

The Offering of Rights under this Prospectus depends on the Shareholders' approval to increase the capital in accordance with the recommendation of the Board of Directors and the Company's obtaining of the regulatory approvals. An invitation for the Extraordinary General Meeting of the Company has been published to approve the capital increase through the issuance of the Rights on 11/03/1443H (corresponding to 17/10/2021G). The Shareholders should know that if the Shareholders' approval is not obtained to increase the capital through the issuance of the Rights, the issue of the Rights will automatically stop. At that time, this Prospectus will be considered void and shareholders will be notified accordingly

Rights Issue Prospectus

Arabia Insurance Cooperative Company (AICC)



Arabia Insurance Cooperative Company is a Saudi joint stock company incorporated by Royal Decree No. (M/23), dated 15/03/1428H (corresponding to 03/04/2007G), and Ministerial Resolution No. 93, dated 14/03/1428H (corresponding to 02/04/2007G), and Ministry of Investment License No. (01- 102030104276) dated 05/05/1426H (corresponding to 12/06/2005G). The Company operates under Commercial Registration No. (1010243302) issued in Riyadh on 18/01/1429H, and the license of the Central Bank of Saudi Arabia (SAMA) No. (TMN/15/20086) on 14/06/1429H, to practice insurance activity in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations.

Offering twenty-six million and five hundred thousand (26,500,000) ordinary shares at an Offer Price of (10) Saudi Riyals per share through a Rights Issue with a total value of two hundred and sixty-five million (265,000,000) Saudi Riyals, representing an increase of 100% in the current capital of Arabia Insurance Cooperative Company, bringing the Company's capital after the Rights Issue to five hundred and thirty million Saudi Riyals (SAR 530,000,000) divided into fifty three million (53,000,000) ordinary shares.

Trading Period: starts on 11/03/1443H (corresponding to 17/10/2021G) and ends on 11/03/1443H (corresponding to 17/10/2021G)

Subscription Period: starts on 11/03/1443H (corresponding to 17/10/2021G) and ends on 11/03/1443H (corresponding to 17/10/2021G)

Arabia Insurance Cooperative Company ("AICC" or the "Company") is a Saudi joint stock company, incorporated pursuant to Ministry of Commerce Resolution No. (326/Q) issued on 21/12/1428H (corresponding to 31/12/2007G), with Commercial Registration No. (1010243302), issued on 18/01/1429H (corresponding to 27/01/2008G) in Riyadh. The current Commercial Registration expires on 18/01/1444H (corresponding to 16/08/2022G) and its registered address: Bin Tami Center, Al Worood District, King Abdulaziz Road, Riyadh, Kingdom of Saudi Arabia.

The current Share Capital of the Company is two hundred and sixty-five million (265,000,000) Saudi Riyals divided into twenty-six million and five hundred thousand (26,500,000) ordinary shares ("the Shares") at a nominal price of ten (10) Saudi Riyals per share (the "Existing Shares" with each is an "Existing Share"). The Substantial Shareholders of the Company (who owns 5% or more of the Company Shares) are: the Arabia Company (a Holding Company), that owns directly 19.2% of the Company Shares, Jordan Insurance Company, a Jordanian joint stock company that owns directly 9.22% of the Company Shares, and the Arab Supply and Trading Company, a Saudi limited liability company that owns directly 5.0% of the Company Shares.

The Board of Directors recommended in its meeting convened on 13/04/1440H (corresponding to 20/12/2018G) to increase the Company's Share Capital through a Rights Issue with a value of two hundred and sixty-five million (265,000,000) Saudi Riyals (the "Subscription"), after obtaining the necessary regulatory approvals and approval of the Extraordinary General Meeting.

The Company obtained the no objection of the Saudi Central Bank to increase its capital in accordance with the letter No. 89/30238, dated 18/08/1440H (corresponding to 23/04/2019G).

On 11/03/1442H (corresponding to 17/10/2021G) the Extraordinary General Assembly of the Company approved the increase of the Company's Capital through a Rights Issue. The Offering consists of twenty-six million and five hundred thousand (26,500,000) new ordinary shares ("Rights" or "New Shares") at an Offer Price of ten (10) Saudi Riyals per share with a nominal value of ten (10) Saudi Riyals per share, raising the capital of the Company after completion of the subscription process from two hundred and sixty-five million (265,000,000) Saudi Riyals to five hundred and thirty million (530,000,000) Saudi Riyals divided into fifty-three million (53,000,000) ordinary shares, i.e. an increase of 100% in the current capital of the Company.

The Offering will comprise tradable securities (referred to collectively as the "Rights" and each a "Right") to the Shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the EGM approving the Capital increase and those registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Meeting approving the capital increase on 11/03/1443H (corresponding to 17/10/2021G) (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"). Such Rights will be deposited in the Shareholders' accounts who are registered in the Company's Shareholders Register as at the close of trading on the second day after convening the EGM approving the capital increase, taking into account the settlement procedures at (1) right for each (1) share of the Company's shares, and each Right gives its holder the right to subscribe to one new share at the Offer Price.

Registered Shareholders and other investors (referred to as "New Investors"), who may trade Rights and subscribe to new shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange (referred to as "Tadawul" or "the Exchange") or they may opt to take no action with regard to their shares. The trading period and the subscription period start on 11/03/1443H (corresponding to 17/10/2021G), provided that the trading period ends on 11/03/1443H (corresponding to 17/10/2021G) ("Trading Period"), while the subscription period continues until the end of the day 11/03/1443H (corresponding to 17/10/2021G) ("Subscription Period"). It should be noted that the Trading Period and the Subscription Period will start on the same day, while the Trading Period will continue until the end of the sixth day of the beginning of the period, while the Subscription Period will continue until the end of the ninth day of the beginning of the same period.

The registered shareholders will be able to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through the Exchange. Also, new investors will be able during the Trading Period to buy Rights through the market and sell the Rights that are bought during the Trading Period.

Subscription to new shares (during the Subscription Period) will be allowed at one phase according to the following:

1. Registered Shareholders and new investors will be entitled to subscribe to the new shares.
2. A Registered Shareholder will be allowed to subscribe directly to the number of his shares or less than the number of his shares during the Subscription Period, and if he buys new Rights, he will be able to subscribe to them after the end of their settlement period (two working days).
3. The new investors will be entitled to subscribe to the new shares immediately after settlement of the rights purchase process (two working days).

4. Subscription will be available electronically through the investment portfolio in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available to the agent.

In the event that any Shares remain unsubscribed for during the Subscription Period ("Rump Shares"), they will be offered to a number of Institutional Investors ("Institutional Investors") ("Rump Offering"). Such Institutional Investors shall submit offers to purchase the Rump Shares provided that the quoted price by any of the Institutional Investors shall not fall below the Offer Price. Receipt of such offers will start at 10:00 AM on 11/03/1443H (corresponding to 17/10/2021G), until 05:00 PM on 11/03/1443H (corresponding to 17/10/2021G). ("Rump Offering Period"). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all of the Rump Shares have been allocated (providing that the price shall not fall below the Offering Price). Rump Shares shall be proportionally divided among Institutional Investors that tendered offers at the same price. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company provided that the Company shall distribute the difference between the proceeds of the Rump Offering process and the Rump Offering price to the Eligible Persons who have not exercised their right to subscribe in whole or in part without any fees or deductions, no later than 11/03/1443H (corresponding to 17/10/2021G).

In the event that the Investment Institutions have not subscribed to all the remaining shares, such shares shall be allocated to the Underwriters who will purchase them at the Offering Price (please refer to Section (12) "Subscription Terms and Conditions").

The final allocation process will be announced no later than 11/03/1443H (corresponding to 17/10/2021G), ("allotment date"). Section (12) "Subscription Terms and Conditions".

After completion of the Subscription process, the Company's Share Capital will become five hundred and thirty million (530,000,000) Saudi Riyals, divided into fifty three million (53,000,000) ordinary shares. The net proceeds from the subscription will be used to support the expansion of the Company's activity (Please refer to Section (6) "Using the Offering Proceeds").

The Company has only one class of shares and no shareholder will have any preferential voting Rights. The New Shares will be fully paid and rank identically with the existing shares. Each share entitles its holder to one vote and each shareholder ("Shareholder") has the right to attend and vote at the General Assembly Meetings ("General Assembly Meeting") of the Company whether ordinary or extraordinary and vote in them. The New Shares will be entitled to receive their portion of any dividends, if any, declared by the Company after their issuance date. (Please refer to section 2 "Risk Factors").

On 26/01/1429H (corresponding to 04/02/2008G) the Company listed twenty million (20,000,000) ordinary shares on the Saudi Stock Exchange (Tadawul) at a par value of ten (10) Saudi Riyals after obtaining the required regulatory approvals. The Company had previously increased its capital on 26/11/1435H (corresponding to 21/09/2014G) from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by issuing twenty million (20,000,000) rights issue shares with a nominal value of (10) Saudi Riyals per share. On 28/10/1437H (corresponding to 02/08/2016G), the Company reduced its capital from four hundred million (400,000,000) Saudi Riyals to two hundred and sixty-five million (265,000,000) Saudi Riyals.

Currently, the Company's existing Shares are traded on the Saudi Stock Exchange ("Tadawul"). The Company has filed an application to the Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia for registering and offering the New Shares.

Another application has been submitted to the Saudi Stock Exchange (Tadawul) to admit listing of the New Shares. All the required documents have been submitted. All required documents have been submitted to the relevant authorities and all requirements have been met, and all approvals related to the offering and listing process have been obtained, including this Prospectus. Trading in the New Shares is expected to commence on the Exchange shortly after the final allocation of the New Shares and refund of extra subscriptions (see page (xiii) "Key Dates and Subscription Procedures"). After registering the Shares on the official list, Saudi nationals; non-Saudi nationals holding valid residence permits in Saudi Arabia; GCC nationals, Saudi and GCC companies and funds, Qualified Foreign Financial Investors and Approved QFI Clients will be permitted to trade in the Shares pursuant to the CMA's Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi individuals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire the economic benefits of the Shares by entering into swap agreements with persons authorized by the CMA (hereinafter referred to as "Authorized Persons") to purchase Shares listed on the Exchange, and to trade these Shares for the benefit of Foreigners. In such a case, the Authorized Persons will be the registered legal owner of the shares.

This Prospectus should be read in its entirety and the section "Important Notice" page (ii) and Section (2) "Risk Factors" should be considered carefully before making any decision regarding the Rights or New Shares.

Financial Advisor, Lead Manager and Underwriter

الإيماء للاستثمار
alinma investment

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the rules on the offer of Securities and Continuing Obligations of the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority" or "CMA") and the application for listing of securities in compliance with the listing rules of the Saudi Stock Exchange. The Directors, whose names appear on page (iv) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts that omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus

This Prospectus is dated 28/01/1443H (corresponding to 05/09/2021G)





Important notice

This Prospectus (the “**Prospectus**”) provides full details relating to Arabia Insurance Cooperative Company and the Right issue shares offered for subscription. When applying to subscribe for the new shares, investors will be treated on the basis that their applications are based on the information contained in this Prospectus, a copy of which can be obtained from the Company's headquarters and from the Lead Manager or by visiting the websites of the Company (www.aicc.com.sa), the Financial Adviser (www.alinmainvestment.com) and the Capital Market Authority (www.cma.org.sa).

The Prospectus will be published and assured to be available to the public within a period not less than (14) days prior to the date of the Extraordinary General Meeting for the capital increase. In the event that the Extraordinary General Meeting does not approve the capital increase within six months from the date of the Authority's approval on registering and offering the Right issue, such an approval given by the Authority shall be deemed to be canceled.

The Company has appointed (Alinma Investment Company) as a financial advisor (“**Financial Advisor**”), lead manager (“**Lead Manager**”) and underwriter (“**Underwriter**”) in relation to the offering of Rights Issue shares to increase the Company's capital in accordance with this Prospectus.

The Prospectus contains information provided according to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) as amended by the Capital Market Authority Board Resolution No. 01-07-2021 dated 01/06/1442H (corresponding to 14/01/2021G). The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Company, its managers, its directors, Financial Advisor, or the Company's advisors, whose names appear on page (vi) of this Prospectus have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic and political factors, or other ones over which the Company has no control (please refer to the section 2 “**Risk factors**” in this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as a promise or representation as to future earnings, results or events.

This Prospectus shall not be considered as a recommendation by the Company, its directors, or any of its advisors to participate in the subscription process for Right issue shares. The information contained in the Prospectus is of a general nature and has been prepared without considering individual investment objectives, financial condition or special investment needs. Each recipient of the Prospectus, before making an investment decision, is responsible for obtaining professional advice from a financial advisor licensed by the CMA regarding the subscription to assess the suitability of this investment and the information contained in the Prospectus for his goals, conditions and financial needs.

The registered shareholders and other public investors (“**New Investors**”), who may trade in the Rights and subscribe for the new shares, will be able to trade and subscribe to Right issue shares on the Saudi Stock Exchange (“**Tadawul**” or “**Exchange**”) during the Trading Period and the Subscription Period which both start on (●) ●/●/●●●●H (corresponding to ●/●/●●●●G). The Trading Period ends on (●●) ●/●/●●●●H (corresponding to ●/●/●●●●G) (“**Trading Period**”), while the Subscription Period continues until the end of (●●) ●/●/●●●●H (corresponding to ●/●/●●●●G) (“**Subscription Period**”).

The registered shareholders will be able to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through the market. Also, new investors during the Trading Period will be able to buy Rights through the market and sell the Rights that are bought during the trading period or subscribe to them during the Subscription Period.

Subscription to new shares during the Subscription Period will be allowed at one phase according to the following:

1. Registered Shareholders and new investors will be entitled to subscribe to the new shares.
2. A Registered Shareholder will be allowed to subscribe directly to the number of his shares or less than the number of his shares during the Subscription Period, and if he buys new Rights, he will be able to subscribe to them after the end of their settlement period (two working days).

3. New investors will be entitled to subscribe to the new shares immediately after settlement of the rights purchase process (two working days).
4. Subscription will be available electronically through the investment portfolio in the trading platforms and applications of Tadawul through which sale and purchase orders are entered, in addition to subscription through other channels and means available to the agent.

In the event that any Shares remain unsubscribed for during the Subscription Period (the “**Rump Shares**”), they will be offered to a number of institutional investors (“**Institutional Investors**”) (referred to as “**Rump Offering**”).

Such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on (•••) ••/••/••••H (corresponding to ••/••/••••G), until the following day at 05:00 PM on (•••) ••/••/••••H (corresponding to ••/••/••••G) (“**Rump Offering Period**”). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all the Rump Shares have been allocated. The shares will be allocated proportionally to the Institutional Investors who tendered the same price.

All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company provided that the Company shall distribute the difference between the proceeds of the Rump Offering process and the Rump Offering price to the eligible persons who have not exercised their right to subscribe in whole or in part without calculating any fees or deductions, no later than ••/••/••••H (corresponding to ••/••/••••G).

Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offering Price) for those who are entitled to it, each according to what he is entitled to, no later than ••/••/••••H (corresponding to ••/••/••••G). In the event that the investment institutions have not subscribed to all the remaining shares, such shares shall be allocated to the Underwriters who will purchase them at the Offering Price (please refer to Section (12) “Subscription Terms and Conditions”).

The Offering of Rights under this Prospectus depends on the Shareholders’ approval to increase the capital. An invitation for the Extraordinary General Meeting of the Company has been published to approve the capital increase through the issuance of the Rights on Sunday 11/03/1443H (corresponding to 17/10/2021G). The Investors should know that if the Shareholders’ approval is not obtained for the approve the capital increase through the issuance of the Rights, the issue of the rights will automatically stop. At that time, this Prospectus will be considered void and shareholders will be notified accordingly

The quorum for convening of the Extraordinary General Assembly’s requires the presence of shareholders representing at least half (50%) of the capital. If this quorum is not available at the meeting, either: (1) the second meeting shall be held an hour after the end of the period specified for convening the first meeting, provided that the invitation for the first meeting includes an indication of the possibility of holding this meeting; or (2) an invitation to the second meeting of the EGM shall be announced and published in a daily newspaper distributed in the city in which the head office of the Company is located at least ten (10) days prior to the date set for the meeting. The invitation shall include the agenda. It may be sufficient to send the invitation on the aforementioned date to all shareholders by registered letters only. If the necessary quorum is not present in the second meeting, an invitation is sent to a third meeting to be held in the same conditions mentioned above. The third meeting shall be valid regardless of the number of shares represented therein after approval of the competent authority.

Recipients of this Prospectus must also be aware of and abide by all legal and regulatory restrictions related to this Offering and the sale of new shares.

Financial Information

The financial statements for the fiscal year ending on December 31, 2018G, were audited by PKF Albassam and Partners, allied accountants, and Al-Azm and Al-Sudairy office, certified public accountants, while the financial statements for the periods ended on December 31, 2019 and December 31, 2020G were audited by PKF Albassam and Partners, and Al-Azm, Al-Sudairy, Al-Sheikh and Partners, certified public accountants.

The Company’s financial statements for the financial years ending in 2018, 2019 and 2020 and the accompanying notes were prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the Kingdom of Saudi Arabia, and other standards and issues approved by the Saudi Organization for Auditors and Accountants (SOCPA).

Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of specific and announced assumptions mentioned in the relevant parts thereof. The Company’s future conditions may differ from the assumptions used, and no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute forward-looking statements. Such statements can generally be identified by their use of forward-looking words such as “intends”, “plans”, “estimates”, “believes”, “expects”, “anticipates”, “may”, “will”, “should”,

“expected”, “would be” or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail in other sections thereof. (for further details, see Section 2 (Risk Factors) of this Prospectus). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company’s actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary Prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware that: (i) There has been a significant change in any material information contained in this Prospectus; or (ii) The occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information, forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise relating to the Company, industry or risk factors. As a result of the foregoing and other risks, assumptions and uncertainties, expectations of future events and conditions set out in this Prospectus may not occur as expected by the Company or may not occur at all. Accordingly, potential investors should examine all future statements in the light of these interpretations and not rely primarily on these forward-looking statements.

Company’s Directory

Board Members

Company Board of Directors appointed on 04/07/1441H (corresponding to 27/02/2020G*)										
	Name	Nationality	Age	Position	Membership Capacity	Representation	Owned Shares			
							Direct		Indirect***	
								%	Number	%
1	Abdulaziz Abdulhadi Alqahtani**	Saudi	72	Chairman	Non-executive	-	29,150	0.1100	26,235	0.0990
2	Abdulrahman Mohammad Al-Anqari**	Saudi	60	Vice Chairman	Non-executive	-	1000	0.0038	-	-
3	Munir Boutros Muasher	Jordanian	51	Board Member	Independent	Arabia Company (a Holding Company)	-	-	-	-
4	Othman Muhammad Ali Bedair	Jordanian	83	Board Member	Non-executive	Jordan Insurance Company	-	-	752,444	2.8394
5	Ghassan Ibrahim Akeel	Jordanian	53	Board Member	Non-executive	Arab Supply and Trading Company s	4000	0.00151	-	-
6	Abdulaziz Saleh Aloamir	Saudi	42	Board Member	Independent		662	0.0025	-	-
7	Mohammad Ibrahim Al-Mangour	Saudi	39	Board Member	Independent		-	-	-	-

Source: The Company

* The Company’s Ordinary General Assembly approved, in its meeting held on 03/07/1441H (corresponding to 27/02/2020G), to elect the members of the Board of Directors for the current term, which starts from 03/07/1441H (corresponding to 27/02/2020G) for a period of three years ending on 06/08/1444H (corresponding to 26/02/2023G).

