6.5	4.9	5.4	6.1	5.4	4.0
Total	21.5	26.1	20.5	21.3	15.0	19.4	14.0	12.1

11. Future Plans

The Company will continue its development and growth in the market in line with its vision and as per the following strategy:

Capital Increase: In 2020, the Company plans to increase its Capital through a rights issue by SAR 400,000,000 to become SAR 600,000,000. The Company has received the approval from the Capital Market Authority (CMA) on 91441/7/H corresponding to 4 March 2020. This increase will help the Company achieve its growth and development plans.

Motor and Health Profitability and development: In line with its Risk Strategy for 2020, the Company will continue to apply high-level technical standards and guidelines. It will review profitability per Line of Business and adjust the pricing strategy accordingly. Furthermore, the Company will ensure sound and prudent technical reserving practices.

Digitalization & Automation: In 2020 digital initiatives will be streamlined to enhance customer satisfaction and ensure a better customer experience, which should contribute to increasing the persistency of the portfolio.

Talent Management: During 2020 the Company will continue its investments in human resources to attract and develop young talents and prepare future managers. The company builds on defining career paths and training programs to achieve satisfaction and effectiveness among all employees.

Corporate: Corporate Business continues to remain a priority of the Company. In 2020, the Company will further increase the number of preferred Brokers and focus on global business lines such as credit insurance.

Direct Sales Force: In 2020, the Company will focus on growth in terms of number of sales people as well as Points of Sales. The Company will therefore expand its reach to various customer segments and continue to provide training to the sales force in order to ensure high level of service quality

Bancassurance: In 2020, the focus of the Company will be on further improving the productivity of the Bancassurance agency and corporate business by leveraging the strong relations of our partner Banque Saudi Fransi with its corporate and commercial client base.

12. External Independent Auditors and Accounting Standard

In 2019, the Ordinary General Assembly approved the BOD recommendation of renewing for "PWC" and the appointment of PKF as joint external auditors for the fiscal year ended 31st December 2019. The recommendation and approval of the above mentioned auditors were based on the Audit Committee recommendation which came of the filtering a number of biddings submitted by different audit firms.

The financial statements as at 31st December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by SAMA for accounting of Zakat and Income Tax.

The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2019 and the result of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as modified by SAMA for accounting of Zakat and Income Tax..

13. Shariah Committee

The Company has a Shariah Committee composed of:

- Sheikh Dr. Muhammad A. Elgari
- Sheikh Abdullah Al Manea
- Sheikh Dr. Abdul Sattar AbuGhuddah

The committee reviews and approves Shariah Compliant Protection & Savings products of the Company.

14. Company's Requests of Shareholders Records

#	Request Date	Ownership as at	Reason
	26/02/2019	31/12/2018	Requested for the preparation of the BOD Report of 2018.
	14/05/2019	15/05/2019	Requested to support the preparation for the General Assembly meeting.
	30/07/2019	31/07/2019	Requested to support the preparation for the General Assembly meeting.
	16/09/2019	15/09/2019	Requested for other procedures of the company related to the capital increase transactions.

15. Company's Declarations

Allianz Saudi Fransi declares the following:

- During 2019, no loans were taken by the Company;
- No outstanding loans as at 2019;
- No convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during 2019;
- There were no redemption, purchase or cancellation by the company of any redeemable debt instruments;
- The Company does not own any treasury shares.

16. Board of Directors Declaration

The Board of Directors confirms the following:

- Proper accounting books have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no doubts concerning the Company's ability to continue as a going concern.



FINANCIAL STATEMENT

And the Independent Auditors' Report
For the year ended 31 December 2019

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of
Allianz Saudi Fransi Cooperative Insurance Company

(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Allianz Saudi Fransi Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and other pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"), that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below.

The key audit matter	How the matter was addressed in our audit
<p>Valuation of ultimate claim liabilities arising from insurance contracts</p> <p>As at 31 December 2019, gross outstanding claims and reserves including claims incurred but not reported (IBNR) amounted to Saudi Riyals 620.8 million as reported in Note 14 to the financial statements.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p> <p>The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates.</p> <p>Refer to Notes 2 and 3 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.</p>	<ul style="list-style-type: none">Understood, evaluated and tested key controls around the claims handling and provision setting processes.Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence.Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the IBNR by comparing it to the accounting and other records.Challenged management's methods and assumptions, through assistance of our internal actuarial expert to understand and evaluate the Company's actuarial practices and provisions established and gained comfort over the actuarial report issued by management's expert, by performing the following:<ul style="list-style-type: none">Evaluated whether the Company's actuarial methodologies were consistent with the generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; andReviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.Assessed the adequacy and appropriateness of the related disclosures in the financial statements

Other Information included in the Company's 2019 Annual Report

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information consists of the information included in the Company's 2019 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors;
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Statement of Financial Position

As at 31 December 2019

	Note	2019 SAR	2018 SAR
ASSETS			
Cash and cash equivalents	4	148,865,617	93,134,538
Prepaid expenses and other assets	5	72,490,204	52,541,209
Premiums receivable, net	6	420,586,277	408,903,758
Reinsurers' balance receivable, net	7(a)	70,535,901	71,653,440
Reinsurers' share of outstanding claims	14.1	432,328,207	292,335,786
Reinsurers' share of claims incurred but not reported	14.1	43,298,714	76,497,207
Reinsurers' share of unearned premiums	14.2	152,377,585	148,911,143
Deferred policy acquisition costs	14.3	26,919,550	27,002,293
Right-of-use assets	8	6,776,228	-
Financial assets at fair value through statement of income (unit linked investments)	9	538,113,858	559,766,029
Available for sale investments	10	385,479,500	331,379,024
Deferred tax assets, net	11	6,961,507	9,350,189
Property and equipment, net	12	8,018,780	4,570,353
Statutory deposit	13	20,000,000	20,000,000
Accrued income on statutory deposit	13	1,485,295	1,090,636
TOTAL ASSETS		2,334,237,223	2,097,135,605
LIABILITIES			
Accrued and other liabilities	15	150,485,565	125,359,648
Surplus distribution payable	16	15,687,466	12,344,873
Reinsurers' balances payable	7(b)	195,599,123	144,725,743
Unearned premiums	14.2	408,698,330	390,422,335
Unearned reinsurance commission	17	7,347,773	7,609,280
Outstanding claims	14.1	533,066,753	373,646,108
Claims incurred but not reported	14.1	87,780,442	160,859,250
Lease liabilities		5,784,231	-
Premium deficiency reserve	14.1	11,731,333	4,852,555
Additional premium reserves	14.1	1,369,320	1,006,819
Unit linked liabilities	14.1	535,415,117	557,723,772
End-of-service obligations	18(a)	16,847,898	16,750,349
Zakat and income tax	19(c)	28,432,189	23,846,674
Accrued income payable to SAMA	13	1,485,295	1,090,636
TOTAL LIABILITIES		1,999,730,835	1,820,238,042
EQUITY			
Share capital	20	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Statutory reserve		20,743,607	14,393,656
Retained earnings		75,024,377	49,624,574
Actuarial reserve for end-of-service obligations		3,828,488	540,837
Fair value reserve on investments	10(b)	12,198,601	(10,372,819)
TOTAL EQUITY		334,506,388	276,897,563
TOTAL LIABILITIES AND EQUITY		2,334,237,223	2,097,135,605
CONTINGENCIES AND COMMITMENTS			
	28		

The accompanying notes 1 to 33 form an integral part of these financial statements.

Andreas Brunner

Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan

Chairman

Mohammed Koubar

Chief Financial Officer

Statement of Income

For the year ended 31 December 2019

	Note	2019 SAR	2018 SAR
REVENUES			
Gross premiums written	14.2	1,011,666,001	870,716,183
Reinsurance premiums ceded abroad	14.2	(302,757,400)	(243,423,381)
Reinsurance premiums ceded locally	14.2	(5,811,262)	(16,561,189)
Excess of loss expenses	14.2	(4,041,069)	(4,605,785)
Fee income from unit linked investments		1,169,709	1,110,990
Net premiums written		700,225,979	607,236,818
Changes in unearned premiums	14.2	(18,275,995)	25,190,310
Changes in reinsurers' share of unearned premiums	14.2	3,466,442	(31,273,227)
Net premiums earned		685,416,426	601,153,901
Reinsurance commissions	17	17,200,126	16,579,057
NET REVENUES		702,616,552	617,732,958
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(545,223,347)	(461,485,386)
Surrenders and maturities		(120,421,643)	(119,572,693)
Expenses incurred related to claims		(34,142,147)	(38,163,937)
Reinsurers' share of claims paid		170,668,610	167,059,361
Net claims and other benefits paid		(529,118,527)	(452,162,655)
Changes in outstanding claims		(159,420,645)	(115,348,755)
Changes in reinsurers' share of outstanding claims		139,992,421	83,308,044
Changes in premium deficiency reserve		(6,878,778)	5,864,597
Changes in additional premium reserves		(362,501)	310,619
Changes in claims incurred but not reported		73,078,808	15,384,764
Changes in reinsurers' share of claims incurred but not reported		(33,198,493)	2,801,666
Net claims and other benefits incurred		(515,907,715)	(459,841,720)
Changes in unit linked liabilities		22,308,655	15,328,184
Unrealized gain on unit linked investments		19,650,078	17,020,972
Policy acquisition costs	14.3	(65,146,247)	(54,245,801)
Inspection and supervision fees		(7,033,412)	(4,918,091)
TOTAL UNDERWRITING COSTS AND EXPENSES		(546,128,641)	(486,656,456)
NET UNDERWRITING INCOME		156,487,911	131,076,502
OTHER (EXPENSES) / INCOME			
Provision of doubtful debts	6 & 7	(2,959,242)	(5,638,305)
General and administrative expenses	22	(123,276,726)	(99,492,118)
Investment income		10,352,872	10,792,120
Other income		4,995,396	3,750,147
TOTAL OTHER EXPENSES		(110,887,700)	(90,588,156)
NET INCOME FOR THE YEAR BEFORE ATTRIBUTION AND ZAKAT AND TAX		45,600,211	40,488,346
Surplus attributed to the insurance operations	16	(3,986,295)	(3,438,289)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND TAX		41,613,916	37,050,057
Zakat charge for the year	19	(4,517,818)	(3,949,319)
Income tax charge for the year, net	19	(5,346,344)	(1,556,061)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND TAX		31,749,754	31,544,677
Earnings per share			
Basic and diluted earnings per share	26	1.59	1.58

The accompanying notes 1 to 33 form an integral part of these financial statements.

Andreas Brunner

Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan

Chairman

Mohammed Koubar

Chief Financial Officer

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 (SAR)	2018 (SAR)
Net income for the year attributable to the shareholders after zakat and tax		31,749,754	31,544,677
Other comprehensive income / (loss):			
Items that will not be reclassified to the statement of income in subsequent years			
Re-measurement of defined benefit liability - end-of-service obligations	18	3,287,651	1,306,141
Items that may be reclassified to statement of income in subsequent years			
Available for sale investments:			
- Net change in fair value	10(b)	25,252,589	(12,254,990)
- Deferred tax relating to change in fair value	11	(2,681,169)	1,301,161
Total comprehensive income for the year		57,608,825	21,896,989

Statement of Changes In Shareholders' Equity

For the year ended 31 December 2019

	Share Capital SAR	Share Premium SAR	Statutory Reserve SAR	Retained earnings SAR	Actuarial reserve for end-of-service indemnities SAR	Fair value reserve on investments SAR	Total SAR
Balance as at 1 January 2019 (restated)	200,000,000	22,711,315	14,393,656	49,624,574	540,837	(10,372,819)	276,897,563
Total comprehensive income for the year:							
Net income for the year attributable to shareholders after zakat and tax	-	-	-	31,749,754	-	-	31,749,754
Re-measurement of defined benefit liability - end of service obligations	-	-	-	-	3,287,651	-	3,287,651
Changes in fair values of available for sale investments	-	-	-	-	-	25,252,589	25,252,589
Deferred tax relating to change in fair value – note 11	-	-	-	-	-	(2,681,169)	(2,681,169)
Total comprehensive income for the year	-	-	-	31,749,754	3,287,651	22,571,420	57,608,825
Transfers to statutory reserve	-	-	6,349,951	(6,349,951)	-	-	-
Balance as at 31 December 2019	200,000,000	22,711,315	20,743,607	75,024,377	3,828,488	12,198,601	334,506,388
Balance as at 1 January 2018 as reported	200,000,000	22,711,315	6,983,645	19,902,207	(765,304)	581,010	249,412,873
Impact of adopting IAS 12 – note 19	-	-	-	5,587,701	-	-	5,587,701
Balance as at 1 January 2018 (restated)	200,000,000	22,711,315	6,983,645	25,489,908	(765,304)	581,010	255,000,574
Total comprehensive income for the year (restated):							
Net income for the year attributable to shareholders after zakat and tax	-	-	-	31,544,677	-	-	31,544,677
Re-measurement of defined benefit liability - end of service obligations	-	-	-	-	1,306,141	-	1,306,141
Changes in fair values of available for sale investments	-	-	-	-	-	(12,254,990)	(12,254,990)
Deferred tax relating to change in fair value – note 11	-	-	-	-	-	1,301,161	1,301,161
Total comprehensive income for the year	-	-	-	31,544,677	1,306,141	(10,953,829)	21,896,989
Transfers to statutory reserve	-	-	7,410,011	(7,410,011)	-	-	-
Balance as at 31 December 2018 (restated)	200,000,000	22,711,315	14,393,656	49,624,574	540,837	(10,372,819)	276,897,563

The accompanying notes 1 to 33 form an integral part of these financial statements.

