Report of the Board of Directors

For the fiscal year ending on December 31, 2019G

ملاذ للتأمين

malath insurance

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Message from the Chairman

(We make the difference)

M/s Shareholders of Malath Cooperative Insurance Co.

Greetings,

At the beginning of my word, I would like to extend my deep thanks shareholders of the company for their trust in the current BOD, who started his session on 16/04/2019. I would also like to thank my colleagues in the BOD, for their endless efforts, support and enhance the Company through the administrative sub-committees of the Board. On behalf of me and my colleagues and members of the board, I am pleased to present for you, a report of the BOD enclosed with the financial statements, that have been reviewed and audited by an outsource auditor, enclosed with the attached explanations for the Fiscal Year ended on 31 December, 2019. Through which the most important qualitative developments of the company will be addressed, in addition to the financial results and all operational activities with a presentation of the company's future plans and directions of the Company. These documents, as well, shall have detailed financial disclosures regarding the boards and regulations issued by the Capital Markets Authority, Saudi Arabia. All the relevant information, duties, missions and tasks of the BOD and the new Sub-Committees.

In spite of what faced the company during the previous years, however the total underwriting premiums for 2019 have increased up to SAR 835 million, comparing with year of 2018, which was SAR 729 million , As the change was 14.5%, which proves the competitiveness of the company in the insurance market, however the company remains committed to the adequacy of pricing policy and prices set by the actuary appointed for the company, and the company has committed to all the technical allocations proposed by the actuary.

The development of the company did not stop there, but the company continued to develop its electronic services by developing the service of the electronic Malath application for smart devices by adding many advantages and services that are the ability to issue individual insurance documents for vehicles with both types of comprehensive insurance and civil liability towards third party. And also added the service of the ability to pay the insurance premium by means of a MADA card or by installing the insurance policy through credit cards. The application now also includes a service to provide roadside assistance to Malath customers, which is in addition to the company's privileges and new excellence is the first of its kind in KSA.

The wheel of leadership and technical progress of the company, which has become one of its features and goals, has not stopped. After the company launched the first self-service device of its kind that started providing the service of issuing vehicle insurance documents and submitting claims, which is currently the first self-service device for insurance products and services and the first of its kind in the insurance sector ,now it provides new services for health insurance affiliates and also the travel insurance issuance service.

With this technical progress and the continued increase in efficiency in the infrastructure, the company's management did not neglect the side of the human cadre, which is its most important pillar, With this concern for the human cadres of the company, the percentage of Saudization in the company for the year 2019G reached 70.5% of the total number of the company's employees.

In addition to that, the Saudi Arabian Monetary Authority's no-objection to the construction guarantee insurance product was taken, as it is considered the first product of its kind in the Kingdom of Saudi Arabia, which covers the hidden defects of construction that may appear after the completion of construction for each of the works of (building structure, water insulation, plumbing and electricity, mechanical works and interior finishes).

At the end, I would like to take this opportunity to avail and express my deep thanks and appreciation to ours BOD colleagues, the shareholders of the company, our esteemed customers for their trust in our company and all the staff for their efforts towards Malth's journey. As well, I would like to thank all the supervised authorities and entities, on top of this, is Saudi Arabian Monetary Authority (SAMA), the Council of Cooperative Health Insurance (CCHI) and Capital Markets Authority of Saudi Arabia. We are full of hope to sustain this journey of success, looking forward to achieving the targets and the ambitions of our distinguished shareholders.

May Allah bless and guide all of us to success,

Chairman of BOD
Mamdouh bin Saud Al-Sharhan

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REPORT OF THE BOARD OF DIRECTORS

1 About the company:

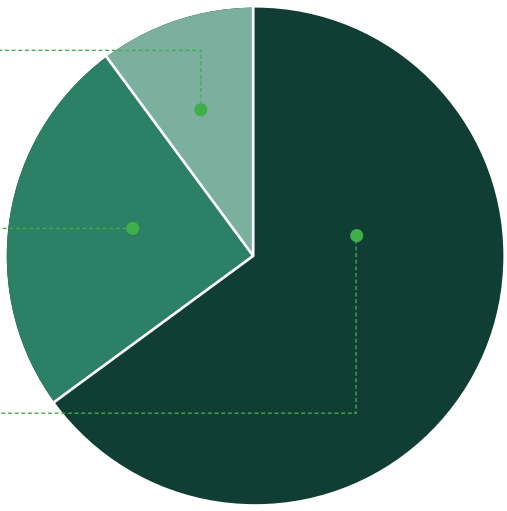
The company has been established by a group of prominent Saudi investors in a paid capital of SR 300 million. 47.48% of the capital was offered for the initial public underwriting. On April 9, 2007, Establishment of Malath Company was announced as a public shareholding company that carries out the cooperative insurance activities issued by the Saudi Arabian Monetary Authority and boards and regulations of the Council of Cooperative Health Insurance. On May 5, 2010, the ban on the founding shares was released and the founding shareholders became free in dealing and disposing their shares.
On 30 Jan 2017, The Company submitted its capital reduction file to the Capital Market Authority. On 20 April 2017, The Company presented its capital decreasing file to the Capital Market Authority by offering shares of priorities' tights to the Capital Market Authority, and on 01 Oct. 2017, the Extraordinary General Assembly has agreed to increase the company's capital. On 29 Mar, 2017, the Extraordinary General Assembly has agreed to decrease the company's capital to SR 120 M., dated 28 Sep. 2017 the Extraordinary General Assembly has agreed to increase the company's capital to SR 500 Million.

2 Company's Activity:

The main activity of the company business represents in providing products of the cooperative insurance. The Company carries out all of its activities and business in accordance with the Cooperative Insurance Boards and Regulations adopted in the Kingdom of Saudi Arabia. Malath Company offers whole and integrated lines of the general cooperative insurance, that include all of businesses such as Engineering Insurance, Fire & Property Insurance, Marine Insurance (Goods and Hulls), Miscellaneous Insurance and Motor Insurance. The Company offers as well, to the Whole (Groups) & Individuals (Retail) sales of the Medical Care Cooperative Insurance Service. The company serves its customers through its main Head office in Riyadh, its regional administrations in the central, western and eastern regions, its numerous branches in the different parts of the Kingdom, as well as a customer service center, Motor compensation centers and the specialized health care insurance Department, and through the website of the company on the network, applications of the smart phones the unique self-services devices/ systems.

3 The most important insurance lines in the Malath business

Insurance Line	Percentage of the total insurance premiums 2019
Health care insurance	**31%**
Health care insurance for Groups Health care insurance of the retail and the small Groups	
Motor insurance	**59%**
TPL Insurance and the damages occurred to the vehicles Comprehensive insurance	
General insurance	**10%**
Property insurance Engineering insurance Miscellaneous insurance Marine insurance Cover Protection Insurance for the groups	



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IMPORTANT PLANS AND DECISIONS OF THE COMPANY

4 Description of the main activities of the subsidiaries:

Not Applicable

5 The most important developments of the market

The development of the Saudi insurance market has continued during 2019 G, in terms of compulsory insurance (health insurance and vehicle insurance), where insurance activities witnessed a strong movement, with great support from regulatory bodies that aim to increase awareness of the importance of insurance, and the insurance sector also helped to create and provide jobs in the Saudi labor market which concentrated in insurance companies, insurance brokers and agents.

6 Details and description of the company's important plans, its decisions and the future expectations regarding business of the company expectations regarding business of the Company

On 19/02/2019G,

Malath Cooperative Insurance Company has announced the renewal of a contract with Abdullatif Alissa Holding Group.

On 28/02/2019G,

Malath Cooperative Insurance Company has announced the rehabilitation of the company from the Council of cooperative health insurance.

On 06/03/2019G,

Malath Cooperative Insurance Company has announced that it has obtained the approval of the Saudi Arabian Monetary Authority to renew the permit to practice insurance activity.

On 14/03/2019G,

Malath Cooperative Insurance Company has announced the annual financial results for ending on 31/12/2019G.

On 14/03/2019G,

the company has announced a corrective announcement regarding the company's announcement of the annual financial results ending on 31/12/2018G.

On 26/03/2019G,

Malath Cooperative Insurance Company has announced its invitation to its shareholders to attend the Ordinary General Assembly Meeting (First Meeting).

On 17/04/2019G,

Malath Cooperative Insurance Company has announced the results of the Ordinary General Assembly Meeting (Second meeting).

On 17/04/2019G,

Corrective announcement from Malath Cooperative Insurance Company regarding the results of the Ordinary General Assembly Meeting (Second meeting).

On 12/05/2019G,

Malath Cooperative Insurance Company has announced the interim financial results for the period ending on 31/03/2019G.

On 14/05/2019G,

An Addendum announcement from Malath Cooperative Insurance Company regarding the interim financial results for the period ending on 31/03/2019G (Three months).

On 30/05/2019G,

Malath Cooperative Insurance Company has announced the appointment of the Chairman and Vice President and the formation of committees emanating from the Board and Managing Director.

On 10/06/2019G,

Malath Cooperative Insurance Company has announced the signing of a contract with the Arab National Bank.

On 06/08/2019G,

Malath Cooperative Insurance Company has announced the interim financial results for the period ending on 30/06/2019G (Six months).

On 16/09/2019G,

Malath Cooperative Insurance Company has announced the signing of a memorandum of understanding with the National Housing Services Company.

On 16/09/2019G,

the company has announced a corrective announcement regarding a memorandum of understanding with (the Ministry of Housing) - represented in the sustainable construction program.

On 22/10/2019G,

Malath Cooperative Insurance Company has announced the award of a contract with Bank Albilad.

On 30/10/2019G,

Malath Cooperative Insurance Company has announced the award of a contract with Riyad Bank.

On 10/11/2019G,

Malath Cooperative Insurance Company has announced the interim financial results for the period ending on 30/09/2019G (Nine months).

On 18/12/2019G,

Malath Cooperative Insurance Company has announced the classification of financial strength with a stable outlook for the company in the Baa2 category granted by Moody's.

On 22/12/2019G,

Malath Cooperative Insurance Company has announced that it has obtained the final approval of the Saudi Arabian Monetary Authority on the construction guarantee insurance product.

Important plans and decisions of the company:

Investment:

- Change the investment philosophy and methodology which are acceptable risks, rewarding returns, portfolio development and diversification, and risk reduction.
- Update the investment policies and procedures.
- Bold investments in financial technology

Governance:

- Update the corporate governance list.
- Informing the BOD of the details of the committees' work (audit committee, executive committee, investment committee, risk committee, nominations and remuneration committee).
- Review and update the company strategy.

Human capital:

- Attracting the national competencies in the company, as the percentage of Saudization until the end of 2019 reached 70%
- The employees had been registered in accredited institutes to take professional certificates, as these certificates reached (60) professional certificates for 2019 G compared to (44) certificates for 2018G.
- The number of lectures and internal courses has reached (91) lectures for 2019G, compared to (17) lectures for 2018G.
- The training courses through (Malath Electronic Academy) have exceeded 1500 training courses.
- Update policies and procedures in a manner that does not conflict with internal regulations and related regulations to facilitate daily work procedures for human resources in the internal system.

- Modernize and develop the internal system of human resources to reduce paper transactions and transferring 90% of the employees' requests through the internal system of management electronically.

Human Resources:

- Work on developing the internal system for human resources management and converting it 100% electronically.
- Increase Saudization percentage.
- Raise the average professional certificates for all employees.
- Increase the number of technical insurance courses and internal lectures.
- Increase the number of anti-money laundering and anti-terrorism courses for all employees (up to 250 special courses).
- A preparing program for recent joining the company.

Credit and debit accounts:

- Establishing a credit department (collection, monitoring, control and management).
- Update policies and procedures.
- Working on collections and reducing doubtful debts.

Insurance services:

- Follow-up to operational growth and balanced profitability.
- Provide new and various services through electronic services (company website, electronic application, self-service device, self-service branch).
- Improve services by adding the online medical claims service.
- Launch Malath electronic platform for medical services on the company's website.
- Launch an electronic application for medical services.
- Targeting more balanced growth for 2020.
- Upgrading technical services at all levels.
- The approval of the Saudi Arabian Monetary Authority (SAMA) was taken on the new engineering insurance product, which is Construction Warranty Insurance (CWI), as this is the first product in KSA, where this product was developed in cooperation with Munich Re Company in response to the needs of the housing market in the Kingdom.
- Opening of the first electronic branch in the Kingdom, which provides electronic services.
- Contract and provide insurance services to a number of banks (Bank Albilad, Riyad Bank, Arab Bank).
- Contracting from the principle of strategic partnerships with each of the Saudi Airlines through (the Forsan Program) as well as with a number of banks to provide insurance services to their customers (The Saudi Investment Bank, Samba).
- Effective participation for sale at all electronic insurance platforms in the KSA, for vehicle insurance sales to individuals, inclusive and against others.
- Travel sales through electronic services (company website, Malath electronic application, KIOSK self-service device)
- Work on expanding and contracting with all insurance brokers.

Advertising and publicity campaigns:

- Malath Insurance has participated in several advertising and marketing campaigns during 2019 G, and one of its goals was to raise the level of insurance awareness in addition to identifying and marketing the company's products and services.
- Advertising and marketing campaigns for Malath Insurance were in several different channels from paid advertisements in various social media, and billboards in multiple regions, and through advertisements paid by Saudi radio stations in addition to being present in a number of active commercial centers through the development of awareness and awareness platforms which aim to raise awareness of the level of electronic services of Malath.
- Malath Insurance is also keen to promote and spread the name of the company by providing offers and discounts on insurance products in local events such as Saudi National Day, Riyadh season, holidays and other occasions.

Details of the participation in the exhibitions:

Malath Insurance participated in various exhibitions at the Kingdom's regions during the year 2019 G, and one of the most prominent objectives of the participation was to introduce visitors and raise their awareness of Malath electronic products and services, as the participation was as follows:

- Hekayat exhibition at King Saud University in Riyadh.
- Excs. exhibition for luxury cars in Jeddah.
- Car accessories exhibition for women in the eastern region.
- And the last participations of Malath Insurance during the year 2019 G were at the Saudi International Automotive Show in the Jeddah region, and these posts were accompanied by presenting offers and discounts for visitors of the exhibitions and for users of Malath Insurance Services

Shareholder information:

The number of shareholders of Malath Cooperative Insurance Company reached 21,309 shareholders on 31/12/2019G, the investments of companies and institutions represented 26.9% of the total ownership of shares, while individual investments represented 73.1%.

The future Expectations of the Company's Business:

- Developing the operational processes through the various electronic platforms "Website, mobile application, self-service device and the self-service branch"
- Developing capabilities, potentials and the technical/underwriting skills.
- Developing the innovation culture based on development of insurance products in serving the customers.
- Improve the customer service and measure level of their satisfaction.
- Continue improvement and development in field of the information technology.
- Continue the focus on establishing and qualifying the company's employees.

7 Statutory penalties:

There are no statutory penalties for the company for 2019.

8 Company strategy and future aspirations:

- The BOD periodically reviews the company's main strategy and work plan and what it has achieved this year and is looking forward to this strategy during the coming years. The Board and its related committees periodically review the work developments and compare the achievements with the set goals, the Strategic Projects Department supervises the implementation of the agreed projects.
- The company's strategy aims to excel in insurance services for all products to be the preferred insurance company in the Kingdom of Saudi Arabia, in addition to achieving profits from insurance operations while ensuring a steady growth to maintain a balanced insurance portfolio distributed to various market segments and continue to provide different types of insurance, where the company is keen to provide its insurance products in a transparent manner backed by integrated protection for all customers and brokers in the insurance market.
- The company is looking forward to obtaining contracts with large companies to provide insurance services for all insurance products.
- The company continuously aims to support its financial position by enhancing the margin of solvency of the company in accordance with statutory regulations.
- The development of electronic sales through:
    - Online insurance platforms for brokers.
    - Company's website.
    - Mobile app.
    - Self-service device.

9 The Disclosure as per the regulations

Corporate Governance Regulations:

The Company has updated its Corporate Governance Regulations, which determine the rules and standards that manage performance of the Company. These regulations go along with the regulations issued by SAMA, the regulations issued by the Capital Market Authority and the Companies Law issued by Ministry of Trade and Investment. These regulations have been adopted and be approved by the General Assembly of the Company's shareholders.

The provisions of the Corporate Governance Regulations that were applied, what was not applied, and the reasons for that:

The company acknowledges applying all the provisions mentioned in the corporate governance regulations except for the following:

Article Number	Article Text/Paragraph	Extent of application	Reasons	Notes
Article (20): Symptoms of independence	That he has spent more than nine separate or consecutive years in the company's BOD	Applied		
Article (39): The training	Develop the necessary mechanisms for each members of the BOD and Executive Management to get on training programs and courses on a continuous basis to develop their skills and knowledge in the fields relating to activities of the company.	Applied		Guided Article - Non-binding
Article (41): Assessment	A) The BOD has established, in view of proposal of the Nomination and Remunerations Committee, the mechanisms necessary to evaluate performance of BOD, its members, committees and the executive management annually through the appropriate KPIs, which relates to achievement of the company's strategic targets, quality of risk management, adequacy of the internal control systems…etc. As it should determine strengths and weaknesses points and to propose addressing and handling them in light of the company's interests. E) The BOD shall adopt the required arrangements to obtain an out-source evaluation regarding its performance every three years.	N/A		Guided Article - Non-binding
Article (85): Stimulate of the employees	1\ Forming committees or Holding the workshops concerning with the hearing and listening to the views of the company's workers and discussing them in issues and topics of the important decisions. 2\ Program of granting shares to the company's employees or parts and shares from the profits gained and earned by the company and the retirement programs, as well as establishing an independent fund for payment costs expenses of these programs. 3\ Establishing social entities to staff of the company	N/A		Guided Article - Non-binding
Article (87): The social responsibility /liability	The General Assembly shall, based on suggestion of the BOD, establish a policy of assuring the balance between its own objectives and the objectives which that aspired by the society to be achieved in order to develop the social and economic status of the society.	N/A		Guided Article - Non-binding

Article (88): Initiatives of the Social Action	1\ Develop Key Performance Indicators (KPI) that link in between performance of the company in view of its initiatives in the social work, and comparison of that with the other companies that work in the same field. 2\ Disclose all objectives of the Social Responsibility which are being adopted by the company for the employees, aware and increase their culture them of these objectives. 3\ Disclose plans of achievement the social responsibility in the regular reports relating to the company's activities. 4\ Implementing programs of the awareness for the society to identity and learn of the company's social responsibility.	N/A		Guided Article - Non-binding
Article (95): Forming the Company's compliance committee	Upon formation of Governance Committee by the BOD, it shall be delegated and authorized by the terms by virtue of the Article 94 of this Regulation. The Committee shall follow up all the matters relating to implementations of the governance and provide the BOD, at least annually with the relevant and reached reports and recommendations.	N/A		Guided Article - Non-binding

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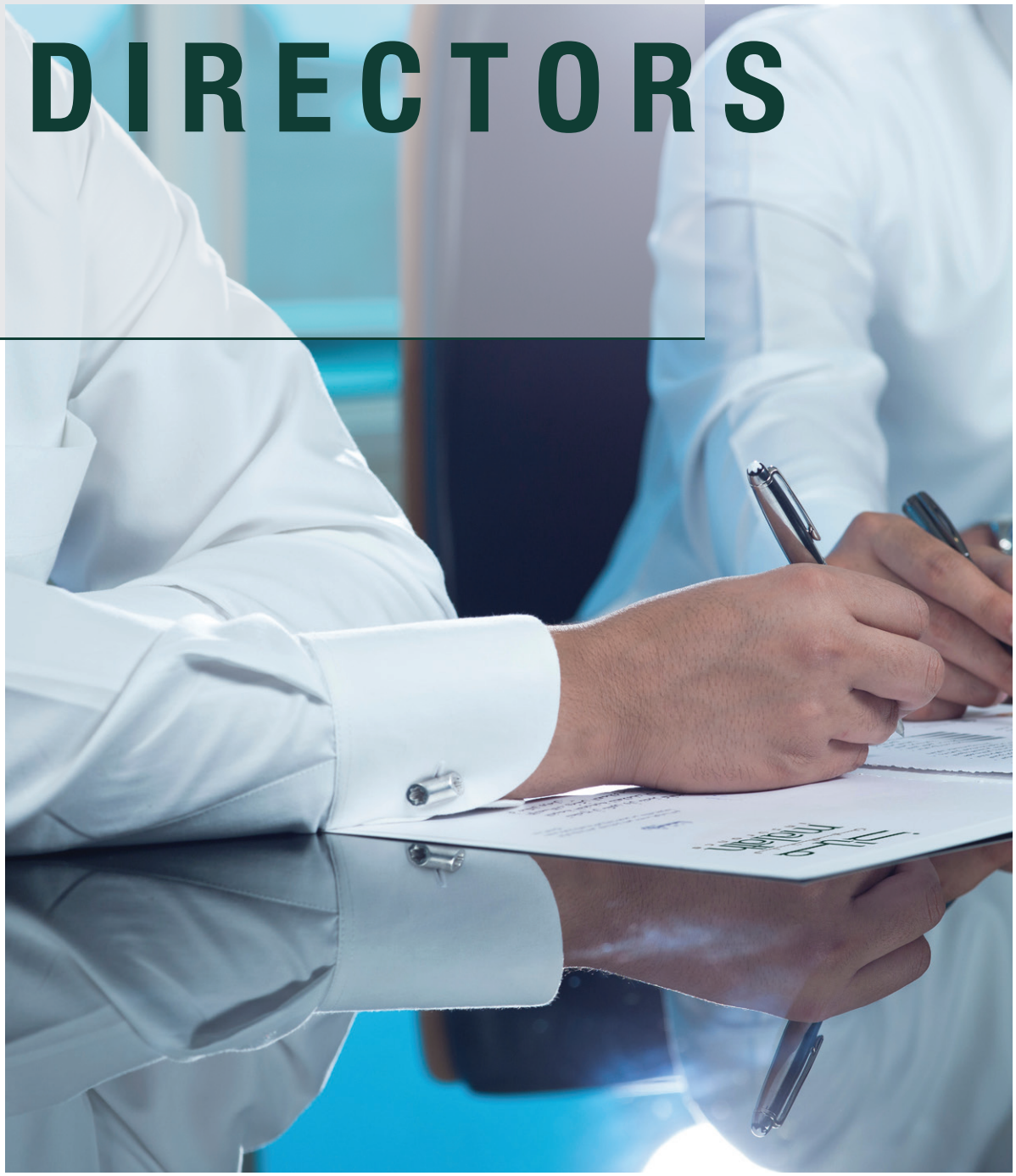
BOARD OF DIRECTORS



10 Formation of the Company's BOD

As per the article (15) of the Articles of Association of the Company, the BOD shall manage and organize the company , the BOD shall be composed of nine members elected by the Ordinary General Assembly for a period not more than three years, Formation of the BOD shall appropriately reflect existing of the independent members. In all the cases, number of the independent at the BOD, should not be less than two members or one/third of the BOD members, whichever is more. In exception of members of the BOD who be nominated for the first time by the General Assembly to manage the company, which should be for a period less three years without exceeding, starting from date of the Establishing decision of the Company by the Ministry of Commerce and Investment.