** The Company’s Board of Directors decided on 25/11/1441H (corresponding to 16/07/2020G) to appoint Mr. Abdulaziz Abdulhadi Alqahtani as Chairman of the Board of Directors, and to appoint Dr. Abdulrahman Al-Anqari, as Deputy Chairman of the Board of Directors. The Company obtained the Central Bank of Saudi Arabia’s no-objection on 25/11/1441H (corresponding to 16/07/2020G).

Company's Address and Representatives

Company Address

Arabia Insurance Cooperative Company

Bin Tami Center, King Abdul-Aziz Road

King Abdullah Street

P.O. Box 286555 Riyadh 11323

Kingdom of Saudi Arabia

Tel: +966 11 2153360

Fax: +966 11 2153197

Website: www.aicc.com.sa

E-mail: Info@aicc.com.sa



Company Authorized Representative (1)

Abdul Aziz Saleh Al Omair

(Board Member)

Bin Tami Center, King Abdul-Aziz Road

P.O. Box 286555 Riyadh 11323

Kingdom of Saudi Arabia

Tel: +966 11 2153360

Fax: +966 11 2153197

Website: www.aicc.com.sa

E-mail: aalomair@aicc.com.sa

Company Authorized Representative (2)

Ziyad Mohammad Al-Rubaish

(General Manager)

Bin Tami Center, King Abdul-Aziz Road

P.O. Box 286555 Riyadh 11323

Kingdom of Saudi Arabia

Tel: +966 11 2153360

Fax: +966 11 2153197

Website: www.aicc.com.sa

E-mail: gmooffice@aicc.com.sa

Stock Exchange

Saudi Tadawul Group (Tadawul)

Unit No.: 15, King Fahd Road Olaya, Riyadh

P.O. Box 6897 Riyadh 12211

Kingdom of Saudi Arabia

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Fax: +966 11 2189133

Website: www.saudiexchange.sa

E-mail: info@tadawul.com.sa



Advisors

Financial Advisor, Lead Manager and Underwriter

Alinma Investment Company

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(Al Anoud Tower 2)

Riyadh 11544 P.O. Box 55560

Kingdom of Saudi Arabia

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Fax: +966 11 2185970

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Legal Adviser

Mohammed Al Dhabaan Legal Office

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Tel: +966 11 4844448

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E-mail: CapitalMarkets@AlDhabaan-es.com

مكتب محمد أحمد الضبعان للاستشارات القانونية

Certified Public Accountants for the years ending December 31, 2018, 2019, and 2020

Al-Azm and Al-Sudairy Office, Certified Public Accountants

Riyadh, Prince Muhammad bin Abdulaziz Street,

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Tel: +966 11 2175000

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Website: www.crowe.com.sa

E-mail: ch@crowe.sa



Albassam & Partners Allied Accountants

Riyadh, Sulaymaniyah District, Prince Abdulaziz bin Musa'ed Street

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Kingdom of Saudi Arabia

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Actuarial Expert

Nitaq Actuarial Services Company

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Kingdom of Saudi Arabia

Tel: +966 11 2005162

Website: www.nitaq.com.sa

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Note: All of the aforementioned Advisors/auditors have given and not withdrawn their written consent for the appearance of their names and logos and inclusion of their statements in the form and context set out in this Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as at the date of this Prospectus

Summary of the Offering

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. Therefore, this summary does not contain all information that may be of interest to shareholders and other general institutional and individual investors. Therefore, prospective investors willing to subscribe for the offered shares shall read this Prospectus entirely prior to taking their decision to invest in the Offered Shares, in particular the "Important Notice" section, and section (2) "Risk Factors" of this Prospectus. Below is the summary of the Offering:

The Company	Arabia Insurance Cooperative Company ("AICC" or the "Company") is a Saudi joint stock company incorporated in accordance the Ministerial Resolution No. 93, dated 14/03/1428H (corresponding to 02/04/2007G) and Royal Decree No. M/23, dated 15/03/1428H (corresponding to 03/04/2007G) and Commercial Registration No. 1010243302, dated 18/01/1429H (corresponding to 27/01/2008G)																																
Summary of the Company Activities	<p>The Company's activity, as in its Commercial Register, is protection and saving insurance, health insurance, and general insurance.</p> <p>The Company's activity, as in its Articles of Association, is to engage in cooperative insurance business and everything related to this business such as reinsurance, agencies, representation, correspondence, or mediation. The Company has the right to carry out all works that need to be done to achieve its purposes, whether in the field of insurance, or investment of its funds, and to own and move fixed and cash funds, as well as selling, exchanging or renting them directly, or through companies established or purchased by it, or jointly with other parties.</p> <p>The Company carries out its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and the regulations and rules in force in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.</p>																																
Nature of Offering	Increasing the capital by issuing Rights.																																
Major Shareholders	<p>Shareholders who own 5% or more of the Company's shares. The following table shows the Company's Substantial Shareholders before and after the Offering:</p> <table> <tr> <th rowspan="2">Shareholder</th><th colspan="2">Direct ownership before Offering</th><th colspan="2">Direct ownership after Offering**</th></tr> <tr> <th>Ownership %*</th><th>No. of shares</th><th>Ownership %*</th><th>No. of shares</th></tr> <tr> <td>Arabia Company, LJSC (Holding)</td><td>19.20%</td><td>5,088,000</td><td>19.2%</td><td>10,176,000</td></tr> <tr> <td>Jordan Insurance Company</td><td>9.22%</td><td>2,443,000</td><td>9.22%</td><td>4,886,000</td></tr> <tr> <td>Arab Supply and Trading Company</td><td>5.00%</td><td>1,325,000</td><td>5.0%</td><td>2,650,000</td></tr> <tr> <td>Total</td><td>33.41%</td><td>8,856,000</td><td>33.41%</td><td>17,712,000</td></tr> </table> <p>* As on 12/04/2021</p> <p>** In the event that the Substantial Shareholders subscribed to the full percentage of their eligibility for the new shares</p> <p>Source: The Company</p>				Shareholder	Direct ownership before Offering		Direct ownership after Offering**		Ownership %*	No. of shares	Ownership %*	No. of shares	Arabia Company, LJSC (Holding)	19.20%	5,088,000	19.2%	10,176,000	Jordan Insurance Company	9.22%	2,443,000	9.22%	4,886,000	Arab Supply and Trading Company	5.00%	1,325,000	5.0%	2,650,000	Total	33.41%	8,856,000	33.41%	17,712,000
Shareholder	Direct ownership before Offering		Direct ownership after Offering**																														
	Ownership %*	No. of shares	Ownership %*	No. of shares																													
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Total	33.41%	8,856,000	33.41%	17,712,000																													

Founding Shareholders	Shareholder	Direct ownership upon incorporation		Direct ownership as on the date of this Prospectus*	
		Ownership %*	No. of shares	Ownership %*	No. of shares
	Arabia Company, LJSC (Holding)	19.2%	3,840,000	19.20%	5,088,000
	Jordan Insurance Company	12.2%	2,440,000	9.22%	2,443,000
	Arab Supply and Trading Company	5.0%	1,000,000	5.00%	1,325,000
	Public	63.6%	12,720,000	66.59%	17,644,000
	Total	100%	20,000,000		26,500,000
	* As on 12/04/2021 Source: The Company				
Company's capital prior to the Offering	Two hundred and sixty-five million (265,000,000) Saudi Riyals				
Total number of Existing issued Shares prior to the Offering	Twenty-six million, five hundred thousand (26,500,000) ordinary shares, fully paid				
Nominal Value	SAR 10 per share				
Capital Increase	Increase in the Company's capital from two hundred and sixty-five million (265,000,000) Saudi Riyals to five hundred and thirty million (530,000,000) Saudi Riyals.				
Total Number of Offer Shares	Twenty-six million five hundred thousand (26,500,000) ordinary shares				
Percentage of increase in Share Capital	100%				
Offering PriceTen (10) Saudi riyals per share.	Ten (10) Saudi Riyals per share.				
Total Offering value	Two hundred and sixty-five million (265,000,000) Saudi Riyals.				
Adjusted Price	The Company's share price in Saudi Tadawul (Tadawul) has been modified to SAR ١٠ per share at the end of trading on the day of the Extraordinary General Assembly meeting for the capital increase. This represents a decrease in the share price of ١٠ Saudi Riyals per share.				
Number of Issued rights	Twenty-six million five hundred thousand (26,500,000) Rights.				
Number of Underwritten Shares	Twenty-six million five hundred thousand (26,500,000) ordinary shares.				
Total amount underwritten	Two hundred and sixty-five million (265,000,000) Saudi Riyals.				
Total number of shares post Offering	Fifty-three million (53,000,000) shares.				
Company Capital post Offering	Five hundred and thirty million (530,000,000) Saudi Riyals.				
Offering costs	The Company will bear all costs associated with the Offering, which are estimated to amount to about five million (5,000,000) Saudi Riyals. Such costs will be deducted from the total proceeds of the Offering amounting to two hundred and sixty-five million Saudi Riyals. These amounts include the fees of the Financial Advisor, Lead Manager, Legal Advisor, the Underwriter, advertising and printing expenses and other related expenses, bearing in mind that these costs are discretionary and not final. Please refer to Section (6) "Using the Offering Proceeds".				

Use of the Offering Proceeds	<p>Net Offering Proceeds are estimated at two hundred and sixty million (260,000,000) Saudi Riyals after deducting the offering expenses amounting to five million (5,000,000) Saudi Riyals. This amount is an estimate. The net Offering Proceeds will be used mainly to support the growth of the Company's business while maintaining the solvency requirements imposed by the Central Bank. The Offering Proceeds will be used in financial investments, in addition to increasing the statutory deposit mandated by the Saudi Central Bank, due to the increase in the Company's capital. The Shareholders will not receive any of the proceeds from the subscription. The following table shows the details of the proposed use of the subscription proceeds:</p> <table> <tr> <th>Description</th><th>Amount (Million)</th></tr> <tr> <td>Total Subscription Proceeds</td><td>265</td></tr> <tr> <td>Offering Cost</td><td>5</td></tr> <tr> <td>Net Subscription Proceeds</td><td>260</td></tr> <tr> <td>Increasing Statutory Reserve</td><td>26.5</td></tr> <tr> <td>Financial Investments</td><td>233.5</td></tr> </table> <p>Source: The Company</p> <p>For more details on the use of the Offering Proceeds, please refer to Section No. (6) "Using the Offering Proceeds".</p>	Description	Amount (Million)	Total Subscription Proceeds	265	Offering Cost	5	Net Subscription Proceeds	260	Increasing Statutory Reserve	26.5	Financial Investments	233.5
Description	Amount (Million)												
Total Subscription Proceeds	265												
Offering Cost	5												
Net Subscription Proceeds	260												
Increasing Statutory Reserve	26.5												
Financial Investments	233.5												
Registered Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and are registered in the Company's records at the Depository Center at the end of the second trading day following the convening of the Extraordinary General Meeting on **/**/****H (corresponding to **/**/****G).												
New Investors	In general, individual and institutional investors, other than Registered Shareholders, who purchased the Rights during the trading period.												
Targeted Investors	Registered Shareholders and New Shareholders												
Rights	Rights are tradable securities that entitle its holders the right to subscribe to new shares upon approval of the capital increase. It is an earned right for all registered shareholders. Rights can be traded during the Trading Period. Each Right entitles its holder to subscribe to one share of the new shares at the Offer Price. Rights will be deposited within two days after the Extraordinary General Assembly for the capital increase has convened. These rights will appear in the registered shareholders' accounts under a new pre-emptive right-related symbol.												
New Shares	Twenty-six million five hundred thousand (26,500,000) ordinary shares will be issued as a result of increasing the capital												
Eligibility Ratio	(1) Right for every (1) share held by the Registered Shareholder. This factor is the result of dividing the number of new shares by the number of the current shares of the Company												
Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital on **/**/****H (corresponding to **/**/****G).												
Trading Period	The trading period starts on (**) **/**/****H (corresponding to **/**/****G) and continues until the end of (**) **/**/****H (corresponding to **/**/****G). It is permissible during this period for all Right holders, whether they are registered or new investors, to trade in the Rights.												
Subscription Period	The subscription period starts on (**) **/**/****H (corresponding to **/**/****G) and continues until the end of (**) **/**/****H (corresponding to **/**/****G). During this period, all holders of the Rights, whether they are registered investors or new investors, may exercise their right to subscribe to the new shares.												
Rump Shares	Remaining shares (if any) that have not been subscribed to during the Subscription Period.												

Rump Offering	Rump Shares will be offered to a number of institutional investors ("Investment Institutions"). The Investment Institutions submit their bids to buy the remaining shares. These bids will be received from 10:00 AM on (..) ..H (corresponding to ..G) until 5:00 PM of the next day (..) ..H (corresponding to ..G). Rump Shares will be allocated to the Investment Institutions with the highest bids first, then the lowest and the lowest (provided that the bids shall not fall below the Offering Price). The shares shall be allocated on a pro rata basis to the Investment Institutions that offer the same price.
Rump Offering Price	The price at which the Rump Shares are offered to Investment Institutions to submit their offers to subscribe in the Rump Offering process, which is equal to the offer price of ten (10) Saudi Riyals per share.
Total Proceeds of Rump Offering	The amount resulting from the sale of the Rump Shares.
Eligible Persons	All Rights holders, whether they are Registered Shareholders or New Investors who purchased Rights during the Trading Period.
Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who failed to exercise their right to subscribe and did not subscribe wholly or partially for the New Shares, at the latest on ..H (corresponding to ..G) (For more information, please refer to Section 12 "Information Related to the Shares and Offering Terms and Conditions"). Compensation amounts represent the difference between the Rump Offering proceeds and Rump Offering price.
Indicative Value of the Right	The indicative value of the right reflects the difference between the market value of the Company's share during the trading period and the Offer Price. Tadawul will calculate and publish the Right's Indicative Value during the Trading Period on its website, five minutes late, and market information service providers will also publish this information in order for investors to view the indicative value when entering orders.
Right Trading Price	The price at which the Right is traded. This price is set through the market offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.
Shares Allocation	The shares will be allotted no later than on ..H (corresponding to ..G).
Refunding date of the surplus amounts from the subscription	Refund of oversubscription (if any) will be done without any commissions or deductions by the Fund Manager no later than ..H (corresponding to ..G)
Allocation of the New Shares	<p>New Shares will be allotted to the Eligible Persons based on the number of Rights they have fully and correctly exercised.</p> <p>The Company will receive the total amount of the offering resulting from the sale of the Rump Shares, while the difference between the proceeds from the sale of the Rump Shares and the Offer Price of the Rump Shares will be distributed to the Eligible Persons who did not subscribe in whole or in part to the New Shares without any deduction fees (please refer to section No. 12 "Information related to the Shares. and Offering Terms and Conditions".</p>
Trading in the New Shares	Trading of New Shares on Tadawul shall commence after completing all procedures related to the registration, allotment and listing of the New Shares.
Dividends of the New Shares	The New Shares will be entitled to any dividends declared by the Company after issuance of the New Shares.
Voting rights	The Company has only one class of Shares and no shareholder has any preferential rights. Each shareholder has one vote for each share in the general assemblies. Cumulative vote must be used to elect the Board of Directors. Meetings of general assemblies may be held, and the shareholder may participate in their deliberations and vote on their decisions by means of modern technology, in accordance with the regulations set by the competent authority.
Restrictions to trading in the shares	The Company was established pursuant to Cabinet Resolution No. (93), dated 14/03/1428H (corresponding to 02/04/2007G) and Royal Decree No. (M/23) dated 15/03/1428H (corresponding to 03/04/2007G). Its name was listed on Tadawul on 26/01/1429H (corresponding to 04/02/2008G). Therefore, the ban period of three full fiscal years, each of which is not less than twelve months, on the Founding Shareholders has elapsed, and therefore all shares are tradable in accordance with the rules, regulations and instructions issued by the Capital Market Authority. However, the Founding Shareholders must obtain approval of the Saudi Central Bank and then approval of the Capital Market Authority before disposing of their shares

Restrictions to trading in the rights	There are no restrictions imposed on the trading of Rights.																
Previously listed shares	<p>On 22/10/1428H (corresponding to 03/11/2007G), the Company listed twenty million (20,000,000) ordinary shares on Tadawul and offered eight million (8,000,000) shares for public subscription.</p> <p>On 26/11/1435H (corresponding to 21/09/2014G), the Extraordinary General Assembly approved an increase in the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through issuance of Rights.</p> <p>On 28/10/1437H (corresponding to 02/08/2016H) the Extraordinary General Assembly agreed to reduce the capital from four hundred million (400,000,000) Saudi Riyals to two hundred and sixty-five million (265,000,000) Saudi Riyals.</p>																
Total proceeds obtained from the previous rights issue	<p>The total proceeds of the previous rights issue shares, which took place in accordance with the resolution of the Extraordinary General Assembly on 26/11/1435H (corresponding to 21/09/2014G), amounted to two hundred million (200,000,000) Saudi Riyals.</p> <p>Following are the details of the use of the Offering Proceeds as stated in the Rights Issue Prospectus:</p> <table> <tr> <th>Item</th><th>Amount (SAR)</th></tr> <tr> <td>Total Offering Proceeds</td><td>200,000,000</td></tr> <tr> <td>Estimated Offering Expenses</td><td>8,000,000</td></tr> <tr> <td>Net Offering Proceeds</td><td>192,000,000</td></tr> <tr> <td>Statutory Deposit (10% of the increase in paid-up capital)</td><td>20,000,000</td></tr> <tr> <td>Investment in bank deposits and short investment funds</td><td>100,000,000</td></tr> <tr> <td>Investments Long-Term in bonds and other investments</td><td>50,000,000</td></tr> <tr> <td>Investment in listed companies' shares and other investment vehicles</td><td>22,000,000</td></tr> </table> <p>Source: Rights Issue Prospectus, 2015</p>	Item	Amount (SAR)	Total Offering Proceeds	200,000,000	Estimated Offering Expenses	8,000,000	Net Offering Proceeds	192,000,000	Statutory Deposit (10% of the increase in paid-up capital)	20,000,000	Investment in bank deposits and short investment funds	100,000,000	Investments Long-Term in bonds and other investments	50,000,000	Investment in listed companies' shares and other investment vehicles	22,000,000
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Investments Long-Term in bonds and other investments	50,000,000																
Investment in listed companies' shares and other investment vehicles	22,000,000																

Total proceeds obtained from the previous rights issue

Following are the details of the actual uses of the subscription proceeds, difference between the expected and actual use, and the percentage of deviations from the expected offering proceeds:

Item	Expected use Amount of proceeds (SAR)	Actual use Amount of proceeds (SAR)	Difference between expected and actual use of proceeds (SAR)	Deviation percentage from estimated use of Offering proceeds
Total Offering Proceeds	200,000,000	200,000,000	-	-
Estimated Offering Expenses*	8,000,000	7,968,649	31,351	(0.39%)
Statutory Deposit (10% of the increase in paid-up capital)	20,000,000	20,000,000	-	0.00%
Investment in bank deposits and short investment funds	100,000,000	100,031,351	31,351	0.03%
Investment in bank deposits and short investment funds	50,000,000	50,000,000	-	0.00%
Investments Long-Term in bonds and other investments**	22,000,000	22,000,000	-	-

Source: The Company

* It should be noted that the reasons and justifications for the deviation in the subscription expenses amounting to 31,351 Saudi Riyals in the expenses related to the capital increase, where the estimated cost of the expenses related to the capital increase was 8,000,000 Saudi Riyals as stated in the Prospectus. This difference is due to the fact that the actual amounts of expenses were less than the initial estimates.

** The actual uses of the subscription proceeds for the item of investment in bank deposits and short-term investment funds amounted to 100,031,351 Saudi Riyals. The increase amounted to 31,351 Saudi Riyals, where the estimated amount was 100,000,000 Saudi Riyals. The money amounting to 31,351 Saudi Riyals. Part of this difference is due to the reinvestment of the saved amount from capital increase expenses amounting to 31,351 Saudi Riyals.