Andreas Brunner
Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan
Chairman

Mohammed Koubar
Chief Financial Officer

Statement of cash

For the year ended 31 December 2019

	Note	2019 SAR	2018 SAR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before surplus, zakat and tax		45,600,211	40,488,346
Adjustments for non-cash and other items:			
Depreciation of property and equipment	12	2,125,362	1,681,327
Amortization of investments premium	10(b)	608,361	904,367
Provision of doubtful reinsurance receivables	7(a)	606,148	1,259,482
Gain on sale of property and equipment		(33,075)	(3,150)
Provision for doubtful receivables and write-offs	6	2,320,486	3,993,296
Provision for end-of-service obligations	18(a)	4,953,653	4,927,587
Unrealized gains on unit linked investments		(19,650,078)	(17,020,972)
		36,531,068	36,230,283
Changes in operating assets and liabilities:			
Reinsurance balances receivable		511,391	(371,227)
Premiums receivable		(14,003,005)	(45,872,133)
Reinsurers' share of unearned premiums		(3,466,442)	31,273,227
Reinsurers' share of outstanding claims		(139,992,421)	(83,308,044)
Reinsurers' share of claims incurred but not reported		33,198,493	(2,801,666)
Deferred policy acquisition costs		82,743	(3,136,012)
Right-of-use assets		(6,776,228)	-
Unit linked investments		41,302,249	30,971,339
Prepaid expenses and other assets		(19,948,995)	(1,798,112)
Accrued expenses and other liabilities		25,125,917	32,125,572
Reinsurers' balances payable		50,873,380	(36,931,535)
Unearned premiums		18,275,995	(25,190,310)
Unearned reinsurance commission		(261,507)	(3,204,471)
Lease liabilities		5,784,231	-
Unit linked liabilities		(22,308,655)	(15,328,184)
Outstanding claims		159,420,645	115,348,755
Claims incurred but not reported		(73,078,808)	(15,384,764)
Premium deficiency reserves		6,878,778	(5,864,597)
Additional premium reserves		362,501	(310,619)
		98,511,330	6,447,502
End-of-service obligations paid	18(a)	(1,568,453)	(2,328,923)
Surplus paid to policyholders	16	(643,702)	(675,632)
Zakat and income tax paid	19(c)	(5,571,134)	(5,536,979)
Net cash generated from / (used in) operating activities		90,728,041	(2,094,032)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in available for sale investments	10(b)	(53,143,748)	(66,081,461)
Proceeds from sale of available for sale investments		23,687,500	30,592,500
Proceeds from sale of property and equipment		33,075	3,150
Additions in property and equipment	12	(5,573,789)	(2,616,484)
Net cash used in investing activities		(34,996,962)	(38,102,295)
NET CHANGE IN CASH AND CASH EQUIVALENTS		55,731,079	(40,196,327)
Cash and cash equivalents, beginning of the year		93,134,538	133,330,865
CASH AND CASH EQUIVALENTS, END OF THE YEAR	4	148,865,617	93,134,538
Non-cash information:			
Changes in fair value of available for sale investments	10(b)	(25,252,589)	12,254,990
Re-measurement of defined benefit liability – end-of-service obligations	18	(3,287,651)	(1,306,141)
Deferred income tax	19	2,681,169	(1,301,161)

The accompanying notes 1 to 30 form an integral part of these financial statements.

Andreas Brunner



Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan



Chairman

Mohammed Koubar



Chief Financial Officer



NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

1. GENERAL

Allianz Saudi Fransi Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), the "Company", was formed pursuant to Royal Decree No. 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006). The Company operates under Commercial Registration Number 1010235601 dated 26 Jumada Thani 1428H (corresponding to 11 July 2007). The Company operates through its eight branches in the Kingdom of Saudi Arabia. The registered address of the Company's head office is as follows:

Allianz Saudi Fransi Cooperative Insurance Company
Al Safwa Commercial Building, Khurais Road
P.O. Box 3540
Riyadh 11481, Saudi Arabia

The Company's ultimate parent is Allianz SE, a European financial services company headquartered in Munich, Germany. The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include medical, protection and savings, motor, engineering, property and other general insurance lines. On 31 July 2003, corresponding to 2 Jumada Thani 1424H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). During March 2008, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On 1 January 2016, the Company management approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full..

2. BASIS OF PREPARATION

a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The financial statements of the Company as at and for the year ended 31 December 2018 was prepared in compliance with the International Financial Reporting Standards ("IFRS") as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax). On 17 July 2019, SAMA issued the instruction to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3) and the effects of this change are disclosed in note 19 to the financial statements.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of unit linked investments, available-for-sale investments and recording of end of service obligations at present value. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: available for sale investments, property and equipment, statutory deposit, accrued income on statutory deposit and end-of-service obligations. All other financial statement line items would generally be classified as current. Also refer note 27(e).

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 30). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 30 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required by IFRS. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company's financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for similar transactions and events in similar circumstances

b) Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statements values are presented in Saudi Riyals, unless otherwise indicated.

c) Fiscal year

The Company follows a fiscal year ending 31 December.

d) Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

1) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property, engineering and large claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Company uses the service of an independent actuary in the valuation of IBNR as well as Premium Deficiency Reserves.

2) Impairment of available for sale investments

The Company determines that available-for-sale financial assets are impaired when there has been a significant or

prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy for equity instruments and mutual funds. In making this judgment, the Company evaluates among other factors, the normal volatility in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. .

The Company reviews its bond and sukuk investments classified as available for sale at each reporting date to assess whether they are impaired. In the case of bond and sukuk investment classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income.

3) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired..

4) Fair value of financial assets

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the previous financial year, except for the adoption of the standard IFRS 16 and change in the accounting for zakat and income tax as explained below:

Standards adopted during the year

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of SR 9.8 million and SR 8.1 million respectively as of January 1, 2019, with no material impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using incremental borrowing rate.

The Company has elected to use assumptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application and lease contracts for which the underlying assets are of low value. The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

Reconciliation of lease liabilities	SAR
Off-balance sheet lease obligations as of December 31, 2018	8,784,057
Current leases with a lease term of 12 months or less & low-value leases	-
Discounting to present value	(608,081)
Operating lease obligations as of January 1, 2019 (net, discounted)	8,175,976

Change in accounting policy in relation to accounting for zakat and income tax

As mentioned in note 2(a), the basis of preparation has been changed for the year ended 31 December 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above changes are disclosed in note 19 to the financial statements. The change has resulted in reduction of reported income of the Company for the year ended 31 December 2018 by SR 5.5 million.

Income Tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Adjustments arising from the final income tax assessments are recorded in the year in which such assessments are made. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

Deferred income tax

Deferred income tax is recognised using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax recognised is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Standards issued but not yet effective:

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's 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 International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 17 Insurance Contracts

Overview

This standard has been published in May 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:

- embedded derivatives, if they meet certain specified criteria;
- distinct investment components; and
- 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 Measurement Model (GMM) 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. Since the CSM cannot be negative, so

changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The **Variable Fee Approach (VFA)** is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under GMM, the CSM is also adjusted for;

- the entity's share of the fair value of underlying items,
- the effect of changes in the time value of money and in financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key gaps and their impact are as follows:

Impact Area	Summary of Impact
Financial Impact	<p>The Company will need to change the practice of revenue recognition at the level of aggregation – IFRS 17 requires to recognize losses immediately, whereas the gain (refer to contractual service margin – CSM) will be earned over the coverage period of the direct insurance contracts. This may have high financial impact.</p> <p>The extent and sign of the financial impact also depends on the current assumptions, methodologies and practices being followed by the Company in technical reserves calculation.</p> <p>The new components of Insurance Finance Income and Expenses will have a greater impact, in particular to the following areas:</p> <ul style="list-style-type: none"> - liability for incurred claims for which discounting will be required - accretion of interest on the CSM where the general model will be applied. <p>Solvency capital may also have an impact subject to the local regulations.</p>
Data Impact	<p>The IFRS 17 requires the Company to decide on the level of aggregation based on the following three criteria:</p> <ol style="list-style-type: none"> 1. Portfolio; 2. Profitability; and 3. Issuance Year <p>This will increase the required granularity level of the data. Hence, new data fields will be required going forward and have significant impact on the data.</p>
IT Systems Impact	<p>Generally, the Company will have to modify their existing systems in order to capture the new data fields and process the new accounting entries, The Company may also have to update their existing reporting process and systems, in addition to the data storage requirements.</p>
Process Impact	<p>The financial reporting would change significantly under IFRS 17, with significant increase in the number of disclosures required by the standard.</p> <p>The accounting processes and chart of accounts would need to be updated as per the IFRS 17 standard.</p> <p>Actuarial models and assumptions need to be aligned with the IFRS 17 requirements.</p>
Impact on RI Arrangements	<p>Generally, the Company will have to review their existing reinsurance arrangements to better align with the IFRS 17 requirements with their existing processes. However, it may be possible that contracts issued by the Company may have different measurement models as compared to the contracts held by the Company.</p>
Impact on Policies & Control Frameworks	<p>The Company will need to update their existing policies and controls frameworks in all those areas which will have an impact due to the IFRS 17 adoption.</p>

IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

a) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and
- the contractual terms of cash flows are SPPI,

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in

the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

c) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 1 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after 1 January 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2018:

- (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
- (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SR 1,143 million and SR 1,164 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 217 million (2018: SR 143 million). Fair value of unit linked investments held at fair value through statement of income as at December 31, 2019 is SR 538 million (2018: SR 560 million). Other financial assets consist of available for sale investments amounting to SR 385 million (2018: SR 331 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2019 these debt securities within available for sale category are measured at

fair value of SR 369 million with changes in fair value during the year of SR 24 million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 27. The Company financial assets have low credit risk as at 31 December 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review

The significant accounting policies used in preparing these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including deposits with less than three months maturity from the date of acquisition.

Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of income.

An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in notes 6 and 7 falls under the scope of IFRS 4 "Insurance contracts".

Available for sale investments

Available for sale investments ("AFS") include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Such investments are initially recorded at fair value including transaction costs directly attributable to the acquisition of the investment. After initial measurement, AFS financial investments are subsequently measured at fair value. Unrealised gains or losses arising from changes in fair value of investments are shown in the statement of comprehensive income. Realised gains or losses on sale of these investments and commission income are reported in the statement of income.

Dividend, commission income and foreign currency gain/loss are recognized in the statements of income as part of net investment income/loss.

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the statement of income, as impairment charges.

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Reclassification

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity (HTM) is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate "EIR". Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income. During 2019 and 2018, there was no reclassifications among the financial asset categories.

Derecognition of financial assets

Derecognition of a financial asset occurs only when the seller has transferred the asset's risks and rewards (either substantially or partially) or control of the contractual rights have been transferred from the seller to the buyer. The evaluation of the transfer of risks and rewards should precede an evaluation of the transfer of control for all types of transaction. The positions of both the buyer and the seller should be considered but the seller's position is seen as more relevant. An entity may achieve partial derecognition whereby it recognises the components that have been retained, or new assets or liabilities such as those that arise from issuing a guarantee.

If the entity determines that it has neither retained nor transferred substantially all of an asset's risks and rewards and that it has retained control, the entity should continue to recognise the asset to the extent of its continuing involvement.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
 - adverse changes in the payment status of issuers or debtors in the Company; or
 - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

- For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease

in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

The Company also considers the factors such as market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness, country's ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Unit linked investments and liabilities

Unit linked investments are assets backing liabilities arising from contracts, where the liabilities are contractually linked to the fair value of the financial assets within the policyholders unit linked funds and are classified as 'held for trading' assets and are designated at fair value through statement of income. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Any change in fair value is recognised in statement of income

An investment may be designated at fair value through statement of income by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured. Transaction costs, if any, are not added to the fair value measurement at initial recognition of fair value through statement of income investments. Dividend income (if any) on financial assets held as fair value through statement of income is presented under 'Investment income' in the statement of income.

The Company has unit linked liabilities at FVSI. These pertain to individual life insurance contracts which insure human life events such as death over a long period of time. Insurance premiums are recognised directly as liabilities. These liabilities are increased/decreased by change in the unit prices as in the case of unit-linked contracts and decreased by plan holder charges and surrender and maturities. The unit linked liabilities are determined as the value of the units deemed allocated at the valuation date. Additional technical provisions have been established for the value of risk related to the life insurance contracts. These additional provisions are calculated using stochastic techniques and are not a significant portion of the overall unit linked liabilities.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

■ Computer and office equipment	4 years
■ Motor vehicles	4 years
■ Furniture and fittings	4 to 7 years
■ Leasehold improvements	5 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

Accounting for leases

On initial recognition at the inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of use asset

The Company applies cost model and measures the right of use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, the right of use asset would equate the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transactions etc. these need to be added to the right of use asset value.

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:

- 1. Increasing the carrying amount to reflect the interest on the lease liability;
- 2. Reducing the carrying amount to reflect the lease payments made; and
- 3. Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

Statutory deposit

The statutory deposit shall be ten percent (10%) of the paid up capital. The Company has placed the statutory deposit amount in a bank designated by SAMA. SAMA shall be entitled to the earnings on statutory deposit which is payable by the Company to SAMA and appearing as 'Accrued income payable to SAMA'.

Provisions, accrued expenses and other liabilities

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Accrued expenses and other liabilities are recognized for amounts to be paid in the future for services, whether billed by the supplier or not.