The BOD has been elected for the fourth session, that begins from 16 April 2019G for a period of three years at the Ordinary General Assembly Meeting on 11/08/1440H (16 April 2019G). All the members are non-executive members as majority of them are independent. All the members have been provided with the company's boards and regulations and the adopted one in the Kingdom of Saudi Arabia. The following members were elected:

N	Name of the member	Type of the Membership		
		Independent	Non-Executive	Executive
1	Mr. Mamdouh bin Saud Al-Sharhan	✓		
2	Mr. Salman bin Nasser Al-Hawawi	✓		
3	Mr. Bassem Bin Abdullah Al-Salloum	✓		
4	Mr. Amr bin Abdul Razzaq Al-Nimri	✓		
5	Mr. Amr bin Abdullah bin Shalhoub	✓		
6	Mr. Fawaz bin Abdul Rahman Al-Hajji			✓
7	Mr. Mohammed bin Ali Al-Ammari		✓	
8	Mr. Abdulmohsen Bin Mohammed Al Saleh		✓	
9	Mr. Bader bin Ali Al-Ali		✓	

* Board members for the current session and the Audit Committee were elected by the Ordinary General Assembly on April 16, 2019.

11 The Main Tasks of the BOD

In view of the governance Regulations issued from the Capital Market Authority and its Articles (Article 21, Article 22 and Article 30), and based on the powers of the General Assembly, the BOD of the Company shall have all the authorities and the powers required to manage and organize affairs of the company. The final responsibility of the Company should be by the Board, even in case of formation the concerned committees or delegated entities or individuals for performing any tasks. The BOD should avoid issuing general or indefinite authorities or delegations. The BOD shall practice and fulfill the following duties and tasks:

- The strategic Management of the Company and implementing the targets and objectives in addition to forming and drafting the strategic plans.
- To supervise implementation of the strategic plans, the key operations, and to identify the proper capital structure of the company. The BOD shall supervise the main capital expenditures and ownership of the assets, as they will achieve the timely review of the organizational and functional frames in the company for approval.
- To approve, review and regularly update the key policies and procedures.
- To develop and monitor the internal control system and to ensure its efficiency and effectiveness.
- To develop and supervise the system of the risk management at the company for making the required and sustained assessment, management and monitoring.
- To select and change the executives at the Main Centers (if needed), to ensure having the company an appropriate policy for the recreation and the replacement of the qualified and skilled staff for achieving works and businesses of the company.
- To follow up the senior management and to pay the attention towards performance of the company comparing with the performance objectives which have been assigned and determined by the Board.
- To assure safety and integrity of the reporting system, the financial statements, and the appropriateness of the disclosure mechanism.
- To ensure protection and sustaining interests of the insured along the times.
- To improve standards and the corporate governance as well as the compliance in view of the relevant boards and regulations continuously.
- To strength governance culture at the company and to adopt the highest ethical standards.

12 Members of the Board of Directors (BOD) and committees "current and previous positions, qualifications and experience":

	Name	Type of Membership / Committee	Experience		Qualifications
			Current positions	Previous positios	
1	Mr. Mamdouh bin Saud Al Sharhan	Member of the steering body of the real estate company Saudi Infrastructure Member of the Riyadh Chamber Committee Member of the audit committee of Bina company Chairman of the Executive Committee of the Bedaya Real Estate Finance Company	Supervises the real estate development agency Member of the Board of Directors of the Real Estate Development Fund Chairman of the Board of Directors of Malath Cooperative Insurance Company Vice Chairman of the Dual Gate Investment Company Deputy Minister at the Ministry of Housing Vice President of Tadawi Company Chairman of the Board of Directors of the Saudi Korean Company for Maintenance and Property Management Member of the steering body of the Saudi Real Estate Infrastructure Company	General Manager of Finance at the Saudi Real Estate Company General Secretary's Assistant of the Public Investment Fund - Financing expert at the Saudi Fund for Development - Assistant financial Consultant at the Industrial Development Fund - Consultant at the Public Investment Fund - Financing senior specialist at the Saudi Fund for Development - Financial analyst at the Saudi Industrial Development Fund - Accountant at the Saudi Electricity Company	Master of Science in Finance – USA Master in Banking Management - Institute of Public Administration Bachelor's degree in Accounting - King Saud University
2	Mr. Salman bin Nasser Al-Hawawi	Independent / Deputy Chairman/ Chairman of the Risk Committee / Member of the Investment Committee	-Deputy-Chairman of Malath Cooperative Insurance Company - Member of the Board of Directors of the Saudi Advanced Industries Company - A licensed financial advisor from the Ministry of Trade and Investment	- Al-Marai Company: Investors Relations Manager of the Group - Saudi Telecom Group: Director of the Group's Financial Statements Division at the Group's Financial Control Department - Tadawul Company: Officer of financial reports and budget - Saudi Telecom Company: Accounting Specialist - Saudi Industrial Development Fund: Assistant Auditor and Financial Analyst - Saudi Organization for Certified Public Accountants: full-time trainee for two months, part-time trainee for three months	Bachelor of Administrative Sciences, specialized in Accounting, King Saud University

3	Mr. Fawaz bin Abdul Rahman Al-Hajji	Executive/CEO and Managing Director / Member of the Executive Committee / Member of the Investment Committee	- CEO and managing director of Malath Insurance Company -Deputy Chairman of the Executive Committee of the General Committee of General Directors of Insurance Companies -Member of the Nomination and Remuneration Committee at Saudi Tadawi for Healthcare Company	-Deputy CEO for Motor insurance at Tawuniya Insurance Company - Deputy CEO for Motor insurance at Malath Cooperative Insurance Company - Chairman of the Sub-Committee for Motor Insurance in the Kingdom - Member of the Executive Committee of Insurance in the Kingdom - Member of the Technical Insurance Committee of the Gulf Union Insurance	- Executive Master of Management, specializing in financial and insurance services from St. Gallon University, Switzerland - Bachelor's degree in Business Administration from King Faisal University - He holds an American fellowship in life insurance - medical and a lot of professional and academic certificates in insurance - many specialized executive management courses at major international universities and institutes.
4	Mr. Muhammad Ali Al-Ammari	Non-executive / board member	Member of the Board of Directors of Malath Cooperative Insurance Company	- Chairman and Managing Director, Tabuk Fish Company - Deputy Chairman, Malath Cooperative Insurance Company - Chairman of the BOD, Wajeef Insurance Brokerage Service - Deputy Chairman of the BOD, Tabuk Cement Company - Chairman and Managing Director, Food Products Company - General manager of the food products company - Deputy General Manager, Food Products Company - General Manager of Wajeef Trading Company (Consultants and Insurance Brokers) - General Manager, Saudi Real Estate Company - Assistant General Manager for Local Banking Affairs, General Administration of Riyad Bank - Regional Manager of the Eastern Region - Deputy Regional Director of Riyad Bank in the Eastern Region - Assistant Regional Director of Riyad Bank in the central region - Projects Manager, Saudi Industrial Development Fund - Teaching Assistant, Physics Department, King Saud University	- Bachelor of Physics and Mathematics - King Saud University - Course in Banking and Management with Chase Manhattan Bank. New York - Courses and seminars in many banking and administrative fields

5	Mr. Abdulmohsen Bin Mohammed Al Saleh	Non-Executive/ Chairman of Nomination & Remuneration Committee	-Founder and member of BOD and chairman of the Nomination and Remuneration Committee, Malath Cooperative Insurance Company - since April 2007 - Founder and Member of the BOD, Economy, USA FALCOM Financial Services And member of the Executive Committee - since January 2015 - Chairman of the risk committee, FALCOM Financial Services - since November 2018 - Chairman and owner of the Masader Holding Company	-Chairman of BOD of the Saudi Industrial Export Company - April 2007 - June 2016 -Member of the BOD, Logistic Services Co.-Oct 2008- June 2016 - Chairman of BOD of Packaging Materials Manufacturing Company (FIPCO) - November 2009 – December - Member of the Board of Directors of Saudi Barclays Bank - December 2011 - August 2014 – 2015 - Member of BOD, Packaging Materials Manufacturing Co. (FIPCO)-November 1990 to November 2009 - Advisor, SAMBA Bank-1980 to 1999 - Member of the Saudi-American Joint Committee for Economic Cooperation - Vice President - City Bank, KSA 2000-2002 - Manager of the Private Banking Services Department, City Bank, KSA	Bachelor's degree in Business Administration and Economics - The University of Whittier California USA 1967
6	Mr. Bassem Bin Abdullah Al-Salloum	Independent/ Chairman of the Investment Committee	- Member of the Board of Directors of Malath Cooperative Insurance Company - Chairman of the Investment Committee - Member of the Risk Committee / member of the Nomination and Remuneration Committee - CEO and Managing Director of Sure International Technology, KSA - Member BOD of Bin Ya`la Exchange Company (Partnership) - Member of the National Committee for Communications and Information Technology - Chairman of BOD of Sure Co. for Payments	- He held many positions in the government and private sector, where he worked as an agent for the governor of the General Investment Authority and member of the Board of the Saudi Export Development Authority - He served as vice president of civil aviation for corporate communication affairs and head of the executive committee of the Ministerial Conference on Civil Aviation. - He worked in the private sector, with Mobily Company for Communications, where he took over the management of digital marketing, and worked in the Saudi Group for Research and Marketing, where he took over the management of Numu Multimedia Co.	Bachelor's degree in languages and translation from Imam Muhammad bin Saud University in Riyadh, He obtained a master's degree in IT consulting from Kent University in the United Kingdom He received an executive master's degree from Harvard University in America, holds executive degrees and specialized certificates from Oxford Business School and the London School for Economics.

7	Mr. Amr Abdel-Razzaq Al-Nimri	Independent / board member / chairman of the audit committee	-Member of BOD of Malath Cooperative Insurance Company - Chief Financial Officer at management and development company of King Abdullah Financial Center	- Chief Financial Officer, Tawuniya Insurance Company, Director of Financial Operations, BAE Systems. - Member of the Finance Committee of the Executive Insurance Committee under the supervision of the Saudi Arabian Monetary Authority	Bachelor's degree in Accounting at King Abdulaziz University
8	Mr. Bader bin Ali Al-Ali	Non-executive / member of the Executive Committee / member of the Nomination and Remuneration Committee	- Member of BOD of Malath Cooperative Insurance Company - Adviser at the National Population Company	- CEO of Najm Insurance Services Company - Adviser at the Saudi Arabian Monetary Authority	-MBA – Australia -Bachelor of Computer Science, USA
9	Mr. Amr bin Abdullah bin Shalhoub	Independent / member of the Executive Committee / member of the Investment Committee / member of the Risk Committee	-Member of BOD of Malath Cooperative Insurance Company	-Director of the Individual Sales Unit at Allianz Saudi Fransi Insurance Company - General director of Waad for insurance agency services - Sales manager for Amana Insurance Company - Senior product manager at Riyad Bank for the insurance agency - Deputy Director of the Central Region for the executive offices of the Civil Aviation Holding Company	Bachelor of Business Administration - USA
10	Mr. Saleh bin Abdul Rahman Al-Ismail	An independent member of the audit committee from outside BOD of Malath Cooperative Insurance Company	-Member of the Audit Committee, NAB -Member of the audit committee of the Saudi Chemical Company	- Director General of Financial and Administrative Affairs (Minister Plenipotentiary), the General Secretariat of the Gulf Cooperation Council for the Arab States - He held several positions at the Institute of Public Administration, starting from position and director of financial affairs and employees, up to the assistant general manager of training, in addition to participating in teaching a number of subjects in addition to supervising the specialized training research - Member of the Board of Directors and Chairman of the Audit Committee, Sanad Insurance and Reinsurance Company. - Member of the Audit Committee at TABADOL "Exchange" Company (not included) - Member of the Audit Committee, Saudi Fransi Capital -Member of committee of Making Standards of the Audit, SOCPA -Head of the audit committee of the pharmaceutical company - Member of the Audit Committee at Salek Co. - Member of the audit committee of the Southern Cement Company - Member of the Audit Committee, Ahsa Development Co. -Head of the Audit Committee, Saudi Railway Co.	Bachelor of Management, Major in Accounting MBA, USA Member of the Saudi Organization for Certified Public Accountants SOCPA Member of the Saudi Accounting Association Fellow of the Arab Society for Certified Accountants

				-Member of Committee of Investigating Investment Violations, the General Authority for Investment. -Member of BOD, Gulf Accounting Organization. -Managing Director, Food Marketing Co. -Chairman, High Technology Company for Computer Systems. - Member of BOD, Saudi Accounting Association. -Member of the Council of the General Secretariat of the Cooperation Council, Chairman of Board of the Council of the Cooperation Council Club. -Member of the Audit Committee at Salek Co. -Member of the Audit Committee of the Southern Province Cement Company. -Member of the Audit Committee, Al Ahsa Development Company. -Head of the Audit Committee, Saudi Railway Company. -Member of the Committee for Investment Violations Investigation, the General Authority for Investment. -BOD Member, Gulf Accounting Organization. -Managing Director, Food Marketing Co. -Chairman, High Technology Company for Computer Systems. -BOD Member, Saudi Accounting Association -Member of the General Secretariat of the Gulf Cooperation Council, Board Chairman of the Council of the Cooperation Council Club.	
11	Mr. Saad bin Saud Al-Tayyar	An independent member of the audit committee from outside the BOD of Malath Cooperative Insurance Company	Deputy Director General of the Saudi Authority for Industrial Estates and Technology Zones “MODON” for Financial Affairs	- Assistant general manager for financial reports at the Saudi Investment Bank. - The controller in Tawuniya insurance company. - Director of financial and regular reports at Al-Rajhi Banking Corporation. - General Financial Director at the National Air Services Company.	-Bachelor’s degree in Accounting, King Saud University - Master in Accounting from University of Adelaide (Australia)

13 Executive management:

The executive management of the company consists of a distinguished group of the qualified and experienced individuals in field of insurance, they are as follows:

	Name	Current Jobs	Previous Jobs	Qualifications	Experience
1	Mr. Fawaz bin Abdurrahman Al-Haji	CEO, Managing Director	-Deputy Executive Chairman- Motor Insurance, Malath Company. -Deputy Executive Chairman- Motor Insurance, Al-Tawnya Company	MBA-University of St. Gallen	Experience of more than 22 years in Insurance field
2	Mr. Rami Omer-Al-Hushan	Senior EVP- Marketing & Sales	Manager of the Key Accounts	MBA- Prince Sultan University	Experience of more than 16 years in Insurance- Marketing &Key Accounting
3	Mr. Tarek Saleh Al-Ghamdi	Senior EVP - Property and Causality	Executive Director, Relations of the Brokers	Insurance Diploma, Institute of Public Administration	Experience of 25 years in Insurance Field
4	Mr. Ahmed Bassam Al-Hariri	CEO- Health and Life Insurance for groups	Head of Research and Development Department	MBA of the Executive Actions-London	More than 16 years' experience in healthcare insurance
5	Mr. Khaled Mustafa Aref	General Manager- IT	Head of Group-Systems Analysis	BA in Accounting from Alexandria University	Twenty-seven years' experience in IT

14 Names of companies in/out the Kingdom of which the board member is a member of its current/former Boards of Directors or its one of its Managers:

We accordingly, attach a statement to the following table in names of the BOD who are associated with managements of other companies:

	Current					Previous			
	Name of the member	Names of the companies in which one of the BOD members is also member of any of those companies currently or one of its Managers	In/out of the Kingdom of Saudi Arabia	The legal Entity for the Company	Relation	Names of the companies in which one of the BOD member is also member of any of those companies previously or one of its Managers	In/out of the Kingdom of Saudi Arabia	The legal Entity for the Company	Relation
1	Mr. Mamdouh bin Saud Al Sharhan	Malath Cooperative Insurance Company	Inside the Kingdom	Public joint stock	Chairman of BOD				
		Hail Cement Co.	Inside the Kingdom	Public joint stock	Member of the BOD				
		Saudi Korean for maintenance	Inside the Kingdom	Limited Liability	Member of the BOD				
		Saudi Real Estate Infrastructure Company (BINYAH	Inside the Kingdom	Closed / Joint stock	Member of Audit Committee				
2	Mr. Salman bin Nasser Al-Hawawi	Malath Cooperative Insurance Company	Inside the Kingdom	Public joint stock	Deputy Chairman and Chairman of the Risk Committee and member of the Investment Committee	Saudi Real Estate Company	Inside the Kingdom	Public joint stock	Member of BOD and member of the Audit Committee

	Mr. Salman bin Nasser Al-Hawawi	Saudi Advanced Industries Company	Inside the Kingdom	Public joint stock	An independent member of BOD, Chairman of the Nomination and Remuneration Committee and member of the Investment Committee				
3	Mr. Mohammed bin Ali Humaidan Al-Ammari	Watan Investment Company	Inside the Kingdom	Closed / Joint Stock Co.	Member of the BOD	Tabuk Fish Co.	Inside the Kingdom	Closed / Joint Stock Co.	Chairman of BOD and Managing Director
		Wajeef Co. for insurance brokerage services	Inside the Kingdom	Closed / Joint Stock Co.- Free professions	Chairman of BOD	Food Products Company (Wafra)	Inside the Kingdom	Joint stock Co. / Listed	Chairman of BOD and Managing Director
						Tabuk Cement Co.	Inside the Kingdom	Joint stock Co. / Listed	Deputy Chairman of the BOD
						International Insurance Company	Inside the Kingdom	Joint stock Co. / Listed	Member of the BOD
						Jazan Company for Energy and Development	Inside the Kingdom	Listed	Member of the BOD
						Saudi ORIX Leasing Company	Inside the Kingdom	Closed /Joint Stock Co.	Member of the BOD
						Al Baha Investment and Dev. Company SJSC	Inside the Kingdom	Joint stock Co. / Listed	Member of the BOD
						Saudi Industrial Export Company	Inside the Kingdom	Joint stock Co. / Listed	Member of the BOD
4	Abdulmuhsen bin Mohammad Al-Saleh	FALCOM Financial Services	Inside the Kingdom	Non-joint Stock Company	Founder and Board Member	Packaging Materials Manufacturing Co. (FIPCO)	Inside the Kingdom	Non-joint Stock Company	BOD Chairman
		Masader Holding Company	Inside the Kingdom	Non-joint Stock Company	BOD Chairman	Saudi Industrial Export Company	Inside the Kingdom	Joint-stock Company / Listed	BOD Chairman

	Abdulmuhsen bin Mohammad Al-Saleh					Barclays Saudi Bank	Inside the Kingdom	Non-joint Stock Company	Member of the BOD
						Logistics Services Company	Inside the Kingdom	Non-joint Stock Company	Member of the BOD
						SAMBA Bank	Inside the Kingdom	Joint-stock Company / Listed	Adviser
						City Bank, KSA	Inside the Kingdom	Non-joint Stock Company	Vice President - Manager of the Private Banking Services Department,
5	Mr. Basem Bin Abdullah Al-Salloum	Malath Cooperative Insurance Company	Inside the Kingdom	Joint-stock Company	BOD Member Investment Committee Chairman Risk Committee Member Nomination and Remuneration Committee Member	Numu Multimedia Co.	Inside the Kingdom		Handled the management of a company
		Sure, International Technology	Inside the Kingdom	Non-joint Stock Company	CEO and managing director of Sure International Technology Co.	Saudi Export Development Authority	Inside the Kingdom	Governmental entity	Member of the BOD
		Bin Yaala Exchange Company	Inside the Kingdom	Non-joint Stock Company	Member of the BOD	General Authority for Investment Saudi Export Development Authority	Inside the Kingdom	Governmental entity	Deputy Governor of the Commission and a Board member
		Sure International Tech. Co. IT	Inside the Kingdom	Non-joint Stock Company	BOD Chairman	Civil Aviation for Institutional Communication Affairs of the Ministerial Conference on Civil Aviation	Inside the Kingdom	Non-joint Stock Company	Deputy Chairman and Chairman of the Executive Committee
						Faleh Sports House Company	Inside the Kingdom	Closed / Joint-stock Company	Member of the BOD