Risk Factors

Investing in this Offering involves certain risks. Such risks can be classified into: (1) Risks related to the Company's business and operations; (2) Risks related to the market and the sector; and (3) Risks related to the new shares. (Please refer to Section 2 "Risk Factors" of this Prospectus).

Conditions of subscription to Rights

Eligible Persons wishing to subscribe to the New Shares must fulfill the relevant subscription conditions. The Company reserves the right to reject any application for subscription in the offered shares (in whole or in part) that did not meet all the terms and requirements of the subscription. To view the terms and conditions and instructions of the Offering, please refer to Section (12) "Information Related to Shares and Offering Terms and Conditions" of this Prospectus

Note: The "Important Notice" section and section 2 "Risk Factors" of this Prospectus should be considered carefully prior to making any investment decision according to this Prospectus.















































































































Key dates for subscribers and subscription procedures

Expected timeline for the Offering

Events	Dates
Date of the EGM approving capital increase and setting the Eligibility Date and Eligible Shareholders.	On Tuesday 04/04/1443H (corresponding to 09/11/2021G)
Trading Period	The Subscription Period starts on .../.../...H (corresponding to .../.../...G) and continues until the end of .../.../...H (corresponding to .../.../...G). During this period, all holders of Rights, whether registered or new investors, may subscribe for the Rights.
Subscription Period	The Subscription Period starts on .../.../...H (corresponding to .../.../...G) and continues until the end of .../.../...H (corresponding to .../.../...G). During this period, all holders of Rights, whether registered or new investors, may exercise their rights by subscribing to the New Shares.
End of Subscription Period	On .../.../...H (corresponding to .../.../...G)
Rump Offering Period	The Rump Offering Period begins at 10:00 AM of .../.../...H (corresponding to .../.../...G) and continues until 5:00 PM of the next day on .../.../...H (corresponding to .../.../...G)
Final Allocation Notification	On .../.../...H (corresponding to .../.../...G)
Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Offering entirely or partially	Compensation amounts (if any) will be paid no later than .../.../...H (corresponding to .../.../...G)
Commencement of trading in Offer Shares	The shares offered for subscription will be traded upon completion of all relevant regulatory procedures. The date will be announced later on Tadawul website (www.saudiexchange.sa).

Notice: All the dates mentioned in the timeline above are approximate, and the actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul) (www.tadawul.com.sa).

Key announcement dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the invitation for the EGM for capital increase.	The Company	On Sunday 11/03/1443H (corresponding to 17/10/2021G)
Announcement regarding the EGM outcome with regard to capital increase.	The Company	On      H (corresponding to      G)
Announcement regarding the change in Company's share price, Rights' deposit and the Indicative Value of the Right	Tadawul	On      H (corresponding to      G)
Announcement regarding the addition of Rights to the Company.	Edaa	On      H (corresponding to      G)
Announcement regarding the Rights trading period and the new shares subscription periods	The Company	On      H (corresponding to      G)
A reminder announcement on the start of the Rights trading period and the subscription period	The Company	On      H (corresponding to      G)
Reminder announcement of the last day for trading rights and noting the importance of selling rights for those who do not wish to subscribe	The Company	On      H (corresponding to      G)
Announcing the end of the Subscription Period	The Company	On      H (corresponding to      G)
Announcement regarding: Subscription results, Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering	The Company	On      H (corresponding to      G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	The Company	On      H (corresponding to      G)
Announcement regarding the deposit of New Shares in the investors' portfolios*	Edaa	On      H (corresponding to      G)
Announcement regarding distribution of the compensation amounts (if any)	The Company	On      H (corresponding to      G)

Notice: All the dates mentioned in the timeline above are approximate, and the actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul) (www.tadawul.com.sa).

Depositing the new shares in the investors' portfolios will be within 3 working after announcement of the Rump Offering results and Final Allocation

It should be noted also that in the event that an announcement related to the offering is published in a local newspaper after the publication of the Prospectus, such an announcement must include the following:

1. Name of the Issuer and its Commercial Registration number.
2. The securities, their value, type, and class covered by the securities registration and offering application.
3. The addresses and places where the public can obtain the Prospectus.
4. The date of publishing the Prospectus.
5. A statement that the announcement is for information only and does not constitute an invitation or offer to acquire securities by purchasing or subscribing to them.
6. Names of the Lead Manager, Underwriter, Financial Advisor, and Legal Advisor.
7. A disclaimer in the following form: "CMA and the Saudi Stock Exchange Group (Tadawul) do not assume any responsibility on the contents of this announcement, nor do they give any representations regarding its accuracy or completeness, and they expressly disclaim any responsibility for any loss they have suffered as a result of what is contained in this announcement or from reliance on any part thereof".

How to apply for subscription

Subscription to Right Issue shares is limited to Eligible Persons, whether they are registered shareholders or new investors. In the event that the Right Issue of the eligible persons are not exercised, any Rump Shares that have not been subscribed to by the eligible persons will be offered to the investment institutions during the Rump Offering Period.

1. Subscription may be made by using the trading platforms through which buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the agent to the investors. The Eligible Person must have an investment account with one of the agents that provide these services.
2. The data of the Eligible Person must be up-to-date, and that no changes have occurred to the data or information of the Eligible Person (by deleting or adding a member of his family) since his subscription to a newly launched offering, unless such modifications have been notified to the agents and approved by them.

The Company reserves the right to reject any application to subscribe to new shares in whole or in part if it does not fulfill any of the conditions or requirements of the subscription. It is not permissible to amend or withdraw the subscription application after its submission. The subscription application, upon submission, constitutes a binding contract between the Company and the entitled shareholders and may not be amended or withdrawn.

FAQs about the Rights Issue

What is a Rights Issue?

Rights are tradable securities that give their holders the right to subscribe to the new shares offered upon approval of the capital increase by the extraordinary general assembly (EGM) through issuance of new shares. They are acquired rights for all Registered Shareholders who own shares on the day of the EGM meeting for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price.

To whom Rights are granted?

Rights are granted to all Registered Shareholders in the Company's Register at the Depository as at the close of the second trading day after the date of the EGM to increase the capital.

When are the Rights deposited?

Following the Extraordinary General Meeting and its approval to increase the capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of the Company's Shareholders Register at the Securities Depository Center by the end of the second trading day after the Extraordinary General Meeting. The New Rights appear in their portfolios under a new code for the Rights. Such Rights will be allowed to be traded or subscribed only at the beginning of the Trading and Subscription periods.

How are Investors in the Rights notified of the Rights being deposited in their portfolios?

Investors are notified through an announcement on the Tadawul website and through Tadawulati Service provided by the Depository Center and SMS's sent through intermediaries/brokers.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the number of Shares ratio held by the Registered Shareholder in the Company's Shareholders Register at the Depository as at the close of the second trading day after the EGM.

What is the Rights Issue eligibility factor?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the second trading day after the EGM. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company. Therefore, the eligibility factor is (1) right for each one (1) share owned by the registered shareholder on the Eligibility Date. Accordingly, if a registered shareholder owns (1,000) shares on the Eligibility Date, he/she will be allocated 1,000 rights in exchange for the shares he/she owns.

Will the name and symbol of these rights differ from the name and symbol of the Company's shares?

Yes, the acquired Right will be added to the Investor's Portfolio under the name of the original stock, with the addition of the word Rights, in addition to a new symbol for these Rights.

What is the Right value upon commencement of trading?

The Right opening price is the difference between the share closing price on the day preceding the Right listing, and the Offer Price. For example, (using hypothetical prices) if the closing price of a share on the preceding day is SAR 25 (twenty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 25 minus 10, i.e. SAR 15 (fifteen Saudi Riyals).

Who is the Registered Shareholder?

Any Shareholder whose name appears in the Company's Shareholders' Register at the end of the second trading day after the EGM.

Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period.

Is it possible for a Registered Shareholder to lose his eligibility to subscribe even if he has the right to attend the EGM and vote on increasing the capital through a Rights Issue?

Yes, the Shareholder loses his eligibility to subscribe if he sells his shares on the day of the Extraordinary General Meeting or one working day before it.

How does the subscription take place?

Similarly, to the current process, Subscription Applications are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the intermediaries and custodian.

Can an Eligible Person subscribe to more shares than the rights owned by him/her?

An Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (1000) Rights as each share is eligible for (1) Right. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe, but they cannot trade until after depositing the certificates in investment portfolios through the receiving agents or Depository Center Company (Edaa) and introducing the necessary documents.

If New Shares are subscribed to and the Rights are sold after that, what happens in this case?

In the event that a registered shareholders subscribed and then sold the Rights, and the number of Rights equal to the number of Rights he/she subscribed for before the end of the trading period was not purchased, the subscription application will be rejected entirely in the event that all rights are sold or partially equal to the sold rights. The registered shareholder will be notified accordingly, and the rejected subscription amount will be returned to him/her through the receiving agent.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

When can a subscriber subscribe for the Rights he/she purchased during the trading period?

After settlement of the purchase of Rights (two working days), provided that he/she shall subscribe to the Rights during the Subscription Period.

Can a holder of Rights sell or assign them after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, holder of the Rights may only exercise the right to subscribe for the Rights or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What are Trading and Subscription periods?

Trading in and Subscription to the Rights shall commence at the same time until the end of trading on the sixth day, while Subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

What will happen to Rights that are unsold or unsubscribed for during the Trading Period and the Offering Periods?

If the new shares are not fully subscribed for during the Offering Period, the remaining new shares will be offered for subscription through an offering to be organized by the Lead Manager. The amount of compensation (if any) for the Rights holder will be calculated after deducting the subscription price. The investor may not receive any compensation if the sale occurs in the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Share Capital through a rights issue?

The shareholder who is registered in the Issuer's Shareholders' Register at the Depository Center after the end of the trading session on the EGM day shall have the right to attend the EGM and vote on increasing the Issuer's Share Capital through a rights issue.

When is the share price adjusted as a result of increasing the Issuer's Share Capital through a rights issue?

The share price is adjusted by the Exchange before the start of trading on the day following the EGM.

If an investor buys securities on the EGM day, will he/she be eligible for the Rights resulting from the increase of the Issuer's Capital?

Yes, as the investor will be registered in the Company Shareholders Register two business days after the date of the purchase of shares (i.e., at the end of the second trading day following the day of the EGM), bearing in mind that Rights will be granted to all shareholders registered in the Company Shareholders Register at the end of trading session on the second trading day following the date of the EGM. However, he/she may not attend or vote in the EGM for the capital increase.

Will any other fees be added for the rights trades?

The same commissions will be applied to buying and selling transactions as they are in shares, but without a minimum commission amount, provided that the maximum amount does not exceed fifteen and a half basis points (0.155%) of the total transaction value.

If an investor has more than one portfolio with more than one Brokerage Company, how will his/her Rights be calculated?

The investor's shares will be distributed to the portfolios owned by him/her, according to the percentage of ownership in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest number of rights.

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-registered shareholders on the day of the EGM subscribe for the Rights?

Non-registered Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

Summary of Key Information

This summary provides a brief overview of the key information included in this Prospectus. Being a summary, it does not include all information that may be of interest to shareholders and other general institutional and individual investors. The recipients of this Prospectus must read it in full before making any investment decision related to the New Rights or shares. All terms and abbreviated expressions contained in this Prospectus have been defined in Section (1) "Terms and Definitions", in this Prospectus.

Company Overview

The Arabia Insurance Cooperative Company (hereinafter referred to as the "Company" or "AICC") was incorporated as a Saudi joint stock company pursuant to the Royal Decree No. (M/23) dated 15/03/1428H (corresponding to 03/04/2007G) to establish the Company. The Company started its business after the issuance of Cabinet Resolution No. (93) dated 03/14/1428H (corresponding to 02/04/2007G) establishing the company. The Company obtained approval of the Central Bank of Saudi Arabia No. TM/15/20086 dated 14/06/1429H (corresponding to 18/06/2008G) to engage in insurance and reinsurance activity in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. In 2014, at the request of AICC to amend the activity, the Company obtained approval of the Central Bank of Saudi Arabia to amend the license granted to it to practice insurance and reinsurance activity so that it is limited to practicing insurance activity only, according to letter No. 35100076885 dated 14/06/1435H (corresponding to 14/04/2014G).

The Company exercises general insurance, health insurance, protection and saving insurance in the Kingdom of Saudi Arabia in accordance with the principle of cooperative insurance. Its insurance products include motor insurance, health insurance, marine insurance, engineering insurance, general accident insurance, property insurance, protection and saving insurance, and others.

Dates of capital changes

The Company's capital is two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a nominal value of ten (10) Riyals per share, fully paid in value. The Founding Shareholders have subscribed to twelve million (12,000,000) shares, constituting (60%) of the total shares of the Company, and have paid their value in full. The remaining eight million (8,000,000) shares, which constitute (40%) of the Company's Shares were offered for public subscription under The rules and regulations of the Saudi Capital Market Authority during the period from 15/10/1428H (corresponding to 27/10/2007G) to 22/10/1428H (corresponding to 03/11/2007G) at a subscription price of ten (10) Saudi Riyals per share.

On 02/11/1435H (corresponding to 28/08/2014G), the Company's Board of Directors recommended, in its resolution by circulation, to increase the Company's capital to comply with the requirements of financial solvency, as the Company obtained the approval of the Saudi Central Bank under letter No. 351000145469 dated 26/11/1435H (corresponding to 21/09/2014G) to increase its capital by an amount of two hundred million (200,000,000) Saudi Riyals through a Right Offering. After the end of subscription to the Rights issue, the Company's capital became four hundred million (400,000,000) Saudi Riyals, divided into forty million (40,000,000) ordinary shares. The nominal value of one share is ten (10) Saudi Riyals.

On 28/10/1437H (corresponding to 02/08/2016G), the Extraordinary General Assembly agreed to reduce the capital from four hundred million (400,000,000) Saudi Riyals to two hundred and sixty-five million (265,000,000) Saudi Riyals, with a reduction rate of 33.75%.

On 16/04/1440H (corresponding to 23/12/2018G), the Board of Directors recommended to increase the Company's capital a Rights Issue to increase the Company's capital from two hundred and sixty-five million (265,000,000) Saudi Riyals to five hundred and thirty-one million (530,000,000) Saudi Riyals, an increase of 100%.

The Company's Vision

"Be one of the leading cooperative insurance companies in the kingdom."

The Company's Mission

"To serve our policyholders, shareholders, employees, and the Saudi community at large by providing a wide range of cooperative insurance products and services"

Business Strategy

The Company's Strategy is to seek growth and realize returns for shareholders through:

- Rendering insurance services at suitable prices and following the advice of the Actuary while pricing its services in a way that commensurate with the requirements of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank.
- Obtaining state-of-the-art technologies for the business, applying and developing them continuously.
- Investment in high expertise human resources and develop their performance.
- Wide geographical expansion by opening multiple sale centers that provide insurance services throughout the Kingdom of Saudi Arabia.
- Development of the volume of business with agents and brokers in the Kingdom.
- Attention to all clients especially individuals, and small and medium-sized enterprises.

Substantial Shareholders

The following table shows the Company's Substantial Shareholders as at the date of this Prospectus:

Name	Nationality	Ownership %*	No. of Shares
Arabia Company, LJSC (Holding)	Lebanese	19.20%	5,088,000
Jordan Insurance Company	Jordanian	9.22%	2,443,000
Arab Supply and Trading Company	Saudi	5.00%	1,325,000
Total		33.41%	8,856,000

* As on 12/04/2021

Source: The Company

Competitive Advantages

The Company enjoys the following competitive advantages:

- A recognized trade name in the region
- Support of the Founding Shareholders
- Diversity of Products
- Highly experienced managerial team
- Strong relations with reinsurers

Summary of the main insurance activities of the company

The Company has been licensed to engage in cooperative insurance business and related activities. The Company's main activity includes the following:

- General Insurance
- Health insurance
- Protection and savings insurance

The Company has obtained final approval from the Central Bank of Saudi Arabia to provide 36 different policies divided into 7 sectors: property insurance, engineering insurance, general accident insurance, marine insurance, motor insurance, health insurance, life insurance and credit protection*.

*Source: The Company

Overview of the insurance sector in the Kingdom of Saudi Arabia

Insurance activity began in the Kingdom of Saudi Arabia before 1974G through agencies and branches of foreign companies. Then the Saudi Insurance Company was established in 1974, followed by the Red Sea Insurance Company and the Saudi United Insurance Company in 1976G. In 1977G, Resolution No. 51 was issued by the Council of Senior Scholars, considering that cooperative insurance is compatible with the principles of Islamic Sharia. Accordingly, the National Cooperative Insurance Company was established in 1985G (later renamed to Cooperative Insurance Company) with the aim of insuring large projects

and maintaining a large percentage of insurance premiums within the Kingdom. At that time, cooperative insurance became the form through which insurance is provided in the Kingdom of Saudi Arabia. Foreign insurance companies continued to work inside the Kingdom as intermediaries between agents and reinsurance companies abroad.

In 1999G, the Cooperative Health Insurance Law was promulgated pursuant to Royal Decree No. M/10, followed by the Driver's License Insurance Law pursuant to Cabinet Resolution No. 222 in 2001G.

The Cooperative Insurance Companies Control Law was issued pursuant to Royal Decree No. M/32, dated 02/06/1424H (corresponding to 31/07/2003G). this Law assigned the functions of supervision and control over the insurance sector in the Kingdom to the Central Bank of Saudi Arabia. In the same year, Resolution 415 was issued regarding granting a transitional period of 3 years (to 2008G) to existing insurance companies to amend their conditions to engage in cooperative insurance activity. As a result, new companies filed their applications to obtain permission in accordance with the Cooperative Insurance Law. Hence, the sector witnessed a clear growth, as many cooperative insurance companies were established during the few years following the issuance of the above-mentioned decision. As at the date of this Prospectus, the number of companies operating in the Saudi insurance sector has reached 30 insurance companies listed on the Saudi Tadawul (Tadawul), in addition to other companies specialized to support insurance services.

In 2018G, the Licensing and Control Rules for branches of foreign insurance and/or reinsurance companies were issued in the Kingdom, which enable foreign insurance companies to conduct insurance business in the Kingdom through branches.

In the first quarter of 2020G, an update was issued to the actuarial business controls, which aims to support the growth of the actuarial profession to ensure the effectiveness of its participation in the prosperity of the insurance sector and to boost its financial strength.

Recently, the Central Bank encouraged companies operating in the insurance sector to merge and acquire, and as a result, in 2020G, Walaa Cooperative Insurance Company merged with MetLife AIG ANB Cooperative Insurance Company, also in 2021G, Al Jazira Takaful Company was merged with Solidarity Saudi Takaful Company.

Key developments in the Saudi insurance sector

Insurance sector in the Kingdom can be divided into 3 main segments: health insurance, general insurance, and protection and savings insurance. General insurance can also be divided into 7 subsections, which are motor insurance, property and fire insurance, accident and liability insurance, engineering insurance, energy insurance, marine insurance, and aviation insurance.

According to the Saudi insurance market report issued by the Saudi Central Bank for the year 2020G, the health insurance sector accounted for 58.9% of the total insurance premiums written, followed by the general insurance sector and the protection and savings insurance sector at 37.9% and 3.3%, respectively. It is worth noting that motor insurance constituted 21.6% of the total written premiums in the Kingdom in 2019G.

During 2020G, the insurance sector in the Kingdom witnessed an increase in the total written premiums by 2.3% to reach 38.8 billion Riyals, compared to 37.9 billion Riyals in 2018G. This increase came as a result of an increase in the total health insurance premiums written by 1.3% to reach about 22.8 billion Riyals by the end of 2020G, while the total health insurance premiums in 2019G amounted to 22.5 billion Riyals. The total written premiums in the general insurance sector amounted to 14.7 billion Riyals in 2020G, compared to 14.9 billion Riyals in 2019G. Also, the total written protection and savings insurance premiums amounted to 1.3 billion Riyals in 2020G, compared to 1.1 billion Riyals in 2019G.