Surplus distribution payable

Ten-percent (10%) of the net surplus from insurance operations shall be distributed to the policyholders directly, or in the form

of reduction in premiums for the next year. The remaining ninety-percent (90%) of the net surplus shall be transferred to the shareholders.

Deferred policy acquisition costs (DAC)

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed of.

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Additional premium reserves

Additional premium reserves are booked by the Company on the basis of unexpired risk reserve for engineering business.

Zakat and income tax

In accordance with the regulations of the General Authority for Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis and recorded in the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

End-of-service obligations

The calculation of the employees' end of service benefit is performed annually by a qualified actuary using the projected unit credit method in accordance with the requirements of IAS 19 "Employee Benefits". All past service costs are recognized as an expense immediately in the statement of income. Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses are recognized in other comprehensive income.

The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at that date, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefits payments. Net Interest expense and other expenses related to the defined benefit plans are recognized in the statement of income.

Short term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Insurance and investment contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk. The Company's unit linked products have been classified as investment contracts. These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments.

The Company's insurance and investment contracts do not contain any discretionary participatory features.

Reinsurance

Reinsurance is distributed between treaty, facultative and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Revenue recognition

Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

Unearned premiums and commissions represent the portion of premiums and commissions relating to the unexpired period of coverage. The change in the provision for unearned premium and unearned commission is taken to the statement of income in the same order that revenue is recognised over the period of risk.

Deposits (premium) related to unit linked contracts are credited to policyholder account balances. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded under "Fee income from unit linked investments" in the period in which services are provided.

Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded on the same basis as premium in the statement of income.

Investment income

Investment income on debt instruments classified under available for sale investments and deposits are accounted for on an effective interest basis.

Dividend income

Dividend is recognised in the statement of income only when:

- the entity's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the entity; and
- the amount of the dividend can be measured reliably.

Statutory reserve

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

Expense recognition

Expenses are recognized in statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses are presented using the nature of expense method.

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of property.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company is organised into business units based on their products and services and has six reportable operating segments as follows:

- Motor insurance provides coverage against loss or damage to the motor vehicles caused by accident, fire or theft along with the coverage of third party liability as well;
- Health care (medical) products provide medical cover to policyholders;
- Property and casualty which include the following:
 - Engineering insurance provides coverage for builders' risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance;
 - Property insurance provides cover against accidental physical loss or damage to the property due to any cause including fire and allied perils and consequential losses associated with the perils insured;
 - Other general insurance segment comprises of marine, credit, fidelity guarantee insurance and liability;
- Protection and saving segment includes a variety of savings products designed to meet the needs of individuals as well as corporate institutions.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

No inter-segment transactions occurred during the year, if any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant as Saudi Riyals is pegged to US dollars.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statements of income unless required or permitted by any accounting standard or interpretation.

Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Fair values

The fair value of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. CASH AND CASH EQUIVALENTS

	2019 (SAR)			2018 (SAR)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Bank balances and cash	67,046,426	61,819,191	128,865,617	39,902,503	45,412,035	85,314,538
Deposits maturing within 3 months from the acquisition date	20,000,000	-	20,000,000	7,820,000	-	7,820,000
	87,046,426	61,819,191	148,865,617	47,722,503	45,412,035	93,134,538

Deposits are maintained with financial institutions and have a maturity of three months or less from the date of acquisition. These deposits earn commission at an average rate of 2.28% per annum as at 31 December 2019 (2018: 1.33% per annum). Bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology. Bank balances and deposits includes SR 104 million maintained with Banque Saudi Fransi (a shareholder) (2018: SR 70.4 million).

5. PREPAID EXPENSES AND OTHER ASSETS

	2019 (SAR)			2018 (SAR)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Third party administrator						
receivables	43,514,166	-	43,514,166	21,358,224	-	21,358,224
Advance to agents and brokers	9,020,308	-	9,020,308	4,814,885	-	4,814,885
Receivable for unit linked investments	7,049,865	-	7,049,865	8,941,411	-	8,941,411
Accrued investment income	1,279,627	2,696,665	3,976,292	2,247,251	5,243,586	7,490,837
Receivable from Manafeth	1,891,459	-	1,891,459	2,205,020	-	2,205,020
Advances to employees	1,609,173	-	1,609,173	1,767,062	-	1,767,062
Prepaid rent	115,817	-	115,817	1,540,969	-	1,540,969
Other assets	5,313,124	-	5,313,124	4,422,801	-	4,422,801
	69,793,539	2,696,665	72,490,204	47,297,623	5,243,586	52,541,209

6. PREMIUMS RECEIVABLE, NET

Premiums receivable:	2019 SAR	2018 SAR
Policyholders	169,764,645	325,252,773
Brokers and agents	288,920,109	111,678,279
Other shareholders (Note 23)	16,988,438	24,739,135
	475,673,192	461,670,187
Provision for doubtful receivables	(55,086,915)	(52,766,429)
Premiums receivable, net	420,586,277	408,903,758

The ageing analysis of premiums receivable balances is set out below:

31 December 2019	Past due but not impaired	Past due and impaired		Total
	Less than 90 days	90 to 180 days	More than 180 days	
Amount in SR				
Premiums receivable from insurance contracts	108,679,886	51,718,004	119,859,448	280,257,338
Provision for doubtful receivables	-	(7,757,701)	(47,329,214)	(55,086,915)
Premiums receivable from past due insurance contracts, net	108,679,886	43,960,303	72,530,234	225,170,423
Neither past due nor impaired				121,161,967
Premiums receivables under fronting arrangements*				74,253,887
Premiums receivable, net				420,586,277

31 December 2018	Past due but not impaired	Past due and impaired		Total
	Less than 90 days	90 to 180 days	More than 180 days	
Amount in SR				
Premiums receivable from insurance contracts	186,294,401	71,425,550	99,251,301	356,971,252
Provision for doubtful receivables	-	(10,713,833)	(42,052,596)	(52,766,429)
Premiums receivable from past due insurance contracts, net	186,294,401	60,711,717	57,198,705	304,204,823
Neither past due nor impaired				35,668,001
Premiums receivables under fronting arrangements*				69,030,934
Premiums receivable, net				408,903,758

Premiums receivable under fronting arrangements are insurance contracts under which the Company passes all the risks including the clients' credit risk to other

insurance/reinsurance companies. Such arrangements are made between global clients and entities of Allianz Group under which Allianz Saudi Fransi provides the insurance service for the entity located in the Kingdom of Saudi Arabia.

The Company classifies balances as “past due and impaired” on a case by case basis and an impairment adjustment is recorded in the statement of income. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.

Corporate premium receivables are with counterparties with a sound credit profile. The five largest customers accounts for 13% (31 December 2018: 15%) of the premiums receivable as at 31 December 2019.

The movement in the allowance for doubtful receivables is as follows:

	2019 SAR	2018 SAR
Balance at the beginning of the year	52,766,429	48,773,133
Provided during the year	2,353,094	4,378,823
Write-offs	(32,608)	(385,527)
Balance at the end of the year	55,086,915	52,766,429

7. REINSURANCE BALANCES

Reinsurance balances receivable:	2019 SAR	2018 SAR
Receivables from reinsurers	75,563,011	76,074,402
Provision for doubtful reinsurers' receivables	(5,027,110)	(4,420,962)
Reinsurers receivable, net	70,535,901	71,653,440

The movement in the allowance for doubtful reinsurance receivable is as follows:

Balance at the beginning of the year	4,420,962	3,161,480
Provided during the year	606,148	1,259,482
Balance at the end of the year	5,027,110	4,420,962

Reinsurance receivables are with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest reinsurers accounts for 41% (31 December 2018: 44%) of the reinsurance receivable as at 31 December 2019..

Reinsurance balances payable:	2019 SAR	2018 SAR
Reinsurance balances due to other parties	110,774,162	130,818,593
Reinsurance balances due to related parties (Note 23)	84,824,961	13,907,150
Total reinsurers' balances payable	195,599,123	144,725,743

8. RIGHT-OF-USE ASSETS

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

	2019 SAR
Balance at the beginning of the year	9,849,530
Amortized during the year	(3,073,302)
Balance at the end of the year	6,776,228

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME (UNIT LINKED INVESTMENTS)

The fair values for unit linked investments as at 31 December are:

	2019 SAR	2018 SAR
Local funds	526,275,646	548,211,269
Foreign funds	11,838,212	11,554,760
	538,113,858	559,766,029

Portfolios of the funds are as follows:

	2019 SAR	2018 SAR
Al Badr Fund Saudi Riyal	219,951,269	227,444,566
Al Ghad/Al Anjal Low Risk Fund	211,224,278	225,374,795
Al Saffa Equity Fund	57,762,066	52,750,465
Al Ghad/Al Anjal Murabaha Fund	28,622,942	32,357,850
Al Badr Fund US Dollar	11,838,212	11,554,760
Al Danah GCC Equity Fund	3,749,615	3,601,981
Saudi Istithmar Fund	2,824,870	2,722,060
Money Market Fund Saudi Riyal	2,140,606	3,959,552
	538,113,858	559,766,029

Unit linked assets are related to investments in unit linked funds. The Company has established unit linked liabilities which, excluding some timing differences and reserves, match exactly with the policyholder's unit linked assets.

The fair value of unit linked investments are measured based on the net assets value provided by fund manager. As the values of these investments are available from the market, the Company uses Level 1 hierarchy for determining and disclosing the fair value of above unit linked investments.

10. AVAILABLE FOR SALE INVESTMENTS

a) Investments are classified as follows:

Insurance operations:	Domestic		International		Total	
	2019 SAR	2018 SAR	2019 SAR	2018 SAR	2019 SAR	2018 SAR
Debt instruments	128,180,982	105,737,381	5,143,123	4,804,898	133,324,105	110,542,279
Equities and mutual funds	7,991,984	4,664,240	-	-	7,991,984	4,664,240
	136,172,966	110,401,621	5,143,123	4,804,898	141,316,089	115,206,519

Shareholders' operations	Domestic		International		Total	
	2019 SAR	2018 SAR	2019 SAR	2018 SAR	2019 SAR	2018 SAR
Debt instruments	211,718,827	183,561,970	23,792,384	24,628,886	235,511,211	208,190,856
Equities and mutual funds	3,223,078	3,223,078	5,429,122	4,758,571	8,652,200	7,981,649
	214,941,905	186,785,048	29,221,506	29,387,457	244,163,411	216,172,505

Total	Domestic		International		Total	
	2019 SAR	2018 SAR	2019 SAR	2018 SAR	2019 SAR	2018 SAR
Debt instruments	339,899,809	289,299,351	28,935,507	29,433,784	368,835,316	318,733,135
Equities and mutual funds	11,215,062	7,887,318	5,429,122	4,758,571	16,644,184	12,645,889
	351,114,871	297,186,669	34,364,629	34,192,355	385,479,500	331,379,024

Available for sale investments includes amount of SR 800,000 with related party (2018: SR 800,000).

b) Movement in available for sale investment balance is as follows:

Insurance operations:	(SAR)		
	Quoted securities	Unquoted securities	Total
As at 1 January 2018	104,424,116	5,000,000	109,424,116
Purchases	-	10,061,207	10,061,207
Amortization	(255,144)	(9,882)	(265,026)
Unrealized loss on fair value	(3,544,986)	(468,792)	(4,013,778)
As at 31 December 2018	100,623,986	14,582,533	115,206,519
As of 1 January 2019	100,623,986	14,582,533	115,206,519
Purchases	22,491,134	-	22,491,134
Disposals/maturity	-	(5,000,000)	(5,000,000)
Amortization	(251,970)	(12,645)	(264,615)
Unrealized gain on fair value	8,021,169	861,882	8,883,051
Transfer from unquoted to quoted	10,431,770	(10,431,770)	-
As at 31 December 2019	141,316,089	-	141,316,089

The cumulative unrealised gain in fair value of available for sale investments amounts to SR 3,943,093 (31 December 2018: loss SR 4,939,958).

Shareholders' operations:	(SAR)		
	Quoted securities	Unquoted securities	Total
As at 1 January 2018	119,402,226	80,223,078	199,625,304
Purchases	45,922,254	10,098,000	56,020,254
Disposals/maturity	(30,592,500)	-	(30,592,500)
Amortization	(628,121)	(11,220)	(639,341)
Unrealized loss on fair value	(3,464,099)	(4,777,113)	(8,241,212)
As at 31 December 2018	130,639,760	85,532,745	216,172,505
As of 1 January 2019	130,639,760	85,532,745	216,172,505
Purchases	30,652,614	-	30,652,614
Disposals/maturity	(1,687,500)	(17,000,000)	(18,687,500)
Amortization	(329,390)	(14,356)	(343,746)
Unrealized gain on fair value	10,475,364	5,894,174	16,369,538
Transfer from unquoted to quoted	35,979,800	(35,979,800)	-
As at 31 December 2019	205,730,648	38,432,763	244,163,411

The cumulative unrealised gain in fair value of available for sale investments amounts to SR 8,255,508 (31 December 2018:

loss SR 5,432,861) including deferred tax related to change in fair value.

11. DEFERRED TAX ASSETS, NET

The fair values for unit linked investments as at 31 December are:

	December 31, 2019	December 31, 2018 (Restated)
Deferred tax assets, net	6,961,507	9,350,189

Movement in deferred tax asset balance is as follows:

SR	31 December 2019	31 December 2018	1 January 2018
At the beginning of the year (note 19)	9,350,189	5,587,701	-
Recognition of previously unrecognized tax losses	-	-	413,776
Deferred tax income - statement of income (note 19)	292,487	2,461,327	5,173,925
Deferred tax (expense) / credit - statement of comprehensive income	(2,681,169)	1,301,161	-
At the end of the year	6,961,507	9,350,189	5,587,701

This deferred tax arises on end of service obligations, provision against premium receivable, provision against reinsurance receivable, unabsorbed tax losses, fair value reserve on investments and property and equipment.