6	Amr bin AbdulRazzaq al-Nimri	Malath Cooperative Insurance Company	Inside the Kingdom	Joint-stock Company	Member of the BOD	Ta'awuniya Insurance Company	Inside the Kingdom	Joint-stock Company	Chief Financial Officer
		National Housing Company	Inside the Kingdom	Non-joint Stock Company	Adviser at the National Housing Company	BAE Systems Inc.	Inside the Kingdom	Non-joint Stock Company	Financial Operations Manager
						Aljomaih Automotive Company	Inside the Kingdom	Non-joint Stock Company	Cost Controller
						Nas company	Inside the Kingdom	Non-joint Stock Company	Treasury manager
7	Mr. Bader bin Ali Al-Ali	Malath Cooperative Insurance Company	Inside the Kingdom	Joint-stock Company	Member of the BOD	Najm Insurance Services Company	Inside the Kingdom	Closed / Joint-stock Company	CEO
8	Mr. Amr bin Abdullah bin Shalhoub	Malath Cooperative Insurance Company	Inside the Kingdom	Joint-stock Company	Member of the BOD				
		Civil Aviation Holding Company	Inside the Kingdom	Holding	Deputy director of the central region for executive offices				
9	Mr. Fawaz bin AbdulRahman Al-Hajji	Malath Cooperative Insurance Company	Inside the Kingdom	Joint-stock Company	Board Member, CEO and Managing Director	Malath Cooperative Insurance Company	Inside the Kingdom	Joint-stock Company	Deputy CEO - Auto Insurance
		Saudi Tadawi for Healthcare Company	Inside the Kingdom	Closed / Joint-stock Company	Board Member - Nomination and Remuneration Committee	Ta'awuniya Insurance Company	Inside the Kingdom	Joint-stock Company	Deputy CEO - Auto Insurance

15 Measures taken by the Board of Directors to inform members - especially non-executives - of shareholders' proposals and observations regarding the company and its performance:

- The company shall provide all the required data, that enable the shareholders to practice their rights properly and on the best way, , Without any distinction or differentiation among any of them and to be equally and on time, the company for achieving that shall use the most active procedures in contacting the shareholders.
- The company shall answer all of the shareholders' inquiries and explanations in a suitable way and without exposing interests of the company to any harm or damage.
- The BOD shall ensure a communication method between the company and the shareholders based on a notable understanding and the mutual targets and objectives of the company.
- Both of the chairman and the CEO shall work rightly for advising rest of the BOD members of opinions and views of the shareholders and discussing these views or opinions with the shareholders.
- The BOD shall not receive any proposals or requests from the shareholders out of the discussion topic or other than the scheduled ones during holding the General assembly of the shareholders, which has been held during the year of 2018.
- Any proposals or suggestions by the shareholders shall be received through this email Investor.relation@malath.com.sa

16 Meeting of the BOD

The BOD held meetings during 2018, as per what has been recorded in the visitors register as hereunder mentioned:

		Previous session/current session (continue meetings at the previous session)				
	Name	**First 26/03/2019G**	**Second 21/04/2019G**	**Third 05/05/2019G**	**Fourth 09/09/2019G**	**Fifth 26/11/2019G**
1	Mubarak Bin Abdullah Al-Khafra	Attended (Previous)				
2	Obaid Abdullah Al-Rashid	Attended (Previous)				
3	Mohammed Saleh Al-Adel	Did not attend (Previous)				
4	Mohammad bin Abdelaziz Al-Namla	Did not attend (Previous)				
5	Fawaz bin Muhammed Al-Fawaz	Attended (Previous)				

6	Tarek bin Othman Al-Abdul-jabbar	Attended (Previous)				
7	Mohamed bin Suliaman alHejelan	Did not attend (Previous)				
8	Mr. Mamdouh bin Saud Al-Sharhan		Attended (Current)	Attended	Attended	Attended
9	Mr. Salman bin Nasser Al-Hawawi		Attended (Current)	Attended	Attended	Attended
10	Mr. Basem Bin Abdullah Al-Salloum		Attended (Current)	Attended	Attended	Attended
11	Mr. Amr bin Abdul Razzaq Al-Nimri		Attended (Current)	Attended	Attended	Attended
12	Mr. Amr bin Abdullah bin Shalhoub		Attended (Current)	Attended	Attended	Attended
13	Mr. Fawaz bin Abdul Rahman Al-Hajji		Attended (Current)	Attended	Attended	Attended
14	Mr. Mohammed bin Ali Al-Ammari	Attended (Previous and Current)	Attended (Previous and Current)	Did not attend **	Attended	Attended
15	Mr. Abdulmohsen Bin Mohammed Al Saleh	Attended (Previous and Current)	Attended	Attended	Attended	Attended
16	Mr. Bader bin Ali Al-Ali		Attended (Current)	Attended	Attended	Attended

* Board members were elected for the current session by the Ordinary General Assembly on April 16, 2019.
** An introductory meeting for the members of BOD in its new session to get acquainted with the company's departments.
*** Disclaimer: (previous and current) means previous board meetings and current board meetings

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FORMATION COMMITTEES OF THE BOARD

17 Audit Committee

The audit committee is responsible for monitoring the company's business, and for this purpose it has the right to review its records and documents and to request any clarification or statement from the members of BOD or the executive management, and it may request BOD to invite the General Assembly of the company to hold a meeting if the BOD impedes its work or the company suffers severe damages or losses.

- Supervise the company's internal audit department to ensure its effectiveness in carrying out its activities and the duties set by the BOD.
- Review the internal audit procedures, prepare written reports on this audit, and submit recommendations thereon to the BOD.
- Review the audit plan submitted by the internal and external auditors and provide any opinions about it.
- Study the regular monitoring reports or the regular observer and submit recommendations thereon.
- Review the reports of the internal audit department or the internal auditor and submitting recommendations thereon to the BOD.
- Review the comments of the Monetary Authority and the relevant supervisory and supervisory authorities regarding any regulatory violations or required corrective measures and submit recommendations thereon to the BOD.
- Review the preliminary and annual financial statements before submitting them to the BOD and expressing their opinion and recommendations thereon.
- Discuss the audited annual and quarterly unaudited financial statements with the external auditors and senior management of the company before publishing it.
- Evaluate the level of efficiency, effectiveness and objectivity of the work of the external auditors, the internal audit department, and systematic oversight.
- Ensure that there is a written list of professional codes of conduct approved by the company's BOD to ensure that the company's activities are carried out in a fair and ethical manner.
- The audit committee meets with the BOD and submits important reports to the BOD periodically.

The Audit Committee held 8 meetings during the year 2019 G to implement the tasks assigned to it and mentioned above, as recorded in the attendance record below:

		Number of Meetings: 7								
	Name	Classification of the membership	First	Second	Third	Fourth	Fifth	Sixth	Seventh	Eighth
			20/02/2019G	28/02/2019G	21/04/2019G	28/04/2019G	28/07/2019G	11/09/2019G	29/10/2019G	26/11/2019G
1	Fawaz bin Muhammed Al-Fawaz	Head of the Committee (Previous)	attended	attended	End of session	End of session	End of session	End of session	End of session	End of session
2	Abdulaziz bin Suleiman Al-Atiqi	Independent member (Previous)	attended	attended	End of session	End of session	End of session	End of session	End of session	End of session

3	Saleh bin Abdu-rahaman Al-Ismael	Inde-pendent member (Previous and Cur-rent)	attended	attended	attended	attended	attended	attended	attended	attended
4	Mr. Amr bin Abdul Razzaq Al-Nimri	Chairman of the Com-mittee (Current)	Before joining	Before joining	attended	attended	attended	attended	attended	attended
5	Mr. Saad bin Saud Al-Tayyar	Inde-pendent member (Current)	Before joining	Before joining	attended	attended	attended	attended	attended	attended

* Board members for the current session and the Audit Committee were elected by the Ordinary General Assembly on April 16, 2019.
* The eighth meeting was held with the BOD.

18 Executive Committee

Tasks of Executive Committee are as follows:

- Recommend to the BOD about strategic and operational plans, budgets and business plans and take the necessary measures in their regard.
- Take decisions on issues assigned to it by the Board that are outside the scope of the company's CEO, including issues related to capital expenditures and purchases within the limits granted to the Committee by the Board.
- Exercise the full powers and privileges of the BOD when it does not take place between the meetings in cases where quick decision or action is required and justified, unless the committee has the authority to take a decision in place of the Board on any matter where it is prohibited to delegate powers according to the applicable regulations and which requires the approval of the shareholders of the company or one of the other council committees was specifically charged with it.
- Review the company's business strategy and submit recommendations to the Board for approval.
- Review the details of the company's business plans and budget and regularly monitor the progress of work in the business and budget plans.
- Supervise the activities of the company CEO.
- Support and enhance the CEO in case of the need to address specific needs or tasks.
- Review cases of alliances, mergers and acquisitions and other strategic agreements and submit recommendations thereon to the BOD for approval.
- Take any other action or assume any other powers and responsibilities that may be entrusted to the Committee or delegated to it from time to time by the Board.

The Executive Committee consists of:

The Executive Committee has held (6) meetings during 2019 G, to implement the tasks entrusted to it and previously mentioned, according to what is recorded in the attendance register below:

			Number of meetings (6) meetings					
	Name	Classification of the membership	First	Second	Third	Fourth	Fifth	Sixth
			18/03/2019G	16/09/2019G	23/10/2019G	11/11/2019G	26/11/2019G	17/12/2019G
1	Mr. Mohammed Al-Ammari	Head of the Committee (Previous)	Attended					
2	Mr. Tarek Al-Abdul-jabbar	Member (Previous)	attended					
3	Mr. Mohammad Al-Namla	Member (Previous)	attended					
4	Mr. Mohamed Al-Hejelan	Member (Previous)	attended					
5	Mr. Mohamed Al-Adel	Member (Previous)	attended					
6	Mr. Mamdouh bin Saud Al Sharhan	Head of the Committee (current)		attended	attended	attended	attended	attended
7	Mr. Fawaz bin Abdul Rahman Al-Hajji	Member (Current)		attended	attended	attended	attended	attended
8	Mr. Bader bin Ali Al-Ali	Member (Current)		attended	attended	attended	attended	attended
9	Mr. Amr bin Abdullah bin Shalhoub	Member (Current)		attended	attended	attended	attended	attended

* Board members for the current session and the Audit Committee were elected by the Ordinary General Assembly on April 16, 2019.
* The Chairman and Vice-President of the Board were appointed, committees were formed, and the Managing Director was appointed on 25/09/1440H corresponding to 30/05/2019G for the session of the Board that started from 16/04/2019G to 05/04/2022G.

19 Committee of Risk Management:

The duties and responsibilities of the Risk and Underwriting Committee include the following:

- Identify the risks which the company may face and keep an acceptable level of risk to the company.
- Define the standards and scope of the appetite of the company to take the risks and make the required recommendations to the BOD in this regard.
- Define a comprehensive risk management strategy for the company, supervise its application, review and update it on an annual basis, taking into account the internal and external developments for the company including the best global applications.
- Ensure the availability of adequate resources and systems for risk management.
- Review the organizational structure of risk management and make recommendations thereon before it is approved by the BOD.
- Review the issues raised by the Audit Committee that may affect the risk management of the company.
- Review the structure and strategy of assigning reinsurance on a periodic basis.
- Review the underwriting policies and regulations.
- Evaluate and review the underwriting performance at the company.
- Supervise the risk management system of the company and evaluate its effectiveness.
- Develop a comprehensive risk management strategy, monitor its implementation, review and update it based on the company's internal and external changes.
- Review risk management policies.
- Reassess the appetite of the company to take risks and its exposure to it periodically (for example, through carrying out endurance tests).
- Submit detailed reports to the BOD on exposure to risks and the proposed steps to manage these risks.

Risk management Committee is composed of the following:

			Number of meetings: 3		
	Name	Classification of the membership	First 27-06-2019G	Second 02-09-2019G	Third 04-12-2019G
1	Mr. Mohamed Saleh Al-Adel	Chairman of the Committee (Previous)			
2	Mr. Muhammad Al Al-Ammari	Member (Previous)			
3	Mr. Mohamed Abdulaziz Al-Namla	Member (Previous)			
4	Mr. Salman bin Nasser Al-Hawawi	Chairman of the Committee (Current)	Attended	Attended	Attended
5	Mr. Basem Bin Abdullah Al-Salloum	Member (Current)	Attended	Attended	Attended
6	Mr. Amr bin Abdullah bin Shalhoub	Member (Current)	Attended	Attended	Attended

- * Board members for the current session and the Audit Committee were elected by the Ordinary General Assembly on April 16, 2019.
- * The Chairman of the Board of Directors, the Vice President, the formation of Committees, and the appointment of the Managing Director were appointed on 25/09/1440 AH corresponding to 30/05/2019 for the session of the Board that started from 16/04/2019 until 05/04/2022 G.

20 Nomination and Remuneration Committee:

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- Recommend to the Board of Directors to nominate the membership of the Board of Directors and its Committees in accordance with the regulatory requirements, policies, and approved standards. The Committee shall consider not nominating a pre-accused person in any of the honor crimes.
- Prepare a description of the capabilities and qualifications required for membership of the Board of Directors and its Committees, including the allocated time for the work of the Board of Directors and its committees.
- Establish special procedures in the event of occupying a job in the Board of Directors or in place of one of the senior executives.
- Review the necessary and required needs of the proper skills for the member of the Board of Directors at least annually and make recommendations for solutions consistent with the best interest of the company.
- Develop succession policies and procedures for the Board and its Committees.
- Review the structure and composition of the Board and its Committees, identify weaknesses periodically, and propose the necessary procedures to handle them, as well as developing a job description for executive and non-executive members, independent members, and senior executives.
- Evaluate and supervise the independence of BOD members and Committees annually and ensure that there are no conflicts of interest in cases where the member becomes a member of the board of directors of another company.
- Develop clear policies for rewarding and remunerating for members of the Board of Directors, its Committees, CEO and members of senior management in view of their performance in achieving the strategic objectives of the company and the amended business profits (as determined by the General Assembly).
- Ensure that an annual review for compensation plans for members of senior management is performed independently of the executive management.
- Present the final recommendations to the Board on issues related to the appointment and release of members of senior management and/ or promotion of current employees to senior management positions according to the rules of the Monetary Authority regarding the suitability and relevance of persons.
- Present the final recommendations to the Board regarding the release of members of senior management.
- The Remuneration and Nominations Committee shall evaluate the performance of members of the Board (the performance of the entire Board and the performance of its individual members) and its Committees
- periodically at least on an annual basis.
- Supervise the induction program and the periodic training for members of the Board of Directors.

Remuneration and Nominations Committee is composed of the following:

			Number of meetings: 2	
	Name	Classification of the membership	First 24/01/2019G	Second 26/12/2019G
1	Mr. Abdulmuhsen Al-Saleh	Chairman of the Committee (Previous and current)	Attended	Attended
2	Mr. Mohammed bin Ali Al-Ammari	Member (Previous)	Attended	-
3	Mr. Tariq Al-Abdul-Jabbar	Member (Previous)	Attended	-
4	Mr. Obaid Al-Rasheed	Member (Previous)	Attended	-
5	Mr. Basem Bin Abdullah Al-Salloum	Member (current)	-	Attended
6	Mr. Bader bin Ali Al-Ali	Member (current)	-	Attended
7	Mr. Mamdouh bin Saud Al Sharhan	Member (current)	-	Attended

* Board members for the current session and the Audit Committee were elected by the Ordinary General Assembly on April 16, 2019.
* The Chairman of the Board of Directors, the Vice President, the formation of Committees, and the appointment of the Managing Director were appointed on 25/09/1440 AH corresponding to 30/05/2019 for the session of the Board that started from 16/04/2019 until 05/04/2022 AD.

21 Investment Committee

The investment Committee's duties and responsibilities include the following:

- Ensure that the company's investment policy has been prepared in accordance with the company's overall working strategy and regulatory controls.
- The committee holds at least four meetings annually.
- The decisions and recommendations of the Committees shall be issued according to the majority of votes of the present members.
- Minutes of meeting of the Committee shall be achieved in records which have been prepared for that.
- Appoint a Committee secretary from one of the members or from one of the company's employees.
- Obtain the approval of the BOD for the investment policy.
- Review and formulate the investment strategy on a quarterly basis, taking into account variables in business requirements and market conditions.
- Appoint and evaluate the performance of investment managers and investment funds.
- Recommend to the Board of Directors the appointment and exemption of the investment advisor.
- Authorize a sub-Committee to be chosen with or from the management team to implement the investment Committee's decisions when necessary.

- Issue decisions to implement the strategy for each segment of investment portfolios to be managed locally or by external managers through separate delegations or investment funds.
- Appoint investment managers, evaluate their services, complete their tasks and determine their fees.
- Review the decisions made by the management team and the investment advisor (s).
- Submit reports to the Board on the performance of the investments of the company in terms of risks, returns on investment, allocations and any related major developments.

The investment Committee is composed of the following:

			The number of meetings (4) meetings			
	Name	Classification of the membership	First	Second	Third	Fourth
			18/02/ 2019G	26/06/ 2019G	02/09/ 2019G	04/12/ 2019G
1	Mr. Muhammad Al-Namlah	Chairman of the Committee (previous)	Attended			
2	Mr. Abdulmohsen Bin Mohammed Al Saleh	Member (Previous)	attended			
3	Mr. Mohamed Al-Athel	Member (Previous)		Absent		
4	Mr. Basem Bin Abdullah Al-Salloum	Chairman of the Committee (current)		attended	attended	attended
5	Mr. Salman bin Nasser Al-Hawawi	Member (Present)		attended	attended	attended
6	Mr. Amr bin Abdullah bin Shalhoub	Member (Current)		attended	attended	attended
7	Mr. Fawaz bin Abdul Rahman Al-Hajji	Member (Current)		attended	attended	attended

* Board members for the current session and the Audit Committee were elected by the Ordinary General Assembly on April 16, 2019.
* The Chairman of the Board of Directors, the Vice President, the formation of Committees, and the appointment of the Managing Director were appointed on 25/09/1440 AH corresponding to 30/05/2019 for the session of the Board that started from 16/14/2019 until 05/04/2022 G.

22 Rewards of members of BOD and rewards of the Committees' members:

Policy of rewarding members of BOD and the Committee

In accordance with the item nineteenth of the Article of Association and article twenty-five of the company's Corporate Governance Regulations, the remuneration of directors are as follows:

- The minimum limit of the remunerations for the chairman and members of BOD is an amount of SR 200,000 (two hundred thousand Saudi Riyals), and the maximum amount is SR 500,000.00 (Five hundred thousand Saudi Riyals) against the membership at the BOD and their participating in its works and tasks, these amounts shall include the additional rewards in case participating the member in any of the Committees emerged by the BOD.
- In case the company has achieved profits, it may be distribute a portion of 10% from rest of the net profit after deducting the reserve, which has been decided by the General Assembly in accordance with rules and the insurance supervision in respect of supervising the cooperative insurance companies, and after sharing a profit for the shareholders not less than 5% from the paid capital, as this profit should be in parallel with number of sessions that be attended by the member, any action or contrary assessment shall be null and void.

Rewards of members of BOD																	
BOD		Fixed Rewards							Variable Rewards								
		A determined amount	Allowance of sessions attendance	Total of allowance of sessions attendance	Tangible benefits	Rewards of the technical, administrative, and consultative actions	Rewards of chairman of the Board, the managing director, or the secretary of the Board if they are among members of the Board	Total	Percentage at the profits	Regular rewards	Short-term incentive plans	Long-term incentive plans	The granted share (The value should be added)	Total	Rewards of the indemnity	Total amount	Expenses allowance
First: Independent Members																	
1	Mamdouh bin Saud Al-Sharhan	-	9,000	18,000	-	-	-	27,000	-	-	-	-	-	-	-	27,000	-
2	Salman bin Nasser Al-Hawawi	-	9,000	18,000	-	-	-	27,000	-	-	-	-	-	-	-	27,000	-
3	Basem bin Abdul-lah Salloum	-	9,000	21,000	-	-	-	30,000	-	-	-	-	-	-	-	30,000	-
4	Amr bin Abdul Razzaq al-Nimri	100,000	9,000	15,000	-	-	-	124,000	-	-	-	-	-	-	-	124,000	-
5	Mr. Amr bin Abdul-lah bin Shalhoub	-	9,000	33,000	-	-	-	42,000	-	-	-	-	-	-	-	42,000	-
Total		100,000	45,000	105,000	-	-	-	250,000	-	-	-	-	-	-	-	250,000	-
Second: Non-Executive Members																	
1	Muhammad bin Ali Al-Ammari	-	12,000	6,000	-	-	-	18,000	-	-	-	-	-	-	-	18,000	-
		-	12,000	9,000	-	-	-	21,000	-	-	-	-	-	-	-	21,000	-
2	Mr. Abdulmohsen Bin Mohammed Al Saleh	-	9,000	15,000	-	-	-	24,000	-	-	-	-	-	-	-	24,000	-
3	Badr bin Ali Al-Ali	-	33,000	30,000	-	-	-	63,000	-	-	-	-	-	-	-	63,000	-
Total		-	12,000	6,000	-	-	-	18,000	-	-	-	-	-	-	-	18,000	-

Third: Executive Members																	
1	Fawaz bin Abdul Rahman Al-Hajji	-	9,000	24,000	-	-	-	33,000	-	-	-	-	-	-	-	-	-
Total		-	9,000	24,000	-	-	-	33,000	-	-	-	-	-	-	-	-	-
Fourth: The Independent Members at the Audit Committee, outside the BOD																	
1	Saad bin Saud Al-Tayyar	100,000	-	18,000	-	-	-	118,000	-	-	-	-	-	-	-	118,000	-
2	Saleh bin Abdul Rah-man Al-Ismail	100,000	-	24,000	-	-	-	124,000	-	-	-	-	-	-	-	124,000	-
Total		200,00	-	42,000	-	-	-	242,000	-	-	-	-	-	-	-	242,000	-

- In all the cases, total of amount or tangible rewards or any others benefits, what the member of the BOD takes and gains shall not be more than (SR 500.000) five hundred thousand riyals annually.
- The upper limit for the attendance allowance of the council and its committee sessions is (5000 riyals) five thousand riyals for each session, excluding travel and residence expenses.
- Each member of the BOD including the chairman shall refund any payments, they have actually paid for attending the meetings, or attending meeting of any of the committees composed by the BOD, including costs and charges of the travel and accommodations.

Committee Members:

Members of the Audit Committee, if they are members of BOD or outside, they are rewarded as follows:

- The amount of 100.000 Saudi riyals for his duties as a member of the Committee.
- An amount of 3.000 Saudi riyals to attend each committee meeting.
- Committee members are entitled to compensation for expenses incurred in attending meetings and for performing their duties as committee members.