It is worth mentioning here that health insurance is mandatory for all private sector entities, and the third-party motor insurance is mandatory for all vehicle owners in the Kingdom, as well.

Summary of Risk Factors

Before making their investment decision related to subscribing or trading in the initial rights shares, Prospective investors willing to subscribe for the offered shares must study and review all the information contained in this Prospectus, including in particular the risk factors set out below which are explained in detail in Section No. (2) "Risk Factors" of this Prospectus. Tose factors can be summarized as follows:

A. Risks related to the Company's Activity and Operations

- Risks related to Insufficient Capital and Minimum Capital Requirements
- Risks related to Accumulated Losses
- Risks related to Penalties by the Competent Regulatory Authorities
- Risks related to the Inability to Implement the Strategy
- Risks related to Credit
- Risks related to Credit Rating

- Risks related to Claims Management Process
- Risks related to Transactions of Related Parties
- Risks related to Inadequacy of Provisions and Reserves
- Risks related to Contingent Liabilities
- Risks related to Potential Zakat Dues and Additional Claims
- Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates
- Risks associated with Foreign Capital in the Company
- Risks related to Contracts with Third Parties
- Risk Related to Litigation
- Risks related to Reinsurance
- Risks related to Reinsurance Concentration
- Risks related to Reliance on Insurance Brokers
- Risks related to Reliance on non-Saudi Employees
- Risk related to Risk Management Policies
- Risks related to Investment
- Risks related to Poor Assessment of Risks
- Risks related to the Financial Performance
- Risks related to Dependence on Key Personnel and attraction of competencies
- Risk of Cancellation or Non-renewal of Insurance Policies
- Risks related to Translation of Insurance Policies
- Risks related to Availability of Funding in Future
- Risks related to the Increase in the Company's Liabilities
- Risks related to Cheating in Insurance Usage and Claims and other Fraudulent Activities
- Risk related to Operating Systems and Information Technology
- Risks related to the Protection of Trademarks
- Risks related to Occurrence of Natural Disasters and Work Interruption
- Risks related to Non-compliance with the Quality Standards and Specifications required by Customers
- Risks related to Corporate Governance
- Risks related to the Outbreak of the Coronavirus "Covid-19"
- Risks Associated with Anti-Money Laundering and Combating the Financing of Terrorism Regulations
- Risks related to the Company's Reputation
- Risk of Employee Misconduct or Errors

B. Risks Related to Market and Industry

- Risks related to Laws and Regulations
- Risks related to the Economic Performance of the Kingdom
- Risks related to Political and Economic Instability in the Middle East
- Risks related to Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations
- Risks related to Withdrawing the License to Conduct Insurance Activities
- Risks related to Adjustments to Accounting for Zakat and Income Tax by the Central Bank
- Risks related to the Competitive Environment
- Risks related to the Lack of Cultural Awareness of Insurance and Its importance
- Risks related to Government Fees Applicable to non-Saudi Employees
- Risks related to the Decline of Client Confidence
- Risks related to non-Compliance with the Regulations of the Council of Cooperative Health Insurance (CCHI)
- Risks of Fluctuations in Exchange Rates
- Risks related to the Scarcity of Qualified Local Cadres
- Risks related to Insurance Business Cycle
- Risks related to Reporting Requirements
- Risks related to Insurance Market Growth
- Risks related to Saudization Requirements

- Risks related to not-Controlling of Prices
- Risks related to Value-added Tax (VAT)
- Risks related to the Regulatory Environment
- Risks related to Non-compliance with Official Regulations and Instructions

C. Risk related to the offered securities

- Risks related to Potential Fluctuations in the Share Price
- Risks related to Potential Fluctuation in the Price of the Rights
- Risks of Lack of Demand for the Company's Right issues and Shares
- Risks related to Potential Dilution of Ownership
- Risks related to Dividends
- Risks related to Future Data
- Risks related to non-Profitability or Selling of Rights issues
- Risks related to the Possibility of Issuing New Shares
- Risks related to Speculation in Rights issue shares
- Risks related to Not Exercising the Right issues shares in a Timely Manner
- Risks related to Suspension of Trading or Cancellation of the Company's shares as a Result of not Announcing its Financial Statements during the Regular Period

Summary of Financial Information and Key Performance Indicators

The summary of the financial information presented below is based on the Company's audited financial statements for the financial years ending on December 31, 2018, 2019 and 2020 and the accompanying notes. Therefore, the summary of the Company's financial statements and the main performance tables listed below should be read alongside the audited financial statements for the financial years ending on December 31, 2018, 2019 and 2020G

Key Performance Indicators			
	31 December 2018G	31 December 2019G	31 December 2020G
Gross Written Premium Growth Rate	11.6%	(5.2%)	4.2%
Assignment Rate	31.9%	34.6%	29.0%
Net earned premiums as a percentage of gross written premiums	66.2%	66.9%	69.5%
Net loss rate	60.7%	77.1%	65.8%
Commission paid as a percentage of total written premiums	8.1%	4.8%	7.1%
Commission received as a percentage of the premiums assigned	22.2%	13.3%	11.0%
Net commission rate	(0.2%)	0.6%	3.9%
Net profit in written premiums as a percentage of gross written premiums	24.1%	13.7%	19.0%
Net expense ratio	37.1%	40.7%	25.2%
Net consolidated ratio	97.6%	118.4%	94.9%

Source: The Company

Summary of the statement of financial position					
(SAR' 000)	31 December 2018 (Audited)	31 December 2019 (Audited)	31 December 2020 (Audited)	Annual Change 2018-2019	Annual Change 2019-2020
Total Assets	668,416	645,333	630,305	(3.5%)	(2.3%)
Total liabilities and accumulated surplus	417,662	429,426	408,539	2.8%	(4.9%)
Total Shareholders' Equity	250,754	215,907	221,766	(13.9%)	2.7%
Total Shareholders' Liabilities and Equity	668,416	645,333	630,305	(3.5%)	(2.3%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Summary of the statement of income			
(SAR' 000)	31 December 2018 (Audited)	31 December 2019 (Audited)	31 December 2020 (Audited)
Gross written premiums	350,787	332,418	346,432
Net written premiums	238,830	217,381	245,802
Net earned premiums	232,085	222,554	240,643
Net Revenues	257,208	238,924	252,076
Total subscription costs and expenses	(172,535)	(193,475)	(186,418)
Net underwriting profit	84,672	45,450	65,658
Total other expenses	(81,076)	(83,211)	(52,586)
(loss)/profit attributable to shareholders	(2,619)	(42,314)	6,257

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Summary of the statement of cash flows			
(SAR' 000)	31 December 2018 (Audited)	31 December 2019 (Audited)	31 December 2020 (Audited)
Net (loss)/profit for the year	(2,442)	(42,314)	7,071
Net cash from / (used in) operating activities	4,574	(39,959)	(25,862)
Net cash from / (used in) investing activities	(63,848)	16,313	110,765
Net cash (used in) financing activities	0	(481)	(2,169)
Cash and cash equivalents at end of year	90,720	66,593	149,327

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

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1. Term and Definitions

Term or Abbreviations	Definition
The "Company" or "AICC"	Arabia Insurance Cooperative Company, a Saudi joint stock company
Advisors	The Company advisors whose names appear on page (vi).
Auditor	Al-Azm, Al-Sudairy, certified public accountants and PKF Albassam and Partners, Allied Partners
Related Parties	<p>In the Rules on the Offer of Securities and Continuing Obligations, and in accordance with the terms used in the regulations of the Capital Market Authority and its rules issued by the Authority Board under resolution no. 4-11-2004, dated 20/08/1425H (corresponding to 04/01/2004G) and amended in the resolution of the Capital Market Authority no. 01-07-2021, dated 01/06/1442H (corresponding to 14/01/2021G), related parties shall mean the following:</p> <ol style="list-style-type: none"> 1. Affiliates of the Issuer. 2. Substantial Shareholders of the Issuer. 3. Directors and senior executives of the Issuer. 4. Directors and senior executives of the affiliates of the Issuer. 5. Directors and senior executives of substantial shareholders of the issuer. 6. Any relatives of the persons in (1, 2, 3, 4 or 5) above. 7. Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above
Total (Gross) Written Premiums	Total insurance contracts premiums written within a certain period without deducting the premiums assigned to re-insurance companies.
Ceded premiums	The premiums assigned to reinsurance companies within the context of reinsurance operations.
Net Written Premiums	The premiums retained with the insurance company after deducting the premiums assigned to the reinsurance companies from the total insurance premiums written.
Unearned Premiums	The portion of written premiums that covers risks relating to subsequent financial periods.
Board or Board of Directors	AICC's Board of Directors whose names appear in page (iv)
By-Laws	The Company's By-Laws
CMA or the Authority	Capital Market Authority of Saudi Arabia
Companies Law or Companies Regulations	The Companies Regulations in the Kingdom of Saud Arabic promulgated by Royal Decree No. M/6, dated 22/3/1385H, as amended
Capital Market Law	Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1428H (corresponding to 31/07/2003G) and amendments thereto.
Solvency Margin	The extent to which the company's assets convertible into cash exceed its liabilities.
Tadawul	The Saudi Tadawul Company
Business Day	Any business day except Friday and Saturday and any day that is an official holiday in the Kingdom of Saudi Arabia or any day on which banking institutions are closed in accordance with applicable regulations and other government procedures.
Labor Law	The Saudi Labor Law issued by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), amended by Royal Decree No. (M/134) dated 27/11/1440H (corresponding to 29/07/2019G).
Securities Depository Center Company/ Depository Center	It is a closed joint stock company wholly owned by the Saudi Tadawul Group (Tadawul). It was established in 2016G under the Saudi Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015 G).

Optional Reinsurance	An optional method of reinsurance on a case-by-case basis in which the reinsurer has the option to accept or reject the risks presented to it.
Proportional Reinsurance	The method of distributing insurance amounts (whether premiums or claims) between the Company and the reinsurer at a certain agreed upon percentage.
Founding Shareholders	The Founding Shareholders of the Company whose names appear on page (26).
GCC	The Cooperation Council for the Arab States of the Gulf.
General Assembly	The general assembly of the Company's Shareholders.
Government	Government of the Kingdom of Saudi Arabia.
Public	In the Rules on the Offer of Securities and Continuing Obligations, public means the persons other than the following: Affiliates of the issuer. Substantial shareholders of the issuer. Directors and senior executives of the issuer. Directors and senior executives of the affiliates of the issuer. Directors and senior executives of substantial shareholders of the issuer. Any relatives of the persons in (1, 2, 3, 4, or 5) above. Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above. Persons who act together in agreement and jointly own (5%) or more of the class of shares that will be listed.
Insurance Law or Cooperative Insurance Companies Control Law in the Kingdom	Cooperative Insurance Companies Control Law issued by Royal Decree No. M/32 dated 02/06/1424H (corresponding to 31/07/2003G).
Foreign Investment Law	It is the Foreign Investment Law issued by Royal Decree No. (M/1) dated 5/1/1421H and Cabinet Resolution No. (M/1) dated 05/01/1421H.
Implementing Regulations of the Foreign Investment Law	It is the Implementing Regulation of the Foreign Investment Law issued by the Board of Directors No. (1/20) dated 13/04/1423H.
Council of Cooperative Health Insurance	The Council of Cooperative Health Insurance, a Saudi governmental body with an independent legal entity, established pursuant to Article 4 of Cabinet Resolution No. (71) dated 27/04/1420H (corresponding to 11/08/1999G), which provides for the establishment of the Council of Cooperative Health Insurance to oversee the implementation of the Cooperative Health Insurance Law Cooperative. This Law aims to provide and regulate health care for all non-Saudi residents in the Kingdom. It may be applied to citizens and others by a decision of the Council of Ministers.
Insurance Policy	A legal document or a contract issued to the Insured by the Company setting out the terms of the contract to indemnify the Insured for loss and damages against a premium paid by the Insured
Protection and Saving Insurance	Insurance operations under which the insurer pays a sum or sums, including saving proceeds, at a future date in exchange for the subscriptions paid by the insured
H	The Hijra Calendar
G	The Gregorian Calendar
Vision 2030	The national strategic economic program that aims at reducing dependence on oil and petrochemicals, diversifying the Saudi economy, and developing public services.

Value Added Tax (VAT)	On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers approved the unified agreement of the value added tax of the Cooperative Council of the Arab States of the Gulf, which came into force as of 01 January 2018, as a new tax to be added to the system of taxes and other fees that should be applied by certain sectors in the Kingdom and in the Cooperative Council of the Arab States of the Gulf. VAT has been set at 5%. A number of products such as basic foods, services related to health care and education) were exempted from the said tax. The government of the Kingdom has decided to increase the value-added tax rate from (5%) to (15%) as of 01 July 2020G.
Implementing Regulations	The Implementing Regulations of the Cooperative Insurance Companies Control Law issued under Ministerial Order No. 1/561 dated 01/03/1425H (corresponding to 20/04/2004G) by His Excellency the Minister of Finance.
Corporate Governance Regulations	Corporate Governance Regulations in the Kingdom of Saudi Arabia issued by the Capital Market Authority pursuant to Resolution No. 1/212/2006 dated 21/10/1427H (corresponding to 13/11/2006G) and its amendments.
The Insured	The natural or legal person who concludes the insurance contract.
The Insurer	An insurance company that accepts insurance contracts from the insured and undertakes compensation for the risks directly exposed by the insured.
Kingdom	Kingdom of Saudi Arabia.
Rules on the Offer of Securities and Continuing Obligations	The rules on the offer of securities and continuing obligations issued by the board of the Capital Market Authority under resolution no. 3-123-2017, dated 09/4/1439H (corresponding to 27/12/2017G), based on the Capital Market Authority Law issued under royal decree no. m/30, dated 02/06/1424H, and amended under the Capital Market Authority Board resolution no. 1-07-2021, dated 01/06/1442H (corresponding to 14/01/2021G).
Lead Manager	Alinma Investment Company.
The Management	Management of the Arabia Insurance Cooperative Company.
Net proceeds	The net proceeds of the subscription after deducting the subscription expenses.
Offering/Subscription Price	10 Saudi Riyals per share.
Offered Shares for subscription	26,500,000 ordinary shares.
Subscription Eligibility Date	End of trading on the day of the Extraordinary General Assembly, which votes on the proposed capital increase, according to the recommendation of the Board of Directors, on 02/07/2021H (corresponding to 02/07/2021G).
Rump Offering	Offering any remaining unsubscribed shares by Eligible Persons to investment institutions by offering them during the Rump Offering Period.
Remaining Offering Period	In the event of remaining unsubscribed shares, subscription to these shares will start on 03/07/2021H (corresponding to 03/07/2021G). From 10:00 in the morning until 5:00 in the evening of 03/07/2021H (corresponding to 03/07/2021G).
Rump Offering Price	The price at which the remaining shares are offered to investment institutions to submit their offers to subscribe for during the Rump Offering process, which is equal to the Offer Price of ten (10) Saudi Riyals per share.
Total proceeds of the Rump Offering	The amount resulting from the sale of the remaining shares.
Eligible Persons	It includes both Registered Shareholders and those who purchased the Rights during the Trading Period.
Trade of Rights	Eligible Persons can trade in the Rights by selling or buying them in the Saudi Tadawul "Tadawul".
Registered Shareholders	Shareholders who own Shares at the end of trading on the day of the Extraordinary General Assembly for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly for the capital increase.

Official Gazette	Umm Al-Qura newspaper, which is the official newspaper of the Government of the Kingdom of Saudi Arabia.
The Person	The Normal person.
Prospectus	This document prepared by the Company in connection with the subscription to Rights Issue Shares.
insurance policy holder	A person who holds insurance policies issued by the Company or acquired under the acquisition process, according to the Company's records.
Reinsurance	The process by which an insurance company or reinsurer insures or reinsures another insurer or reinsurer against all or part of insurance or reinsurance risks.
Reinsurer	A reinsurance company that accepts insurance contracts from another insurance company for all or some of the risks it bears.
Saudi Central Bank (SAMA)	The Central Bank of Saudi Arabia (formerly Saudi Arabia Monetary Agency), which is the agency responsible for supervising the financial sectors authorized to operate in the Kingdom of Saudi Arabia, such as (banks, insurance companies, finance companies, exchange institutions, and credit information companies).
Riyal	Saudi Riyal is the official currency of the Kingdom of Saudi Arabia.
Lebanese Lira (LL)	The official currency of Lebanon.
Jordanian Dinar (JD)	The official currency of the Kingdom of Jordan.
Fiscal year(s)	It is the period specified for presenting the result of the entity's activity, the beginning and end of which are determined in the Article of Association or By-Laws of the concerned company, bearing in mind that the Company's fiscal year ends on 31 December.
Shareholder	A shareholder or owner of stake at a specified time.
Shares	The company's 26,500,000 ordinary shares at a nominal value of SAR 10 per share.
Alinma Investment Company	Alinma Investment Company, a company licensed by the Capital Market Authority to carry out management, advise, arrange, deal and custody in securities, and is 100% owned by Alinma Bank.
Investment Institutions	<p>It includes a group of institutions, which are as follows:</p> <p>The Government of the Kingdom, or any international body recognized by the Authority, or the Exchange and any other financial market recognized by the Authority, or the Depository Center.</p> <p>Investment companies acting for their own account.</p> <p>Authorized persons acting on their own account.</p> <p>Clients of a person authorized to engage in management business, provided that the offering is to that authorized person, and that all related communications are made through him, and that the authorized person has been appointed on conditions that enable him to take decisions regarding the acceptance of the private placement of securities on behalf of the client without the need to obtain prior approval.</p> <p>Persons registered with the authorized person if the offering is made by the same authorized person.</p> <p>Specialized investors.</p> <p>Any other persons designated by the Authority.</p>
The Ministry of Investment	The Ministry of Investment in the Kingdom of Saudi Arabia (formerly the General Investment Authority).
Zakat, Tax and Customs Authority	The Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia (formerly the General Authority of Zakat and Income Tax).
Saudi Organization for Auditors and Accountants	Saudi Organization for Auditors and Accountants

Subscriber	Any person who subscribes or submits an application to subscribe to the Rights shares in accordance with the terms and conditions of the Company's shares issuance.
Surplus distribution	The method by which the profit of an insurance or reinsurance company is distributed to policyholders
Tadawul System	The automated system for trading of stocks.
Technical Provision (Reserves)	These are the amounts that the company allocates to cover expected losses resulting from the policies of a type of insurance and the resulting financial obligations.
Insurance premium deficiency reserve	It is an estimated provision determined by the actuary based on the expected loss ratio for the remaining part of the risk and usually arises when the actuary believes that the prices of the policies are not sufficient to cover future claims related to them.
Underwriter	Alinma Investment Company
Underwriting Agreement	Underwriting Agreement between the Company and the Underwriter
«S&P»	<p>Standard & Poor's, an American company specialized in credit rating and the development of indicators to measure the performance of financial markets in various global markets, in addition to providing analysis services and specialized studies for many companies listed in international markets. Standard & Poor's long-term credit ratings are divided into two grades: 'investment grade' and 'non-investment grade'. The investment grade ratings are in turn divided into four grades:</p> <p>“AAA” (Extremely Strong ability to meet obligations, Best Rating), “AA” (Very strong ability to meet financial obligations, just below AAA), “A” (strong ability to meet financial obligations but debtors of this grade can be more affected by changes and economic conditions than debtors of higher grades), “BBB” (Sufficient capacity to meet financial obligations, but unfavorable economic conditions and changing conditions may lead to poor ability to meet financial obligations).</p>
«AM Best»	<p>AM Best is an American company established in 1899G, specialized in the field of credit rating, focusing on all organizations operating in the insurance sector worldwide. AM Best's credit ratings are divided into two grades: 'investment grade' and 'non-investment grade'. Investment grade ratings are further divided into four grades: “bbb” (good), “a” (excellent), “aa” (outstanding), and “aaa” (exceptional).</p> <p>AM Best's financial strength ratings are divided into two grades: “safe” and “unsafe”. The “safe” ratings are in turn divided into three grades: “good” (B++, B+), “excellent” (A, A-), and “outstanding” (A++, A+).</p>
Moody's Investor Service / Moody's	Moody Agency, an American agency specialized in economic research, financial analysis, and evaluation of private and government institutions in terms of financial and credit strength.
Fitch Rating	Fitch Ratings is an American agency specialized in the field of credit rating. Fitch Ratings has different credit ratings, the most important of which are: “AAA” (which is for companies with the highest credit capacity), “AA” (which is for very excellent credit companies), and “A” (which is for credit-worthy companies), and “BBB” (which is for credit-good companies).
Actuarial Report	It is a memorandum prepared by the actuary and contains the statistical theories and various possibilities on the basis of which services are priced, liabilities are evaluated, and provisions are calculated.
Chain ladder method	It is one of the most prominent actuarial methods for calculating the incurred and unreported accident reserves, depending on the historical patterns of claims development, and assuming that the claims will continue to develop according to the historical pattern.