12. PROPERTY AND EQUIPMENT

Cost:	Computer and office equipment SAR	Motor vehicles SAR	Furniture and fittings SAR	Leasehold improvements SAR	Total 2019 SAR	Total 2018 SAR
At the beginning of the year	12,445,142	1,287,285	7,554,210	970,909	22,257,546	19,929,997
Additions during the year	2,627,601	350,948	1,985,640	609,600	5,573,789	2,616,484
Disposals during the year	-	(220,140)	-	-	(220,140)	(288,935)
At the end of the year	15,072,743	1,418,093	9,539,850	1,580,509	27,611,195	22,257,546
Accumulated depreciation:						
At the beginning of the year	10,293,877	981,106	6,289,592	122,618	17,687,193	16,294,801
Charge for the year (Note 22)	1,146,704	117,595	568,969	292,094	2,125,362	1,681,327
Disposals during the year	-	(220,140)	-	-	(220,140)	(288,935)
At the end of the year	11,440,581	878,561	6,858,561	414,712	19,592,415	17,687,193
Net book value at 31 December 2019	3,632,162	539,532	2,681,289	1,165,797	8,018,780	
Net book value at 31 December 2018	2,151,265	306,179	1,264,618	848,291		4,570,353

13. STATUTORY DEPOSIT

In compliance with the Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SR 20 million in a bank designated by SAMA. The accrued income on the deposit as at 31 December 2019 is SR 1,485,295 (31 December 2018: SR 1,090,636) and has been disclosed in assets as "Accrued income on statutory deposit" and the corresponding commission is shown in liabilities as "Accrued income payable to SAMA". This deposit cannot be withdrawn without SAMA's consent. The statutory deposit is maintained with Banque Saudi Fransi, a shareholder of the Company and rated "BBB+" by Standard and Poor's and Moody's ratings methodology.

14. TECHNICAL RESERVES

14.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2019 SAR	2018 SAR
Gross outstanding claims	569,506,181	413,308,190
Less: Realizable value of salvage and subrogation	(36,439,428)	(39,662,082)
	533,066,753	373,646,108
Claims incurred but not reported	87,780,442	160,859,250
Premium deficiency reserves	11,731,333	4,852,555
Additional premium reserves	1,369,320	1,006,819
Unit linked liabilities	535,415,117	557,723,772
	1,169,362,965	1,098,088,504
Less:		
- Reinsurers' share of outstanding claims	(432,328,207)	(292,335,786)
- Reinsurers' share of claims incurred but not reported	(43,298,714)	(76,497,207)
	(475,626,921)	(368,832,993)
Net outstanding claims and reserves	693,736,044	729,255,511

14.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2019 (SAR)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	390,422,335	(148,911,143)	241,511,192
Premium written during the year	1,011,666,001	*(312,609,731)	699,056,270
Premium earned during the year	(993,390,006)	309,143,289	(684,246,717)
Balance as at the end of the year	408,698,330	(152,377,585)	256,320,745

*This amount includes SR 302,757,400 for reinsurance premium ceded abroad, SR 5,811,262 for reinsurance premium ceded locally and SR 4,041,069 for excess of loss expenses.

	2018 (SAR)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	415,612,645	(180,184,370)	235,428,275
Premium written during the year	870,716,183	*(264,590,355)	606,125,828
Premium earned during the year	(895,906,493)	295,863,582	(600,042,911)
Balance as at the end of the year	390,422,335	(148,911,143)	241,511,192

*This amount includes SR 243,423,381 for reinsurance premium ceded abroad, SR 16,561,189 for reinsurance premium ceded locally and SR 4,605,785 for excess of loss expenses.

14.3 Movement in deferred policy acquisition costs

	2017 SAR	2018 SAR
Balance as at the beginning of the year	27,002,293	23,866,281
Incurred during the year	65,063,504	57,381,813
Amortized during the year	(65,146,247)	(54,245,801)
Balance as at the end of the year	26,919,550	27,002,293

15. ACCRUED AND OTHER LIABILITIES

	2019 SAR			2018 SAR		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Payables to policyholders	53,677,158	-	53,677,158	52,350,308	-	52,350,308
Accrued third party administrator fees	41,374,985	-	41,374,985	24,977,201	-	24,977,201
Commission payable	39,592,526	-	39,592,526	34,232,981	-	34,232,981
Accrued bonus	4,406,767	-	4,406,767	4,256,191	-	4,256,191
Inspection and supervision fees	1,273,355	-	1,273,355	1,185,966	-	1,185,966
Others	9,716,883	443,891	10,160,774	8,020,191	336,810	8,357,001
	150,041,674	443,891	150,485,565	125,022,838	336,810	125,359,648

16. SURPLUS DISTRIBUTION PAYABLE

	2019 (SAR)	2018 (SAR)
Balance at the beginning of the year	12,344,873	9,582,216
Total income attributed to the insurance operations during the year	3,986,295	3,438,289
Surplus paid to policyholders	(643,702)	(675,632)
Balance at the end of the year	15,687,466	12,344,873

17. UNEARNED REINSURANCE COMMISSION

	2019 (SAR)	2018 (SAR)
Balance at the beginning of the year	7,609,280	10,813,751
Commission received during the year	16,938,619	13,374,586
Commission earned during the year	(17,200,126)	(16,579,057)
Balance at the end of the year	7,347,773	7,609,280

18. END OF SERVICE OBLIGATIONS

a) The movement in provision for employees' end of service benefits for the years ended 31 December are as follows:

	2019 (SAR)	2018 (SAR)
Defined benefit obligation at the beginning of the year	16,750,349	15,457,826
Provided during the year:		
Current service cost	4,249,898	4,401,028
Interest cost	703,755	526,559
	4,953,653	4,927,587
Paid during the year	(1,568,453)	(2,328,923)
Actuarial reserve for employee benefits	(3,287,651)	(1,306,141)
Defined benefit obligation at the end of the year	16,847,898	16,750,349

b) Principal actuarial assumptions:

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	2019 (SAR)	2018 (SAR)
Discount rate used for valuation	2.55%	4.40%
Salary increase rate	2.55%	6.50%
Duration (years)	7.30	8.63

c) Sensitivity analysis

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	2018 (SAR)	2017 (SAR)
Valuation discount rate		
• Increase by 1%	1,147,322	1,674,201
• Decrease by 1%	1,313,699	1,152,989
Future salary growth		
• Increase by 1%	1,388,386	1,188,822
• Decrease by 1%	1,234,575	1,732,456
Mortality rate		
• Increase by 1 year	233,113	361,782
• Decrease by 1 year	250,977	383,818
Withdrawal rate		
• Increase by 10%	2,571	823,516
• Decrease by 10%	2,580	147,524

19. ZAKAT AND INCOME TAX

A summary of the Company's share capital and percentages of ownership are as follows:

	31 December 2019		31 December 2018	
	SAR	%	SAR	%
Non-Saudi Shareholders	106,180,000	53.09%	106,180,000	53.09%
Saudi and GCC Shareholders	93,820,000	46.91%	93,820,000	46.91%
Total	200,000,000	100%	200,000,000	100%

The Company's zakat and income tax calculations and corresponding accruals and payments of zakat and income tax are based on the mentioned ownership percentages in accordance with the relevant provisions of the Saudi Arabian zakat and income tax regulations.

Change in accounting treatment in relation to zakat and income tax

The change in the accounting treatment for zakat and income tax including deferred tax (as explained in note 3) has the following impact on the line items of the statements of income, statement of financial position and changes in equity.

As at 31 December 2018:

Financial statement impacted	Account	As previously stated as at 31 December 2018:	Effect of restatement	As restated as at 31 December 2018:
Statement of income	Zakat charge for the year		(3,949,319)	(3,949,319)
Statement of income	Income tax charge for the year, net		(1,556,061)	(1,556,061)
Statement of income	Basic and diluted earning per share	1.85	(0.27)	1.58
Statement of changes in equity	Net income for the year attributable to the shareholders	37,050,057	(5,505,380)	31,544,677
Statement of changes in equity	Zakat charge for the year	(3,949,319)	3,949,319	-
Statement of changes in equity	Income tax charge for the year	(4,017,388)	4,017,388	-
Statement of changes in equity	Deferred tax relating to change in fair value	-	1,301,161	1,301,161
Statement of comprehensive income	Deferred tax relating to change in fair value	-	1,301,161	1,301,161
Statement of financial position	Deferred tax asset, net	-	9,350,189	9,350,189
Statement of financial position	Fair value reserve on investments	(11,673,980)	1,301,161	(10,372,819)
Statement of financial position	Retained earnings	41,575,546	8,049,028	49,624,574

As at 1 January 2018:

Financial statement impacted	Account	As previously stated as at 1 January 2018:	Effect of restatement	As restated as at 1 January 2018:
Statement of changes in equity	Retained earnings	-	5,587,701	5,587,701

The provision for zakat and income tax as at year end is as follows:

	2019 (SAR)	2018 (SAR)
Provision for zakat	24,451,612	21,297,046
Provision for income tax	3,980,577	2,549,628
	28,432,189	23,846,674

The zakat and income tax charge for year is as follows:

	2019 (SAR)	2018 (SAR)
Zakat for the year	4,517,818	3,949,319
Income tax for the year		
- Current tax	5,638,831	4,017,388
- Deferred tax	(292,487)	(2,461,327)
	5,346,344	1,556,061
	9,864,162	5,505,380

(a) Zakat

The current year's provision is based on the following:

	2019 (SAR)	2018 (SAR)
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	190,643,996	139,737,339
Closing value of long term assets	(68,473,448)	(54,838,426)
	322,170,548	284,898,913
Zakatable income for the year	53,139,413	48,663,275
Zakat base	375,309,961	333,562,188
Total Saudi share of zakat base	176,057,904	157,972,778
Zakat due on Saudi shareholding	4,517,818	3,949,319

The differences between the income as per financial statements and the zakatable income are mainly due to provisions which are not allowed in the calculation of zakatable income.

(b) Income tax

The current year's provision is based on the following:

	2019 (SAR)	2018 (SAR)
Net income for the year	45,600,211	40,488,346
Add: Inadmissible expenses	10,038,258	12,247,219
Less: Admissible expenses	(2,499,056)	(4,072,290)
Adjusted income	53,139,413	48,663,275
Non-Saudi shareholders	28,211,714	24,343,985
Adjustments	(17,560)	(4,257,046)
Adjusted income attributed to non-Saudi shareholders	28,194,154	20,086,939
Provision for income tax (20%)	5,638,831	4,017,388

(c) Movement in zakat and income tax payable is as follows

	2019 (SAR)	2018 (SAR)
Balance at the beginning of the year	23,846,674	21,416,946
Provided during the year – zakat	4,517,818	3,949,319
Provided during the year – income tax	5,638,831	4,017,388
Payment made during the year – zakat	(1,363,252)	(779,956)
Payment made during the year – income tax	(4,207,882)	(4,757,023)
Balance at the end of the year	28,432,189	23,846,674

(d) Status of assessments

The Company has filed zakat and tax declarations for the years ended 31 December 2008 to 31 December 2018, the final zakat and tax assessments for the years 2008 to 2013 has been issued by the GAZT and the assessments for the years 2014 to 2018 are still outstanding. The Company has filed appeals against the General Authority for Zakat and Tax (GAZT) assessments of additional zakat arising from disallowance of long term investments and the statutory deposits from zakat base for the years 2010 to 2013. In result of the final assessments for the years 2008 to 2013 the GAZT has requested additional zakat and tax amounting to SR 18.9 million. The Company has accounted for the additional zakat and tax provision in the financial statements, however has not paid the same. The finalisation of the assessment is not expected to have material impact on the financial statements. The Company is in the process of filing zakat and tax returns for the year ended 31 December 2019 with the GAZT.

20. SHARE CAPITAL

The authorised and issued share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2018: SR 200 million divided into 20 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 13 million shares with a nominal value of SR 10 each, which represents 65% of the shares of the Company's capital and the remaining 7 million shares with a nominal value of SR 10 each have been subscribed by general public.

On 25 October 2017, Allianz Europe BV (a 100% subsidiary of Allianz SE) entered in a legally binding agreement with Banque Saudi Fransi (BSF) to purchase from BSF, 57% of its shareholding in the Company, representing 18.5% of the share capital of the Company. This agreement received SAMA's no-objection and was completed by Allianz Europe BV on 29 March 2018. Accordingly, Group holds 51.0% of the share capital of Allianz Saudi Fransi Cooperative Insurance Company (Allianz Europe BV holds 18.5%, Allianz France International holds 16.25% and Allianz Mena Holding Bermuda holds 16.25%) and BSF holds 14.0% of the share capital.