The following table shows the allowances and rewards obtained by the members of BOD and the rewards of committee members during the year 2019 G.

Rewards Members of the Committee				
Member		The Fixed Rewards) Except for Allowance of the Sessions Attendance)	Allowance of the Sessions Attendance	Total
Members of Executive Committee				
1	Mamdouh bin Saud Al-Sharhan	0	3,000	3,000
2	Fawaz bin Abdul Rahman Al-Hajji	0	3,000	3,000
3	Badr bin Ali Al-Ali	0	3,000	3,000
4	Amr bin Abdullah bin Shalhoub	0	3,000	3,000
Total		**0**	**12,000**	**12,000**
Members of The Audit Committee				
1	Amr Abdul-Razzaq al-Nimri	100,000	3,000	103,000
2	Saad Saud Al-Tayyar	100,000	3,000	103,000
3	Saleh bin Abdul Rahman Al-Ismail	100,000	3,000	103,000
Total		**300,000**	**9,000**	**309,000**
Members of the Remuneration and Nominations				
1	Abdulmohsen Bin Mohammed Al Saleh	0	3,000	3,000
2	Basem bin Abdullah Salloum	0	3,000	3,000
3	Mamdouh bin Saud Al-Sharhan	0	3,000	3,000
4	Badr bin Ali Al-Ali	0	3,000	3,000
Total		**0**	**12,000**	**12,000**

Members of the Risk Committee				
1	Salman bin Nasser Al-Hawawi	0	3,000	3,000
2	Basem bin Abdullah Salloum	0	3,000	3,000
3	Amr bin Abdullah bin Shalhoub	0	3,000	3,000
Total		**300,000**	**12,000**	**12,000**
Members of the Investment Committee				
1	Basem bin Abdullah Salloum	0	3,000	3,000
2	Salman bin Nasser Al-Hawawi	0	3,000	3,000
3	Amr bin Abdullah bin Shalhoub	0	3,000	3,000
4	Fawaz bin Abdul Rahman Al-Hajji	0	3,000	3,000
Total		**0**	**12,000**	**12,000**

* If a member of the BOD is a member of the Audit Committee, he shall be included; rewards of audit committee with a sum of 100.000 and rewards of the board with a minimum value of 200.000 and a maximum amount of 500.000 riyals (depend on the attendance rate of the Board meetings).

23 Executive Management Rewards and Remuneration:

A. The BOD shall determine the rewards and charges of the CEO in the appointment decision, as it should be written in the conducted contract.
B. Rewards and charges of the executive management shall be based on the internal policies and procedures of the company and shall be determined based on the position degree granted to the member of the executive department, except for the manager of the internal audit and manager of compliance department as their rewards and charges shall be determined from BOD based on proposal and suggestion of the Audit Committee.
C. The rewards and charges of the executive management shall be in portion and matching with the tasks, qualifications, the practical expectation, skills and level of the performance.
D. The company shall, upon realizing that member of the executive management has presented unreal facts, or any fake or misleading information to utilize his job position and to get on undue amounts, stop and cease all his rewards and dues. The company has the right to refund any dues unreserved he got and paid for him, as well as to ask assistance of the concerned authorities for this.
E. The Committee of Nomination and Remunerations shall revise rewards and charges of the executive man-

agement on a regular bases to ensure that they are reasonably adequate to attract and retain experienced people and to encourage them to develop the company on long term

F. Upon rewarding the member of executive department, consideration shall be given to the criteria related to performance, such as whether the bonus or remuneration is relevant to the performance. This should be in respect of the annual bonus against their performance towards the regarding responsibilities and objectives.

Rewards of Senior Executive							
	Fixed rewards				Variable rewards		Total amounts
	Salaries	Allowances	Tangible benefits	**Total**	Regular & annual rewards	Short-term incentive plans	
Rewards of five of senior executives including the CEO and CFO	4,252,080	1,686,228	Health care insurance for the employee and his dependents, insurance in case of personal death and accidents as per the company's regulations	5,938,308	678,680	-	6,616,988

24 Results for the annual audit for procedures of the internal control, as well as the opinion of the Audit committee regarding the efficiency of the internal audit and control system of the company:

Objectives and duties of the Committee include the following:

1) Recommend to the BOD to approve the appointment or reappointment of the external auditors and determine their charges. This includes ensuring that the external auditors have the expertise necessary to audit the business of the insurance or reinsurance company.
2) Appoint and dismiss the manager of compliance department and the manager of internal audit after obtaining a written non objection letter of the authority.
3) Ensure the independence of the external auditors from the company and members of BOD and senior management of the company.
4) Ensure the independence of the internal audit department or the internal auditor and the compliance department in the performance of their tasks and verify that there is no restriction on their business or that there is something that could adversely affect their business.
5) Discuss the preliminary annual and quarterly financial statements with the external auditors and senior management of the company prior to issuance, and recommend it to the BOD regarding them
6) Study the audit plan for the internal and external auditors.
7) Study the compliance plan, approve it, and follow up on its implementation.
8) Study the main accounting policies, procedures and changes that may be made to them.
9) Coordinate between the internal and external auditors.
10) Study the reports of the external auditors, internal audit and compliance department, and submit recommendations thereon to the BOD.
11) Evaluate the level of efficiency, effectiveness and objectivity of the work of the external auditors, the internal audit department and the compliance department.
12) Study the reports or comments of the relevant supervisory and control authorities regarding any systemic violations or request corrective measures and submit recommendations thereon to the BOD.
13) Study the evaluation of internal and external auditors of internal control procedures.
14) Study the operations and contracts between the company and the related parties.
15) Study the reports of the actuary and submit recommendations thereon to the BOD.
16) Ensure that the company is applying the suggestions and recommendations of the actuary when they are obligatory in accordance with the regulations and instructions issued by the authority and the relevant supervisory and control authorities.
17) Determine the monthly salary, bonus, and other rewards of the internal audit department in line with the internal regulations of the company approved by the Board.
18) Ensure that a written list of professional conduct is available after its approval by the BOD of the company to ensure that the company's activities are carried out in a fair and ethical manner.
19) Follow up on main lawsuits filed by the company or filed against the company with the manager of compliance department and submit periodic reports thereon to the BOD.
20) Ensure optimal use of information technology and the availability of controls to obtain reliable and accurate information and data.
21) Examine thoroughly any issues raised by the company's CFO or who takes charge of the company's duties or compliance officer or auditor.
22) Verify the company's compliance with relevant laws, regulations, policies and instructions.

23) Establish a mechanism that allows employees of the company to provide their comments on any abuse in financial or other reports confidentially. The committee shall verify the application of this mechanism by conducting an independent investigation in line with the size of the error or the overrun and adopt appropriate follow-up procedures, in addition to its role as a link between each of the BOD, manager of the internal audit department, manager of compliance department, and the external auditors.

Business and achievements during the year 2019:

The Audit Committee has held (8) meetings during 2019, including the annual meeting of the Audit Committee with the BOD. The meetings included the most important work within the scope of its business, which was as follows:

- ✔ Discuss the company's quarterly financial statements and recommend them to the BOD for approval after reviewing them and discussing them with the executive management and external auditors.
- ✔ Discuss the annual financial statements and recommend them to the BOD for approval, after reviewing them, discussing them with the executive management and external auditors and submitting them to the General Assembly for approval.
- ✔ Supervise the work of the company's external auditors, ensure their independence, ensure that there are no impediments affecting their workflow and assess the level of efficiency and effectiveness of their performance.
- ✔ Recommend of contracting with PwC Consulting Office to implement the general oversight audit process in the department of technology and technical support, in addition to vulnerability assessment and penetration testing.
- ✔ Follow up on the main lawsuits filed by the company or filed against it and its reasons to determine its current status and recommend what needs to be taken about it.
- ✔ Approve the audit plan submitted by the internal audit department for the fiscal year 2019 and based on the degree of risk in the company after discussing it and following up its implementation according to the specified timetable.
- ✔ Discuss the results of the work of the internal audit department periodically, analyze the risks to which the company may be exposed, study its impact and amend it accordingly.
- ✔ Recommend to appoint the company's external auditors and determine their charges among the candidates for auditing the company's accounts for the year 2019 and the first quarter of the year 2020, as the committee recommended the appointment of Al-Bassam and Al-Nimr office and the office of Dr. Muhammad Al-Omari, BDO.
- ✔ Follow up on compliance department periodically to ensure that the company adheres to the regulations issued by the Saudi Arabian Monetary Authority and other legislative bodies.
- ✔ Study the comments received from the internal auditor and the company's external auditors and follow up their implementation according to the agreed schedule with the company's management.
- ✔ Follow up on the zakat status and related provisions with the executive department.
- ✔ Discuss the receivables balances and follow up with management regarding collection.
- ✔ Follow-up and discuss the distribution of surplus for holders of documents eligible for the fiscal year 2018.
- ✔ Recommend developing the accounting system in line with the requirements, automate operations and emphasize the departments involved in monitoring implementation and document policies and procedures.

25 Recommendation of the Audit Committee for necessity of appointment of an internal auditor at the company, in addition to the opinion of the Audit Committee on the adequacy of internal control system in the company

Based on what was mentioned in the results of the annual audit of internal control procedures, the opinion of the Audit Committee on the adequacy of the internal control system in the company and the work done by the internal audit department and compliance department in accordance with the plan approved by the Audit Committee for the year 2019 and the revision and the study of reports and comments submitted to it by the internal auditor with the executive department, the Audit Committee did not find a fundamental weakness in the company's internal control procedures that requires being aware to it and there are no reservations or restrictions to access any information, documents and records of the company, with the Committee's recommendation to the company's management to continue to improve the efficiency and effectiveness of internal controls and the continuous updating of the company's policies and procedures in line with the nature of the company's activity and business and to keep pace with developments and updates and meet the requirements of supervisory authorities related to the company's activity.

26 Recommendations of the Audit Committee in contradiction with the BOD resolutions or that have been refused by the BOD regarding the appointment and dismissal of the company's auditor and determining its fees and assessing its performance or appointing the internal auditor and the justifications for those recommendations and the reasons for not taking them:

The BOD has approved the recommendations of the Audit Committee regarding appointment of the company's auditor and the General Assembly has approved. There are no oppositions with the recommendations of the Audit Committee as stated in this paragraph.

27 Details of the social contributions of the company, if any

- Malath Insurance has participated in many social contributions during the year 2019. One of its most important goals was to enhance communication with the community, where Malath has participated and sponsored the occasion of "Insan Society" for the Saudi National Day 89 and gifts were distributed to them.
- Malath has also established an awareness platform on breast cancer in a hospital in Riyadh, where this platform aims to provide advice and guidance for the prevention of breast cancer and raise awareness about early detection of this disease.
- Malath also establish a volunteer day to visit the sleeping children in a hospital and offer some kind gifts to them in order to alleviate their pain with their best wishes, in the name of Malath.
- Malath Insurance has participated in cooperation with a hospital in Riyadh to set up and organize a blood

donation campaign. It also supported a number of health and social initiatives through its accounts in social media, the most important of which was participating in a number of global health days such as the International Day of Diabetes, the Hajj season, the International Autism Day, World Heart Day and other global health and social days.

28 The means which have been adopted by the Board of Directors in evaluation of its performance, performance of the committees and members, and the external entity which evaluated the company and its relation with the company, if any:

The Board of Directors constantly evaluates the performance of the Board / BOD Committees and relevant members through regular meetings and through the Nomination and Remuneration Committee.

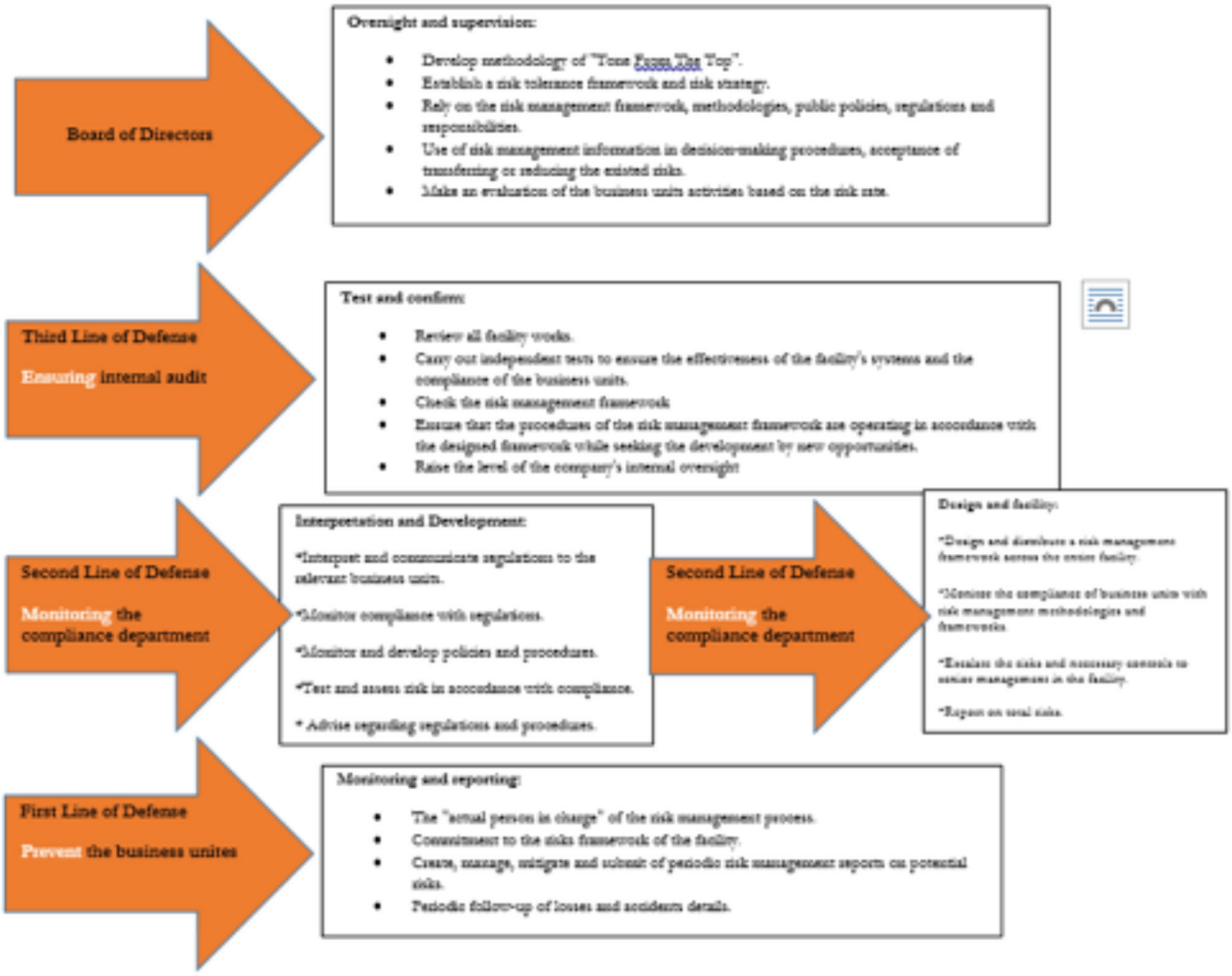
29 Statement of the Shareholders General Assembly held during the last fiscal year:

	Name	Attendance Record Ordinary General Assembly (second meeting) 16-04-2019
1	Eng. Mubarak bin Abdullah Al-Khafrah	Didn't attend
2	Mr. Mohammed bin Ali Al-Ammari	Attended
3	Mr. Abdul Mohsen bin Mohammed Al-Saleh	Attended
4	Obaid bin Abdullah Obaid Al-Rasheed	Didn't attend
5	Muhammad bin Saleh Ali Al-Athel	Didn't attend
6	Mohammed bin Abdul Aziz Muhammad Al-Namla	Didn't attend
7	Fawaz bin Mohammed Fawaz Al-Fawaz	Attended
8	Tareek bin Othman Al-Abdul-Jabbar	Didn't attend
9	Muhammad bin Suleiman Al-Hujaylan	Attended

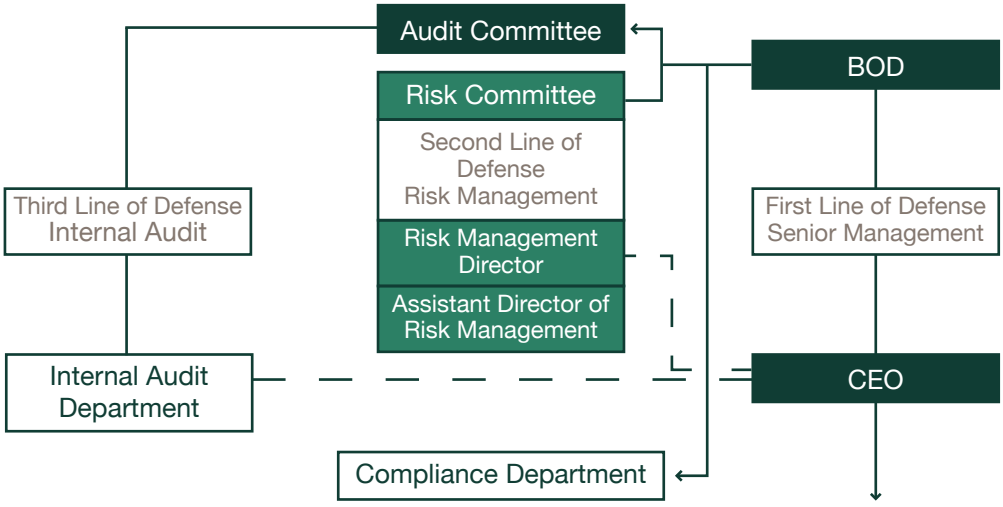
30 Risks that may face the company:

1. Risk Governance:

Malath Co-operative Insurance & Reinsurance Company seeks to establish a risk governance structure in line with the leadership of risk management in the field of risk governance, as the company seeks to adopt the Three Lines of Defense plan as part of the risk governance plan as detailed in the diagram below:



The structure of risk management as follow:



Business Unites		
Sales and Marketing Department	Risk and Property Insurance and Re-insurance Department	CFO
Executive Vice-President, Vehicles Insurance Department	Medical Insurance and Groups Life Insurance Department Director	General Manager of IT Department
Project Management Director	General Manager of Human Resources and Cadres	General Manager of Customer Care Department

2. Roles and Responsibilities:

Defense line						
	First		Second	Third		
Risk management	**Business unites**	**Risk management**	**Compliance department**	**Internal audit department**	**Risk committee**	**BOD**
Overall framework of risk management		Official			Audit and recommend	Approval
Risk strategy		Official			Audit and recommend	Approval
Risk tolerance framework		Official			Audit and recommend	Approval
Taking risks	Compliance with limits	Review, update and submit proposals	Provide an independent review and ensure inclusiveness and appropriateness	Provide an independent review and ensure inclusiveness and appropriateness	Audit and recommend	Approval
Finding risks	Official	Review, update and submit proposals				
Risk assessment	Official	Review and submit proposals			Audit and recommend	
Risks management, control and escalation	Submit a risk mitigation plan	Periodically monitor and report on risks, suggest mitigation plans			Audit and recommend	
Risk policies and procedures	Compliance with policies and procedures	Audit and update			Audit and recommend	Approval

3. Risks in Malath:

4. Risk Strategy:

Risks are the effect of “uncertainty” of objectives. The impact may be positive, negative or deviation from expectations and risks are often described by an event, a change in circumstances or outcome. Malath shall be committed to managing the risks in line with its approved risk management framework that would help in the detection, assessment, treatment, mitigation and control of risks.

Risk management is an essential part of the strategic management of Malath, and risk management is represented by a set of activities through which the company systematically ensures that the risks it faces are within its ability to bear, and takes appropriate measures to provide reasonable assurance regarding the achievement of its strategic objectives.

Regarding the objectives set out in the business strategy, Malath aims to ensure that there is no event or set of events would cause a discrepancy in the outcome that is not consistent with its ability to take risks.
Malath has established specific procedures for determining, evaluating, treating, mitigating and controlling such events, where the likelihood and consequences of their occurrence are within limits that the Board considers acceptable.

5. Risks that may face Company:

- **Competition:**

As same as, all the cooperative insurance companies in the Kingdom, the business of Malath may be affected by the competitive environment in the Saudi markets, as a result of number of the licensed insurance companies in the market and enlisted in the market. The total number of the insurance companies has reached 32 cooperative insurance in 2019, shared in all the regions of the KSA in addition to permitting the foreign companies of opening some branches in the Saudi market, which leads to a forced competitive environment, which may be effect on activity of the company at the market as well as on its future chances at the market. So Malath tries hardly to increase and expand its business channels of sales for example, but not limited, the electronic sales that enables all the customers whatever citizens or residents to be benefited from these services in an easy and simple way. The company seeks to innovate another creative way to achieve more sales as well as for the claims, to provide the services to customers in the best way and to be synchronized with rapid technical growth to achieve the customer requirements.

- **The ability to achieve satisfactory investment returns in the current economic conditions:**

Financial results of Malath partly depend on its investment performance. Malath investment revenues, and so profitability, may be negatively affected from time to time because of conditions and risks that affect these investments, and the market fluctuations, the local and global economic conditions. Therefore, the company keens to diversify its investment ways and means and selects the best investment instruments in view of its investments plan and potential risks.

- **The Regulatory and Legal Risks:**

The insurance operations of the company are subject to supervision and control of the SAMA by virtue of the Cooperative Insurance Control Law and its executive board, the executive board of the Cooperative Health Insurance Council for the health care insurance products. In general, the organizing and supervision of the cooperative insurance are specifically relating to the insured and investors. Thus, Malath constantly works to develop its internal systems to suit the evolving regulatory requirements.

- **Risks of the IT and Sustain the Business:**

The company depends on the systems of the IT and its risks as well, in spite the company is utilizing proper security procedures, however at any time the IT systems may be breached or to be exposed for an electronic virus, human faults or natural disasters. Facing and exposing for any of these actions for long time may lead to increasing the costs and the capital loss, which may affect the financial results of the company. Therefore, the company has established department of the IT Security, linked and contacted directly with the CEO. This department shall create a secured and safety environment for the IT at the company, the company has established as well as comprehensive emergency plan, and it is so active to eliminate harms and losses that may be resulted from the incidents bad to keep on continuity of the business.