Expected Loss Rate Method	It is an actuarial method used to calculate the provisions of incurred but not reported accidents dependent on the expected loss rate based on the pricing bases of the product / set of policies. The amounts of claims recorded in the Company's records are deducted from the total expected claims to obtain the recommended provision.
Bornhuetter-Ferguson Method	It is a combination of the expected Loss Rate method and the Chain Ladder method, which is used when historical patterns of development of claims are not reliable alone.

2. Risk Factors

In addition to the other information contained in this Prospectus, all prospective investors should carefully consider all risk factors described below before deciding whether to invest in the Offer Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to, or considered immaterial by, the Company, which may preclude its operations. The Company's business, financial condition, results of operations, cash flows and prospects, could be materially and adversely affected if any of the following risks actually occur or become material.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section. Prospective investors who have doubts about which actions to take should refer to a Financial Adviser licensed by the CMA for advice about investing in the shares of this Offering.

An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Any potential investor who has any doubt about IPO in the Company should seek advice on these investments from a Financial Adviser licensed by the CMA.

In the event that any of the risks that the Company currently believes to be material do occur, or if any other risks that the Company does not currently consider to be material do occur, the value of the Offer Shares could decrease and prospective investors could lose all or part of their investment in the Offer Shares.

The risks described below are presented in an order that does not reflect their importance. Additional unknown risks and uncertainties or those deemed immaterial now, may have the impacts shown in this Prospectus.

2-1 Risks Related to the Company's Activity and Operations

2-1-1 Risks Related to Insufficient Capital and Minimum Capital Requirements

According to Article Sixty-Six (66) and Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Central Bank, insurance companies must maintain certain levels of solvency for various types of businesses. According to Paragraph (a) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, if the actual solvency margin becomes between (75%) to (100%) of the required solvency margin, then the Company shall work to amend this percentage to become at least (100%) during the next quarter. For insurance companies not complied with adequate levels of solvency in accordance with Paragraph (c) of Clause (2) of Article Sixty-Eight (68) of the Regulations, the Central Bank imposes on them a series of measures to correct their situations, including:

1. Increase of the Company's capital.
2. Adjustment of prices.
3. Reduction of costs.
4. Stop accepting any new subscriptions.
5. Liquidation of some assets.
6. Any other procedure deemed appropriate by the company and approved by the Central Bank.

2-1-2 Risks Related to Accumulated Losses

The Company's accumulated losses as of 31/12/2020 were 16.6% of the capital (SAR 43,978,974) and there are no guarantees not to register additional losses. If the accumulated losses reach (20%) or more of the Company's capital, the Company will be subject to "the procedures and instructions for listed Companies in the market". If the accumulated losses are (50%) or more, the Company will be subject to a number of the most stringent requirements, in particular Article (150) of the Companies Law which oblige any official or auditor of the Company, after his knowledge of the accumulated losses of the Company reached (50%) or more of its capital, to inform the Board Chairman who shall immediately inform the Board members of that. The Board of Directors must, within (15) days of their knowledge, invite the Extraordinary General Assembly to a meeting within (45) days from the date of the Board's knowledge of the losses to decide, either to increase or decrease the Company's capital to the extent that the percentage of losses decreases to less than half of the paid-up capital, or to dissolve the Company before the term specified in its Articles of Association. The Company would be considered terminated by the force of the regulation if the Extraordinary General Assembly did not meet during the period specified above, or if it met and could not issue a decision in this matter, or if it decided to increase the Capital in accordance with the conditions stipulated in Article 150 of the Companies Law, and the entire Capital increase has not been subscribed to within (90) days from the Assembly's decision to increase it. In the event that the Company is terminated according to Article 150 of the Companies Law or by a decision of the Extraordinary General Assembly, this will negatively and substantially affect the Company and its financial results and future prospects. It should be noted that on 16/03/1442H, the Royal Decree No. (15016) was issued regarding the suspension of some provisions of the Articles of Companies

Law, including the suspension of applying paragraph (2) of (Article 150) of the Companies Law for two years from 01/08/1441H (corresponding to 25/03/2020G).

2-1-3 Risks Related to Penalties by the Competent Regulatory Authorities

The Company's business is subject to many regulations and instructions issued by the Saudi Central Bank, the Capital Market Authority (CMA), the Cooperative Health Insurance Council and a number of other regulators. Accordingly, the Company is subject to inspection and observation tours, which may result in penalties in case of non-compliance with laws, regulations and instructions or delay in fulfilling any of them. The Company may be exposed to a number of penalties and fines imposed by the Central Bank and the CMA, including suspension of some or all of its business, or suspension of trading its shares, which will adversely and substantially affect its business, financial condition and future prospects.

In the course of its normal business, the Company has committed some procedural irregularities resulting from inspection visits by Central Bank during the past three years are as follows:

- On 21/06/1441H (corresponding to 16/06/2020G), the Central Bank recorded a violation to the Central Bank's supervisory and control instructions, which resulted in a fine of SAR 50,000 on the Company.
- On 29/12/1441H (corresponding to 19/08/2020G), the Central Bank recorded a violation to Central Bank's supervisory and control instructions, resulting in a fine of SAR 160,000 on the Company.
- On 17/12/1442H (corresponding to 17/12/1442), the Central Bank recorded a violation of the Central Bank's instructions for practising the due diligence regarding money laundering and financing terrorism, resulting in a fine of SAR 100,000 on the Company.
- On 30/04/1442 H (corresponding to 15/12/1442), the Central Bank recorded a violation of the Central Bank's supervisory and control instructions, which resulted in a fine of SAR 10,000 on the Company.

The total fines incurred by the Company for the last three years 2018, 2019 and 2020, were three hundred and twenty thousand 320,000 Saudi Riyals. It should be noted that the Company has paid all the above fines. Other than what is disclosed in this Risk, the Company has not registered any irregularities of other regulators. If the Company continues to get violations and fines, this will affect the Company's operational expenditures and accordingly will adversely and significantly affect its business and financial condition.

2-1-4 Risks related to the Inability to Implement the Strategy

The Company's ability to increase its revenues and improve its profitability depends on the effective implementation of its business plans and successful implementation of its strategy including, but not limited to, improvement of current activities in which the Company operates or entering new activities. The Company's ability to expand its business in the future depends on its ability to continue implementing and improving its operational, financial and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate and maintain its workforce. Moreover, any business expansion plans that the Company intends to undertake in the future will be subject to the estimated costs and the schedule of implementation set for them and may need additional funding to complete any expansion plans. If the Company is unable to implement the expansion plans according to the schedule set for them with the estimated costs of the project or in the event that the desired profitability of these projects is not achieved, due to various reasons, including a change in the market situation at the time of implementation of these projects or a defect in the feasibility study, the Company's competitive position as well as its results of operations and profitability will be adversely affected.

The Company's ability to implement its current strategy is subject to various factors, including what is outside its control, and there are no guarantees that no defect, failure or sudden interruption in the work of production lines will occur during the expansion process, or that the employees appointed by the Company or the systems, procedures and controls it adopts will be sufficient to support future growth and expansion and successfully achieve its strategy. In the event that the Company fails to implement any part of its strategy for any reason, this will have a negative and fundamental impact on the Company's business, results of operations, financial condition and future prospects.

2-1-5 Risks related to Credit

Credit risk arises when one party is unable to fulfill a specific financial obligation to the other party. The Company may face credit risk in several temporary or permanent cases, including failure of reinsurers to fulfill their obligations from settlements, the existence of debit balances from clients, failure of other creditors to fulfill their obligations towards the Company, and others.

It should be noted that the doubtful debt provision has reached SAR 76.8 million as on 31 December 2018, and SAR 90.3 million as on 31 December 2019G, as a result of due payment delay by customers, resulting in high payments and low value SAR 142.2 million as on 31 December 2018 to 159.0 million Saudi Riyals as on 31 December 2019.

The doubtful debt provision declined to SAR 62.6 million as on 31 December 2020 as a result of the decrease of arrears and

low-value amounts to SAR 124.5 million as on 31 December 2020, due to writing off accounts receivables amounting of SR 19.5 million, in addition to collecting part of the receivable premiums and arrears of underwritten accounts receivable premiums (for more information, please refer to “Movement in doubtful debt provision” of Section 5 (5) “Financial Information, Management Discussion and Analysis” of this Prospectus.

Pursuant to Article (6) of the Unified Compulsory Motor Insurance Policy issued by the Central Bank, insurance companies are required to indemnify third party/parties (other than the insured) for the consequences of accidents covered under the insurance policy against third parties. Insurance companies have the right of recovery from the insured, the driver or the person causing the accident to recover the amounts paid to the third party. Therefore, recovery from the insured, the driver or the person causing the accident to recover the paid amounts may results in risks of failure or procrastination by some people to repay the amounts due from them, which will adversely affect the Company's financial condition and results of operations.

2-1-6 Risks related to Credit Rating

As of the date of this Prospectus, the Company has no credit rating, and in the event that it applies for a credit rating, then there is no guarantee that the Company will obtain any rating, and even if it obtains the credit rating, it also does not guarantee that, such rating will be good and reflect the Company's condition in the event that the Company's risks are high, which may adversely and materially affect the Company's financial condition and the results of operations.

2-1-7 Risks Related to Claims Management Process

Pricing of the Company's insurance products, as well as reserves for claims, is dependent on the period between notification of claims, processing of claims, and compensation of policyholders. Efficient and effective claims management depend, among other things, on having well-trained personnel who make accurate and timely compensation decisions regarding claims processing.

Inefficiencies in the administration and payment of claims can lead to incorrect compensation decisions, wrong decisions about the creation of the claim's reserves and/or payment, increased fraud, incorrect management information about the reserve and pricing. This leads to additional claims and related costs and expenses for processing claims, as well as increase of risks involved in unsuitable technical claims and/or pricing models. These risks increase when the period between the claim and its payment increases. If the Company's administrative handling of claims proves to be inefficient or ineffective, or is exposed to costs or expenses that exceed expected rates, the Company may have to change pricing models and/or increase prices, which may result in loss of the Company's business and increase in technical claims reserves. These additional costs or the effects of inflation may harm the Company's profitability, which will have a negative and material impact on the Company's business, results of operations, financial condition and future prospects.

2-1-8 Risks related to Transactions of Related Parties

In the course of its normal business, the Company deals with related parties for insurance premiums and paid claims, with the value of total underwritten insurance premiums of SAR 6,332 thousand Riyals during the year 2020. The value of the total paid claims was SAR 1,616 thousand Saudi Riyals for the year 2020. If future transactions and agreements with related parties are not made on purely commercial bases, this will adversely affect the Company's business and financial condition, results of operations and future prospects. Please refer to sub-section “Transactions and Balances of Related Parties” from Section (5) “Financial Information, and Management Discussion and Analysis” of this Prospectus).

All transactions with related parties must be subject to the approval of the Board of Directors and the Ordinary General Assembly of the Company. In case of any transactions with future related parties, they will be presented to the nearest General Assembly. If the Company's General Assembly does not approve these transactions, the Company will have to search for other non-related parties to deal with them to implement the works assigned to related parties. It should be noted that the Company is committed to presenting transactions with the related parties to the General Assembly.

2-1-9 Risks Related to Inadequacy of Provisions and Reserves

As per the Article 69 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company shall maintain adequate provisions to meet and cover financial obligations as below:

1. Unearned Premium Reserves
2. Unpaid Claims Reserves
3. Claim Expense Reserves
4. Incurred but not Reported (“IBNR”) Claims Reserves
5. Unexpired Risk Reserves
6. Disasters Risk Reserves
7. General Expenses Reserves

Table 1 : Amounts of Reserves

Provision (SAR '000)	Fiscal Year Ending 31 December		
	2018	2019	2020
Outstanding Claims (under settlement)	82,739	83,704	80,887
Incurred but not Reported Claims	55,826	64,488	59,982
Total Unearned Premium Reserves	149,402	148,602	140,803
Insurance premiums deficit reserve and other reserves	10,799	15,159	15,630

Source: The Company

The size of reserves depends on future estimates and it might prove to be inadequate in any period. In case the actual claims exceeded the claims reserve, the Company would have to increase its reserves. Reserves established for future insurance policy claims may prove to be insufficient and the Company will then need to increase reserves, which will adversely and substantially affect its financial condition, cash flows and results of operations.

2-1-10 Risks Related to Contingent Liabilities

Some contingent liabilities may arise on the Company as a result of any liabilities or costs related to the Company's activity such as employee end of service benefits. As of 31 December 2020, the Company has contingent liabilities resulting from bank guarantees amounting SAR 2.7 million in favor of various service providers. The Arab National Bank has retained the value of that amount from the Company's current account. That amount is liabilities resulting classified under the expenses paid in advance and other assets in the balance sheet statement. Please refer to "Transactions with Related Agencies" of Section (5) "Financial Information, and Management Discussion and Analysis" of this Prospectus. In case these liabilities are realized, they will adversely and substantially affect the Company's financial condition, results of operations and future prospects.

2-1-11 Risks related to Potential Zakat Dues and Additional Claims

The Company has submitted its Zakat and tax returns since its establishment in 2007 and until 31 December 2020, i.e. submitted for the last thirteen years. The company has received a final certificate for the fiscal year ended 31 December 2020. The Company also finalized its Tax and Zakat situation until the end of 2011, and received from Zakat, Tax and Customs Authority its Zakat and tax assessments for the years from 2012 until 2018, which included differences from the Company's returns. As a primary procedure, the Company discussed and submitted an objection to Zakat, Tax and Customs Authority resulted in partial acceptance by the Zakat, Tax and Customs Authority with different dates due to difference in dates of receiving the assessments and dates of submission of the objection to them, according to which the value of the differences after the partial acceptance reached SAR 25,967,092.77. The Company paid on 1 March 2021 the amounts resulting from that, as it paid SAR 519,794 and submitted an appeal regarding the withholding tax assessment to the First Committee for Settlement of Tax Violations and Disputes on 8 March 2021.

On January 4, 2021, the Company appealed the decision of the First Committee issued against the Company regarding its grievance on the Zakat assessments related to the year 2014. On March 3, 2021, the Company paid the amounts resulting from the items of differences related to income tax only resulting from the decision of the First Committee to Settle Tax Disputes with a value of SAR 8,443.78, related to the year 2014.

The company cannot predict whether the Zakat, Tax and Customs Authority will accept the company's objection or accept its appeal, or ask the Company to pay Zakat differences in the future for previous years. If the objection is rejected or if the Zakat, Tax and Income Authority does not accept the Company's appeal, this will have a negative and material impact on the Company's profits, results of operations and future prospects.

2-1-12 Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates

The Company is required to obtain and maintain the various regulatory permits, licenses and approvals regarding its activities. These licenses include, but not limited to, Central Bank license, Cooperative Health Insurance Board license, product licenses obtained by the Company from the Central Bank, Municipality licenses for opening branches, Company registration certificates issued by the Ministry of Commerce, Chamber of Commerce membership certificates, Trademark registration certificate, Saudization certificates, Zakat certificates, and GOSI certificate (for more information, please see "Licenses and Permits under which the Company Operates" of Section (9) "Legal Information" of this Prospectus). In addition, most licenses, testimonies and permits are subject to conditions under which they may be suspended, if the Company fails to meet and adhere to those conditions.

All Companies licensed by the Ministry of Investment shall apply for amendment of their licenses according to any amendments in their data, including, as example, the capital increase or modification of the commercial name or open branches.

The presence of Al Arabiya Company, which owns 19.2% in the Company and the Jordanian Insurance Company, which owns 9.22% in the Company, as foreign shareholders within the founding shareholders (please refer to sub-section 3.5) "Major Shareholders" of Section 3) "Background of the Company and Nature of its Business" of this Prospectus), resulted in considering the Company as a foreign capital company, and therefore the Company shall remain obliged to compliance with the Ministry of Investment regulations and instructions as long as the founding shareholders still own shares in the Company and the Company has not been transferred from a Company of foreign capital to a Company with a GCC capital or a national Company.

It should be noted that as of the date of this Prospectus, the Company has the number of commercial licenses and records under renewal (please refer to sub-section 9.7) "Approvals, Licenses and Government Certificates" of section (9) "Legal Information" of this Prospectus). The inability of the Company to renew its current licenses, permits and certificates, or to obtain any licenses necessary for its business, or if any of its licenses are suspended or expired, or if any of those licenses were renewed on conditions that are not appropriate for the Company, or in the event that the Company is unable to obtain the additional licenses that may be required of it in the future, this may expose the Company to stoppage and inability to carry out its work such as closing some of branches and outlets, which will result in disruption of the Company's operations and incurring additional costs, and consequently, will adversely affect the Company's business, financial condition and future prospects.

2-1-13 Risks associated with Foreign Capital in the Company

The foreign investors' ownership percentage of the Company's capital is (28.42%) as of the date of this Prospectus. Al Arabiya Company owns 19.2% of the Company's capital, while the Jordan Insurance Company owns (9.22%) of the Company's capital. As is known that the ownership of foreign investors in Saudi companies is subject to the Foreign Investment System issued under Royal Decree No. (M/1) dated 15/01/1421H and its implementing regulations issued under No. 1/20 dated 13/04/1423H, which stated number of practices and violations to the provisions of the Foreign Investment System and its Implementing Regulations. If foreign investors commit them, they will be subject to a number of sanctions in accordance with the Foreign Investment System, which may reach the cancellation of the foreign investment license.

Practicing or committing any violated provided for in the implementing regulations of the Foreign Investment System, may expose the foreign investor to penalties reaching cancellation of license and thus cancelling his ownership in the Company. Since the foreign investors in the Company are founding shareholders, the loss of one of the founding investors in the Company will adversely and substantially affect the Company's business, financial condition and future prospects.

2-1-14 Risks Related to Contracts with Third Parties

The Company has entered into a number of contracts and agreements with third parties related to the field of insurance, such as reinsurance contracts, insurance brokerage contracts, insurance agency contracts, reinsurance contracts and claim settlement finalization contracts, as well as other service contracts and consulting contracts (for more details, please see sub-section (9.8) of Section (9) Legal Information.