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

	2018 (SAR)	
	No. of shares	Authorized, issued and paid up capital
Allianz Europe BV	3.70 Million	37 Million
Allianz France International	3.25 Million	32.5 Million
Allianz Mena Holding Bermuda	3.25 Million	32.5 Million
Banque Saudi Fransi	2.80 Million	28 Million
Public	7.00 Million	70 Million
	20 Million	200 Million

	2017 (SAR)	
	No. of shares	Authorized, issued and paid up capital
Allianz Europe BV	3.70 Million	37 Million
Allianz France International	3.25 Million	32.5 Million
Allianz Mena Holding Bermuda	3.25 Million	32.5 Million
Banque Saudi Fransi	2.80 Million	28 Million
Public	7.00 Million	70 Million
	20 Million	200 Million

The Board of Directors in its meeting on 4 June 2018 recommended to increase the Company's share capital through rights issue with a total value of SR 400,000,000, subject to the approval of the regulatory authorities and the Extraordinary General Assembly. The Company has received SAMA non-objection through letter no. 89/18551 dated 22/03/1440H corresponding to 30 November 2018 on the Company's proposed capital increase from SR 200,000,000 to SR 600,000,000 through rights issue. Subsequent to year end, the Company has received the approval from the Capital Market Authority (CMA) on 9/7/1441H corresponding to 4 March 2020.

21. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain stable capital ratios in order to support its business objectives and maximise 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 Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 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 31 December 2019 consists of paid-up share capital of SR 200 million, share premium of SR 22.7 million, statutory reserves of SR 20.7 million and retained earnings of SR 75 million (31 December 2018: paid-up share capital of SR 200 million, share premium of SR 22.7 million, statutory reserves of SR 14.4 million and retained earnings of SR 49.6 million) in the statement of financial position.

The Company has fully complied with the externally imposed capital requirements during the reported financial year

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2019 SAR			2018 SAR		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Employees' costs	78,745,298	542,068	79,287,366	60,352,873	547,144	60,900,017
Consultation fees	10,675,509	-	10,675,509	9,073,448	-	9,073,448
End of service obligations (Note 18)	4,953,653	-	4,953,653	4,927,587	-	4,927,587
Rent	4,354,513	-	4,354,513	4,040,347	-	4,040,347
Repairs and maintenance	3,495,255	-	3,495,255	4,001,831	-	4,001,831
Postage and telephone	3,477,332	-	3,477,332	3,149,516	-	3,149,516
Travel and transportation	3,139,706	-	3,139,706	1,034,080	-	1,034,080
Insurance expenses	2,840,883	-	2,840,883	3,142,112	-	3,142,112
Depreciation (Note 12)	2,125,362	-	2,125,362	1,681,327	-	1,681,327
Board expenses	1,629,606	407,401	2,037,007	986,967	246,742	1,233,709
Advertisement and promotion	1,865,774	-	1,865,774	2,005,547	-	2,005,547
Others	5,024,366	-	5,024,366	4,302,597	-	4,302,597
	122,327,257	949,469	123,276,726	98,698,232	793,886	99,492,118

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES AND OTHER SHAREHOLDERS

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. Transactions with related parties are conducted on similar terms and conditions as compared with external parties and on arm's length basis. The following are the details of the major related party transactions during the year and the related balances

	Transactions during the year		Balance as at	
	2019 SAR	2018 SAR	2019 SAR	2018 SAR
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium ceded	166,880,568	32,944,529		
Reinsurers' share of claims paid	117,990,975	69,655,682		
Commission income	7,380,806	3,368,737		
Third party administrator expenses	11,425,392	5,238,850		
Accrued third party administrator			6,436,659	8,457,690
Reinsurance balance payable, net			84,824,961	13,907,150
Investments in equity of Saudi NextCare			800,000	800,000
Other shareholders				
Insurance premium written	141,385,497	133,629,181		
Claims paid	48,574,273	46,924,991		
Commission expense	1,938,120	3,509,743		
Premium receivable, net			16,988,438	24,739,135
Outstanding claims			33,834,830	29,355,121
Cash and cash equivalents			104,403,157	70,449,496
Unit linked investments managed by shareholders (including receivable for unit linked investments)			545,163,723	568,707,440

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, Allianz France, Allianz Global Corporate and Speciality AG, Allianz World Wide Care, Allianz Global risks U.S Insurance, Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand, Dataquest, and Saudi NextCare.

Other shareholders include Banque Saudi Fransi and its Group Companies.

During 2018, Banque Saudi Fransi a shareholder of the Company disposed 18.5% interest in the Company, which resulted the shareholder losing significant influence over the Company.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended:

2019	BOD members SR	Top executives SR
Salaries and compensation	-	6,955,841
Allowances	253,500	1,347,461
Annual remuneration	924,000	-
End of service obligations	-	431,996
	1,177,500	8,735,298

2018	BOD members SR	Top executives SR
Salaries and compensation	-	5,708,154
Allowances	279,000	237,331
Annual remuneration	764,219	-
End of service obligations	-	456,531
	1,043,219	6,402,016

Also refer notes 4, 6, 7, and 10 for balances with related parties and other shareholders

22. CLAIMS DEVELOPMENT TABLE

The following table reflects the net incurred claims including both the net claims notified and net incurred but not reported claims for each accident year (excluding the surrenders for protection and savings insurance products) at each financial position date together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from year 2014 onwards whose claim experience has not been fully developed. Claims triangulation analysis by accident years for the last five years is set out below:

a) Claims triangulation analysis – Gross basis

2019 Accident Year	2015 and earlier	2016	2017	2018	2019	Total
Estimate of ultimate claims cost:						
At the end of accident year	1,006,653,985	316,095,677	524,842,372	680,917,432	714,382,191	-
One year later	1,153,506,328	420,666,359	480,599,190	558,953,383	-	-
Two years later	1,124,616,525	338,086,182	488,574,564	-	-	-
Three years later	1,078,788,973	353,602,714	-	-	-	-
Four years later	1,092,908,237	-	-	-	-	-
Current estimate of cumulative claims	1,092,908,237	353,602,714	488,574,564	558,953,383	714,382,191	3,208,421,089
Cumulative payments to date	(913,347,218)	(349,302,572)	(473,539,305)	(435,349,216)	(416,035,583)	(2,587,573,894)
Liability recognised in statement of financial position	179,561,019	4,300,142	15,035,259	123,604,167	298,346,608	620,847,195
Premium deficiency reserve						11,731,333
Outstanding claims and reserves						632,578,528

2018 Accident Year	2014 and earlier	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:						
At the end of accident year	619,148,728	387,505,257	316,095,677	524,842,372	680,917,432	-
One year later	752,303,412	401,202,916	420,666,359	480,599,190	-	-
Two years later	720,871,909	403,744,616	338,086,182	-	-	-
Three years later	716,179,289	362,609,684	-	-	-	-
Four years later	687,551,435	-	-	-	-	-
Current estimate of cumulative claims	687,551,435	362,609,684	338,086,182	480,599,190	680,917,432	2,549,763,923
Cumulative payments to date	(633,191,416)	(332,585,544)	(319,827,566)	(404,725,013)	(324,929,026)	(2,015,258,565)
Liability recognised in statement of financial position	54,360,019	30,024,140	18,258,616	75,874,177	355,988,406	534,505,358
Premium deficiency reserve						4,852,555
Outstanding claims and reserves						539,357,913

b) Claims triangulation analysis – Net basis

2019 Accident Year	2015 and earlier	2016	2017	2018	2019	Total
Estimate of ultimate claims cost:						
At the end of accident year	444,608,544	200,630,919	374,692,166	366,981,967	451,872,011	-
One year later	478,593,952	240,449,122	352,875,506	322,065,655	-	-
Two years later	477,520,666	233,401,315	338,849,387	-	-	-
Three years later	470,509,159	231,667,965	-	-	-	-
Four years later	446,368,870	-	-	-	-	-
Current estimate of cumulative net claims	446,368,870	231,667,965	338,849,387	322,065,655	451,872,011	1,790,823,888
Cumulative payments to date	(444,658,415)	(230,350,070)	(334,269,033)	(308,254,258)	(328,071,838)	(1,645,603,614)
Net liability recognised in statement of financial position	1,710,455	1,317,895	4,580,354	13,811,397	123,800,173	145,220,274
Premium deficiency reserve						11,731,333
Outstanding claims and reserves						156,951,607

2018 Accident Year	2014 and earlier	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:						
At the end of accident year	297,612,094	146,996,450	200,630,919	374,692,166	366,981,967	-
One year later	315,315,351	163,278,601	240,449,122	352,875,506	-	-
Two years later	310,885,436	166,635,230	233,401,315	-	-	-
Three years later	310,341,010	160,168,149	-	-	-	-
Four years later	310,063,853	-	-	-	-	-
Current estimate of cumulative net claims	310,063,853	160,168,149	233,401,315	352,875,506	366,981,967	1,423,490,790
Cumulative payments to date	(301,994,258)	(153,347,709)	(225,042,081)	(330,099,607)	(247,334,770)	(1,257,818,425)
Net liability recognised in statement of financial position	8,069,595	6,820,440	8,359,234	22,775,899	119,647,197	165,672,365
Premium deficiency reserve						4,852,555
Outstanding claims and reserves						170,524,920

23. FAIR VALUE 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 advantages accessible market for the asset or liability

The management assessed that cash and cash equivalents, accruals and other liabilities and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1** quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2** quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3** valuation techniques for which any significant input is not based on observable market data.

a) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

1. Insurance operations

SR 31 December 2019	Fair value				Total
	Carrying value	Level 1	Level 2	Level 3	
Unit linked investments	538,113,858	538,113,858	-	-	538,113,858
Available for sale investments measured at fair value					
Bonds and Sukuks	133,324,105	133,324,105	-	-	133,324,105
Mutual Funds	4,865,203	4,865,203	-	-	4,865,203
Equities	3,126,781	3,126,781	-	-	3,126,781
Unit linked liabilities	(535,415,117)	(535,415,117)	-	-	(535,415,117)
	144,014,830	144,014,830	-	-	144,014,830

SR	Fair value				
31 December 2018	Carrying value	Level 1	Level 2	Level 3	Total
Unit linked investments	559,766,029	559,766,029	-	-	559,766,029
Available for sale investments measured at fair value					
Bonds and Sukuks	110,542,279	95,959,746	-	14,582,533	110,542,279
Mutual Funds	4,664,240	4,664,240	-	-	4,664,240
Unit linked liabilities	(557,723,772)	(557,723,772)	-	-	(557,723,772)
	117,248,776	102,666,243	-	14,582,533	117,248,776

2. Shareholders' operations

SR	Fair value				
31 December 2019	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments measured at fair value					
Bonds and Sukuk	235,511,211	200,301,526	-	35,209,685	235,511,211
Mutual Funds	5,429,122	5,429,122	-	-	5,429,122
Equities	3,223,078	-	-	3,223,078	3,223,078
	244,163,411	205,730,648	-	38,432,763	244,163,411

SR	Fair value				
31 December 2018	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments measured at fair value					
Bonds and Sukuks	208,190,856	125,881,189	-	82,309,667	208,190,856
Mutual Funds	4,758,571	4,758,571	-	-	4,758,571
Equities	3,223,078	-	-	3,223,078	3,223,078
	216,172,505	130,639,760	-	85,532,745	216,172,505

During the year ended 31 December 2019 there was a transfer between level 3 to level 1 related to bonds and sukuk that were quoted during the year (please refer note 10). There were no transfers between Level 1, 2 and Level 3 fair value measurements during the year ended 31 December 2018.

b) Measurement of fair values

Valuation technique for quoted debt and equity securities

The valuation of equities, mutual funds and debts securities are measured based on closing market price on Tadawul and Bloomberg.

Valuation technique for unquoted debt and equity securities

The Discounted Cash Flow Model (DCF) has been used to determine the fair value of debt securities and sukuk of both insurance operations and shareholders' operations under level 3. This model considers the present value of net cash flows to be generated from the debt securities and sukuk discounted at the market yield of treasury bills having similar terms and adjusted for the effect of non-marketability of the debt securities and sukuk which includes Saudi sovereign curve yield and risk premium prevailing in the Saudi market.

Description	Fair value as at Dec 31, 2019 (SR)	Unobservable Inputs	Range of inputs 2019	Relationships of unobservable inputs to fair value
Unquoted Bonds and Sukuks	35,209,685	Risk adjusted discount rate	3.08% - 3.33%	Increase risk premium of 10 bps will have a change in fair value of these debt securities of SR 0.17 million.

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:

Insurance operations	2019 SR	2018 SR
Balance at the beginning of the year	14,582,533	5,000,000
Purchases	-	10,061,207
Disposals/maturity	(5,000,000)	-
Amortization	(12,645)	(9,882)
Unrealized gain / (loss) on fair value	861,882	(468,792)
Transfer from level 3 to level 1	(10,431,770)	-
Balance at the end of the year	-	14,582,533

Shareholders' operations	2019 SR	2018 SR
Balance at the beginning of the year	85,532,745	80,223,078
Purchases	-	10,098,000
Disposals/maturity	(17,000,000)	-
Amortization	(14,356)	(11,220)
Unrealized gain / (loss) on fair value	5,894,174	(4,777,113)
Transfer from level 3 to level 1	(35,979,800)	-
Balance at the end of the year	38,432,763	85,532,745

Sensitivity analysis of Level 3 investments is as follows:

31 December 2019	Sensitivity factor	Impact on fair value due to increase in sensitivity factor SR	Impact on fair value due to decrease in sensitivity factor SR
Insurance operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	-	-
Shareholder's operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	14,024	(14,024)
31 December 2018			
Insurance operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	13,437	(13,437)
Shareholder's operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	307,018	(307,018)

26. BASIC AND DILUTED EARNINGS PER SHARE

	2019	2018
Net income for the year after zakat and tax (SR)	31,749,754	31,544,677
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic and diluted earnings per share (SR)	1.59	1.58

There are no dilutive potential shares during 2019 and 2018.