- **The Implementation of IFRS 17:**

IFRS 17 aims to standardize insurance accounting globally in order to improve the comparison process and raise the transparency, in addition to providing users of financial statements with the information they require

to evaluate the impact of insurance contracts on the insurance company's financial position, financial performance, cash flows, and exposure to risk.

- **Diseases and Viruses:**

Malath works on activating the emergency plan as part of the company's risk management system to ensure business continuity and maintain the safety of its employees and customers.

- **Anti-Money Laundering & Counter Financing Terrorism:**

Malath understands that the insurance sector is exposed of money laundering and terrorism financing through various insurance operations, which necessitates development of policies and applications specified to the customer acceptance and taken the due diligence procedures stipulated in the relevant regulations. Therefore, the company has established an internal electronic system to follow up the regulatory requirements.

31 Comparing Results of the Work:

"Amounts in SR thousands"

Statement	2015G	2016G	2017G	2018G	2019G
Revenues					
The Gross Written Premiums	1,863.478	2,167.856	726.978	729.076	835.236
Deduct: Issued Premiums of Reinsurance	(339.695)	(667.164)	(56.067)	(69.718)	(70.420)
Net Written Premiums	1,523.783	1,500.692	670.911	659.358	764.816
Changes in the Unearned Premiums	197.491	(76.850)	163.684	(47.500)	(83.178)
Net of the earned Premiums	1,721.274	1,423.842	834.595	611.858	681.638
Reinsurance Commissions	56.482	415.332	98.008	15.736	17.786
Investment Income and Other Revenues	23.340	40.768	14.761	21.662	31.549
Grand Total of the Revenues	1,801.096	1,879.942	947.364	649.256	730.973
Costs & Expenses:					
Grand total of the Paid Claims	1,444.794	1,955.189	975.630	606.774	558.429
Deduct: Share of Reinsurers	(62.084)	(353,885)	(71.857)	(82.624)	(29.217)

Net of the Paid Claims	1,382.710	1,601.304	903.773	524.150	529.212
Change in the Claims per the Settlement	102.760	21.970	(157.014)	(119.165)	(22.442)
Net of the Incurred Claims	1,485.470	1,623.274	746.759	404.985	506.770
Costs of Insurance Policies Subscription	171.927	217.666	98.018	77.336	71.602
Premium of Loss Surplus	27.211	38.750	19.745	20.508	17.278
Reserve of non-compliance the assets	-	18.471	(18.471)	-	-
Allocations of the Bad Debits	1.000	7.400	(3.000)	11.532	(1.075)
Operative and Administrative Salaries	72.006	78.560	67.896	71.879	71.151
Other public and Administrative Expenses	45.365	45.995	47.445	46.030	45.882
Grand Total of the Costs & Ex-penses	1,802.979	2,030.116	958.392	632.270	711.608
Net surplus/ Deficit before Zakat	(1.883)	(150.174)	(11.028)	16.986	19.365
Zakat charged for the period	-	-	-	(13.000)	(13.183)
Net Surplus transferred to Policyholders	-	-	-	(1.356)	(1.000)
Net of Surplus / (Defici transferred to statement of the Shareholders Operations	(1.883)	(150.174)	(11.028)	2.630	5.182

32 Statement of the Changes at the Shareholders' Equity:

"Amounts in SR thousands"

Statement	Capital	Regular Reserve	Accumulated Deficit	Change in the Fair Value of the Investment Available for Sale	Rewards or Losses of Plans of the Determined Profits	Total
Capital	300.000	-	-	-	-	300.000
Total of the comprehensive loss for the Period	-	-	(59.207)	(9.000)	-	(68.207)
Credit at December 31, 2008 G	300.000		(59.207)	(9.000)	-	231.793
Total of the comprehensive profit for the year	-	-	7.228	13.191	-	20.419
Credit at December 31, 2009 G	300.000		(51.979)	4.191	-	252.12
Total of the comprehensive profit for the year	-	-	18.074	(7.675)	-	10.399
Credit at December 31, 2010 G	300.000		(33.905)	(3.484)	-	262.611
Total of the comprehensive profit for the year	-	-	14.092	3.831	-	17.923
Credit at December 31, 2011 G	300.000		(19.813)	347	-	280.534
Total of the comprehensive profit for the year	-	-	30.467	11.534	-	42.001
Transferred to Reverse	-	2.131	(2.131)	-	-	-
Credit at December 31, 2012 G	300.000	2.131	8.523	11.881	-	322.535
Total of the comprehensive profit for the year	-	-	(41.834)	10.279	-	(31.555)

Credit at December 31, 2013 G	300.000	2.131	(33.311)	22.160	-	290.980
Total of the comprehensive profit for the year	-	-	(13.712)	(1.049)	-	(14.761)
Credit at December 31, 2014 G	300.000	2.131	(47.023)	21.111	-	276.219
Total of the comprehensive profit for the year	-	-	(9.883)	(7.902)	-	(17.785)
Credit at December 31, 2015 G	300.000	2.131	(56.906)	13.209	-	258.434
Total of the comprehensive profit for the year	-	-	(156.174)	(12.901)	-	(169.075)
Credit at December 31, 2016 G	300.000	2.131	(213.080)	308	-	89.359
Total of the comprehensive profit for the year	-	-	(17.028)	(654)	(1.754)	(19.436)
Decrease of the capital*	(180.000)	-	180.000	-	-	-
Increase of the capital- shares of the priority rights*	380.000	-	-	-	-	380.000
Items amended and added to the other comprehensive income statement after reclassification of the financial statement according to IFRS requirements*	-	-	-	346	197	543
Credit at December 31, 2017 G	500.000	2.131	(50.108)	-	(1.557)	450.466
Total of the comprehensive profit for the year	-	-	2.630	(231)	(2.774)	(375)
Credit at December 31, 2018 G	500.000	2.131	(47.478)	(231)	(4.331)	450.091

Total of the comprehensive profit for the year			5.182	865	(709)	5.338
Credit at December 31, 2019 G	500.000	2.131	(42.296)	634	(5.040)	455.429

* In 2017, the capital has been decreased from SR 300.00 M to be SR 120 M, by canceling 18 million shares. Then the capital has been increased from SR 12.00 M. to become SR 500.00 M by presenting 32 M shares of the priority rights.
*In the year of 2017, some of the statement of the comprehensive income has been rescheduled and organized (as a part of the property/equity) the amounts have been amended to go along with requirements of the requested standards for the financial report and to be in line with SAMA requirements as well, and the Capital Market Authority. In the financial statements for the year ended at 31 December 2018, it is required to be restructured and be added to the statement of the financial position for the comparative year 2017.

33 Comparing the assets and liabilities:

"Amounts in SR thousands"

Statement	2015 G.	2016 G.	2017 G.	2018 G.	2019 G.
Assets of the Insurance Operations:					
Cash & Semi Cash	538.794	807.533	477.898	66.352	98.970
Short-Term Investments	235.766	75.000	55.000	365.349	360.000
Available Investment for Sale	36.869	5.346	4.600	3.322	3.372
Net Receivables	263.678	158.624	114.853	162.966	183.834
Other Assets	533.953	503.920	187.430	157.411	232.681
Grand Total of the Insurance Operations Assets	1,609.060	1,550.423	839.781	755.400	878.857
Assets of the Shareholders:					
Cash & Semi Cash	80.324	151.498	220.852	47.791	71.300
Short-Term Investments	-	-	163.000	313.000	280.000
Available Investment for Sale	174.907	72.834	35.851	32.299	32.815
Other Assets	31.078	49.695	79.667	97.239	117.234

Grand Total of the Shareholders Assets	286.309	274.027	499.370	490.329	501.349
Total of the Assets	**1,895.369**	**1,824.450**	**1,339.151**	**1,245.729**	**1,380.206**
Requirements of the Insurance Operations:					
Receivables Reserves	180.203	42.122	10.287	5.266	11.248
Technical Reserves	1,242.743	1,159.817	669.400	571.343	692.729
Other Requirements	186.114	348.484	160.094	178.791	174.880
Total of the Insurance Operations Requirements	**1,609.060**	**1,550,423**	**839,871**	**755,400**	**878,857**
Requirements and Equity of the shareholders:					
Requirements of the Shareholders	27.875	184.668	47.347	35.907	40.880
Shareholders' Equity	258.434	89.359	452.023	454.422	460.469
Total Requirements and Equity of the Shareholders	286.309	274.027	499.370	490.329	501.349
Total Requirements and shareholders' Equity	**1,895,369**	**1,824,450**	**1,339,151**	**1,245,729**	**1,380,206**

34 The Geographic Analysis of the Company's Revenues and its Subsidiary:

The Region	The Geographic Analysis of the Company's Revenues and its Subsidiary	
	Total of Revenues	Ratio
The Central	139,803.229	17 %
The Eastern	39,573.409	5 %
The western	37,867.459	5 %
The key accounts	512,981.056	61 %
Electronic Sales	105,010.406	13 %
Total	**835,235.559**	**100 %**

35 The Essential Deference in the Operational Results of the Last Year Results or the Company Stated Expectations:

"Amounts in SR thousands"

Statement "in SR thousand"	2019 G	2018 G	Changes + or -	Change Percentage
Gross Written Premiums	835,236	729,076	+	15%
Reinsurance Premium Ceded	(70,420)	(69,718)	+	1%
Surplus of Loss Expenses	(17,278)	(20,508)	-	-16%
Net Written Premiums	747,538	638,850	+	17%
Earned Premiums	664,360	591,350	+	12%
Reinsurance Commissions	17,786	15,736	+	13%
Other Revenues	2,694	5,835	-	-54%
Net Claims Incurred	(506,770)	(404,985)	+	25%

Deferred Subscription Costs	(71,602)	(77,336)	-	-7%
Depreciation	(1,881)	(2,134)	-	-12%
Other Operational Expenses	(115,958)	(129,441)	-	-10%
Operating Profit (Loss)	(9,490)	1,159		
Investment Profits	26,670	15,827	+	69%
Other Profits	2,185	-		
Profit (Loss) of the Fiscal Year Ending on 31 Dec (before Zakat)	19,365	16,986		14%
Charged to Policyholders	(1,000)	(1,356)		
Profit (Loss) Charged to Share-holders for the Fiscal Year Ending on 31 Dec (before Zakat)	**18,365**	**15,630**		**17%**

36 Clarification of the Differences in the Accounting Standards Approved by SOCPA:

As it has been mentioned in report of the outsource auditor that the company has prepared the financial lists as per IFRS and it has not been prepared as per accounting standards accepted in the kingdom of Saudi Arabia. The company by virtue of that confirms that there is no any essential difference or any financial effect because of preparing these lists as per IFRS instead of the Saudi accounting standards.

37 Policy of the Company in Respect of the Dividends:

The shareholder shall have his share at the profits in accordance with decision of the General Assembly in this regard, the decision as well clarifies the due & distribution dates, priority of the shareholder registered at the shareholders records at end of the due day. The company shall advise the Capital Market Authority without delay of any decision to dividends or what has been recommend. The company shall pay the profits to be distributed to the shareholders in the determined place and dates by the BOD, in accordance with the instructions issued by the relevant authority, provided that having a prior written consent from SAMA

Based on the fifth Article of the company governance, the policy of dividends distributing shall depend on achieving attractive returns and gains for investors through the shares, so effects of these earnings will include the following:

- Dividends policy:

- Distribution of fruitful cash to shareholders upon taking into consideration the various factors at time of distribution, including the financial position of the company, requirements of capital, distributable profits and credit limits which are available to the company, in addition to the general economic situation.
- Free shares to the shareholders if the relevant conditions and requirements of the retained earnings and the equity of the Company at the financial centers and statements are available.
- The priority of profits, whether cash distributions or free shares, shall be to the registered shareholders of the Deposit Center at the Stock Exchange at end of the second day of the General Assembly held.
- The company pays the profits to be distributed to the shareholders on the dates specified by the BOD.

- Announcement of Dividends:

- The decision concerned any of the announcement and payment of distribution, including decision of the amount of distributions and the procedures of payment thereof, shall be taken by the General Assembly of the shareholders on the recommendation of the BOD.
- Decision to announce and payment for the distribution will be considered as s separate issue on the agenda of the General Assembly of Shareholders.
- The decision of determining the amount of distributions the procedures for the payment shall be taken by the BOD at its meeting when the initial distribution of the Company net profit for the year is approved and recommended to the General Assembly of Shareholders.
- The decision to announce the dividends shall be taken according to the Articles of Association of the company.

38 Transactions and Dealing with the Related Parties:

The BOD has approved the amendments to policy of arranging the Conflict of Interests of board members, directors, the executive managers and shareholders to comply with the regulations and regulations issued by the Capital Market Authority. There are no transactions with related parties, in addition to during the period of the company there are no contracts to which the company was a party and in which was an interest for the executive manager, the financial manager or any person related to any of them, and there are no arrangements or assignments under which a member the company's BOD or a senior executive for any salary or compensation.

39 Describing Any Interest, contracting documents or Subscription Rights Related Board Members, Their Relatives in Shares or The Company Debt Instruments:

Describing Any Interest, Contracting Documents or Subscription Rights Related Board Members, Their Relatives in Shares or The Company Debt Instruments 2019 G:							
S/n	Name of the beneficiary, who has the contracting documents, or the subscription rights	Starting of the year		End of the year		Change net	Change percentage
		Number of the owned shares	Debt instruments	Number of the owned shares	Debt instruments		
1	Mamdouh Bin Saud Dakhil Al Sharhan	98		98			-
2	Salman Bin Nasser Al-Hawawi	35.000		22.500		(12.500)	(35.7) %
3	Mohammed Bin Ali Al-Ammari	14.275		14.275		-	-
4	Abdul Mohsen Bin Mohammed Al-Saleh	400		400		-	-
5	Amr Bin Abdullah Bin Shalhoub	100		100		-	-
6	Badr Bin Ali Al-Ali	20		20		-	-
7	Fawaz Bin Abdul Rahman Al-Hajji	4,000		4000		-	-
8	Amr Bin Abdul Razzaq Al-Nimri	1000		1000		-	-
9	Basem Bin Abdullah Al-Salloum	250		250		-	-

40 Describing Any Interest, contracting documents or Subscription Rights Related Senior Executives, Their Relatives in Shares or The Company Debt Instruments:

Describing Any Interest, Contracting Documents or Subscription Rights Related Board Members, Their Relatives in Shares or The Company Debt Instruments 2019 G:							
S/n	Name of the beneficiary, who has the contracting documents, or the subscription rights	Starting of the year		End of the year		Change net	Change percentage
		Number of the owned shares	Debt instruments	Number of the owned shares	Debt instruments		
1	Fawaz Bin Abdul Rahman Al-Hajji	4,000		4,000		-	-
2	Rami Al Hoshan	-		-			
3	Tareek Al-Ghamdi	-		-			
4	Ahmed Al-Hariri	-		-		-	-
5	Khaled Aref	-		-		-	-

41 Equity and Debt Instruments Activities:

During the ended period at 31 Dec. 2019, there are no any debt instruments issued by the company there is no any benefit in class of the shareholders voted in fever of any individual. There are no any benefits or rights of choice, rights of the subscription belonging to members of the BOD, senior executives or members of their families in shares of the company. There are no any debt instruments to be transferred to shares or any rights of choice, subscription notes, or any similar rights issued or granted by the company during the said period. Likewise, there are no transfer or subscription rights under debt instruments convertible into shares, choice rights, or similar rights certificates issued or granted by the company during that period. There is no redemption, purchase, or cancellation by the company of any redeemable debt instruments, nor are there any arrangements or agreements waived from any of the shareholders for any rights in the profits.

42 Number of the Company Applications for the Shareholders Record, Dates and Reasons of These Applications:

Number of the company's application of the shareholders record	Application date	Reasons of the application
1	25/03/2019	Procedures of the company
2	16/04/2019	General Assembly
3	24/12/2019	Procedures of the company

43 Statement of the Regular Payments Due of Any ZAKAT, Taxes, Fees, Charges or Any other Benefits Not Paid Until End of the Annual Fiscal Period, With A Brief and Reasons:

Statement	2019 G		Briefed statement	Explanatory statement
	Paid	The dues not paid until end annual fiscal period		
Zakat	10,827.187	An estimated allocation has determined at SR 13.183 M. until presenting the paid report	In amount of SR 10,827.187 as payment of ZAKAT for 2019, as in details, they are as follows: payment ZAKAT of RS 10,824.599 of the Authority against the period ended at 31 Dec. 2018, RS 2.587 paid to release the final payments of the government contracts (deducted from the ZAKAT due for year of 2019)	Statutory requirement

Tax	36,215.824	1,391.035	The payment relates the period from Jan to Nov. 2019, against each of the following: Withholding Tax (Payments of Reinsurance, Consultancy and Technical Services) of 1,579,749.23 +VAT of 34,636 ,074.62	Statutory requirement
General Organization for Social Insurance (GOSI)	5,937.694	565.449	Dues of the organization belongs to premiums of Dec 2019	Statutory requirement
Visas and Passports Costs	169.070	-	Costs and expenses of the non-Saudis visas – they have been settled	Statutory requirement
The Labor Department Charges	409.078	-	The labor cards charges and expenses - they have been settled	Statutory requirement

44 A Statement of the Value of Any Investments or Reserves for the Benefit of the Company's Employees:

The company has a savings program for employees according to which a specified percentage of employee salaries is deducted, as the registered in the program are 27 employees by the end of 2019, at 614 thousand riyals.

45 BOD acknowledgement

The BOD acknowledges that:
1. That records of the accounts have been conducted in the proper way.
2. The audit system has been prepared based on right bases and performed actively.
3. There is no any doubt in the company's ability to continue its activity.
4. There are no any loans due on the company (whether payable or not).
5. There is no any arrangements or agreements whereby a shareholder may waive any profits.
6. There is no contradiction between any of the Audit Committee recommendations and the BOD decisions. As there are no recommendations by the Audit Committee, which may be refused or disregarded by the BOD in respect of assigning the Company's auditor, his dismissal, determination of his charges and fees, evaluation of his performance or appointment of the internal auditor.
7. There is no any reservation in the auditor's report containing some reservations to the annual financial statements.
8. There is no any penalty, reserve or punishment imposed on any of the BOD members by any judicial, supervisory or regulatory entity relating the Company.
9. There are no senior shareholders in the company.

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019	2018
		SR (000)	
ASSETS			
Cash and cash equivalents	4	**170,270**	114,143
Murabaha deposits	5	**640,000**	678,349
Premiums and reinsurers' receivable - net	6	**183,834**	162,966
Reinsurers' share of unearned premiums	7b	**17,538**	19,190
Reinsurers' share of outstanding claims	7a	**122,227**	67,855
Reinsurers' share of claims incurred but not reported	7a	**25,476**	17,878
Deferred policy acquisition costs	7d	**27,331**	21,058
Deferred excess of loss premiums		**496**	1,088
Available-for-sale investments	8	**36,187**	35,621
Prepayments and other assets	9	**41,748**	31,040
Property and equipment	10	**3,338**	3,834
Statutory deposit	11	**75,000**	75,000
Accrued commission income on statutory deposit	11	**8,124**	5,505
TOTAL ASSETS		**1,351,569**	1,233,527

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER **DIRECTOR**

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2019

	Note	2019	2018
		SR (000)	
LIABILITIES			
Policyholders claims payable		**41,046**	54,313
Accrued and other liabilities	12	**87,100**	93,469
Reinsurance balances payable		**11,248**	5,266
Unearned premiums	7b	**348,546**	267,020
Unearned reinsurance commission	7c	**4,801**	4,469
Outstanding claims	7a	**140,569**	35,039
Claims incurred but not reported (IBNR)	7a	**177,894**	236,506
Additional premium reserve	7a	**17,314**	15,612
Other technical reserves	7a	**3,605**	12,697
Due to related parties	20	**2**	165
Employees' end-of-service benefits	13	**14,850**	13,852
Accumulated surplus		**8,821**	9,657
Provision for zakat	14	**32,220**	29,866
Accrued commission income payable to SAMA	11	**8,124**	5,505
TOTAL LIABILITIES		**896,140**	783,436
EQUITY			
Share capital	15	**500,000**	500,000
Statutory reserve	16	**2,131**	2,131
Accumulated losses		**(42,296)**	(47,478)
Fair value reserve for available-for-sale investments		**634**	(231)
Re-measurement reserve of defined benefit obligation		**(5,040)**	(4,331)
TOTAL EQUITY		**455,429**	450,091
TOTAL LIABILITIES AND EQUITY		**1,351,569**	1,233,527
COMMITMENTS AND CONTINGENCIES	22		

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER **DIRECTOR**

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2019

	Note	2019	2018 (Restated)
		SR (000)	
REVENUES			
Gross premiums written	7b	**835,236**	729,076
Reinsurance premiums ceded			
- Local		**(5,310)**	(3,894)
- International (includes premium ceded through local broker)		**(65,110)**	(65,824)
		(70,420)	(69,718)
Excess of loss expenses		**(17,278)**	(20,508)
Net premiums written		**747,538**	638,850
Movement in unearned premiums, net		**(83,178)**	(47,500)
Net premiums earned	7b	**664,360**	591,350
Reinsurance commissions	7c	**17,786**	15,736
Other underwriting income		**2,694**	5,835
NET REVENUES		**684,840**	612,921
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(558,429)**	(606,774)
Reinsurers' share of claims paid		**29,217**	82,624
Net claims paid		**(529,212)**	(524,150)
Movement in outstanding claims, net		**(51,158)**	31,062
Movement in IBNR, net		**66,210**	90,671
Movement in additional premium reserve		**(1,702)**	(5,098)
Movement in other technical reserve		**9,092**	2,530
Net claims incurred		**(506,770)**	(404,985)
Policy acquisition costs	7d	**(71,602)**	(77,336)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(578,372)**	(482,321)
NET UNDERWRITING INCOME		**106,468**	130,600