Most agreements with third parties are subject to the support bylaw issued by the Saudi Central Bank for insurance companies, reinsurance companies and freelancers, under which they are required to obtain the approval of the Saudi Central Bank before any assignment to substantial tasks. The Company depends on the ability of these Parties to provide reliable and continuous services, especially with regard to IT services, settlement of claims and actuarial consulting services. Also, the Company's ability to grow and meet the needs of its client relies on effective and experienced external sources for performance of specialized functions and services. However, it can not be emphasized that these parties will be at the level of the Company's aspirations in providing services. The Company has no direct or financial control over its main service providers or external source partners, and it can not certainly predict the unexpectedly termination of any external sources contracts.

2-1-15 Risk Related to Litigation

The Company in the course of its work may be subject to issues and suits related to its general operations, insurance operations, conflicts and claims related to insurance coverage. The Company does not guarantee that no dispute may occur with other parties dealing with it and with policyholders, which may lead to filing lawsuits with relevant jurisdictions, either by the Company or against the Company. As a result, the Company may be vulnerable to judicial claims from government agencies, departments and investigations, including the context of new controls on the insurance sector in the Kingdom. Of course, the Company cannot expect the results of those claims if they occur, and the Company does not guarantee that these claims will not have significant impact on its business, financial condition and results of operations. The Company cannot exactly expect the cost of lawsuits or judicial proceedings that it may file or be filed against it or the final results of these suits or the issued rulings and what compensation and penalties they include, and thus any negative results for such suits will adversely affect Company

Other than what is disclosed in this section, and subsection (9.10) "Disputes and Judicial Suits" of section (9) "Legal Information" of this Prospectus, the Company is not a party to any lawsuit, claim, arbitration or administrative procedures, collectively and individually, beyond its usual framework or will substantially affect its business or financial condition. There are claims against the Company in front of the conflict settlement and insurance violations committees relating to claims for insurance policies for various types of products such as vehicle insurance or blood money claims (money payable for unintentional human death offense), and "Al Arsh" (money payable for unintentional body parts offense), medical mistakes insurance.

With regard to claims against the Company, the Company has a restricted enforcement request in front of the enforcement courts against Saudi Oger for implementation of a judicial ruling issued on 25/11/1439H (corresponding to 07/08/2018G) in favor of the Company by the Dispute Settlement and Insurance Violations Committee due to failure of Saudi Oger Company to pay SAR 40,081,256, as the entire due premiums are estimated at SAR 113,080,973. As of the date of this Prospectus, SAR 72,999,717 were repaid by Saudi Oger Company for due medical insurance premiums. It should be noted that the Company has applied to the Enforcement Court in Riyadh requesting enforcement of the resolution and payment of the due amount from Saudi Oger Co. Ltd. However, Saudi Oger Co. Ltd. is under the liquidation, and as of the date of this Prospectus, the Company has not been provided with the expected date of liquidation of Saudi Oger Co. Ltd. by liquidation trustees. On 27/10/1442H (corresponding to 08/06/2121G), the Company provided documents required liquidation trustees assigned for Saudi Oger Limited. The Company was initially added to the list of creditors (for further details, please refer to subsection (9.10) "Disputes and Judicial Suits" of Section (9) "Legal Information" of this Prospectus).

2-1-16 Risks Related to Reinsurance

Based on its activities, the Company must reinsure its insurance portfolio with reinsurance companies in order to reduce insurance risks. According to paragraph (2) of Article (40) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Company must keep at least thirty percent (30%) of the total premiums inside the Kingdom. (The Company is currently not complying with this condition, as the reinsurance rate is within 5.5% of the total premiums as of 31/12/2020) because of the limited capabilities of the reinsurance companies in the Kingdom of Saudi Arabia.

According to Article (21) of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Central Bank may impose a fine of up to One Million Saudi Riyals on companies that do not adhere to the aforementioned percentages. As of the date of this Prospectus, the Company has not received a warning or audit by the Central Bank for its noncompliance with the condition of reinsurance of at least (30%) of the total premiums within the Kingdom. The company may receive a fine regarding this, which will negatively affect the its business, results of operations, financial condition and future prospects.

On the other hand, the market conditions, which are beyond the Company's control, determine the availability of the appropriate reinsurance operations with regard to cost and time, as well as the financial strength of reinsurance companies, and also the receipt of amounts due from future reinsurers. Like the insurance sector, the reinsurance sector is a periodic sector and subject to significant losses in the market, which will adversely affect reinsurance, terms and availability of insurance and the capacity of reinsurers to pay the claims submitted by the Company. Similarly, the desire for risk between the reinsurers may change, which could lead to changes in prices or the desire for reinsurance of some future risks. The additional regular reinsurance changes may lead to incompatibility between the regular requirements for insurance companies and coverage available with the reinsurers. If any of these incidents or any substantial changes in reinsurance prices occur, the Company may have to bear additional reinsurance expenses or to obtain re-insurance, or may not be able to obtain appropriate re-insurance coverage, and therefore, will become vulnerable to increase of retained risks and the possibility of increasing losses. In the event that the reinsurers do not offer to the Company renewal of their products and services, for any reason, there is a risk that the Company may not be able to find an alternative coverage for previous reinsurance agreements at acceptable prices, and the Company may be exposed to reinsurance losses during any period between termination of the existing agreements and the start of any alternative coverage. If there is any shortcoming of the Company's insurance, the Company will also be exposed to major losses, which will have a negative and substantial impact on its financial conditions and business results.

2-1-17 Risks Related to Reinsurance Concentration

The Company reinsures with several reinsurance companies to secure its insurance portfolio, and that may expose the Company to risk of default by the other party. As of the date of this Prospectus, the Company reinsures with (94) reinsurance companies inside and outside the Kingdom (for more information, refer to Subsection (9.8) "Reinsurance Agreements" of Section (9)) "Summary of Substantial Contracts" of this Prospectus). Total reinsurance premiums constituted (106,629) Thousand Saudi Riyals. The top three reinsurance companies have been dealt with by the Company during 2020 (54%) of the total reinsurance premiums, are, the Saudi Reinsurance Company, a company within the Kingdom, as well as Hanover Reinsurance and Swiss Reinsurance Company from outside the Kingdom. In the event of insolvency or bankruptcy or the occurrence of any distress for one of the reinsurers, this will adversely and substantially affect the Company's financial condition and position, results of operations and future prospects.

2-1-18 Risks related to Reliance on Insurance Brokers

The Company depends in carrying out its activities and distributing its products and services through the network of insurance brokers in the Kingdom. The percentage of distribution of the Company's products by insurance brokers with whom the Company deals was (35%), (33%) and (48%) of the total written premiums as of December 31, 2018 and 2019, and 2020, respectively. The Company agreed with 23 insurance brokers in 2018G, 30 insurance brokers in 2019G and 40 insurance brokerage companies in 2020.

The inability of the Company to renew contracts with brokers, or the Central Bank imposing suspension penalty for one of the brokerage firms contracted with the Company, or the inability of the Company to secure contracts with other brokers under appropriate terms to the Company, may lead to losses incurred the Company, and as such may adversely and substantially affect the Company's financial condition, results of operations and future prospects.

2-1-19 Risks related to Reliance on non-Saudi Employees

The percentage of non-Saudi employees as at the date of this Prospectus constitutes about (30%) of the total employees in the Company, which may adversely affect the Company's business results, financial condition and operational results if it is unable to maintain its non-Saudi cadres or find replacements for them with the same skills and required expertise or if a change occurs in the policies and regulations of the Ministry of Human Resources and Social Development, resulting in an increase in the rate of Saudization of the sector.

The government of Saudi Arabia has also taken a number of other decisions that aim to implement comprehensive reforms in the labor market in the Kingdom, which included imposing additional fees on every non-Saudi employee working for Saudi institutions as of January 1, 2018, by (SAR 400) per month for every non-Saudi employee in 2018, increasing to SAR 600 per month in 2019, and then to SAR 800 per month in 2020. This will increase government fees to be paid for the Company's non-Saudi employees (as of the date of this Prospectus, the number of non-Saudi employees is (62) representing 30% of the total employees. (Please refer to the subsection (3.17) "Employees and Saudization" of Section 3 "Background of the Company and Nature of its Business" of this Prospectus). Since the Company relies on a high percentage of non-Saudi employees, which will lead to an increase in government fees that the Company bears for every non-Saudi employee in terms of work licenses and residence permits, which leads to an increase in the costs of the Company. The fees applicable to non-Saudi employees amounted to SAR 288,000 and SAR 432,000 and SAR 564,000 as at 31 December 2018 and 2019 and 2020, respectively. In case of increasing fees applicable to non-Saudi employees, this may adversely affect the Company's business, financial performance and results of operations.

2-1-20 Risk Related to Risk Management Policies

The Company follows the risk management policies and makes continuous follow up and update to them through the Risk Management Committee, and then submits recommendations to the Board of Directors. This is in line with the implementing regulations of the Cooperative Insurance Companies Control Law and Risk Management Regulations for insurance companies issued by the Central Bank, which are evaluated and updated periodically. Failure to properly implement and update the policies, or the inability of the management to identify risks and evaluate them in a timely manner will expose the Company to various risks, including but not limited to, non-compliance with the Cooperative Insurance Companies Control Law and its regulations, which may expose the Company to various actions contained in the system, including the withdrawal of the Company's license, which will adversely and substantially affects the Company's financial condition, results of operations and future prospects.

2-1-21 Risks Related to Investment

The Company's operations and results will partially depend on the performance of its investment portfolio. Investment results are subject to a number of investment risks, including risks associated with general economic conditions, market fluctuations, volatility of interest rates, liquidity and credit risks (for more information, refer to the subsection "Investments" of Section (5)"Financial Information, Discussion and Management Analysis of this Prospectus).

The inability of the Company to balance its investment portfolio and its suitability with its liabilities, will lead to poor investment performance of the portfolio and may lead to the liquidation of its investments at inappropriate times and prices. Managing these investments requires an effective management system, follow-up and a high ability to choose the quality and diversity of investments. In the event of a decrease in the Company's returns resulting from the investments, this will lead to the Company incurring losses that may negatively and materially affect its financial condition, financial position, results of operations and future prospects.

2-1-22 Risks Related to Poor Assessment of Risks

The Company studies potential risks before issuing insurance policies to the applicants based on the actuary's report. This study is conducted by actuary expert who examines the patterns of risk development and future prospects based on historical performance. The potential risks may not be estimated accurately and therefore the Company may incur losses that adversely and materially affect its financial condition, results of operations and future prospects.

2-1-23 Risks related to the Financial Performance

The Company obtained no objection from the Central Bank to increase its capital on 18/08/1440H (corresponding to 23/04/2019G) after submitting its future work plan. The Company's plan is based on assumptions, the most important of which is the digital transformation, using of the latest technology, developing customer's experience, reducing the operational costs and progressive growing in written premiums and improvement of technical performance of the main sectors. There is no guarantee that the Company will implement the entire assumptions provided, and it fails to apply specific assumptions, its performance and future results will be adversely and significantly affected.

2-1-24 Risks related to Dependence on Key Personnel and attraction of competencies

The Company depends on the experiences and capacities of key personnel. Therefore, the Company's success may depend on its ability to ensure continuity of these competencies and find alternatives if they leave the Company, as it depends on how far it will be successful in maintaining relationship with customers by retaining its employees and ensuring their continuity, and its ability to attract new qualified staff and ensure continuity of their retention.

There is no assurance that the Company can retain the services of its employees. The Company may also need to increase the salaries to ensure the continuity of its employees or attract new staff with appropriate qualifications which may have negative impact on the Company's financial condition. All this may lead to the difficulty of maintaining some employees and the loss of one or more members of its senior management, sections or departments may obstruct the implementation of its work strategy. This will have a negative impact on its business, financial condition and results of operations.

2-1-25 Risk of Cancellation or Non-renewal of Insurance Policies

The Company may not be able to continue renewing insurance policies issued or to be issued in the future as expected. In case of non-renewal or cancellation of policies by policyholders, the level of written premiums by the Company will be affected in the coming years, which may affect the continuity of the Company or lead to incurring losses which would adversely affect the Company's financial results and future prospects.

2-1-26 Risks related to Translation of Insurance Policies

Some of the Company's insurance policies are written in Arabic and translated from English, but the translation of some items of the insurance policies offered by the Company are not accurate in clarifying some of the terms contained in the policy, which will lead to a dispute between the parties over the interpretation of the meaning of the policy. Courts and Judicial Committees in the Kingdom of Saudi Arabia rely on the Arabic text in the event of any dispute arises between the Company and one of its clients, which may expose the Company to enter into disputes with customers, and as such would adversely affect the Company's financial results and future prospects.

2-1-27 Risks related to Availability of Funding in Future

The Company may need to obtain loans and bank facilities to finance future expansion plans. It is worth noting that obtaining financing depends on the Company's capital, financial position, cash flows, guarantees provided, and credit record. The Company does not give any assurance or guarantee that it will obtain the appropriate financing if the need arises. Therefore, the inability of the Company to obtain funding for it needs from financing sources, or to get financing at acceptable preferential terms commensurate with the Company, will have a negative impact on the Company's performance, operational activities and future plans. It is worth mentioning that if the Company needs to borrow, it must meet specifically the regular and control requirements.

2-1-28 Risks related to the Increase in the Company's Liabilities

The increase in the Company's liabilities may pose a risk to the general financial position of the Company and its financial solvency, as the total liabilities percentage reached (60%) of total assets as of December 31, 2018, (67%) as of December 31, 2019, (65%) as of December 31, 2020G. Accordingly, the increase the Company's liabilities will adversely affect its financial position and increase financing costs. If that occurs, it will be difficult for the Company to fulfill its obligations, and will have a negative impact on the Company's business, financial condition, results of operations and future prospects. (For more information, please refer to subsection "Statement of Financial Position" of Section (5) "Financial Information and Management Discussion and Analysis" of this Prospectus).

2-1-29 Risks related to Cheating in Insurance Usage and Claims and other Fraudulent Activities

The Company is vulnerable to cheating and fraudulent dealings from various sources, such as its suppliers, brokers, customers and other parties. This includes customers who provide incorrect statements or fail to fully disclose the covered risks before pur-

chasing insurance coverage, and policyholders who make fraudulent claims or exaggerate those claims. It should be noted that the technical methods applied to cheating and fraud practices are constantly evolving, so they are difficult to detect. The Company does not guarantee the occurrence of any cases of cheating or fraud in any aspect of the Company's business, which in turn will lead to a negative and material impact on the Company's performance, operations and future plans.

2-1-30 Risk related to Operating Systems and Information Technology

IT systems in the Company support all its work and are necessary to provide the Company's services to its customers. The insurance sector depends significantly on electronic systems, this increases insurance companies - including the Company- exposure to risks of piracy and electronic attacks as well as deliberate penetration to data, networks and software. In addition, increasing the use of cloud services for data storage may lead to the increase the vulnerability of the Company to the risk of IT failure. For example, an electronic attack on the insurance network may lead to the Company's disability to provide services to its customers, which may damage its reputation and cause loss in revenues or financial penalties. Therefore, any failure to protect or use the data properly may be cause loss of customer data or unauthorized access.

The Company's IT systems are also subject to external and internal risks, such as harmful programs, code defects and attempts of penetrating the Company's networks and lack of updates, required modifications, data leaks and human errors. All that pose a direct risk to the Company's services and data. Other threats include equipment, physical attacks, stealing customer information, fire, explosion, floods, severe weather conditions, power outages and other problems that may occur during network upgrades or making other major changes as well as the failure of the suppliers in fulfilling their obligations.

If a partial or total collapse occurs in any of IT or communications systems, the Company's business activities may stop or severely get affected, and any discrepancies or accident or penetration can cause an interruption of the Company's operations or affect its capacity to provide services to the customers, and thus will negatively affect its income and operations. These disorders may also affect the company's image and reputation and reduce its customer's confidence, which may result in loss of some of its customers. In addition, the Company may have to bear additional costs to reform any damage caused by these disorders, and in all cases, this will have a negative and substantial impact on the Company's business, results of operations, financial condition and future prospects.

2-1-31 Risks related to the Protection of Trademarks

The company has a trademark registered with the Ministry of Commerce under (1439004833). This registration enables the Company to use the trademark and grant it the legal protection required in accordance with the trademark system (please refer to subsection 9.9) "Trademarks and Proprietary Rights" of Section No. (9) "Legal Information" of this Prospectus). The Company's ability to market its insurance products and develop its business depends on the use of its trademark and logo. Therefore, the inability of the Company to prevent violation of its rights in this regard will negatively affect its right in using its brand and will make its work more expensive, which will affect the Company's operational results. The Company's work will be affected more if it has to compete with similar trademarks.

2-1-32 Risks related to Occurrence of Natural Disasters and Work Interruption

All insurance companies are exposed to losses resulting from unpredictable events that may affect many risks covered by the Company, in particular large-scale weather events with regard to vehicle insurance or epidemics in the case of health insurance. Other events that can affect the Company and insurance policies include natural and unnatural events, including, but no limited to, snow or and storms, floods, winds, fires, explosives, earthquakes, industrial accidents and terrorist actions. The size of the Company's losses as a result of these disaster events depends on their frequency and severity of each event and reinsurance arrangements developed by the Company. Despite the Company's efforts to reduce its exposure to these events, determine appropriate price for them, or establish appropriate conditions for risk insurance, these efforts may not succeed. In addition, any disaster may affect the company's offices or any other sites, and thus will negatively affect the Company's business, financial condition and future prospectus.

2-1-33 Risks related to Non-compliance with the Quality Standards and Specifications required by Customers

The Company seeks to maintain the satisfaction of its customers by continuing to provide the same level of quality of its products. However, in the event that the Company is unable to continue providing its products with the same level of quality, this will adversely affect its reputation, and thus make customers reluctant to deal with it. This will negatively affect the Company's sales and accordingly its operational and financial transactions.

2-1-34 Risks related to Corporate Governance

In accordance with the laws, regulations, and instruction issued by the Capital Market Authority (CMA) and in particular the Corporate governance regulations issued under CMA Board resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017) based on the companies law issued by the Royal Decree No. (M/3) and 28/01/1437H (corresponding to 10/11/2015) and amended by the CMA Board resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2121), in addition to governance regulation of insurance companies issued by the Saudi Central Bank; The company's governance guide was established and approved by the Extraordinary General Assembly (second meeting) at its meeting held on 28/10/1437H (02/08/2016G). Also, in compliance with the requirements of the corporate governance regulations issued by the board of the CMA, in addition to the corporate governance regulation for insurance companies issued by the Saudi Central Bank, the General Assembly of the Company adopted on 09/09/1438H (corresponding to 04/06/2017G) the Audit Committee regulation and the Nominations and Remuneration Committee regulation and agreed on the modified policies, standards and procedures of the Board of Directors. The Board also adopted the Regulations of the Executive Committee and the Regulations of the Investment Committee and Regulations of the Risk Management Committee.

It should be noted that the company did not apply some guidance items of the corporate governance issued by the CMA board as follows:

- Article (41/e) which stipulated that "The Board of Directors shall take the necessary arrangements to get an assessment of a specialized third party for each three years" where the assessment is made internally,
- Article 95 for formation of the Company's governance committee. If the Company fails to comply with the corporate governance, it may be subject to penalties that may negatively affect its business, results of operations and prospects.

2-1-35 Risks related to the Outbreak of the Coronavirus "Covid-19"

At the beginning of 2020G, an infectious viral disease known as (Corona Virus, abbreviated "Covid-19") began to spread in most Countries of the world, including the Kingdom of Saudi Arabia, and as a result the World Health Organization classified it on March 11, 2020G as a pandemic, and called for taking necessary preventive measures to confront this virus and limit its spread. Accordingly, the Government of Saudi Arabia hastened to take strict decisions in this regard, resulting in, but not limited to, imposing a partial or total curfew in some cities and governorates of the Kingdom during the year 2020, closing airports and commercial complexes and all activities within them, with the exception of food stores and pharmacies during the current year, and reducing the number of working hours for some sectors and forcing some of them to work remotely.