31. Risk Management

Risk management strategy

The Company's activities expose it to a variety of financial risks. The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from the Company's core business operations.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed. Consideration is not limited to the risks associated with one class of business but is extended to risks from all other classes. The Board of Directors and the senior management periodically reviews and updates the risk management strategy by taking into account developments that are internal and external to the Company.

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks

Board of directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

a) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

b) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands.

The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These classes except for long term engineering policies are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking

place. This helps to mitigate insurance risk. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in motor and medical.

The Company monitors concentration of risk by evaluating multiple risks covered in the same geographical location or by same party. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company. Since the Company operates in Saudi Arabia only, hence, all the insurance risks relate to policies written in Saudi Arabia

Protection and Saving

For protection and saving, the main risk is the mortality, morbidity (permanent or temporary disability) of the insured and policyholder behavior risk.

Mortality risk

Actual policyholder death experience on life insurance policies is higher than expected.

Morbidity risk

Policyholder health-related claims are higher than expected.

Policyholder behavior risk

Policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of contracts is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash flows from the business written, potentially affecting Company's ability to recover deferred acquisition expenses.

This is managed through an effective and clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group protection and saving, the mortality risk is compounded due to the concentration of lives, for example employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual family and group protection and saving portfolio is protected through an efficient reinsurance arrangement in accordance with Allianz Group standards. This protects the Company from adverse mortality/morbidity experience. There is a maximum retention per life under the reinsurance arrangement which protects the Company from single large losses. Multiple claims and concentrations of risk are also covered under the arrangement.

General Insurance

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future

developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has appropriate risk management procedures to control the cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim

Property

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has appropriate reinsurance cover for such damage to limit losses for any individual claim. These are covered under proportional and non-proportional treaties.

Marine

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim

Engineering

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like floods, earthquakes, hailstorms, etc. Selection of risks and proper underwriting are the criteria for this line of business. The Company has appropriate reinsurance cover for such risks to limit losses for any individual claim. These are covered under engineering proportional and non-proportional treaties.

Public liability

For public liability insurance, the main risks are legal liabilities of the insured towards third party deaths, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the Company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has appropriate reinsurance cover to limit the losses for any individual claim.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process

A hypothetical 5% change in the claims ratio would impact income annually in aggregate by:

Impact of change in claim ratio by + / - 5%	Effect on income	Effect on income
	2019 SAR	2018 SAR
Motor	22,896,018	19,012,863
Engineering	497,137	518,817
Medical	3,814,269	2,961,583
Property	984,918	1,217,581
Other general	1,173,360	1,036,115
Protection and saving	4,846,635	5,255,186
	34,212,337	30,002,145

Impact of change in average claim cost + / - 5%	Effect on income	Effect on income
	2019 SAR	2018 SAR
Motor	16,313,523	13,805,474
Engineering	7,251	51,366
Medical	2,841,852	2,429,493
Property	152,333	361,351
Other general	57,104	305,785
Protection and saving	6,366,025	6,347,306
	25,738,088	23,300,775

c) Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain ladder method, Bornhuetter - Ferguson method and Expected Loss Ratio Method.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss

ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

d) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities when they fall due. The Company has a proper cash management system, where daily cash collection and payments are monitored and reconciled on regular basis. The Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

Maturity profile

The table below summarises the expected utilisation or settlement of financial assets and liabilities including receivables/ payables from insurance related assets and liabilities.

Maturity analysis on expected maturity bases		31 December 2019 SAR		
Assets	Less than one year	More than one year	Total	
Cash and cash equivalents	148,865,617	-	148,865,617	
Prepaid expenses and other assets	72,490,204	-	72,490,204	
Premiums receivable, net	420,586,277	-	420,586,277	
Reinsurers' balance receivable, net	70,535,901	-	70,535,901	
Reinsurers' share of outstanding claims	432,328,207	-	432,328,207	
Reinsurers' share of claims incurred but not reported	43,298,714	-	43,298,714	
Financial assets at fair value through statement of income (unit linked investments)	538,113,858	-	538,113,858	
Available for sale investments	11,531,488	373,948,012	385,479,500	
Statutory deposit	-	20,000,000	20,000,000	
Accrued income on statutory deposit	-	1,485,295	1,485,295	
	1,737,750,266	395,433,307	2,133,183,573	
Liabilities				
Accrued and other liabilities	150,485,565	-	150,485,565	
Surplus distribution payable	15,687,466	-	15,687,466	
Reinsurers' balances payable	195,599,123	-	195,599,123	
Outstanding claims	533,066,753	-	533,066,753	
Claims incurred but not reported	87,780,442	-	87,780,442	
Unit linked liabilities	535,415,117	-	535,415,117	
Accrued income payable to SAMA	-	1,485,295	1,485,295	
	1,518,034,466	1,485,295	1,519,519,761	

31 December 2018 SAR

Assets	Less than one year	More than one year	Total
Cash and cash equivalents	93,134,538	-	93,134,538
Prepaid expenses and other assets	52,541,209	-	52,541,209
Premiums receivable, net	408,903,758	-	408,903,758
Reinsurers' balance receivable, net	71,653,440	-	71,653,440
Reinsurers' share of outstanding claims	292,335,786	-	292,335,786
Reinsurers' share of claims incurred but not reported	76,497,207	-	76,497,207
Financial assets at fair value through statement of income (unit linked investments)	559,766,029	-	559,766,029
Available for sale investments	21,133,329	310,245,695	331,379,024
Statutory deposit	-	20,000,000	20,000,000
Accrued income on statutory deposit	-	1,090,636	1,090,636
	1,575,965,296	331,336,331	1,907,301,627
Liabilities			
Accrued and other liabilities	125,359,648	-	125,359,648
Surplus distribution payable	12,344,873	-	12,344,873
Reinsurers' balances payable	144,725,743	-	144,725,743
Outstanding claims	373,646,108	-	373,646,108
Claims incurred but not reported	160,859,250	-	160,859,250
Unit linked liabilities	557,723,772	-	557,723,772
Accrued income payable to SAMA	-	1,090,636	1,090,636
	1,374,659,394	1,090,636	1,375,750,030

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on residual maturities. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums, reinsurance share of unearned premiums and deferred policy acquisition costs have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately

31 December 2019 SAR

	On Demand	Up to 1 year	2-5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	148,865,617	-	-	-	148,865,617
Prepaid expenses and other assets	-	72,490,204	-	-	72,490,204
Premiums receivable, net	-	420,586,277	-	-	420,586,277
Reinsurers' balance receivable, net	-	70,535,901	-	-	70,535,901
Reinsurers' share of outstanding claims	-	432,328,207	-	-	432,328,207
Reinsurers' share of claims incurred but not reported	-	43,298,714	-	-	43,298,714
Financial assets at fair value through statement of income (unit linked investments)	538,113,858	-	-	-	538,113,858
Available for sale investments	-	11,531,488	240,298,193	133,649,819	385,479,500
Statutory deposit	-	20,000,000	-	-	20,000,000
Accrued income on statutory deposit	-	1,485,295	-	-	1,485,295
	686,979,475	1,072,256,086	240,298,193	133,649,819	2,133,183,573

Liabilities					
Accrued and other liabilities	-	150,485,565	-	-	150,485,565
Surplus distribution payable	15,687,466	-	-	-	15,687,466
Reinsurers' balances payable	-	195,599,123	-	-	195,599,123
Claims incurred but not reported	-	87,780,442	-	-	87,780,442
Outstanding claims	-	533,066,753	-	-	533,066,753
Unit linked liabilities	535,415,117	-	-	-	535,415,117
Accrued income payable to SAMA	-	1,090,636	-	-	1,090,636
	551,102,583	968,022,519	-	-	1,519,125,102
Total liquidity gap	135,876,892	104,233,567	240,298,193	133,649,819	614,058,471
31 December 2018 SAR					
Assets	On Demand	Up to 1 year	2-5 years	More than 5 years	Total
Cash and cash equivalents	93,134,538	-	-	-	93,134,538
Prepaid expenses and other assets	-	52,541,209	-	-	52,541,209
Premiums receivable, net	-	408,903,758	-	-	408,903,758
Reinsurers' balance receivable, net	-	71,653,440	-	-	71,653,440
Reinsurers' share of outstanding claims	-	292,335,786	-	-	292,335,786
Reinsurers' share of claims incurred but not reported	-	76,497,207	-	-	76,497,207
Financial assets at fair value through statement of income (unit linked investments)	559,766,029	-	-	-	559,766,029
Available for sale investments	-	21,133,329	134,231,804	176,013,891	331,379,024
Statutory deposit	-	20,000,000	-	-	20,000,000
Accrued income on statutory deposit	-	1,090,636	-	-	1,090,636
	652,900,567	944,155,365	134,231,804	176,013,891	1,907,301,627
Liabilities					
Accrued and other liabilities	-	125,359,648	-	-	125,359,648
Surplus distribution payable	12,344,873	-	-	-	12,344,873
Reinsurers' balances payable	-	144,725,743	-	-	144,725,743
Outstanding claims	-	373,646,108	-	-	373,646,108
Claims incurred but not reported	-	160,859,250	-	-	160,859,250
Unit linked liabilities	557,723,772	-	-	-	557,723,772
Accrued income payable to SAMA	-	1,090,636	-	-	1,090,636
	570,068,645	805,681,385	-	-	1,375,750,030
Total liquidity gap	82,831,922	138,473,980	134,231,804	176,013,891	531,551,597

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:

- Available for sale investments include investments in mutual funds and sukuks and are held for cash management purposes and expected to be matured/settled within twelve months from the reporting date.
- Cash and bank balances are available on demand.
- Reinsurers' share of outstanding claims majorly pertain to property segment and are generally realized within three to six months based on settlement of balances with reinsurers.

The liabilities with maturity less than one year are expected to settle as follows:

- Reinsurers' balances payable are settled as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to be settled within two months in accordance with statutory timelines for payment.
- Accrued and other liabilities are expected to settle within a period of twelve months from the period end date.

f) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's available for sale investments mainly comprise of debt securities and sukuku. The Company does not have an internal grading mechanism for debt securities. The Company limits its credit risk on debt securities by setting out a minimum acceptable security rating level for such investments.
- The Company's unit linked investments comprise of mutual funds. The Company does not have an internal grading mechanism for mutual funds. The Company limits its credit risk on mutual funds by setting out a minimum acceptable security rating level for such investments. For unit linked business, the policyholder bears the direct market and credit risk on investment assets in the unit funds and the Company's exposure to credit risk is limited to the extent of the income arising from asset management charges based on the value of assets in the fund.
- Statutory deposit is maintain with a local bank. Accordingly, as a pre-requisite, the bank with whom statutory deposit are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2019 SAR		
	Insurance Operations	Shareholders' Operations	Total
Cash and cash equivalents	87,046,426	61,819,191	148,865,617
Reinsurers' balances receivable, net	70,535,901	-	70,535,901
Premiums receivable, net	420,586,277	-	420,586,277
Reinsurers' share of outstanding claims	432,328,207	-	432,328,207
Reinsurers' share of claims incurred but not reported	43,298,714	-	43,298,714
Available for sale investments	141,316,089	244,163,411	385,479,500
Statutory deposit	-	20,000,000	20,000,000
Accrued income on statutory deposit	-	1,485,295	1,485,295
	1,195,111,614	327,467,897	1,522,579,511

	2018 SAR		
	Insurance Operations	Shareholders' Operations	Total
Cash and cash equivalents	47,722,503	45,412,035	93,134,538
Reinsurers' balances receivable, net	71,653,440	-	71,653,440
Premiums receivable, net	408,903,758	-	408,903,758
Reinsurance share of outstanding claims	292,335,786	-	292,335,786
Reinsurers' share of claims incurred but not reported	76,497,207	-	76,497,207
Available for sale investments	115,206,519	216,172,505	331,379,024
Statutory deposit	-	20,000,000	20,000,000
Accrued income on statutory deposit	-	1,090,636	1,090,636
	1,012,319,213	282,675,176	1,294,994,389

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure.

Credit ratings of investments

Following are the credit ratings of available for sale investments:

Credit quality	Credit Rating Agency	Financial Instrument	2019 SR	2018 SR
AA	S&P/ Moody's	Bonds / Sukuks	11,537,663	11,576,025
+A	S&P/ Moody's	Bonds / Sukuks	182,756,794	149,544,150
-A	S&P/ Moody's	Sukuks	95,356,551	60,720,758
Unrated	N/A	Equities/Sukuks/Mutual Funds	95,828,492	109,538,091
			385,479,500	331,379,024

Further the Company follows a policy regarding selecting reinsurers whose credit rating are A- and higher as per S&P and Fitch ratings. Concentration of credit risk are also mentioned in notes 6 and 7.

g) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its bank balances and available for sale - debt securities.

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the profit for one year, based on the floating rate financial assets held at 31 December 2019. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2019 would impact special commission income by approximately SR 350,000 (2018: SR 570,000) annually in aggregate..

h) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal, foreign exchange gains and losses are not significant and have not been disclosed separately.

The currency exposures of available-for-sale investments are set out below:

Insurance Operations	2019 SR	2018 SR
Saudi Arabian Riyals	13,558,551	14,582,533
US Dollars	127,757,538	100,623,986
	141,316,089	115,206,519
Shareholders Operations	2019 SR	2018 SR
Saudi Arabian Riyals	74,406,391	85,532,747
US Dollars	169,757,020	130,639,758
	244,163,411	216,172,505

i) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company is not exposed to fund price risk for unit linked investments since any change in the NAV of the funds will affect the change in unit linked liabilities and the change in the fair value of the funds by the same amount hence, there is no impact on the performance of the Company. The direct market risk is borne by the policyholders.

j) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Risk and Underwriting Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business experience with the reinsurers.

k) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's market risk exposure relates to its quoted available for sale investments whose values will fluctuate as a result of changes in market prices. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets. The Company also has unquoted equity instruments carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of income will be impacted.