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME (continued)

For the year ended 31 December 2019

	Note	2019	2018 (Restated)
		SR (000)	
Net underwriting income brought forward		**106,468**	130,600
OTHER INCOME/(EXPENSES)			
Provision for doubtful debts	6	**1,075**	(11,532)
Salaries and staff related costs	17	**(71,151)**	(71,879)
Other general and administrative expenses	18	**(45,882)**	(46,030)
Investment income		**25,486**	19,660
Other income		**2,185**	-
Reversal of impairment/(impairment loss) on available for sale investments	8	**1,184**	(3,833)
TOTAL OTHER INCOME/(EXPENSES)		**(87,103)**	(113,614)
Net income for the year		**19,365**	16,986
Net income attributed to insurance operations		**(1,000)**	(1,356)
Net income for the year attributable to shareholders before zakat		**18,365**	15,630
Zakat charge for the year (Restated)	14 & 26	**(13,183)**	(13,000)
Net income for the year attributable to shareholders (Restated)		**5,182**	2,630
Earnings per share	19		
Basic and diluted earnings per share (Saudi Riyals) (Restated)		**0.10**	0.05
Weighted average number of shares in issue throughout the year (thousands)		**50,000**	50,000

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018 (Restated)
	SR (000)	
Net income for the year attributable to shareholders (Restated)	**5,182**	2,630
Other comprehensive income:		
Items that may be reclassified to statements of income in subsequent years		
-Change in fair value of available-for-sale investments, net	**865**	(231)
Items that will not be reclassified to statements of income in subsequent years		
-Re-measurement loss on defined benefit plan	**(709)**	(2,774)
Total comprehensive income / (loss) for the year attributable to shareholders	**5,338**	(375)
Net income attributable to insurance operations	**1,000**	1,356
Other comprehensive income	-	-
Total comprehensive income attributable to insurance operations	**1,000**	1,356
Total comprehensive income for the year	**6,338**	981

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital	Statutory reserve	Accumulated losses	Fair value reserve for available-for-sale investments	Re-measurement loss on defined benefit obligation	Total equity
	(SR 000)					
Balance at 01 January 2019	**500,000**	**2,131**	**(47,478)**	**(231)**	**(4,331)**	**450,091**
Net income for the year	**-**	**-**	**5,182**	**-**	**-**	**5,182**
Realized gain on disposal of available-for-sale investments, net	**-**	**-**	**-**	**865**	**-**	**865**
Remeasurement loss on defined benefit plan	**-**	**-**	**-**	**-**	**(709)**	**(709)**
Other comprehensive income	**-**	**-**	**-**	**865**	**(709)**	**156**
Total comprehensive income	**-**	**-**	**5,182**	**865**	**(709)**	**5,338**
Balance at 31 December 2019	**500,000**	**2,131**	**(42,296)**	**634**	**(5,040)**	**455,429**
Balance at 01 January 2018	500,000	2,131	(50,108)	-	(1,557)	450,466
Net income for the year (Restated)	-	-	2,630	-	-	2,630
Realized gain on disposal of available-for-sale investments, net	-	-	-	(231)	-	(231)
Remeasurement loss on defined benefit plan	-	-	-	-	(2,774)	(2,774)
Other comprehensive income	-	-	-	(231)	(2,774)	(3,005)
Total comprehensive income	-	-	2,630	(231)	(2,774)	(375)
Balance at 31 December 2018	500,000	2,131	(47,478)	(231)	(4,331)	450,091

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019	2018
		SR (000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Total income for the year before zakat		**19,365**	16,986
Adjustments for non-cash items:			
Depreciation of property and equipment	10	**1,881**	2,134
(Reversal of impairment)/impairment on available for sale investments	8	**(1,185)**	3,833
Loss on disposal of available-for-sale investments		**-**	102
Provision for employees' end-of-service benefits	13	**2,472**	2,207
(Reversal)/provision for doubtful debts	6	**(1,075)**	11,532
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(19,793)**	(69,045)
Reinsurers' share of unearned premiums		**1,652**	(3,119)
Reinsurers' share of outstanding claims		**(54,372)**	39,900
Reinsurers' share of claims incurred but not reported		**(7,598)**	(9,913)
Deferred policy acquisition costs		**(6,273)**	(3,550)
Deferred excess of loss premiums		**592**	117
Prepayments and other assets		**(10,708)**	(9,159)
Policyholders claims payable		**(13,267)**	13,515
Accrued and other liabilities		**(6,652)**	(6,543)
Reinsurance balances payable		**5,982**	(5,021)
Unearned premiums		**81,526**	50,619
Unearned reinsurance commission		**332**	476
Outstanding claims		**105,530**	(70,962)
Claims incurred but not reported		**(58,612)**	(80,758)
Additional premium reserve		**1,702**	-
Other technical reserves		**(9,092)**	2,568
Acumulated surplus		**(1,836)**	-
Due to related parties		**(163)**	88
Cash from / (used in) operating activities		**30,408**	(113,993)
Zakat paid	14	**(10,829)**	(6,005)
Employees' end-of-service benefits paid	13	**(1,900)**	(4,128)
Net cash from (used in) operating activities		**17,679**	(124,126)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in murabaha deposits		**38,349**	(460,349)
Additions of property and equipment		**(1,385)**	(796)
Additions of available for sale investments	8	**(8,516)**	-
Proceed from disposal of available-for-sale investments	8	**10,000**	664
Net cash from (used in) investing activities		**38,448**	(460,481)
Net change in cash and cash equivalents		**56,127**	(584,607)
Cash and cash equivalents at the beginning of the year	4	**114,143**	698,750
Cash and cash equivalents at the end of the year	4	**170,270**	114,143
Supplemental non-cash information:			
Change in fair value of available-for-sale investments		**865**	(231)
Investment return on statutory deposit		**2,618**	1,387
Fully provided receivables written off		**-**	17,083
Remeasurement loss on defined benefit obligation		**709**	2,774

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Malath Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on 21 Rabi Al-Awal 1428H corresponding to 9 April 2007 under Commercial Registration No. 1010231787. The Company's head office is situated at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, and Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and related services in accordance with its by-laws and the applicable regulations in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed in Kingdom of Saudi Arabia by Saudi Organization for Certified Public Accountants (SOCPA), other standards and pronouncements issued by SOCPA, Law of Companies and the Company's by-laws.

The financial statements of the Company as at 31 December 2018, were prepared in compliance with 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 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat retrospectively by adjusting the impact in line with International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the effects of this change are disclosed in note 26 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 available-for-sale investments and measurement at present value of employees' end-of-service benefit obligations. 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 investment, Property and equipment, Statutory deposit, Accrued income on statutory deposit, Employees' end-of-service benefits and Accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current.

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 25). 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.

2 BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

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 25 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 under IFRSs. 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-level financial statements in compliance with IFRSs, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances and transactions are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

(b) Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR), which is also the functional currency of the Company.

(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.

The estimate and judgments used by management in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018. Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

i) 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.

2 BASIS OF PREPARATION (continued)

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

i) The ultimate liability arising from claims made under insurance contracts (continued)

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. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of available-for-sale financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair values of the financial assets below its cost. 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.

iii) Impairment of receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms (Refer note 6).

v) Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. 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 in statement of income.

vi) Additional premium reserve

Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except for and adoption of the amendments to existing standards mentioned below which has no material impact on these financial statements on the current year or prior years and is expected to have an insignificant effect in future years:

a) New IFRSs, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

STANDARD/ INTERPRETATION/ AMENDMENTS	DESCRIPTION	EFFECTIVE FROM PERIODS BEGINNING ON OR AFTER THE FOLLOWING DATE
IFRS 16	Leases	1-Jan-19
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1-Jan-19
Amendments to IAS 19	Plan amendment, Curtailment or Settlement	1-Jan-19
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1-Jan-19
Amendments to IAS 11	Re-measurement of interests in joint operation	1-Jan-19
Amendments to IAS 1	Conceptual clarification	1-Jan-19

The Company adopted IFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company elected to use the exemptions proposed by the standard regarding lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has performed an assessment of IFRS 16 and determined the difference as compared to IAS 17 and IFRC 4 is not material to the Company's financial statements. Other standards/interpretations/amendments do not have any impact on the financial statements of the Company.

b) Standards issued but not yet effective

The Company has chosen not to early adopt the amendments and revisions to the IFRSs, which have been published and are mandatory for compliance for the Company with effect from future dates.

STANDARD/ INTERPRETATION/ AMENDMENTS	DESCRIPTION	EFFECTIVE FROM YEARS BEGINNING ON OR AFTER THE
IFRS 9	Financial Instruments (refer below)	1-Jan-18
IFRS 17	Insurance Contracts (refer below)	1-Jan-21
Amendments to IFRS 10	Sale and	Effective for annual years beginning on or after 1 January 2016. Deferred indefinitely by amendments made in December
Amendments to IAS 12	Dividends recognized in profit and loss	1-Jan-20

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a. 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:

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

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

Measurement

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

The General Measurement Model (GMM) is based on the following "building blocks":

a) the fulfilment cash flows (FCF), which comprise:
   i. probability-weighted estimates of future cash flows,
   ii. an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
   iii. 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 re-measured to be the sum of:

i. the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
ii. 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, 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a. IFRS 17 - Insurance Contracts (continued)

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, in addition to the adjustment under GMM, the CSM is also adjusted for:

i. the entity's share of the changes in the fair value of underlying items
ii. 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 and reinsurance, [and investment contracts with discretionary participating features, if applicable] together with amendments to presentation and disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a. IFRS 17 - Insurance Contracts (continued)

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 an initial operational impact gap analysis and currently undergoing through detialed operational and financial impact assessment. Key gaps and their impact are as follows:

Impact area	Summary of impact
Financial impact	The Company is in process to ascertain the financial impact on reported balances of year 2018.
Data impact	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held break down into risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17). Further extensive exercise will be carried out to ensure the required data is available.
IT systems impact	Detailed assessment needed of existing systems capabilities for IFRS 17 calculations, storage and reporting and whether new systems/calculation engines should be implemented.
Process impact	The company carried out an operational impact assessment exercise to assess the operational impact of implementing IFRS 17. Since, majority of the company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate.
Impact on Reinsurance arrangements	Further assessment is needed to confirm measurement approach for reinsurance arrangements where RI gross premium ceded does not automatically qualify for PAA.
Impact on policies and control frameworks	The Company's policies and procedures needs updation to accommodate the changes in the Company's processes and systems related to IFRS 17 implementation. Detailed exercise for the purpose shall be carried out after ascertaining financial and operational gaps assessment.

The Company has started its implementation process and has set up a project team, supervised by Company's CEO. Furthermore, to assess financial and operational impact of IFRS-17, the Company has hired Pricewaterhouse Coopers (PwC) as their consultants.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

2) IFRS 9 – Financial Instruments

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, at fair value through other comprehensive income or at fair value through profit or loss. A financial asset is measured at amortized cost if both:

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
ii. 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 are recycled through profit or loss upon sale, if both conditions are met:

i. 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
ii. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

2) IFRS 9 – Financial Instruments (continued)

Effective date

The published effective date of IFRS 9 was 1st January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12th 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
   i. the effective date of a new insurance contract standard; or
   ii. annual reporting periods beginning on or after January 1, 2021 (The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 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.

The Company has performed a detailed assessment beginning February, 2020:

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 913 million and SR 377 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 913 million (2018: SR 882 million). Other financial assets consist of available for sale investments amounting to SR 36 million (2018: SR 35 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. Other financial assets excluding available for sale investments have a fair value of SR 25 million as at December 31, 2019 with no fair value change during the year. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 21.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

2) IFRS 9 – Financial Instruments (continued)

The Company financial assets have low credit risk as at December 31, 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 have been consistently applied unless otherwise mentioned:

Cash and cash equivalents

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

Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognised in the statement of financial position at fair value and are subsequently measured at amortised cost using effective interest method, less any impairement in value, whereas deposits with maturities not exceeding three months are reported under cash and cash equivalents.

Premiums and reinsurers' receivable - net

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 received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in “General and administrative expenses” in the statement of income. 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. Receivable balances are disclosed in note 6 fall under the scope of IFRS-4 "Insurance Contract".

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate as premiums are earned. Amortization is recorded in the statement of income, as policy acquisition costs.

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 financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Where the liability adequacy test requires the adoption of new best estimate's assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and statement of comprehensive income.

Realized gains or losses on sale of these investments are reported in the statement of comprehensive income. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of income.

Any significant or prolonged decline in value of investments is adjusted for and reported in the statement of comprehensive income as impairment charges.

Fair values of 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. Where the fair value is not readily determinable, such investments are stated at cost less allowance for impairment in value, if any.

Impairment and un-collectibility 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 ass

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

- For assets carried at fair value, impairment is the significant or prolong 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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and un-collectibility of financial assets (continued)

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. 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 and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive 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.

In making an assessment of whether an investment in debt instrument is impaired, the Company 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 and statement of comprehensive income.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Classification and subsequent measurement

Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statements of income and comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values
The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income as they are consumed or expire with the passage of time.

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. 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:

	Percentages
Leasehold improvements	20%
Computer hardware	25%
Computer software	10%
Furniture and fixtures	10%
Office equipment	20%-25%
Motor vehicle	25%

The assets' residual values, depreciation and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event 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 amount, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income" in the statement of income.

Statutory deposit
The statutory deposit, which is equal to 10% of the Company's paid up capital, consisted mainly of murabaha deposit maintained at a local bank in compliance with SAMA requirement.

Accrued and other liabilities
Accrued and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' end-of-service benefits

The Company operates a post-employement end-of-service, defined benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive 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 state-owned defined contribution plan. The payments made are expensed as incurred.

Zakat and 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. Provision for zakat is charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and/ or net income using the basis defined under the regulations of GAZT. Income tax is computed on the foreign shareholders' share of net income for the year.

Trade date accounting

All regular way purchases and sales of financial assets are recognized/derecognized 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.

Insurance 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.

Accumulated surplus

In accordance with the Implementing Regulations, the Company is required to distribute 10% of the net annual surplus from the insurance operations to the policyholders and remaining 90% of the surplus is transferred to the shareholders' operations. Any deficiency arising on insurance operations is transferred to the shareholders' operations in full. The distribution of 10% of annual surplus to policyholders are transferred to accumuled surplus which is shown in statement of financial position.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term polices (engineering and marine).

Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Marine - Last three months premium at a reporting date is considered as unearned.
- Engineering - as per the guidelines provided by SAMA, pre-defined calculation for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

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

Unearned commission on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of income.

Investment income

Investment income classified under murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under available-for-sale investments is recognized when the right to receive payment is established.

Claims

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

Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported or not. Provisions for reported claims not paid as of the financial reporting 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 ("IBNR") as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.
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 liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

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 the asset.

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 third party.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts ceded

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contract.

The benefits to which the Company is entitled under its reinsurance contracts ceded are recognized as reinsurance assets in the insurance operations' assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of income. Refer accounting policy for impairment of financial assets.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized 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.

Expense Recognition

Expenses are recognized in statements 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 in statements of income 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 in the statement of income are

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 level for which there are separately identifiable cash flows (cash-generating units).

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Segment reporting
A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on products and services and has eight reportable operating segments and one non-operating reportable segment as follows:

- Medical insurance provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary insurance provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability insurance provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- General accident insurance provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provide coverage for workmen compensation.

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.

Shareholders' Funds is a non-operating segment. Income earned from murabaha deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating 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 operating 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 operating segments only.

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NOTES TO THE FINANCIAL STATEMENTS
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4 CASH AND CASH EQUIVALENTS

	2019	2018
	SR (000)	
Insurance operations		
Cash in banks	**48,960**	16,352
Cash on hand	**10**	-
Short term Murabaha deposits	**50,000**	50,000
	98,970	66,352
Shareholders' operations		
Cash in banks	**71,300**	47,791
Total cash and cash equivalent	**170,270**	114,143

Short term Murabaha deposits have original maturity of less than three months. The short term Murabaha deposits are subject to an average commission rate of 1.73% per annum as at 31 December 2019 (31 December 2018: 1.68% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

5 MURABAHA DEPOSITS

	2019	2018
	SR (000)	
Insurance operations		
Short term Murabaha deposits	**360,000**	365,349
Shareholders' operations		
Short term Murabaha deposits	**280,000**	313,000
Total short term Murabaha deposits	**640,000**	678,349

Murabaha deposits have an original maturity year of more than three months from the date of acquisition. These deposits are subject to an average commission rate of 3.24% per annum as at 31 December 2019 (31 December 2018: 3.07% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

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6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	31 December 2019	31 December 2018
	SR (000)	
Policyholders	**205,100**	180,560
Reinsurers	**349**	299
Insurance companies	**4,729**	3,113
Agents and brokers	**7,030**	2,617
Related parties (Refer note 20)	**-**	10,826
	217,208	197,415
Less:		
Provision for doubtful receivables - policyholders	**(33,151)**	(34,380)
Provision for doubtful receivables - reinsurers	**(223)**	(69)
	(33,374)	(34,449)
	183,834	162,966

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

	2019	2018
	SR (000)	
Balance at the beginning of the year	**34,449**	40,000
(Reversals) / provision for the year	**(1,075)**	11,532
Write-off for the year	**-**	(17,083)
Balance at the end of the year	**33,374**	34,449

As at 31 December, the aging of receivables were as follows:

2019		**Past due but not impaired**	**Past due and impaired**		
	Total	**Less than 90 days**	**91 - 180 days**	**181 - 360 days**	**More than 360 days**
Policyholders	**216,859**	**174,460**	**11,918**	**3,883**	**26,598**
Related parties	-	-	-	-	-
Receivables from reinsurers	**349**	-	**44**	**9**	**296**
	217,208	**174,460**	**11,962**	**3,892**	**26,894**
2018					
Policyholders	186,290	98,431	39,099	19,595	29,165
Related parties	10,826	1,367	2,001	7,458	-
Receivables from reinsurers	299	10	-	83	206
	197,415	99,808	41,100	27,136	29,371

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7 TECHNICAL RESERVES

a) Outstanding claims and reserves

	2019	2018
	SR (000)	
Gross outstanding claims	**172,230**	60,548
Less: realizable value of salvage and subrogation	**(31,661)**	(25,509)
Outstanding claims	**140,569**	35,039
Claims incurred but not reported	**177,894**	236,506
Additional premium reserves	**17,314**	15,612
Other technical reserves	**3,605**	12,697
	339,382	299,854
Reinsurers' share of outstanding claims	**(122,227)**	(67,855)
Reinsurers' share of claims incurred but not reported	**(25,476)**	(17,878)
	(147,703)	(85,733)
Net outstanding claims and reserves	**191,679**	214,121

b) Unearned premiums

	2019		
	Gross	Reinsurers' share	Net
	SR (000)		
Unearned premiums at beginning of the year	**267,020**	**(19,190)**	**247,830**
Premiums written during the year	**835,236**	**(87,698)**	**747,538**
Premiums earned during the year	**(753,710)**	**89,350**	**(664,360)**
Unearned premiums at end of the year	**348,546**	**(17,538)**	**331,008**

	2018		
	Gross	Reinsurers' share	Net
	SR (000)		
Unearned premiums at beginning of the year	216,401	(16,071)	200,330
Premiums written during the year	729,076	(90,226)	638,850
Premiums earned during the year	(678,457)	87,107	(591,350)
Unearned premiums at end of the year	267,020	(19,190)	247,830

c) Unearned reinsurance commission

	2019	2018
	SR (000)	
Balance at beginning of the year	**4,469**	3,993
Commission received during the year	**18,118**	16,212
Commission earned during the year	**(17,786)**	(15,736)
Balance at end of the year	**4,801**	4,469

d) Deferred policy acquisition costs

	2019	2018
	SR (000)	
Balance at beginning of the year	**21,058**	17,508
Incurred during the year	**77,875**	80,886
Amortized during the year	**(71,602)**	(77,336)
Balance at end of the year	**27,331**	21,058

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8 AVAILABLE-FOR-SALE INVESTMENTS

	2019	2018
	SR (000)	
Insurance operations		
Unquoted		
NCB Capital- Real Estate Development Fund (note 14)	**3,372**	3,322
Shareholders' operations		
Quoted		
ARAMCO shares	**9,380**	-
Unquoted		
TASNEE Sukuk (Matured May 2019)	**-**	10,000
NCB Capital-Real Estate Development Fund	**6,743**	6,645
SEDCO Capital-Real Estate Income Fund 2	**14,769**	13,731
Najm Company for Insurance Services - Shares	**1,923**	1,923
Ending balance	**32,815**	32,299
Total available for sale investments (note 20)	**36,187**	35,621

The fair values of the unquoted mutual funds computed above are based on the latest reported net assets as at the reporting date. An impairment review is performed at each reporting date.