It is worth mentioning that the precautionary measures taken by the Government to reduce the outbreak of the Corona virus (Covid-19), have significantly affected all economic sectors and therefore the need for insurance or insurance claims for damage realized from these closures. Since there is no expected date to the end of this pandemic until the date of this Prospectus, the Company cannot estimate the size of losses caused by the spread of this pandemic. It cannot guarantee that there will be no future consequences that will adversely and significantly affect the Company's business, financial flows, financial condition and future operations.

2-1-36 Risks Associated with Anti-Money Laundering and Combating the Financing of Terrorism Regulations

The Company is currently complying with the Anti-Money Laundering and Combating the Financing of Terrorism Regulations issued by the Central Bank of Saudi Arabia. the rules for combating money laundering and terrorist financing for insurance companies, the anti-money laundering system and its implementing regulations, the counter-terrorism crime and its financing system and its implementing rules. These regulations clarify the procedures that must be taken upon accepting any client, (Whether an individual or a company), and clarify the due diligence procedures that must be followed as well as the procedures for reporting suspicious transactions and other procedures. The Company is currently storing information about its customers through their computer systems. Failure to comply with anti-money laundering and combating terrorist financing regulations renders the Company subject to legal accountability and thus leads to the imposition of fines and/or penalties that the Company shall bear.

In the event that the Company does not comply with the anti-money laundering and combating terrorist financing regulations, this will result in imposing penalties by the regulatory authorities, and consequently, will have a negative material impact on the Company's business, financial condition, results of operations, profitability of shares and future prospects.

2-1-37 Risks related to the Company's Reputation

The reputation of the Company is very important to attract new clients, retain them and establish a strong relationship with counterparties. The Company's reputation can be harmed in future as a result of several factors, including but not limited to, decline or amending its financial results, legal or regulatory actions against the Company, or behavior of any of its employees, who may cause the Company to violate the applicable legal requirements. The damage to the Company's reputation will adversely affect its business, financial condition, results of operations, profitability of share and future prospects.

2-1-38 Risk of Employee Misconduct or Errors

The Company applies internal work bylaw, approved by the Ministry of Human Resources and Social Service, including provisions relating to disciplinary actions, and announced and posted that in an apparent place at the Company's headquarters to make the Company's employees aware of it and of penalties in case of misconduct. Although the Company cannot guarantee avoidance of employee's misconduct or errors such as cheating, deliberate and unintentional mistakes, embezzlement, fraud, theft, forgery and abuse of property and disposal on behalf of the Company without getting required administrative delegations. Such actions may result in consequences and responsibilities held by the Company, or regular penalties, or financial responsibility, which may adversely affect the Company's reputation. So, the Company cannot guarantee that the misconduct or violations by its employees will not cause substantial and negative damage to its financial condition or results of operations.

2-2 Risks Related to Market and Industry

2-2-1 Risks related to Compliance with Laws and Regulations

The Company is subject to the prevailing systems and regulations in the Kingdom related to the insurance sector, including the Companies law, the Cooperative Insurance Control System and its Implementing Regulations. It is also subject to supervision by the Saudi Central Bank, which is responsible for organizing the insurance sector in the Kingdom, including policies, rules, licenses, competitions, investment allocation, service standards, technical standards and settlement arrangements.

Since the insurance market in the Kingdom is considered one of the emerging and continuously evolving markets, this limits the Company's ability to respond to market opportunities, and may force it to incur large annual expenses to comply with the statutory laws and regulations. Therefore, the Company cannot provide any assurance that the regulations or the regulatory framework for the insurance sector in the Kingdom will not witness further changes that may negatively and substantially affect the Company's business, financial condition or results of operations. Likewise, if the Company does not comply with the applicable laws, regulations and instructions, it will be subject to statutory penalties, including fines, suspension of work and withdrawal of the license to practice insurance activity, which will adversely and substantially affect the Company's business, financial condition and future prospects.

As a listed company, the Company is subject to laws, implementing regulations, rules and requirements of the Capital Market Authority (CMA) and Tadawul Co. The CMA obliges the listed companies to comply with the rules of offering securities, the persistent commitments and special instructions issued by the CMA and the listing rules issued by Tadawul, in particular the obligation to periodically disclose the significant and financial developments and the report of the Board of Directors. Insurance companies shall also be committed to announce their financial results in accordance with models approved by the CMA, which shall include clear data such as the net profit (loss) before Zakat, surplus (deficit) of insurance operations deducting from it the returns of policyholders investments, the total written insurance premiums, net insurance premiums, net claims incurred, the net profits (losses) of policyholders investments, and net profits (losses) of shareholders investments... etc. and compare this data in the corresponding quarterly or annual period. In accordance with the persistent commitments guide for listed companies, the annual financial results should be published in Tadawul website derived from the audited financial statements and approved by the Company external auditor designated by the Assembly and approved by the Board. It is required to comply with the models of announcements mentioned in the instruction for the companies' announcements of their financial results. The Company shall also provide a statement of all reasons and effects of change in financial results for the current fiscal year with the comparison period, including reasons for all financial result announcement items.

It should be noted that for the solvency of the public stock companies, the CMA board issued on 23/01/1438H (corresponding to 24/10/2016G) the decision No. (1-130-2016) modifying the procedures and instructions for listed companies in the market which have accumulated losses of (50%) and more of their capital in light of the new Companies law. They were modified to become "procedures and instructions for listed companies in the market which have accumulated losses of (20%) and more of their capital, which were modified by the decision of the CMA, No. (1-77-2018) dated 05/11/1439H (corresponding to 18/07/2018H).

CMA has committed companies listed on the capital market by following the instructions for announcements of the joint stock companies listed on the capital market issued by the CMA Board resolution No. (1-199-2006) dated 18/07/1427H (corresponding to 12/08/2006) and amended by resolution No. (1-104-2019) date 01/02/1441H (corresponding to 30/09/2019). the Company's failure to comply with these laws, rules and requirements will expose it to penalties, including imposing fines and suspending of shares up to cancelling the Company shares listing in (Tadawul), which will adversely affect the Company's operations, financial condition and future prospectus.

2-2-2 Risks related to the Economic Performance of the Kingdom

The Company's future performance depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation factors, GDP growth, average per capita income, and so on. The Kingdom's macro and partial economy depends mainly on oil and oil industries, which still control a large share of the GDP. Accordingly, any unfavorable fluctuations that occur in oil prices will have a direct and substantial impact on the plans and growth of the Kingdom's economy in

general and on the government, spending rates, which in turn would adversely affect the Company's financial performance as it works within the Kingdom's economic system and it is affected by the government spending rates.

The continued growth of the Kingdom's economy also depends on several other factors, including the continued growth of the population and investments of the public and private sectors in the infrastructure. Therefore, any negative change in any of these factors will have a significant impact on the economy and thus will adversely and substantially affect the Company's business, financial results and future prospects.

2-2-3 Risks related to Political and Economic Instability in the Middle East

The Company's financial performance depends on the prevailing economic and political conditions in the Kingdom as well as the global economic conditions that in turn affect the Kingdom's economy. The oil sector occupies the largest share of the Kingdom's GDP. Fluctuations in oil prices may occur, which may negatively affect the Kingdom's economy. It is worth noting that the rate of economic growth in the Kingdom witnessed a slowdown in recent years. The Kingdom also faces challenges related to the relatively high population growth rates. All of these factors may have a negative impact on the Kingdom's economy, and as such, will have a negative and material impact on the Company's business, results of operations, financial condition and future prospects. There is no guarantee that the negative developments in relations with certain countries, or the economic and political conditions in those countries, or in other countries will not negatively affect the Kingdom's economy, foreign direct investment in them, or the financial markets in the Kingdom in general. These factors may adversely and materially affect the Company's business, results of operations, financial condition and future prospects. Any major unexpected changes in the political, economic, or legal environment in the Kingdom and/or any other countries in the Middle East, including, but not limited to, normal market fluctuations, economic stagnation, insolvency, high unemployment rates, technological transformations, and other developments, may negatively and substantially affect the Company's business, results of operations, financial condition and future prospects.

2-2-4 Risks related to Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations

The Company is subject to the supervision of a number of government agencies in the Kingdom, including, but not limited to, the Central Bank, the Council of Cooperative Health Insurance, the Capital Market Authority (CMA), the Ministry of Commerce, the Ministry of Investment, and others. Consequently, the Company is subject to the risks of changes in the laws, regulations, circulars and policies in the Kingdom. The legislative and regulatory environment in the Kingdom is witnessing the issuance of many laws and regulations, which are continuously being developed and improved. Costs of compliance with these regulations are high. In the event of changes to the current laws or regulations or the issuance of new laws or regulations, that may lead to incurring unexpected additional financial expenses by the Company for purposes related to compliance with those regulations and meeting the requirements of these laws. Otherwise, the Company may be subject to penalties and fines imposed by the competent supervisory authorities if it continues non-compliant with these regulations and laws, which will negatively affect its business, results of operations, financial condition and future prospects.

2-2-5 Risks related to Withdrawing the License to Conduct Insurance Activities

The Company obtained a license to practice its insurance activities from the Central Bank under No. (TMN/15/20086) dated 14/06/1429H (corresponding to 18/06/2008G) to practice insurance activity in general insurance, health insurance and protection and saving as per the provisions of the Cooperative Insurance Companies Control Law or its Implementing Regulations. In 2014, upon request of the Arab Insurance Company to amend its activity, the Company obtained the approval of the Central Bank to amend the license for practicing insurance and reinsurance activity, so that it will be limited in practicing insurance activity only, under the letter No. 351000076885 dated 14/06/1435H (corresponding to 14/04/2014G).

As per Article (76) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, that the Central Bank has the right to withdraw the license of the Company in the following cases:

1. No business activities for a period of six months from the issuance date of the license.;
2. None compliance with the Law and its Implementing Regulations;
3. Providing SAMA with false information in its licensing application;
4. Conducting its business and affairs in a manner that threatens to make it insolvent or that it is hazardous to its policyholders, stockholders, or the public.
5. Insolvency, or its assets are not sufficient for carrying on its business;
6. The business is fraudulently conducted;
7. The paid-up capital falls below the prescribed minimum limit or failure to fulfill the provisions of Article 68;
8. The business or volume of activities falls to a limit that SAMA finds unviable to operate under;
9. Refusal or delay of payments due to beneficiaries without just cause;
10. Refusal to be examined or to produce its accounts, records, or files for examination by SAMA;

11. Failure to pay a final judgment against it related to its insurance operation.

In the event that any of the above-mentioned cases applies, the Company will be liable to withdrawal of its license and accordingly will not be able to continue carrying out its activities in a regular manner in the Kingdom of Saudi Arabia. This will have a negative impact on its business and thus adversely affect its business, results of operations, financial condition, future prospects, and its share price in the market. Accordingly, the shareholders may lose part or all of their investment in the Company.

2-2-6 Risks related to Adjustments to Accounting for Zakat and Income Tax by the Central Bank

The Company's audited financial statements for the fiscal year ending December 31, 2018G, and the accompanying exhibits, have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA), as amended by the Central Bank for accounting for Zakat and income tax, which require all International Financial Reporting Standards (IFRS) with the exception of International Accounting Standard No. (12) "income tax", and the interpretation by the Interpretation Committee No. (21) "taxes" for their association with Zakat and income tax according to the Central Bank Circular No. (381000074519) on 14/07/1438H (corresponding to 11/04/2017G) and the subsequent amendments thereto regarding accounting for Zakat and income tax, being due on a quarterly basis through shareholders' equity in retained earnings.

The Company's audited financial statements for the fiscal year ending December 31, 2019 and 2020, and the accompanying exhibits were also prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA), and amended by the Central Bank to account for Zakat and income tax based on the instructions issued by the Central Bank on 20/11/1440H (corresponding to 23/07/2019G) which provide for updating the treatment accounting policies for accounting for Zakat and income tax in the income statement, instead of calculating them on a quarterly basis through shareholders' equity in previously retained earnings. The Company has retrospectively adjusted the effect in line with International Financial Reporting Standards (IFRS) (for more information, please refer to Section (5) "Financial Information, Discussion and Management Analysis" of this Prospectus).

The Company is obligated in this case to apply the amendments or changes to these standards from time to time. Consequently, any changes in these standards or the mandatory application of some new standards may adversely affect the financial statements and thus the Company's financial results and financial condition.

2-2-7 Risks related to the Competitive Environment

According to the annual report of the Central Bank about insurance and reinsurance activities, and as of the date of this Prospectus, there are thirty (30) companies licensed for insurance activities and listed in the Saudi stock market. The largest five companies acquire a percentage of about (75.8%) of the total written premiums as of December 31, 2020G (according to the Saudi Insurance Market Report for the year 2020 issued by the Saudi Central Bank). Accordingly, the Company operates in a strong competitive environment, and its competitive position depends on many factors that include the strength of its financial position, pricing of its insurance products, customer relationship and Company's reputation.

It cannot be assured that the Company will be able to achieve or maintain any specific level of premiums in this competitive environment. The intensity of competition may lead to substantial negative impacts on the Company's performance, prospects and financial position, through:

- Reducing margins and profitability
- Hindering the growth of the Company's customer base
- Reducing market share
- Increasing turnover of senior management and sales personnel
- Elevating operating expenses, such as sales and marketing expenses
- Increasing policy acquisition costs

There would be no guarantee that the Company will consistently be able to compete with other companies, and that could lead to reducing the Company's share in the market and thus adversely affects the Company's profits and financial results.

2-2-8 Risks related to the Lack of Cultural Awareness of Insurance and Its importance

The society's view of the insurance sector is a fundamental factor for the sector's success. There is thus a risk of the view in general as the society believes that the sector does not play an essential role or its scope of services may not be compliant with the Takaful and Sharia principles. The society may lose its confidence in the sector, which may negatively affect the Company's business, financial condition and future prospects.

2-2-9 Risks related to Government Fees Applicable to non-Saudi Employees

The Saudi government approved a number of resolutions aimed at implementing comprehensive reforms in the Saudi labor market by imposing additional charges on every non-Saudi employee who works for Saudi institutions as of 01/01/2018G, at the rate of four hundred (400) Saudi Riyals per month for each non-Saudi employee in 2018G, increasing to six hundred (600) Saudi Riyals per month in 2019G then Eight hundred (800) Saudi Riyals per month in 2020. This will lead to an increase in the government fees that the Company will pay for its non-Saudi employees, and thus an increase in the Company's costs in general, which will adversely and substantially affect its business, financial performance and results of operations.

In addition, the government has also approved fees for the issuance and renewal of residency for dependents and companions of non-Saudi employees (dependent fees), which have become effective as of 07/01/2017G, noting that they have gradually increased from one hundred (100) Saudi Riyals per month for each dependent in 2017, to reach up to four hundred (400) Saudi Riyals per month for each dependent in the year 2020G. Therefore, the increase in the fees for issuing and renewing the residency that the non-Saudi employee will bear on behalf of his family may lead to an increase in the cost of living for him, which will lead him to look for work in other countries where cost of living is lower. If such thing occurs, the Company will face difficulty in maintaining its non-Saudi employees, which may force it to bear directly these costs or part of them, on behalf of non-Saudi employees, or indirectly by raising wages of its non-Saudi employees, which will lead to an increase in the Company's costs, and thus will have a negative and material impact on its business, financial performance and results of operations.

2-2-10 Risks related to the Decline of Client Confidence

The client's confidence in the insurance sector around the world is of great importance in enhancing the strength of this sector. On the other hand, any decline in that confidence or the insurance industry in general, or the confidence in the Company in particular, may lead to an increase in the number of insurance policy cancellations and refunding of money, which will adversely affect the Company, its financial performance and future prospects.

2-2-11 Risks related to non-Compliance with the Regulations of the Council of Cooperative Health Insurance (CCHI)

The Company's products are subject to the supervision of the Council of Cooperative Health Insurance (CCHI) after their approval and acceptance by the Central Bank. CCHI imposes many regulations and procedures on insurance companies, including the obligation to provide medical approvals within a maximum period of (60) minutes from the time the application is received, and the obligation to pay the dues of hospitals, clinics and other medical service providers within a period of time not exceeding (45) days. Failure to abide by the regulations of the Cooperative Health Insurance Council may lead to imposition of penalties or fines on the Company or the withdrawal of the license of the health insurance products, which may adversely and substantially affect the Company's business and financial performance.

2-2-12 Risks of Fluctuations in Exchange Rates

Exchange risks are the result of financial investments fluctuations due to the change in foreign exchange. Companies often encounter exchange risks when dealing with international parties in their currency. Company's operations are mostly in Saudi Riyal and its revenues are generated from local market in local currency. In the event that the Company collects any amounts from its products or foreign dealings in foreign currency, it may encounter fluctuations in exchange rates of other currencies against the Saudi Riyal, and increase in expenses, which will have negative and material impacts on the Company's business, results of operations, financial condition and future prospects.

2-2-13 Risks related to the Scarcity of Qualified Local Cadres

Due to the newness of the insurance market in the Kingdom, the qualified local cadres in the Kingdom are few and may not be sufficient to fulfil the Company's needs of experienced employees. In the event that the Company is unable to attract qualified cadres from the local market, it may be forced to recruit employees from outside the Kingdom. The Company cannot guarantee that it would obtain qualified personnel in a timely and efficient manner, as well as obtaining the sufficient number of necessary work visas from the Ministry of Human Resources and Social Development, especially in light of the requirements of Saudization, which create high competition among insurance companies to train and qualify their cadres and ensure their continued retention and attract competencies from the local market. This may result in an increase in wages that may constitute an additional burden on the Company. Likewise, the Company's inability to attract and retain qualified employees will impede the implementation of its business strategy, which will adversely affect the results of its operations and its financial condition.

2-2-14 Risks related to Insurance Business Cycle

The global insurance industry has witnessed cyclical changes with tangible fluctuations in the results of operations, due to competition, catastrophic events, economic and social conditions that all countries go through from time to time in general, and other

factors beyond the control of companies operating in the insurance sector. Consequently, this may result in periods of competition in prices resulting from excess supply, as well as periods in which companies are able to obtain better premiums. It is expected that the business cycle of insurance companies will be affected from time to time, which would adversely affect the Company's business, results of operations, financial condition and its future prospects.

2-2-15 Risks related to Reporting Requirements

The Insurance Companies Control Law and its Implementing Regulations require that the Company submit to the Central Bank financial statements and annual reports prepared on certain statutory accounting principles, and other information including information about the Company's general business operations, capital structure, ownership and financial position, with annual statement of total contingent commissions paid. The Company could be subject to regulatory actions, sanctions and fines if the Central Bank believes that the Company has failed to comply with any applicable laws, regulations and instructions. Any such failure to comply with these laws, regulations and instructions could result in imposing significant restrictions on the Company's ability to conduct its business or significant penalties that could adversely affect the Company's results of operations and financial condition.

The Company could also be subject to penalties and fines if it fails to meet the requirements of the Capital Market Authority, rules for offering securities, ongoing obligations and disclosures applied in the Saudi Stock Exchange (Tadawul). This may adversely and substantially affect the Company's business, financial performance and future prospect.

2-2-16 Risks related to Insurance Market Growth

The growth rate of the insurance market in the Kingdom may not be as high or stable as currently expected by the Company. The influence on the insurance market in the Kingdom as a result of increased growth rate in the number of insured in conjunction with economic and population growth in the Kingdom, as well as continued development in the area of social welfare, population changes, opening insurance market in the Kingdom for foreign companies and the continued integration and acquisition of existing insurance companies to form larger partnerships with a broader presence is for the time being an unclear future in general. Therefore, the growth and development in the insurance market in the Kingdom is subject to several uncertain expectations and beyond the Company's control, and may negatively affect the Company's work.