A 1% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact equity as set out below:

	Change in market price	Effect on statement of changes in equity SR
2019	%+1	9,235,515
	%-1	(9,235,515)
2018	%+1	6,542,696
	%-1	(6,542,696)

28. CONTINGENCIES AND COMMITMENTS

a) The Company's contingencies are as follows:

	2019 SR	2018 SR
Letters of guarantee	15,940,000	11,760,000

b) Legal proceedings and regulations

The Company operates in the insurance industry 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 pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

29. SEGMENT INFORMATION

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 its 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 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 profit or loss since 31 December 2018.

Segment assets do not include cash and cash equivalents, prepaid expenses and other assets, available for sale investments, reinsurance balances, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurers' balances payable, premium deficiency reserve, additional premium reserve, end-of-service obligations, zakat and income tax and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities as at 31 December 2019 and 31 December 2018, its total revenues, expenses, and net income for the year then ended, are as follows:

Motor	:	Motor
Medical	:	Medical
Property and casualty	:	Fire, burglary, money, construction, liability and marine
Protection and saving	:	Group retirement and individual protection and saving

As at 31 December 2019	Motor	Medical	Property and Casualty	Protection and Saving	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
Assets							
Premiums receivable, gross	283,683,135	104,490,425	62,145,925	25,353,707	475,673,192	-	475,673,192
Provision for doubtful debts					(55,086,915)	-	(55,086,915)
Reinsurers' share of outstanding claims	5,745,932	16,649,433	404,394,245	5,538,597	432,328,207	-	432,328,207
Reinsurers' share of claims incurred but not reported	(69,598)	7,921,410	31,056,299	4,390,603	43,298,714	-	43,298,714
Reinsurers' share of unearned premiums	225,976	43,484,703	98,990,010	9,676,896	152,377,585	-	152,377,585
Deferred policy acquisition costs	16,732,264	4,574,957	6,167,728	(555,399)	26,919,550	-	26,919,550
Financial assets at fair value through statement of income (unit linked investments)	-	-	-	538,113,858	538,113,858	-	538,113,858
Unallocated assets					363,516,850	357,096,182	720,613,032
Total assets							2,334,237,223
Liabilities and Equity							
Outstanding claims	81,493,446	27,199,150	415,672,279	8,701,878	533,066,753	-	533,066,753
Claims incurred but not reported	31,947,173	15,839,192	33,578,749	6,415,328	87,780,442	-	87,780,442
Unearned premium	194,686,769	82,326,222	117,590,052	14,095,287	408,698,330	-	408,698,330
Unearned reinsurance commission	16,177	-	6,833,437	498,159	7,347,773	-	7,347,773
Unit linked liabilities	-	-	-	535,415,117	535,415,117	-	535,415,117
Unallocated liabilities					397,061,045	30,361,375	427,422,420
Equity					7,771,581	326,734,807	334,506,388
Total liabilities and equity							2,334,237,223

For the year ended 31 December 2019	Motor	Medical	Property and Casualty	Protection and Saving	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
Gross written premiums – retail	70,711,433	-	2,185,725	65,799,472	138,696,630	-	138,696,630
Gross written premiums – corporate	398,359,067	187,912,112	231,512,235	52,936,458	870,719,872	-	870,719,872
Gross written premiums – very small entities	-	162,620	-	-	162,620	-	162,620
Gross written premiums – small entities	-	1,208,819	-	-	1,208,819	-	1,208,819
Gross written premiums – medium entities	-	878,060	-	-	878,060	-	878,060
Reinsurance premiums ceded	(270,319)	(101,750,472)	(185,416,217)	(21,131,654)	(308,568,662)	-	(308,568,662)
Excess of loss expenses	(3,322,562)	-	(718,507)	-	(4,041,069)	-	(4,041,069)
Fee income from unit linked investments	-	-	-	1,169,709	1,169,709	-	1,169,709
Net written premiums	465,477,619	88,411,139	47,563,236	98,773,985	700,225,979	-	700,225,979
Changes in unearned premiums, net	(7,557,251)	(12,125,768)	5,545,047	(671,581)	(14,809,553)	-	(14,809,553)
Net premiums earned	457,920,368	76,285,371	53,108,283	98,102,404	685,416,426	-	685,416,426
Reinsurance commissions	32,741	800,912	15,466,517	899,956	17,200,126	-	17,200,126
Net claims and other benefits paid	(332,660,274)	(59,710,497)	(9,020,862)	(127,726,894)	(529,118,527)	-	(529,118,527)
Changes in outstanding claims, net	(33,135,114)	6,124,250	8,200,061	(617,421)	(19,428,224)	-	(19,428,224)
Changes in premium deficiency reserve	(7,664,311)	1,451,309	-	(665,776)	(6,878,778)	-	(6,878,778)
Changes in additional premium reserve	-	-	(362,501)	-	(362,501)	-	(362,501)
Changes in claims incurred but not reported, net	39,524,924	(3,250,793)	2,582,375	1,023,809	39,880,315	-	39,880,315
Change in unit linked liabilities	-	-	-	22,308,655	22,308,655	-	22,308,655
Unrealized loss on unit linked investments	-	-	-	19,650,078	19,650,078	-	19,650,078
Policy acquisition costs	(36,828,470)	(7,793,479)	(17,433,216)	(3,091,082)	(65,146,247)	-	(65,146,247)
Inspection and supervision fees	-	-	-	-	(7,033,412)	-	(7,033,412)
Net underwriting income	-	-	-	-	156,487,911	-	156,487,911
Provision for doubtful debts	-	-	-	-	(2,959,242)	-	(2,959,242)
General and administrative expenses	-	-	-	-	(122,327,257)	(949,469)	(123,276,726)
Investment income	-	-	-	-	3,666,142	6,686,730	10,352,872
Other income	-	-	-	-	4,995,396	-	4,995,396
Net income for the year before attribution and zakat and income tax	-	-	-	-	-	-	45,600,211

As at 31 December 2018	Motor	Medical	Property and Casualty	Protection and Saving	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
Assets							
Premiums receivable, gross	278,281,828	67,812,105	112,854,907	2,721,347	461,670,187	-	461,670,187
Provision for doubtful debts					(52,766,429)	-	(52,766,429)
Reinsurers' share of outstanding claims	5,266,013	22,915,042	260,994,395	3,160,336	292,335,786	-	292,335,786
Reinsurers' share of claims incurred but not reported	13,659	5,660,638	64,450,475	6,372,435	76,497,207	-	76,497,207
Reinsurers' share of unearned premiums	274,316	24,855,760	117,417,670	6,363,397	148,911,143	-	148,911,143
Deferred policy acquisition costs	17,058,008	2,387,484	7,987,867	(431,066)	27,002,293	-	27,002,293
Financial assets at fair value through statement of income (unit linked investments)	-	-	-	559,766,029	559,766,029	-	559,766,029
Unallocated assets					277,148,585	306,570,804	583,719,389
Total assets							2,097,135,605
Liabilities and Equity							
Outstanding claims	47,878,413	39,589,009	280,472,490	5,706,196	373,646,108	-	373,646,108
Claims incurred but not reported	71,555,354	10,327,627	69,555,300	9,420,969	160,859,250	-	160,859,250
Unearned premium	187,177,858	51,571,511	141,562,759	10,110,207	390,422,335	-	390,422,335
Unearned reinsurance commission	17,831	-	7,300,421	291,028	7,609,280	-	7,609,280
Unit linked liabilities	-	-	-	557,723,772	557,723,772	-	557,723,772
Unallocated liabilities					304,703,177	25,274,120	329,977,297
Equity							
					(4,399,121)	281,296,684	276,897,563
Total liabilities and equity							2,097,135,605

For the year ended 31 December 2018	Motor	Medical	Property and Casualty	Protection and Savings	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
Gross written premiums – retail	12,361,819	-	1,487,306	74,840,322	88,689,447	-	88,689,447
Gross written premiums – corporate	384,614,971	108,642,210	242,849,709	43,703,323	779,810,213	-	779,810,213
Gross written premiums – very small entities	-	70,074	-	-	70,074	-	70,074
Gross written premiums – small entities	-	907,218	-	-	907,218	-	907,218
Gross written premiums – medium entities	-	1,239,231	-	-	1,239,231	-	1,239,231
Reinsurance premiums ceded	(328,280)	(56,075,851)	(189,452,606)	(14,127,833)	(259,984,570)	-	(259,984,570)
Excess of loss expenses	(3,617,995)	-	(987,790)	-	(4,605,785)	-	(4,605,785)
Fee income from unit linked investments	-	-	-	1,110,990	1,110,990	-	1,110,990
Net written premiums	393,030,515	54,782,882	53,896,619	105,526,802	607,236,818	-	607,236,818
Changes in unearned premiums, net	(12,773,252)	4,448,781	1,553,645	687,909	(6,082,917)	-	(6,082,917)
Net premiums earned	380,257,263	59,231,663	55,450,264	106,214,711	601,153,901	-	601,153,901
Reinsurance commissions	21,339	-	16,518,286	39,432	16,579,057	-	16,579,057
Net claims and other benefits paid	(274,459,673)	(44,287,705)	(7,417,107)	(125,998,170)	(452,162,655)	-	(452,162,655)
Changes in outstanding claims, net	(18,662,685)	(7,900,077)	(5,232,499)	(245,450)	(32,040,711)	-	(32,040,711)
Changes in premium deficiency reserve	5,315,543	549,054	-	-	5,864,597	-	5,864,597
Changes in additional premium reserve	-	-	310,619	-	310,619	-	310,619
Changes in claims incurred but not reported, net	17,012,869	3,597,929	(1,721,884)	(702,484)	18,186,430	-	18,186,430
Unrealized loss on unit linked investments	-	-	-	17,020,972	17,020,972	-	17,020,972
Change in unit linked liabilities	-	-	-	15,328,184	15,328,184	-	15,328,184
Policy acquisition costs	(27,972,070)	(4,691,640)	(19,422,682)	(2,159,409)	(54,245,801)	-	(54,245,801)
Inspection and supervision fees	-	-	-	-	(4,918,091)	-	(4,918,091)
Net underwriting income	-	-	-	-	131,076,502	-	131,076,502
Provision for doubtful debts	-	-	-	-	(5,638,305)	-	(5,638,305)
General and administrative expenses	-	-	-	-	(98,698,232)	(793,886)	(99,492,118)
Investment income	-	-	-	-	3,892,776	6,899,344	10,792,120
Other income	-	-	-	-	3,750,147	-	3,750,147
Net income for the year before attribution and zakat and income tax	-	-	-	-	-	-	40,488,346

30. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2019			31 December 2018 (restated)		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	87,046,426	61,819,191	148,865,617	47,722,503	45,412,035	93,134,538
Prepaid expenses and other assets	69,793,539	2,696,665	72,490,204	47,297,623	5,243,586	52,541,209
Premiums receivable, net	420,586,277	-	420,586,277	408,903,758	-	408,903,758
Reinsurers' balance receivable, net	70,535,901	-	70,535,901	71,653,440	-	71,653,440
Reinsurers' share of outstanding claims	432,328,207	-	432,328,207	292,335,786	-	292,335,786
Reinsurers' share of claims incurred but not reported	43,298,714	-	43,298,714	76,497,207	-	76,497,207
Reinsurers' share of unearned premiums	152,377,585	-	152,377,585	148,911,143	-	148,911,143
Deferred policy acquisition costs	26,919,550	-	26,919,550	27,002,293	-	27,002,293
Right-of-use assets	6,776,228	-	6,776,228	-	-	-
Financial assets at fair value through statement of income (unit linked investments)	538,113,858	-	538,113,858	559,766,029	-	559,766,029
Available for sale investments	141,316,089	244,163,411	385,479,500	115,206,519	216,172,505	331,379,024
Deferred tax assets, net	-	6,961,507	6,961,507	-	9,350,189	9,350,189
Property and equipment	8,018,780	-	8,018,780	4,570,353	-	4,570,353
Statutory deposit	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Accrued income on statutory deposit	-	1,485,295	1,485,295	-	1,090,636	1,090,636
Due to/from insurance operation/shareholders operation*	(19,970,113)	19,970,113	-	(9,301,853)	9,301,853	-
TOTAL ASSETS	1,977,141,041	357,096,182	2,334,237,223	1,790,564,801	306,570,804	2,097,135,605
LIABILITIES						
Accrued and other liabilities	150,041,674	443,891	150,485,565	125,022,838	336,810	125,359,648
Surplus distribution payable	15,687,466	-	15,687,466	12,344,873	-	12,344,873
Reinsurers' balances payable	195,599,123	-	195,599,123	144,725,743	-	144,725,743
Unearned premiums	408,698,330	-	408,698,330	390,422,335	-	390,422,335
Unearned reinsurance commission	7,347,773	-	7,347,773	7,609,280	-	7,609,280
Outstanding claims	533,066,753	-	533,066,753	373,646,108	-	373,646,108
Claims incurred but not reported	87,780,442	-	87,780,442	160,859,250	-	160,859,250
Lease liabilities	5,784,231	-	5,784,231	-	-	-
Premium deficiency reserve	11,731,333	-	11,731,333	4,852,555	-	4,852,555
Additional premium reserves	1,369,320	-	1,369,320	1,006,819	-	1,006,819
Unit linked liabilities	535,415,117	-	535,415,117	557,723,772	-	557,723,772
End-of-service obligations	16,847,898	-	16,847,898	16,750,349	-	16,750,349
Zakat and income tax	-	28,432,189	28,432,189	-	23,846,674	23,846,674
Accrued income payable to SAMA	-	1,485,295	1,485,295	-	1,090,636	1,090,636
TOTAL LIABILITIES	1,969,369,460	30,361,375	1,999,730,835	1,794,963,922	25,274,120	1,820,238,042
EQUITY						
Share capital	-	200,000,000	200,000,000	-	200,000,000	200,000,000
Share premium	-	22,711,315	22,711,315	-	22,711,315	22,711,315
Statutory reserve	-	20,743,607	20,743,607	-	14,393,656	14,393,656
Retained earnings	-	75,024,377	75,024,377	-	49,624,574	49,624,574
Actuarial reserve for end-of-service obligations	3,828,488	-	3,828,488	540,837	-	540,837
Fair value reserve on investments	3,943,093	8,255,508	12,198,601	(4,939,958)	(5,432,861)	(10,372,819)
TOTAL EQUITY	7,771,581	326,734,807	334,506,388	(4,399,121)	281,296,684	276,897,563
TOTAL LIABILITIES AND EQUITY	1,977,141,041	357,096,182	2,334,237,223	1,790,564,801	306,570,804	2,097,135,605