Movement in the investment balance is as follows:

	Quoted Securities	Unquoted Securities	Total
		SR (000)	
Insurance operations			
Balance at 01 January 2019	**-**	**3,322**	**3,322**
Reversal of impairment during the year	**-**	**50**	**50**
Balance at 31 December 2019	**-**	**3,372**	**3,372**
Balance at 01 January 2018	-	4,600	4,600
Impairment during the year	-	(1,278)	(1,278)
Balance at 31 December 2018	-	3,322	3,322
Shareholders' operations			
Balance at 01 January 2019	**-**	**32,299**	**32,299**
Addition during the year	**8,516**	**-**	**8,516**
Disposals during the year	**-**	**(10,000)**	**(10,000)**
Reversal of impairment during the year	**-**	**1,135**	**1,135**
Re-measurement gain during the year	**865**	**-**	**865**
Balance at 31 December 2019	**9,381**	**23,434**	**32,815**
Balance at 1 January 2018	766	35,085	35,851
Disposals during the year	(766)	-	(766)
Impairment of investment during the year	-	(2,555)	(2,555)
Re-measurement loss during the year	-	(231)	(231)
Balance at 31 December 2018	-	32,299	32,299

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

9 PREPAYMENTS AND OTHER ASSETS

	2019	2018
	SR (000)	
Accrued commission receivable	**17,327**	7,662
Advance settelments	**9,470**	9,400
Prepaid employee benefits and others	**2,879**	2,728
Deferred expenses	**2,851**	5,316
Prepaid rent	**2,478**	2,496
Advance to employees	**1,957**	1,570
Guarantee deposits	**300**	300
Others	**4,486**	1,568
	41,748	31,040

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10 PROPERTY AND EQUIPMENT

	2019						
	Leasehold improvements	*Computer hardware*	*Computer software*	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Total 2019*
	SR (000)						
Cost							
1 January	**15,752**	**11,150**	**3,681**	**3,848**	**3,250**	**84**	**37,765**
Additions	**123**	**1,124**	**-**	**1**	**137**		**1,385**
31 December	**15,875**	**12,274**	**3,681**	**3,849**	**3,387**	**84**	**39,150**
Accumulated depreciation/amortisation							
1 January	**14,123**	**10,588**	**2,986**	**3,226**	**2,924**	**84**	**33,931**
Charge for the year	**666**	**485**	**344**	**239**	**147**	**-**	**1,881**
31 December	**14,789**	**11,073**	**3,330**	**3,465**	**3,071**	**84**	**35,812**
Net book value:							
31 December	**1,086**	**1,201**	**351**	**384**	**316**	**-**	**3,338**

	2018						
	Leasehold improvements	*Computer hardware*	*Computer software*	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Total 2018*
	SR (000)						
Cost							
1 January	15,690	11,069	3,345	3,848	2,933	84	36,969
Additions	62	81	336	-	317	-	796
31 December	15,752	11,150	3,681	3,848	3,250	84	37,765
Accumulated depreciation/amortisation							
1 January	13,369	10,028	2,628	2,929	2,759	84	31,797
Charge for the year	754	560	358	297	165	-	2,134
31 December	14,123	10,588	2,986	3,226	2,924	84	33,931
Net book value:							
31 December	1,629	562	695	622	326	-	3,834

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11 STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations issued by the Saudi Arabian Monetary Authority (SAMA), the Company has deposited 15 percent (31 December 2018: 15 percent) of its share capital, amounting to SR 75 million (31 December 2018: 75 million), in a bank designated by SAMA. The statutory deposit is maintained with a reputed local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the investment return on this deposit. This investment return is shown as a separate line item in the Statement of Financial Position.

12 ACCRUED AND OTHER LIABILITIES

	2019	2018
	SR (000)	
Provision for withholding tax on reinsurance payments	**39,379**	33,268
Commission payable	**20,856**	21,006
Accrued vacation allowance	**2,759**	2,563
Accounts payable - GOSI and others	**1,504**	2,299
Accrued SAMA inspection fees	**987**	374
Accrued employees' salaries and other benefits	**806**	721
Accrued professional fees	**630**	618
Accrued CCHI inspection fees	**449**	260
Other liabilities	**19,730**	32,360
	87,100	93,469

13 EMPLOYEES' END-OF-SERVICE BENEFITS

The Company operates a defined benefit plan for its employees based on the prevailing Saudi Labor Law. Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2019	2018
Present value of defined benefit obligation	**14,850**	13,852

Movement of defined benefit obligation

	2019	2018
At the beginning of the year	**13,852**	13,081
Current service cost	**1,936**	1,873
Interest cost	**536**	334
Net benefit expenses	**2,472**	2,207
Benefits paid during the year	**(1,900)**	(4,128)
Actuarial loss from experience adjustments	**426**	2,692
At the end of the year	**14,850**	13,852

Principal actuarial assumptions	**2019**	2018
Valuation discount rate	**3.75%**	3%
Salaray escalation	**5%**	5%

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13 EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

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

	2019	2018
	SR (000)	
Discount rate		
- Increase by 50 basis points	**(330)**	(373)
- Decrease by 50 basis points	**347**	391
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**685**	703
- Decrease by 1%	**(638)**	(654)

14 PROVISION FOR ZAKAT

a) Zakat payable

The estimated zakat base of the Company, which is subject to adjustments under Zakat regulations, consists fo the following:

	2019	2018
	SR (000)	
Share capital	**500,000**	500,000
Adjusted income before Zakat	**29,205**	35,953
Property and equipment, net	**(3,338)**	(3,834)
Adjusted available-for-sale investments	**(36,187)**	(25,621)
Statutory deposit	**-**	(75,000)
Accumulated losses	**(142,844)**	(121,106)
Provisionand adjustments	**164,579**	209,608
Estimated Zakat base	**511,415**	520,000

The movement in zakat payable during the year is as follows:

	2019	2018
	SR (000)	
Balance at beginning of the year	**29,866**	22,871
Charge for the year	**13,183**	13,000
Payments during the year	**(10,829)**	(6,005)
Balance at end of the year	**32,220**	29,866

b) Status of assessments

The Company had filed the Zakat return for the years from 2016 to 2018 and received a temporary Zakat certificate. No assessments have been received from General Authority of Zakat and Tax (GAZT) to date in respect of these years.

b) Status of assessments

Zakat years 2007 to 2010: The Company had filed an appeal against the final assessment of GAZT and submitted a letter of guarantee to GAZT for zakat and withholding income tax amounting to SR 31.81 million, which is included in the contingent and committments note (22). During the year 2017, the primary appeal committee issued a report in which certain arguments of the Company were rejected. The Company appealed against this report in Higher Appeal Committee dated 18/10/1438 H, where the decision is pending.

Zakat years 2011 to 2015: The Company has also filed an appeal to the primary appeal committee against the final assessment of Zakat issued by GAZT amounting to SR 8 million the decision is pending.

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15 SHARE CAPITAL

As at 31 December 2019 and 31 December 2018, the issued and paid up share capital of the Company amounts to SR 500 million, divided into 50 million ordinary shares of SR 10 each.

16 STATUTORY RESERVE

In accordance with the Company's By-Laws and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital and such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

17 SALARIES AND STAFF RELATED COSTS

	2019	2018
	SR (000)	
Basic salaries	**35,961**	35,866
Housing allowances	**8,547**	8,642
Staff bonus	**5,304**	5,500
Transportation allowances	**3,592**	3,638
Insurance	**4,803**	4,741
End-of-service benefits (note 13)	**2,472**	2,207
Social security charges	**3,643**	3,600
Others	**6,829**	7,685
	71,151	71,879

18 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	SR (000)	
Inspection fees	**8,029**	5,464
Withholding tax	**6,786**	5,228
Occupancy charges	**5,900**	6,287
Advertisement and promotion	**5,270**	1,723
IT expenses	**4,540**	5,676
Professional fees	**2,888**	4,439
Depreciation expense (note 10)	**1,881**	2,134
Office supplies	**471**	2,065
Communication expenses	**974**	931
Training and development	**911**	405
Others	**8,232**	11,678
	45,882	46,030

19 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year have been calculated by dividing the total net income for the year by the weighted average number of shares in issue throughout the year.

The basic and diluted earning per share are as follows:

	For the year ended 31 December	
	2019	2018 (Restated)
Basic and diluted earnings per share (Saudi Riyals)	**0.10**	0.05
Weighted average number of shares throughout the year	**50,000**	50,000

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20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management.

	For the year ended	
	2019	2018
Gross premiums written to companies related to the members of Board of Directors (BOD)	-	209,717
Gross premiums received from BOD members	-	47
Gross claims paid to companies related to BOD	-	80,851
Gross claims paid to BOD members	-	1
Board of Directors' and committees meeting fees	**333**	441
Net reinsurance premium paid to a reinsurance brokerage firm related to a BOD member	-	188
Bonus paid to Board of Directors	**1,850**	1,725

Balances due from / (to) related parties comprise the following:

	2019	2018
	SR (000)	
Premiums receivable from companies related to BOD members	**-**	10,826
Net reinsurance balance payable to a reinsurance brokerage firm related to a BOD member	**-**	(151)
Claims payable to companies owned by BOD members	**(2)**	(14)

Remuneration and compensation of BOD and key management personnel:

2019	**Board members (Non-executives)**	**Key management personnel including CEO and CFO**
	SR (000)	
Salaries and compensation	**-**	**5,868**
Allowances	**-**	**-**
Annual remuneration	**1,850**	**592**
End of service indemnities	**-**	**318**
	1,850	**6,778**

2018	Board members (Non-executives)	Key management personnel including CEO and CFO
	SR (000)	
Salaries and compensation	-	5,938
Allowances	399	-
Annual remuneration	1,725	679
End of service indemnities	-	290
	2,124	6,907

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21 RISK MANAGEMENT

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

Risk Governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors. The Company is exposed to insurance, reinsurance, special commission rate, credit, and liquidity and currency risks.

a. Risk management structure - a cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.
b. 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
c. Senior management - the senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). 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. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

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21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Concentration of insurance risk

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

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. 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 majorly in Saudi Arabia, all the insurance risks relate to policies written in Saudi Arabia.

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. Qualitative judgments 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 and economic conditions. 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.

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21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Process used to decide on assumptions (continued)

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

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.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end 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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact net underwriting

	Change in assumptions	Increase/ (decrease) in net liabilities	Increase/ (decrease) in underwriting surplus
Ultimate loss ratio			
2019	**+/- 10%**	**66,436**	**66,436**
2018	+/- 10%	59,135	59,135

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21 RISK MANAGEMENT (continued)

b) Reinsurance risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

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

- Minimum acceptable credit rating by recognized rating agencies that is not lowerthan BBB or equivalent
- Reputation of particular reinsurance companies
- Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2019 and 2018, there is no significant concentration of reinsurance balances.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

c) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its murabaha deposits and investment in Sukuk.

The Company have murabaha deposits and investment in Sukuk which are realisable within 3 months up to 3 years, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its its deposits are denominated. The Company had no deposits in currencies other than Saudi Riyal.

The following information demonstrates the sensitivity of statement of income to possible changes in commission rates, with all other variables held constant.

	2019	2018
	SR (000)	
Increase/(decrease) in commission rates by 100 basis points	**6,400**	7,283

d) 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:

a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial
b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

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21 RISK MANAGEMENT (continued)

d) Credit risk (continued)

The Company does not have an internal credit ratings assessment process, and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

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

	2019	2018
	SR (000)	
Cash and cash equivalents	**170,270**	114,143
Murabaha deposits	**640,000**	678,349
Premiums and reinsurers' receivable - net	**183,834**	162,966
Reinsurers' share of outstanding claims and reserves	**122,227**	67,855
Available-for-sale investments	**36,187**	35,621
Statutory deposit	**75,000**	75,000
Other assets	**19,584**	9,532
	1,247,102	1,143,466

Credit quality

The credit quality of the financial assets is as follows:

Credit quality	*** Credit Rating**	**2019**	2018
Cash and cash equivalents			
Satisfactory	BBB+	**170,270**	114,143
Murabaha deposits			
Satisfactory	BBB+	**640,000**	678,349
Investments			
Satisfactory	A3 - Baa3	**-**	-
Unrated	Unrated	**36,187**	35,621
		36,187	35,621

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

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21 RISK MANAGEMENT (continued)

e) Liquidity risk and maturity profiles

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles

The table below summarizes the maturity profile of financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	2019 SR (000)			2018 SR (000)		
FINANCIAL ASSETS	**Less than one year**	**No term**	**Total**	Less than one year	No term	Total
Cash and cash equivalents	**170,270**	**-**	**170,270**	114,143	-	114,143
Murabaha deposits	**640,000**	**-**	**640,000**	678,349	-	678,349
Premiums and reinsurers' receivable - net	**183,834**	**-**	**183,834**	162,966	-	162,966
Reinsurers' share of unearned premiums	**17,538**	**-**	**17,538**	19,190	-	19,190
Reinsurers' share of outstanding claims	**122,227**	**-**	**122,227**	67,855	-	67,855
Reinsurers' share of claims incurred but not reported	**25,476**	**-**	**25,476**	17,878	-	17,878
Deferred policy acquisition costs	**27,331**	**-**	**27,331**	21,058	-	21,058
Deferred excess of loss premiums	**496**	**-**	**496**	1,088	-	1,088
Available-for-sale investments	-	**36,187**	**36,187**	-	35,621	35,621
Statutory deposit	**-**	**75,000**	**75,000**	-	75,000	75,000
Accrued commission income on statutory deposit	**-**	**8,124**	**8,124**	-	5,505	5,505
Other assets	**45,086**	**-**	**45,086**	34,874	-	34,874
	1,232,258	**119,311**	**1,351,569**	1,117,401	116,126	1,233,527
FINANCIAL LIABILITIES						
Policyholders claims payable	**41,046**	**-**	**41,046**	54,313	-	54,313
Accrued and other liabilities	**87,100**	**-**	**87,100**	93,469	-	93,469
Reinsurance balances payable	**11,248**	**-**	**11,248**	5,266	-	5,266
Outstanding claims and reserves	**339,382**	**-**	**339,382**	299,854	-	299,854
Employees' end-of-service benefits	**-**	**14,850**	**14,850**	-	13,852	13,852
Provision for zakat	**32,220**	**-**	**32,220**	29,866	-	29,866
	510,996	**14,850**	**525,846**	482,768	13,852	496,620

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21 RISK MANAGEMENT (continued)

f) 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 Riyals.

g) Market price risk

Market price 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 instrument traded in the market.

The Company has investment in unquoted equity instruments carried at cost, 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 changes in equity will be impacted.

Sensitivity analysis

The sensitivity of the comprehensive income on the assumed changes in the market prices of quoted available-for-sale investments included in the assets for the year ended 31 December 2019 and 2018 is set out below:

2019		2018	
Change in market price	***Impact +/-***	*Change in market price*	*Impact +/-*
+ / - 5%	**426**	+ / - 5%	-
+ / - 10%	**852**	+ / - 10%	-

h) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new 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 100 million
- Premium Solvency Margin
- Claims Solvency Margin

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For the year ended 31 December 2019

21 RISK MANAGEMENT (continued)

i) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. The Company is compliant of minimum capital adequacy prescribed by the regulator.

Fair value of financial instruments

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

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The following table summarizes the financial assets recorded at fair value as of 31 December 2019 and 2018 by level of the fair value hierarchy.

As at 31 December 2019

	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SR (000)		
Financial assets:					
Insurance operations					
Available-for-sale investments					
Mutual Funds	**3,372**	-	**3,372**	-	**3,372**
Shareholders' operations					
Available-for-sale investments					
Equity securities	**11,303**	**9,380**	-	**1,923**	**11,303**
Mutual Funds	**21,512**	**-**	**21,512**	**-**	**21,512**
	36,187	**9,380**	**24,884**	**1,923**	**36,187**

As at 30 December 2018 (Audited)

	Carrying value	Level 1	Level 2	Level 3	Total
			SR (000)		
Financial assets:					
Insurance operations					
Available-for-sale investments					
Mutual Funds	3,322	-	3,322	-	3,322
Shareholders' operations					
Available-for-sale investments					
Equity securities	1,923	-	1,923	-	1,923
Mutual Funds	20,376	-	20,376	-	20,376
Sukuk	10,000	-	10,000	-	10,000
	35,621	-	35,621	-	35,621

The fair values of other financial assets and liabilities, not included in the table above, are not materially different from the carrying values included in the financial statements.

21 RISK MANAGEMENT (continued)

j) 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 behavior. 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.

Senior Management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

22 COMMITMENTS AND CONTINGENCIES

a. 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.

b. Contingent liabilities

The Company's contingent liabilities are as follows:

	2019	2018
	SR (000)	
Letters of guarantee	**48,027**	44,512

Letter of guarantees include amount of SR 31.81 million for GAZT, refer note 14. Rest of the letter of guarantees are bank guarantees acquired for various tenders. The Company does not foresee any uncertainity invloved regarding these bank guarantees.

23 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include income from investments, income from Murabaha deposits, other income, general and administrative expenses, and provision for doubtful debts.

Segment results do not include commission on short-term Murabaha deposits. Segment assets do not include insurance operations' cash and cash equivalents, short-term Murabaha deposits, available for sale investments, receivables, prepaid expenses and other assets and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include reinsurers' balances payable, policyholders claims payable, accrued expenses and other liabilities, accumulated surplus and due to related parties. Accordingly, they are included in unallocated liabilities.

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23 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2019				
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Total**
			SR (000)		
Revenues					
Gross premiums written					
-Individuals	-	120,084	669	-	120,753
-Very small enterprises	2,472	1,840	100	-	4,412
-Small enterprises	18,431	5,345	1,630	-	25,406
-Medium enterprises	37,951	8,671	21,034	-	67,656
-Corporates	202,910	353,458	60,641	-	617,009
	261,764	489,398	84,074	-	835,236
Reinsurance premiums ceded					
- Local	-	-	(5,310)	-	(5,310)
- International	-	-	(65,110)	-	(65,110)
	-	-	(70,420)	-	(70,420)
Excess of loss expenses	(4,833)	(9,912)	(2,533)	-	(17,278)
Net premiums written	256,931	479,486	11,121	-	747,538
Movement in unearned premiums, net	(4,936)	(77,898)	(344)	-	(83,178)
Net premiums earned	251,995	401,588	10,777	-	664,360
Reinsurance commissions	-	-	17,786	-	17,786
Other underwriting income	123	2,522	49	-	2,694
Net revenues	252,118	404,110	28,612	-	684,840
Underwriting costs and expenses					
Gross claims paid	(188,132)	(349,610)	(20,687)	-	(558,429)
Reinsurers' share of claims paid	5,295	5,701	18,221	-	29,217
Net claims paid	(182,837)	(343,909)	(2,466)	-	(529,212)
Movement in outstanding claims, net	(21,390)	(27,431)	(2,337)	-	(51,158)
Movement in IBNR, net	(8,818)	75,497	(469)	-	66,210
Movement in additional premium reser	5,315	(7,670)	653	-	(1,702)
Movement in other technical reserves	(328)	9,144	276	-	9,092
Net claims incurred	(208,058)	(294,369)	(4,343)	-	(506,770)
Policy acquisition costs	(15,851)	(45,862)	(9,889)	-	(71,602)
Total underwriting costs and expens	(223,909)	(340,231)	(14,232)	-	(578,372)
Net underwriting income	28,209	63,879	14,380	-	106,468
Unallocated revenue					28,855
Unallocated expenses					(115,958)
Total income for the year					19,365

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23 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2018				
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Total
			SR (000)		
Revenues					
Gross premiums written					
-Individuals		82,004	463	-	82,467
-Very small enterprises	1,375	3,624	181	-	5,180
-Small enterprises	17,405	5,860	1,008	-	24,273
-Medium enterprises	34,102	9,877	14,403	-	58,382
-Corporates	152,217	339,722	66,835	-	558,774
	205,099	441,087	82,890	-	729,076
Reinsurance premiums ceded					
- Local	-	-	(3,894)	-	(3,894)
- International	-	-	(65,824)	-	(65,824)
	-	-	(69,718)	-	(69,718)
Excess of loss expenses	(6,881)	(11,155)	(2,472)	-	(20,508)
Net premiums written	198,218	429,932	10,700	-	638,850
Movement in unearned premiums, net	(41,658)	(5,082)	(760)	-	(47,500)
Net premiums earned	156,560	424,850	9,940	-	591,350
Reinsurance commissions	-	-	15,736	-	15,736
Other underwriting income	427	5,012	396	-	5,835
Net revenues	156,987	429,862	26,072	-	612,921
Underwriting costs and expenses					
Gross claims paid	(131,628)	(397,920)	(77,226)	-	(606,774)
Reinsurers' share of claims paid	4,644	5,592	72,388	-	82,624
Net claims paid	(126,984)	(392,328)	(4,838)	-	(524,150)
Movement in outstanding claims, net	(11,046)	39,965	2,143	-	31,062
Movement in IBNR, net	(926)	77,248	14,349	-	90,671
Movement in additional premium reser	(7,107)	2,815	(806)	-	(5,098)
Movement in other technical reserves	(299)	2,765	64	-	2,530
Net claims incurred	(146,362)	(269,535)	10,912	-	(404,985)
Policy acquisition costs	(10,386)	(40,482)	(26,468)	-	(77,336)
Total underwriting costs and expenses	(156,748)	(310,017)	(15,556)	-	(482,321)
Net underwriting income	239	119,845	10,516	-	130,600
Unallocated revenue					19,660
Unallocated expenses					(133,274)
Total income for the year					16,986

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23 SEGMENT INFORMATION (Continued)

	As at 31 December 2019				
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Total**
			SR (000)		
Assets					
Reinsurers' share of outstanding claim	**2,991**	**22,526**	**96,710**	**-**	**122,227**
Reinsurers' share of IBNR	**-**	**-**	**25,476**	**-**	**25,476**
Reinsurers' share of unearned premium	**-**	**-**	**17,538**	**-**	**17,538**
Deferred policy acquisition costs	**6,000**	**18,900**	**2,431**	**-**	**27,331**
Segment assets	**8,991**	**41,426**	**142,155**	**-**	**192,572**
Unallocated assets					**1,158,997**
Total assets					**1,351,569**
Liabilities and equity					
Unearned premiums	**97,483**	**229,573**	**21,490**	**-**	**348,546**
Unearned reinsurance commission	**-**	**-**	**4,801**	**-**	**4,801**
Outstanding claims	**46,407**	**(9,719)**	**103,881**	**-**	**140,569**
Claims incurred but not reported	**20,558**	**130,354**	**26,982**	**-**	**177,894**
Additional premium reserve	**1,792**	**15,369**	**153**	**-**	**17,314**
Other technical reserves	**1,172**	**2,281**	**152**	**-**	**3,605**
Segment liabilities	**167,412**	**367,858**	**157,459**	**-**	**692,729**
Unallocated liabilities and surplus					**203,411**
Total equity					**455,429**
Total liabilities and equity					**1,351,569**

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For the year ended 31 December 2019

23 SEGMENT INFORMATION (Continued)

	As at 31 December 2018				
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Total
			SR (000)		
Assets					
Reinsurers' share of unearned premium	-	-	19,190	-	19,190
Reinsurers' share of outstanding claim	-	19,065	48,790	-	67,855
Reinsurers' share of IBNR	-	-	17,878	-	17,878
Deferred policy acquisition costs	5,704	12,889	2,465	-	21,058
Segment assets	5,704	31,954	88,323	-	125,981
Unallocated assets					1,107,546
Total assets					1,233,527
Liabilities					
Unearned premiums	92,547	151,676	22,797	-	267,020
Unearned reinsurance commission	-	-	4,469	-	4,469
Outstanding claims	22,026	(40,610)	53,623	-	35,039
Claims incurred but not reported	11,740	205,851	18,915	-	236,506
Additional premium reserve	7,107	7,699	806	-	15,612
Other technical reserves	844	11,425	428	-	12,697
Segment liabilities	41,717	184,365	73,772	-	299,854
Unallocated liabilities and surplus					483,582
Total equity					450,091
Total liabilities					1,233,527

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

24 CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments.

Claims triangular analysis is by accident years spanning a number of financial years.