* This item is not included in the statement of financial position.

b) Statement of income

	31 December 2019			31 December 2018 (restated)		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	1,011,666,001	-	1,011,666,001	870,716,183	-	870,716,183
Reinsurance premiums ceded abroad	(302,757,400)	-	(302,757,400)	(243,423,381)	-	(243,423,381)
Reinsurance premiums ceded locally	(5,811,262)	-	(5,811,262)	(16,561,189)	-	(16,561,189)
Excess of loss expenses	(4,041,069)	-	(4,041,069)	(4,605,785)	-	(4,605,785)
Fee income from unit linked investments	1,169,709	-	1,169,709	1,110,990	-	1,110,990
Net premiums written	700,225,979	-	700,225,979	607,236,818	-	607,236,818
Changes in unearned premiums	(18,275,995)	-	(18,275,995)	25,190,310	-	25,190,310
Changes in reinsurers' share of unearned premiums	3,466,442	-	3,466,442	(31,273,227)	-	(31,273,227)
Net premiums earned	685,416,426	-	685,416,426	601,153,901	-	601,153,901
Reinsurance commissions	17,200,126	-	17,200,126	16,579,057	-	16,579,057
NET REVENUES	702,616,552	-	702,616,552	617,732,958	-	617,732,958
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(545,223,347)	-	(545,223,347)	(461,485,386)	-	(461,485,386)
Surrenders and maturities	(120,421,643)	-	(120,421,643)	(119,572,693)	-	(119,572,693)
Expenses incurred related to claims	(34,142,147)	-	(34,142,147)	(38,163,937)	-	(38,163,937)
Reinsurers' share of claims paid	170,668,610	-	170,668,610	167,059,361	-	167,059,361
Net claims and other benefits paid	(529,118,527)	-	(529,118,527)	(452,162,655)	-	(452,162,655)
Changes in outstanding claims	(159,420,645)	-	(159,420,645)	(115,348,755)	-	(115,348,755)
Changes in reinsurers' share of outstanding claims	139,992,421	-	139,992,421	83,308,044	-	83,308,044
Change in premium deficiency reserve	(6,878,778)	-	(6,878,778)	5,864,597	-	5,864,597
Changes in additional premium reserve	(362,501)	-	(362,501)	310,619	-	310,619
Changes in claims incurred but not reported	73,078,808	-	73,078,808	15,384,764	-	15,384,764
Changes in reinsurers' share of claims incurred but not reported	(33,198,493)	-	(33,198,493)	2,801,666	-	2,801,666
Net claims and other benefits incurred	(515,907,715)	-	(515,907,715)	(459,841,720)	-	(459,841,720)
Changes in unit linked liabilities	22,308,655	-	22,308,655	15,328,184	-	15,328,184
Unrealized gain on unit linked investments	19,650,078	-	19,650,078	17,020,972	-	17,020,972
Policy acquisition costs	(65,146,247)	-	(65,146,247)	(54,245,801)	-	(54,245,801)
Inspection and supervision fees	(7,033,412)	-	(7,033,412)	(4,918,091)	-	(4,918,091)
TOTAL UNDERWRITING COSTS AND EXPENSES	(546,128,641)	-	(546,128,641)	(486,656,456)	-	(486,656,456)
NET UNDERWRITING INCOME	156,487,911	-	156,487,911	131,076,502	-	131,076,502
OTHER (EXPENSES) / INCOME						
Provision of doubtful debts	(2,959,242)	-	(2,959,242)	(5,638,305)	-	(5,638,305)
General and administrative expenses	(122,327,257)	(949,469)	(123,276,726)	(98,698,232)	(793,886)	(99,492,118)
Investment income	3,666,142	6,686,730	10,352,872	3,892,776	6,899,344	10,792,120
Other income	4,995,396	-	4,995,396	3,750,147	-	3,750,147
TOTAL OTHER EXPENSE	(116,624,961)	5,737,261	(110,887,700)	(96,693,614)	6,105,458	(90,588,156)
NET INCOME FOR THE YEAR BEFORE SURPLUS, ZAKAT AND TAX	39,862,950	5,737,261	45,600,211	34,382,888	6,105,458	40,488,346
Net surplus transferred to shareholders' operation	(35,876,655)	35,876,655	-	(30,944,599)	30,944,599	-
NET INCOME FOR THE YEAR AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND TAX	3,986,295	41,613,916	45,600,211	3,438,289	37,050,057	40,488,346
Zakat charge for the year	-	(4,517,818)	(4,517,818)	-	(3,949,319)	(3,949,319)
Income tax charge for the year, net	-	(5,346,344)	(5,346,344)	-	(1,556,061)	(1,556,061)
NET INCOME AFTER SHAREHOLDERS ATTRIBUTION, ZAKAT AND TAX	3,986,295	31,749,754	35,736,049	3,438,289	31,544,677	34,982,966

c) Statement of comprehensive income

	31 December 2019			31 December 2018 (restated)		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net income for the year after zakat and tax	3,986,295	31,749,754	35,736,049	3,438,289	31,544,677	34,982,966
Other comprehensive income						
Items that will not be reclassified to statement of income in subsequent years						
• Re-measurement of defined benefit liability – end-of-service obligations	3,287,651	-	3,287,651	1,306,141	-	1,306,141
Items that are or may be reclassified to statements of income in subsequent years						
Available for sale investments						
• Net change in fair value	8,883,051	16,369,538	25,252,589	(4,013,778)	(8,241,212)	(12,254,990)
• Deferred tax relating to change in fair value	(943,150)	(1,738,019)	(2,681,169)	684,520	616,641	1,301,161
Total comprehensive income for the year	15,213,847	46,381,273	61,595,120	1,415,172	23,920,106	25,335,278
Reconciliation:						
Less: Net income attributable to insurance operations			(3,986,295)			(3,438,289)
Total comprehensive income for the year			57,608,825			21,896,989

d) Statement of cash flows

	31 December 2019			31 December 2018		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the year before surplus, zakat and tax	3,986,295	41,613,916	45,600,211	3,438,289	37,050,057	40,488,346
Adjustments for non-cash items and other items:						
Depreciation of property and equipment	2,125,362	-	2,125,362	1,681,327	-	1,681,327
Amortization of investments premium	264,615	343,746	608,361	265,026	639,341	904,367
Provision of doubtful reinsurance receivables	606,148	-	606,148	1,259,482	-	1,259,482
Gain on sale of property and equipment	(33,075)	-	(33,075)	(3,150)	-	(3,150)
Provision for doubtful receivables and write-offs	2,320,486	-	2,320,486	3,993,296	-	3,993,296
Provision for end-of-service obligations	4,953,653	-	4,953,653	4,927,587	-	4,927,587
Unrealized gain on unit linked investments	(19,650,078)	-	(19,650,078)	(17,020,972)	-	(17,020,972)
Shareholders' appropriation from insurance operations' surplus*	35,876,655	(35,876,655)	-	30,944,599	(30,944,599)	-
	30,450,061	6,081,007	36,531,068	29,485,484	6,744,799	36,230,283
Changes in operating assets and liabilities:						
Reinsurers' balance receivable	511,391	-	511,391	(371,227)	-	(371,227)
Premium receivable	(14,003,005)	-	(14,003,005)	(45,872,133)	-	(45,872,133)
Reinsurers' share of unearned premiums	(3,466,442)	-	(3,466,442)	31,273,227	-	31,273,227
Reinsurers' share of outstanding claims	(139,992,421)	-	(139,992,421)	(83,308,044)	-	(83,308,044)
Reinsurers' share of claims incurred but not reported	33,198,493	-	33,198,493	(2,801,666)	-	(2,801,666)
Deferred policy acquisition costs	82,743	-	82,743	(3,136,012)	-	(3,136,012)
Right-of-use assets	(6,776,228)	-	(6,776,228)			
Unit linked investments	41,302,249	-	41,302,249	30,971,339	-	30,971,339
Prepaid expenses and other assets	(22,495,916)	2,546,921	(19,948,995)	(4,708,179)	2,910,067	(1,798,112)
Accrued expenses and other liabilities	25,018,836	107,081	25,125,917	32,057,128	68,444	32,125,572
Reinsurers' balances payable	50,873,380	-	50,873,380	(36,931,535)	-	(36,931,535)
Unearned premiums	18,275,995	-	18,275,995	(25,190,310)	-	(25,190,310)
Unearned reinsurance commission	(261,507)	-	(261,507)	(3,204,471)	-	(3,204,471)
Lease liabilities	5,784,231	-	5,784,231			
Unit linked liabilities	(22,308,655)	-	(22,308,655)	(15,328,184)	-	(15,328,184)
Outstanding claims	159,420,645	-	159,420,645	115,348,755	-	115,348,755
Claims incurred but not reported	(73,078,808)	-	(73,078,808)	(15,384,764)	-	(15,384,764)
Premium deficiency reserve	6,878,778	-	6,878,778	(5,864,597)	-	(5,864,597)
Additional premium reserves	362,501	-	362,501	(310,619)	-	(310,619)
	89,776,321	8,735,009	98,511,330	(3,275,808)	9,723,310	6,447,502
End-of-service obligations paid	(1,568,453)	-	(1,568,453)	(2,328,923)	-	(2,328,923)
Surplus paid to policyholders	(643,702)	-	(643,702)	(675,632)	-	(675,632)
Zakat and income tax paid	-	(5,571,134)	(5,571,134)	-	(5,536,979)	(5,536,979)
Net cash generated from / (used in) operating activities	87,564,166	3,163,875	90,728,041	(6,280,363)	4,186,331	(2,094,032)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in available for sale investments	(22,491,134)	(30,652,614)	(53,143,748)	(10,061,207)	(56,020,254)	(66,081,461)
Proceed from sale of available for sale investments	5,000,000	18,687,500	23,687,500	-	30,592,500	30,592,500
Proceeds from sale of property and equipment	33,075	-	33,075	3,150	-	3,150
Additions in property and equipment	(5,573,789)	-	(5,573,789)	(2,616,484)	-	(2,616,484)
Net cash used in investing activities	(23,031,848)	(11,965,114)	(34,996,962)	(12,674,541)	(25,427,754)	(38,102,295)
CASH FLOWS FROM FINANCING ACTIVITY						
Due from / to (insurance operations / shareholder operations)*	(25,208,395)	25,208,395	-	(40,568,802)	40,568,802	-
Net cash used in financing activities	(25,208,395)	25,208,395	-	(40,568,802)	40,568,802	-
Net change in cash and cash equivalents	39,323,923	16,407,156	55,731,079	(59,523,706)	19,327,379	(40,196,327)
Cash and cash equivalents, beginning of the year	47,722,503	45,412,035	93,134,538	107,246,209	26,084,656	133,330,865
Cash and cash equivalents, end of the year	87,046,426	61,819,191	148,865,617	47,722,503	45,412,035	93,134,538

d) Statement of cash flows (continued)

	31 December 2019			31 December 2018		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
NON-CASH INFORMATION:						
Change in fair value of available for sale investments	(8,883,051)	(16,369,538)	(25,252,589)	4,013,778	8,241,212	12,254,990
Re-measurement of defined benefit liability – end-of-service obligations	(3,287,651)	-	(3,287,651)	(1,306,141)	-	(1,306,141)
Deferred income tax	943,150	1,738,019	2,681,169	(684,520)	(616,641)	(1,301,161)

* These items are not included in the statement of cash flows.

31. COMPARATIVE FIGURES

The following reclassifications have been made to the prior year figures to conform to the current year presentation. The impact of these reclassifications is not considered significant.

- Certain 'Claims incurred but not reported' balance as at 31 December 2018 totalling to SR 39,273,626 was reclassified to 'Outstanding claims'.
- Certain 'Reinsurers' share of claims incurred but not reported' balance as at 31 December 2018 totalling to SR 22,915,042 was reclassified to 'Reinsurers' share of outstanding claims'.

32. SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses, economic activity and increase in insurance claims mainly relating to the medical line of business in those jurisdictions. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the reserving of IBNR will be considered into the Company's estimates of future ultimate claim liability in 2020.

33. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 16 March 2020 (corresponding to 20 Rajab 1441H).