Claims development table gross of reinsurance (with IBNR) for 2019:

Accident year	**2013 & earlier**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
At end of accident year	**2,166,092,000**	**939,369,000**	**1,520,796,000**	**1,749,933,000**	**726,006,813**	**526,238,498**	**614,549,512**	**8,242,984,823**
One year later	**2,195,438,000**	**976,761,000**	**1,560,835,000**	**1,278,788,126**	**711,131,671**	**496,496,597**		**7,219,450,395**
Two years later	**1,936,351,000**	**984,107,000**	**1,111,335,626**	**1,255,965,605**	**709,763,845**			**5,997,523,075**
Three years later	**1,949,531,000**	**670,050,867**	**1,112,175,761**	**1,233,430,825**				**4,965,188,453**
Four years later	**765,694,304**	**672,942,840**	**1,112,810,501**					**2,551,447,645**
Five years later	**756,990,547**	**678,482,966**						**1,435,473,513**
Six years later	**756,636,856**							**756,636,856**
Current estimate of cumulative claims	**756,636,856**	**678,482,966**	**1,112,810,501**	**1,233,430,825**	**709,763,845**	**496,496,597**	**614,549,512**	**5,602,171,101**
Cumulative payments to date	**(746,308,182)**	**(667,951,135)**	**(1,082,802,968)**	**(1,218,201,569)**	**(686,757,673)**	**(463,733,953)**	**(417,952,738)**	**(5,283,708,219)**
Gross outstanding claims and IBNR	**10,328,673**	**10,531,830**	**30,007,533**	**15,229,256**	**23,006,172**	**32,762,644**	**196,596,774**	**318,462,882**

Claims development table gross of reinsurance (with IBNR) for 2018:

Accident year	**2012 & earlier**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At end of accident year	**1,312,810,000**	**839,152,000**	**939,369,000**	**1,520,796,000**	**1,749,933,000**	**726,006,813**	**526,238,498**	**7,614,305,310**
One year later	**1,326,940,000**	**868,556,000**	**976,761,000**	**1,560,835,000**	**1,278,788,126**	**711,131,671**		**6,723,011,798**
Two years later	**1,326,882,000**	**693,690,000**	**984,107,000**	**1,111,335,626**	**1,255,965,605**			**5,371,980,230**
Three years later	**1,242,661,000**	**676,352,000**	**670,050,867**	**1,112,175,761**				**3,701,239,628**
Four years later	**1,273,179,000**	**369,181,127**	**672,942,840**					**2,315,302,967**
Five years later	**396,513,177**	**373,937,091**						**770,450,268**
Six years later	**383,053,456**							**383,053,456**
Current estimate of cumulative claims	**383,053,456**	**373,937,091**	**672,942,840**	**1,112,175,761**	**1,255,965,605**	**711,131,671**	**526,238,498**	**5,035,444,922**
Cumulative payments to date	**(374,224,951)**	**(370,931,901)**	**(663,709,063)**	**(1,082,132,988)**	**(1,218,740,004)**	**(672,307,874)**	**(381,852,603)**	**(4,763,899,384)**
Gross outstanding claims and IBNR	8,828,505	3,005,190	9,233,777	30,042,774	37,225,601	38,823,798	144,385,895	271,545,539

MALATH COOPERATIVE INSURANCE COMPANY
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For the year ended 31 December 2019

24 CLAIMS DEVELOPMENT TABLE (continued)

Claims development table net of reinsurance (with IBNR) for 2019:

Accident year	2013 & earlier	2014	2015	2016	2017	2018	2019	Total
At end of accident year	**1,393,421,000**	**876,175,000**	**1,427,811,000**	**1,716,637,000**	**704,249,284**	**507,617,033**	**545,045,179**	**7,170,955,496**
One year later	**1,424,874,000**	**924,001,000**	**1,509,402,000**	**1,226,942,094**	**657,183,164**	**473,137,252**		**6,215,539,510**
Two years later	**1,401,360,000**	**931,866,000**	**1,069,712,024**	**1,192,380,087**	**650,165,567**			**5,245,483,678**
Three years later	**1,423,733,000**	**663,479,653**	**1,065,493,836**	**1,172,718,438**				**4,325,424,926**
Four years later	**424,696,203**	**621,495,290**	**1,069,655,488**					**2,115,846,980**
Five years later	**544,467,143**	**624,251,077**						**1,168,718,220**
Six years later	**541,377,204**							**541,377,204**
Current estimate of cumulative claims	**541,377,204**	**624,251,077**	**1,069,655,488**	**1,172,718,438**	**650,165,567**	**473,137,252**	**545,045,179**	**5,076,350,205**
Cumulative payments to date	**(541,337,280)**	**(621,292,967)**	**(1,051,638,292)**	**(1,171,884,065)**	**(647,120,356)**	**(461,065,929)**	**(411,251,060)**	**(4,905,589,951)**
Net outstanding claims and IBNR, net	**39,924**	**2,958,109**	**18,017,195**	**834,373**	**3,045,210**	**12,071,323**	**133,794,119**	**170,760,254**

Claims development table net of reinsurance (with IBNR) for 2018:

Accident year	2012 & earlier	2013	2014	2015	2016	2017	2018	Total
At end of accident year	**845,136,000**	**527,503,000**	**876,175,000**	**1,427,811,000**	**1,716,637,000**	**704,249,284**	**507,617,033**	**6,605,128,317**
One year later	**865,918,000**	**553,424,000**	**924,001,000**	**1,509,402,000**	**1,226,942,094**	**657,183,164**		**5,736,870,258**
Two years later	**871,450,000**	**553,836,000**	**931,866,000**	**1,069,712,024**	**1,192,380,087**			**4,619,244,111**
Three years later	**847,524,000**	**558,447,000**	**663,479,653**	**1,065,493,836**				**3,134,944,488**
Four years later	**865,286,000**	**367,012,424**	**621,495,290**					**1,853,793,714**
Five years later	**57,683,779**	**262,596,864**						**320,280,642**
Six years later	**281,870,279**							**281,870,279**
Current estimate of cumulative claims	**281,870,279**	**262,596,864**	**621,495,290**	**1,065,493,836**	**1,192,380,087**	**657,183,164**	**507,617,033**	**4,588,636,553**
Cumulative payments to date	**(278,088,581)**	**(261,334,668)**	**(617,226,092)**	**(1,051,011,296)**	**(1,173,187,615)**	**(640,695,165)**	**(381,280,966)**	**(4,402,824,384)**
Net outstanding claims and IBNR, net	**3,781,698**	**1,262,196**	**4,269,198**	**14,482,540**	**19,192,472**	**16,487,999**	**126,336,067**	**185,812,169**

MALATH COOPERATIVE INSURANCE COMPANY
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25 SUPPLEMENTARY INFORMATION

25.1 statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
			SR (000)			
ASSETS						
Cash and cash equivalents	**98,970**	66,352	**71,300**	47,791	**170,270**	114,143
Murabaha deposits	**360,000**	365,349	**280,000**	313,000	**640,000**	678,349
Premiums and reinsurers' receivable - net	**183,834**	162,966	**-**	-	**183,834**	162,966
Reinsurers' share of unearned premiums	**17,538**	19,190	**-**	-	**17,538**	19,190
Reinsurers' share of outstanding claims	**122,227**	67,855	**-**	-	**122,227**	67,855
Reinsurers' share of claims incurred but not reported	**25,476**	17,878	**-**	-	**25,476**	17,878
Deferred policy acquisition costs	**27,331**	21,058	**-**	-	**27,331**	21,058
Deferred excess of loss premiums	**496**	1,088	**-**	-	**496**	1,088
Available-for-sale investments	**3,372**	3,322	**32,815**	32,299	**36,187**	35,621
Prepayments and other assets	**36,275**	26,508	**5,473**	4,532	**41,748**	31,040
Property and equipment	**3,338**	3,834	**-**	-	**3,338**	3,834
Statutory deposit	**-**	-	**75,000**	75,000	**75,000**	75,000
Accrued commission income on statutory deposit	**-**	-	**8,124**	5,505	**8,124**	5,505
	878,857	755,400	**472,712**	478,127	**1,351,569**	1,233,527
Due from insurance operations			**28,637**	12,202	**28,637**	12,202
TOTAL ASSETS	**878,857**	755,400	**501,349**	490,329	**1,380,206**	1,245,729

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NOTES TO THE FINANCIAL STATEMENTS
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25 SUPPLEMENTARY INFORMATION (continued)

25.1 statement of financial position (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
			SR (000)			
LIABILITIES						
Policyholders claims payable	**41,046**	54,313	**-**	-	**41,046**	54,313
Accrued and other liabilities	**86,564**	92,933	**536**	536	**87,100**	93,469
Reinsurance balances payable	**11,248**	5,266	**-**	-	**11,248**	5,266
Unearned premiums	**348,546**	267,020	**-**	-	**348,546**	267,020
Unearned reinsurance commission	**4,801**	4,469	**-**	-	**4,801**	4,469
Outstanding claims	**140,569**	35,039	**-**	-	**140,569**	35,039
Claims incurred but not reported (IBNR)	**177,894**	236,506	**-**	-	**177,894**	236,506
Additional premium reserve	**17,314**	15,612		-	**17,314**	15,612
Other technical reserves	**3,605**	12,697	**-**	-	**3,605**	12,697
Due to related parties	**2**	165	**-**	-	**2**	165
Employees' end-of-service benefits	**14,850**	13,852	**-**	-	**14,850**	13,852
Accumulated surplus	**8,821**	9,657		-	**8,821**	9,657
Provision for zakat	**-**	-	**32,220**	29,866	**32,220**	29,866
Accrued commission income payable to SAMA	**-**	-	**8,124**	5,505	**8,124**	5,505
	855,260	747,529	**40,880**	35,907	**896,140**	783,436
Due to shareholders' operations	**28,637**	12,202	**-**	-	**28,637**	12,202
TOTAL LIABILITIES	**883,897**	759,731	**40,880**	35,907	**924,777**	795,638
EQUITY						
Share capital	**-**	-	**500,000**	500,000	**500,000**	500,000
Statutory reserve	**-**	-	**2,131**	2,131	**2,131**	2,131
Accumulated losses	**-**	-	**(42,296)**	(47,478)	**(42,296)**	(47,478)
Fair value reserve for available-for-sale investments	**-**	-	**634**	(231)	**634**	(231)
Re-measurement reserve of defined benefit obligation	**(5,040)**	(4,331)	**-**	-	**(5,040)**	(4,331)
TOTAL EQUITY	**(5,040)**	(4,331)	**460,469**	454,422	**455,429**	450,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**878,857**	755,400	**501,349**	490,329	**1,380,206**	1,245,729

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS

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25 SUPPLEMENTARY INFORMATION (continued)

25.2 statement of income (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018 (Restated)	**2019**	2018 (Restated)	**2019**	2018 (Restated)
REVENUES						
Gross premiums written	**835,236**	729,076	**-**	**-**	**835,236**	729,076
Reinsurance premiums ceded						
- Local	**(5,310)**	(3,894)	**-**	**-**	**(5,310)**	(3,894)
- International (includes premium ceded through local broker)	**(65,110)**	(65,824)	**-**	**-**	**(65,110)**	(65,824)
	(70,420)	(69,718)	-	-	**(70,420)**	(69,718)
Excess of loss expenses	**(17,278)**	(20,508)	-	-	**(17,278)**	(20,508)
Net premiums written	**747,538**	638,850	**-**	-	**747,538**	638,850
Movement in unearned premiums, net	**(83,178)**	(47,500)	**-**	-	**(83,178)**	(47,500)
Net premiums earned	**664,360**	591,350	**-**	**-**	**664,360**	591,350
Reinsurance commissions	**17,786**	15,736	**-**	-	**17,786**	15,736
Other underwriting income	**2,694**	5,835	**-**	-	**2,694**	5,835
NET REVENUES	**684,840**	612,921	**-**	-	**684,840**	612,921
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(558,429)**	(606,774)	**-**	-	**(558,429)**	(606,774)
Reinsurers' share of claims paid	**29,217**	82,624	**-**	-	**29,217**	82,624
Net claims paid	**(529,212)**	(524,150)	**-**	-	**(529,212)**	(524,150)
Movement in outstanding claims, net	**(51,158)**	31,062	**-**	-	**(51,158)**	31,062
Movement in IBNR, net	**66,210**	90,671	**-**	**-**	**66,210**	90,671
Movement in additional premium reserve	**(1,702)**	(5,098)	**-**	-	**(1,702)**	(5,098)
Movement in other technical reserve	**9,092**	2,530	**-**	**-**	**9,092**	2,530
Net claims incurred	**(506,770)**	(404,985)	**-**	-	**(506,770)**	(404,985)
Policy acquisition costs	**(71,602)**	(77,336)	**-**	**-**	**(71,602)**	(77,336)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(578,372)**	(482,321)	**-**	-	**(578,372)**	(482,321)
NET UNDERWRITING INCOME	**106,468**	130,600	**-**	**-**	**106,468**	130,600

MALATH COOPERATIVE INSURANCE COMPANY
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25 SUPPLEMENTARY INFORMATION (continued)

25.2 statement of income (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018 (Restated)	**2019**	2018 (Restated)	**2019**	2018 (Restated)
Net underwriting income brought forward	**106,468**	130,600	**-**	-	**106,468**	130,600
OTHER INCOME/(EXPENSES)						
Provision for doubtful debts	**1,075**	(11,532)	**-**	**-**	**1,075**	(11,532)
Salaries and staff related costs	**(71,151)**	(71,879)	**-**	**-**	**(71,151)**	(71,879)
Other general and administrative expenses	**(43,243)**	(42,995)	**(2,639)**	(3,035)	**(45,882)**	(46,030)
Investment income	**14,616**	10,642	**10,870**	9,018	**25,486**	19,660
Other income	**2,185**	-	**-**	-	**2,185**	-
Reversal of impairment/(impairment loss) on available for sale investments	**49**	(1,278)	**1,135**	(2,555)	**1,184**	(3,833)
TOTAL OTHER INCOME/(EXPENSES)	**(96,469)**	(117,042)	**9,366**	3,428	**(87,103)**	(113,614)
Net income for the year	**9,999**	13,558	**9,366**	3,428	**19,365**	16,986
Surplus attributed to insurance operations	**(1,000)**	(1,356)	-	-	**(1,000)**	(1,356)
Net income attributable to shareholders before zakat	**8,999**	12,202	**9,366**	3,428	**18,365**	15,630
Zakat charge for the year (Restated)	-	-	**(13,183)**	(13,000)	**(13,183)**	(13,000)
Net income attributable to shareholders' operations	**8,999**	12,202	**(3,817)**	(9,572)	**5,182**	2,630

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
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25 SUPPLEMENTARY INFORMATION (continued)

25.3 statement of comprehensive income

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018 (Restated)	**2019**	2018 (Restated)	**2019**	2018 (Restated)
Net income for the year after zakat	**1,000**	1,356	**5,182**	2,630	**6,182**	3,986
Other comprehensive income:						
Items that may be reclassified to statement of insurance operations' surplus in subsequent years:						
- Change in fair value of available-for-sale investments, net	**-**	-	**865**	(231)	**865**	(231)
Items that will not be reclassified to statement of insurance operations' surplus in subsequent years:						
- Re-measurement loss on defined benefit plan	**(709)**	(2,774)	**-**	-	**(709)**	(2,774)
Total comprehensive income / (loss) for the year	**291**	(1,418)	**6,047**	2,399	**6,338**	981
Total comprehensive income attributable to insurance operations	**(1,000)**	(1,356)	**-**	-	**(1,000)**	(1,356)
Total comprehensive income / (loss) attributable to shareholders	**(709)**	(2,774)	**6,047**	2,399	**5,338**	(375)

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25 SUPPLEMENTARY INFORMATION (continued)

25.4 statement of cash flows (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the year before zakat	**1,000**	1,356	**18,365**	15,630	**19,365**	16,986
Adjustments for non-cash items:						
Depreciation of property and equipment	**1,881**	2,134	-	-	**1,881**	2,134
(Reversal of impairment)/impairment on available for sale investme	**(50)**	1,278	**(1,135)**	2,555	**(1,185)**	3,833
Loss on disposal of available-for-sale investments	**-**	-	-	102	**-**	102
Provision for employees' end-of-service benefits	**2,472**	2,207	-	-	**2,472**	2,207
(Reversal)/provision for doubtful debts	**(1,075)**	11,532	-	-	**(1,075)**	11,532
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**(19,793)**	(69,045)	-	-	**(19,793)**	(69,045)
Reinsurers' share of unearned premiums	**1,652**	(3,119)	-	-	**1,652**	(3,119)
Reinsurers' share of outstanding claims	**(54,372)**	39,900	-	-	**(54,372)**	39,900
Reinsurers' share of claims incurred but not reported	**(7,598)**	(9,913)	-	-	**(7,598)**	(9,913)
Deferred policy acquisition costs	**(6,273)**	(3,550)	-	-	**(6,273)**	(3,550)
Deferred excess of loss premiums	**592**	117	-	-	**592**	117
Prepayments and other assets	**(9,767)**	(5,176)	**(941)**	(3,983)	**(10,708)**	(9,159)
Policyholders claims payable	**(13,267)**	13,515	-	-	**(13,267)**	13,515
Accrued and other liabilities	**(6,652)**	(6,543)	**-**	-	**(6,652)**	(6,543)
Reinsurance balances payable	**5,982**	(5,021)	-	-	**5,982**	(5,021)
Unearned premiums	**81,526**	50,619	-	-	**81,526**	50,619
Unearned reinsurance commission	**332**	476	-	-	**332**	476
Outstanding claims	**105,530**	(70,962)	-	-	**105,530**	(70,962)
Claims incurred but not reported	**(58,612)**	(80,758)	-	-	**(58,612)**	(80,758)
Additional premium reserve	**1,702**	-	-	-	**1,702**	-
Other technical reserves	**(9,092)**	2,568	-	-	**(9,092)**	2,568
Acumulated surplus	**(1,836)**	-	-	-	**(1,836)**	-
Due to related parties	**(163)**	88	-	-	**(163)**	88
Cash from (used in) operating activities	**14,119**	(128,297)	**16,289**	14,304	**30,408**	(113,993)

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For the year ended 31 December 2019

25 SUPPLEMENTARY INFORMATION (continued)

25.4 statement of cash flows (continued)

		For the year ended 31 December (SR '000)					
		Insurance Operations		Shareholders' Operations		Total	
	Note	**2019**	2018	**2019**	2018	**2019**	2018
Due from insurance operations		**-**	-	**(16,435)**	(32,024)	**(16,435)**	(32,024)
Due to shareholders' operations		**16,435**	32,024	**-**	-	**16,435**	32,024
Zakat paid		**-**	-	**(10,829)**	(6,005)	**(10,829)**	(6,005)
Employees' end-of-service benefits paid		**(1,900)**	(4,128)	-	-	**(1,900)**	(4,128)
Net cash from (used in) operating activities		**28,654**	(100,401)	**(10,975)**	(23,725)	**17,679**	(124,126)
CASH FLOWS FROM INVESTING ACTIVITIES							
Decrease/(increase) in murabaha deposits		**5,349**	(310,349)	**33,000**	(150,000)	**38,349**	(460,349)
Additions of property and equipment		**(1,385)**	(796)	-	-	**(1,385)**	(796)
Additions of available for sale investments		**-**	-	**(8,516)**	-	**(8,516)**	-
Proceed from disposal of available-for-sale investments	8	**-**	-	**10,000**	664	**10,000**	664
Net cash from/(used in) investing activities		**3,964**	(311,145)	**34,484**	(149,336)	**38,448**	(460,481)
Net change in cash and cash equivalents		**32,618**	(411,546)	**23,509**	(173,061)	**56,127**	(584,607)
Cash and cash equivalents at the beginning of the year	4	**66,352**	477,898	**47,791**	220,852	**114,143**	698,750
Cash and cash equivalents at the end of the year	4	**98,970**	66,352	**71,300**	47,791	**170,270**	114,143

26 RESTATEMENT AND COMPARATIVE FIGURES

The change in the accounting treatment for zakat (as explained in note 2) has the following impact on the line items of the statements of income, statement of financial position and statement of changes in equity:

As at and for the year ended 31 December 2018:

Financial statement impacted	Account	Before the restatement for the year ended 31 December 2018	Effect of restatement	As restated as at and for the year ended 31 December
Statement of changes in equity	Net income for the year	15,630	(13,000)	2,630
Statement of changes in equity	Provision for zakat	(13,000)	13,000	-
Statement of income	Zakat charge for the year	-	(13,000)	(13,000)
Statement of income	Earnings per share	(0.31)	0.26	(0.05)

In addition to above, certain prior year figures have been reclassified to conform to current year presentation.

27 EVENTS AFTER THE REPORTING DATE

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. There are no other subsequent events that require disclosure or amendments to the accompanying financial statements.

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 13 Rajab 1441H (corresponding to 08 March 2020).