2-2-17 Risks related to Saudization Requirements

The Ministry of Human Resources and Social Development implements a program that is designed to encourage companies to employ Saudi citizens and increase their percentage of the company's total employees. According to this (Nitaqat) ranges program, the Company's compliance with Saudization requirements is measured by the proportion of the Saudi citizens working for the Company compared to the average Saudization in companies operating in the same sector.

Although the company has achieved the ratio of 67.19% as at 31/12/2020G and it is classified within the Platinum range of Nitaqat program, there is no guarantee that the Company will continue to maintain the required Saudization rate within the regulatory specified levels, where it may be subject to penalties of not being committed to the decisions issued in this regard, which reach the suspension of employment visas for the Company or the transfer of non-Saudi employees or excluding the Company from participating in government tenders, which may adversely affect the Company's business and results of operations.

2-2-18 Risks related to not-Controlling of Prices

The Company is committed to follow the recommendations of the actuarial advisor reports and the instructions of the Central Bank with regard to pricing the insurance policies. The recommendations of those reports and the instructions of the Central Bank may require significant change to the insurance policy rates. Therefore, the increase in the prices of one of the Company's products would lead to the Company not being able to attract new clients, and may lose its current clients, and consequently direct them to other companies. Any fundamental change in future prices will affect the Company's share in the market and thus affect its sales and results of operations.

2-2-19 Risks related to Value-added Tax (VAT)

The Kingdom issued a VAT Law, which came into effect on January 1, 2018. This Law imposes an added value of (5%) on a number of products and services, according to what is contained in the Law. The VAT rate was modified to (15%) effective July 2020G. Therefore, the relevant companies should know the nature of the VAT, how it is applied and how it is calculated. They, also, have to submit their own reports to the relevant government agencies. Accordingly, the Company must adapt to the changes resulting from the application of the VAT, which include its collection and delivery, and the effect of applying the VAT Law on the Company's business. The application of the VAT in the Kingdom has led to an increase in the prices of most goods and services, including the Company's products. The implications of raising the tax on the Company's sales have not yet emerged, as the increase began to be applied from July 2020. However, any violation or wrong application of the tax Law by the Company's management will expose

it to fines, penalties or damage to its reputation. This will also increase costs and operating expenses, which could reduce the Company's competitive position and the level of demand for its products, which will have a negative and material impact on the Company's financial condition, results of operations and future prospects.

It is worth mentioning that the Company has received assessment notifications for VAT on 10 June 2020 after being subjected to examination and audit of tax returns provided for the two years: 2018 and 2019. The Zakat, Tax and Customs Authority has requested the Company to pay taxes and fines totaled SAR 10.5 million. The Company paid on June 23, 2020, the differences in calculation of VAT as requested by the Authority amounting to SAR 6.3 million, benefiting from the initiative of the allowance and exemption from fines in case of payment before 30 June 2020, as a result of the Corona pandemic. The Authority sent confirmation of deletion of the fines mentioned, and the Company has recovered some differences during 2021 amounting to SR 1.7 million and submit its objections to the final assessment sent by the authority which resulted in partial acceptance, whereby the difference was reduced by SAR 1.1 million. Accordingly, the Company has submitted a complaint to the General Secretariat for Settlement of Tax Disputes and (24) suits have been filed in this regard. It has been included in other assets as at 31 December 2020.

It should be noted that during the first quarter of 2021, memos have been exchanged regarding the Company's complaint against the assessment of the General Authority of Zakat, Tax and Customs for VAT for years 2018 and 2019. As per the request received from the General Secretariat of the Tax Committees, the Company responded to the request of Zakat, Tax and Customs Authority to respond by 2 March 2021G, and the Company responded on 24 February 2021. The exchange of memos was followed by the call of the General Secretariat for the conflict parties on 25 April 2021 and rejection of the claimant (the Company), which in turn appealed against the resolution on 16 June 2021, for a value of SAR 3,007,208 and the case is still under review by the Appeals Committee and the date for the session is yet to be specified.

2-2-20 Risks related to the Regulatory Environment

The Company's work is subject to applicable Laws in the Kingdom. The regulatory environment in which the Company operates is subject to change. Regulatory changes resulting from political, economic, technical and environmental factors may have a significant impact on the Company's operations by restricting the development of the Company and the increase of its customers, reducing the Company operations and sales of its services or increasing additional competition. The Company may deem a need for or appropriate to modify its operations in accordance with these Laws and may bear additional costs in this regard, and thus will have a substantial negative impact on the Company's operations, financial condition and future prospects. In addition, the non-compliance with these Laws and regulations will lead to administrative, criminal sanctions or suspension or termination of its operations.

2-2-21 Risks related to Non-compliance with Official Regulations and Instructions

The company is always seeking to comply with the laws and regulations prevailing in the Kingdom. However, non-compliance with official instructions and regulations may lead to sanctions that will adversely affect the Company. This includes the chartered accountant's observation regarding the sale and issuance of insurance policies related to credit terms although this is not in line with Article (49) of the Implementing Regulations of the Cooperative Insurance Companies Control Law. Also, the company has not been able to re-insure (30%) of the total premiums inside the Kingdom as provided for in Article (40).

2-3 Risks related to the Offer Securities

2-3-1 Risks related to Potential Fluctuations in the Share Price

The market price of the Rights during the trading period may not be an accurate indication of the market price of the Company's shares after the Offering. Also, the Company's share price may not be stable and may be greatly affected to fluctuations due to changes in the market conditions related to the current rights or shares of the Company. In addition, such fluctuations may be caused by many factors, including , but not limited to, market conditions related to the index, sector or shares, or by any regulatory changes in the conditions and changes in the circumstances and trends of this sector, the degradation of the Company's performance and failure to implement future plans, entry of new competitive companies being licensed or advertisements by the company or its competitors on mergers, acquisitions, strategic alliances, joint ventures and changes in financial performance estimates through securities experts and analysts.

There is no guarantee that the market price of the Company's shares would not be lower than the Offering Price, and if this happens after investors' subscription to the new shares, their subscription cannot be canceled or modified. Accordingly, investors may incur losses as a result of that. In addition to the foregoing, there is no guarantee that a shareholder will be able to sell his shares at a price equal to or higher than the Offering Price after subscribing to the new shares. Also, sale of large quantities of shares by shareholders after the offering or expecting that can negatively affect the share price in the market. In addition, the investors face the risk of not being able to sell their shares in the market without adversely affecting the share price.

2-3-2 Risks related to Potential Fluctuation in the Price of the Rights

The market price of the rights issue may be subject to heavy fluctuations due to a change in factors affecting the market trends related to the Company's Share. This fluctuation may be large due to the difference between the permissible daily fluctuation rate for rights trading prices, compared to the range of permissible daily fluctuation rate shares (10% up or down). In addition, the rights trading price depends on the trading price of the Company's shares and the market's view of the fair price of the rights, therefore, these factors and other factors mentioned in the above-mentioned risk factor (Potential Fluctuation in the Share Price) could affect the rights trading price.

Based on the above, speculation in right issue shares is subject to risks that may cause substantial losses, and if speculators do not sell the right issues shares before the end of the trading period, they will have to use these rights to exercise subscription in the new shares, and may incur some losses. Therefore, investors must have full details of the mechanism for the listing and trading of right issue shares and how it works, and should be aware of all the factors influencing it to ensure that any investment decision will be based on a full awareness and knowledge (please refer to Section No. (12) "Information related to Shares and Offering Provisions and Conditions").

2-3-3 Risks of Lack of Demand for the Company's Right Issues and Shares

There is no guarantee that there will be sufficient demand for subscription in the Company's Rights during the Trading Period. Also, there is no guarantee that there will be sufficient demand for the Company's shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the unexercised Rights holders. Moreover, there can be no assurance that there will be sufficient market demand for the New Shares purchased by an investor either through exercise of the Rights, or during the Rump Offering or in the market.

2-3-4 Risks related to Potential Dilution of Ownership

If the rights holders do not subscribe fully to the new shares, their ownership and voting rights will be reduced. There is also no guarantee that in case the rights holder is restricted to sell his rights during the trading period, the proceeds he receives will be sufficient to compensate him in full for the decrease in his ownership in the capital of the Company as a result of increasing its capital.

2-3-5 Risks related to Dividends

Future dividends will depend on, amongst other things, the Company's future profit, financial position, capital requirements, distributable reserves, available credit for the Company, general economic conditions and other factors considered by the Board members as being of great importance.

Increase in capital may lead to dilution in the dividends in futures and accordingly may have impacts on the market value of the Company's shares. Although the Company intends to distribute dividends to its shareholders if it realizes profits, it gives no assurance that any dividends will actually be distributed nor it gives any assurance as to the amount which will be paid in any given year.

2-3-6 Risks related to Future Data

Some of the data contained in this Prospectus constitute a future data, but they are not a guarantee of the performance that would be in the future. These future data involve known and unknown risks and other factors that may affect the actual results and thus impact the performance of the Company and its achievements. There are many factors that may affect the Company's actual performance, achievements or results and lead to a significant difference from what is explicitly or implicitly anticipated in the data mentioned. In the event one or more of these uncertain risks or things happened or the assumptions relied on were confirmed inaccurate, the actual results may differ significantly from what is mentioned in this Prospectus

2-3-7 Risks related to non-Profitability or Selling of Right Issues

There is no guarantee of profitability of the share by trading it at a higher price, or even a guarantee at all to be able to sell the share. It should be noted that there is no assurance of having sufficient demand in the market to exercise right or receive compensation from the Company. Also, the investor who did not subscribe or sell his rights, and the holders of fractional shares, may not obtain any consideration if the sale was made in the Rump Offering Period at the Offering Price.

2-3-8 Risks related to the Possibility of Issuing New Shares

The issuance of any new shares by the Company depends on the approval of the Extraordinary General Assembly of the shareholders. If the Company decides to issue new shares as priority rights to increase its capital, and the Extraordinary General Assembly of shareholders approves this decision, and the shareholders have not exercised their rights by subscribing to the new shares, the ownership of shares will decrease proportionally. In addition to its supplemental of the right to vote and obtain profits, which will affect the market price of the share.

2-3-9 Risks related to Speculation in Right Issue Shares

Speculation in the right issues shares is subject to risks that could cause material losses. The permissible daily fluctuation range for the priority rights trading price exceeds the permissible daily fluctuation range for the market price (which is represented by (10%) up and down from the previous day's closing price). There is also a direct relationship between the Company's share price and the right's indicative value. Accordingly, the daily price limits (i.e., the daily fluctuation range) for rights trading will be affected by the daily price limits for stock trading. In the event that the shareholder does not sell the rights before the end of the trading period, then he will have two options either to exercise these rights to subscribe to the new shares before the end of the subscription period, or not to exercise. In the event that the rights are not exercised, the investor may be subject to a loss or decrease in the value of his investment portfolio, or a profit in the event that shares are sold during the rump period at a price higher than the Offering Price. Consequently, investors must review the full details of the mechanism for listing and trading the rights and new shares and their method of operation, and be aware of all the factors affecting them, in order to ensure that any investment decision is based on full awareness and knowledge. (Please refer to Section (••) "Information Related to Shares and Offering Terms and Conditions" in this Prospectus).

2-3-10 Risks related to Not Exercising the Rights in a Timely Manner

The subscription period starts on ••/••/••••H (corresponding to ••/••/••••G) and ends on ••/••/••••H (corresponding to ••/••/••••G). The Right holders and the financial brokers/agents representing them must take appropriate measure to follow all necessary instructions before the subscription period expires. If the eligible shareholders are not able to properly exercise the subscription rights by the end of the subscription period, based on their rights, there is no guarantee that there will be a compensation amount distributed to the deserving shareholders who have not subscribed or who have not properly performed the procedures for practicing the subscription, or holders of the fractional shares.

2-3-11 Risks related to Suspension of Trading or Cancellation of the Company's shares as a Result of not Announcing its Financial Statements during the Regular Period

If the issuer is not able to publish its financial information during the regular period (30 days from the end of the financial period of the initial financial statements, and three months from the end of the annual financial period) the suspension procedures will be applied for securities listed in accordance with the listing rules approved by the decision of the Capital Market Authority No. (1-10-2019) on 24/05/1440H (corresponding to 30/01/2019G), which states that Tadawul will suspend securities for one trading session following the end of regular period. If financial information is not published in twenty trading sessions following the first suspended trading session, Tadawul will announce the re-suspension of securities of the company until it announce its financial results. If the Company's shares continue to be suspended for six months without taking appropriate measures to correct this suspension, the CMA may cancel the listing of the company's securities. Tadawul will raises the suspension after one trading session following the announcement of the financial results of the company. However, if the company delayed the announcement of its financial results, or if it could not announce them during the regular period referenced above, this will cause the suspension of company's shares or cancelling their listing, which will negatively affect the interest of the shareholders and the Company's reputation and results of operations. In addition, the Capital Market Authority may cancel the Company's right issue offering in case it deems that the offering is not for interest of the shareholders.

3. Company Background and Nature of Business

The following information should be read together with the more detailed information contained in other parts of this Prospectus, including the financial and other information in Section (5) "Financial Information and Management Discussion and Analysis"

3-1 Company Overview

Arabia Insurance Cooperative Company "AICC" is a Saudi Joint Stock Company that was incorporated according to the Royal Decree No. (M/23), dated 15/03/1428H (03/04/2007G). The Company commenced its business following the issuance of the Council of Ministers Resolution No. (93), dated 14/03/1428H (02/04/2007G) to establish the Company. The Company operates under Commercial Registration issued in Riyadh No. 1010243302, dated 18/01/1429H (corresponding to 27/01/2008G). The Company's Head Office is located in the city of Riyadh, King Abdul Aziz Road, Bin Tami Center, P.O Box 286555, Riyadh 11323, Kingdom of Saudi Arabia.

The Company has obtained the permit of the Saudi Arabian Monetary Agency No. TMN/15/20086, dated 14/06/1429H (corresponding to 18/06/2008G) to practice the insurance and reinsurance business in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. In 2014G, and based on the request of the Arabia Insurance Company to amend its activity, the Company has obtained approval of the Saudi Central Bank to amend the authorization granted to it to exercise the insurance and reinsurance activity so that it becomes limited to conducting insurance business only pursuant to letter No. 351000076885, dated 14/06/1435H (Corresponding to 14/04/2014G).

The Company exercises general insurance activities, health insurance and protection and savings insurance in the Kingdom of Saudi Arabia according to the principle of cooperative insurance. Its products include motor insurance, health insurance, marine insurance, engineering insurance, general accident insurance, property insurance, protection and savings insurance and others.

The Company's capital is two hundred and sixty five million Saudi Riyal (SAR 265,000,000) divided into twenty six million and five hundred thousand (26,500,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

3-2 Significant Changes in the Capital of the Company

The Company's capital upon incorporation amounted to two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a nominal value of ten (10) Riyals per share, fully paid in value. The Founding Shareholders have subscribed to twelve million (12,000,000) shares, constituting (60%) of the total shares of the Company and have paid their value in full. The remaining eight million (8,000,000) shares, which constitute (40%) have been offered for public subscription during the period from 15/01/1428H (corresponding to 27/10/2007G) to 22/10/1428H (corresponding to 03/11/2007G), at a subscription price of ten (10) Saudi Riyals per share.

On 26/11/1435H (corresponding to 09/21/2014G), the Extraordinary General Assembly of the Company agreed to increase the Company's capital by an amount of two hundred million (200,000,000) Saudi Riyals through a rights issue. After the end of the subscription for the Rights, the Company's capital became four hundred million (400,000,000) Saudi Riyals divided into forty million (40,000,000) ordinary shares, the nominal value of each share being ten (10) Saudi Riyals.

On 28/10/1437H (corresponding to 02/08/2016G), the Extraordinary General Assembly agreed to reduce the Company's capital from four hundred million (400,000,000) Saudi Riyals to two hundred and sixty-five million (265,000,000) Saudi Riyals with a capital reduction rate of 33.75% by canceling thirteen million five hundred thousand (13,500,000) shares of the Company's issued shares.

The Company obtained the approval of the Saudi Central Bank under letter No. 89/30238 dated 18/08/1440H (corresponding to 23/04/2019G) to increase its capital by two hundred and sixty-five million (265,000,000) Saudi Riyals, by offering twenty-six million and five hundred thousand (26,500,000) rights issue shares. After the end of subscription to the Rights Issue, the Company's capital will become five hundred and thirty million (530,000,000) Saudi Riyals divided into fifty-three million (53,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share. The Company's Board of Directors, in its resolution by circulation on 16/04/1440H (corresponding to 23/12/2018G), recommended to increase the Company's capital to comply with solvency requirements.

3-3 Main Activities of the Company

The Company operates under Commercial Registration No. (1010243302), Tollfree No. (7001527667), dated 18/01/1429H (corresponding to 27/01/2008G). The Company's activities, as in its Commercial Registration, are protection and saving insurance, health insurance, and general insurance.

The activities of the company, as in its articles of association, are to engage in cooperative insurance business and everything related to this business, such as reinsurance, agencies, representation, correspondence, or mediation. Fixed and cash funds, sold, exchanged, or leased by them directly or through companies established or purchased by them, or in association with other parties. have found.

The Company's activity, as in its Articles of Association, is to engage in cooperative insurance business and everything related to this business such as reinsurance, agencies, representation, correspondence, or mediation. The Company has the right to carry out all works that need to be done to achieve its purposes, whether in the field of insurance, or investment of its funds, and to own and move fixed and cash funds, as well as selling, exchanging or renting them directly, or through companies established or purchased by it, or jointly with other parties. The Company carries out its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and the regulations and rules in force in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.

Pursuant to the permit of the Central Bank of Saudi Arabia No. TMN/15/20086 dated 14/06/1429H (corresponding to 18/06/2008G) to practice the activity of general insurance, health insurance, protection and savings insurance in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. In 2014, at the request of AICC to amend the activity, the Company obtained approval of the Central Bank of Saudi Arabia to amend the license granted to it to practice insurance and reinsurance activity so that it is limited to practicing insurance activity only, according to letter No. 351000076885 dated 14/06/1435H (corresponding to 14/04/2014G).

The Company carries out its activities through its headquarter in Riyadh, and its branches, (for more information, please see the subsection "The Company's Branches and Points of Sale" of Section No. (9) "Legal Information" of this Prospectus).

3-4 Founding Shareholders

The following table shows ownership of the Founding Shareholders of the Company upon incorporation and as on the date of this Prospectus:

Table 2 : Founding Shareholders

Shareholder	Direct Ownership upon Incorporation		Direct Ownership as of the date of this Prospectus	
	Ownership (%)	No. of Shares	Ownership (%)	No. of Shares
Arabia Company, LJSC (Holding)	19.20%	3,840,000	19.20%	5,088,000
Jordan Insurance Company	12.2%	2,440,000	9.22%	2,443,000
Arab Supply and Trading Company	5.00%	1,000,000	5.00%	1,325,000
Saudi Brothers Commercial Company	1.50%	300,000	1.50%	397,500
The Modern Holding Company for Commercial and Industrial Investments	1.25%	250,000	0.78%	205,375
Lama Ismail Abu Khadra	0.90%	180,000	0.00%	0
Abdulhadi Alqahtani & Partners Co	0.30%	60,000	0.30%	79,500
Other shareholders	19.70%	3,930,000	0.00%	0
Subscribers from the public	40.00%	8,000,000	64.02%	16,964,625
Total	100.00%	20,000,000	100%	26,500,000

* As on 12/04/2021

Source: The Company

3-5 Substantial Shareholders

The following table shows ownership of the Substantial Shareholders of the Company who own directly 5% or more of the Company shares before and after the Offering:

Table 3 : Substantial Shareholders

Shareholder	Before the Offering*		After the Offering**	
	Ownership (%)	No. of Shares	Ownership (%)	No. of Shares
Arabia Company, LJSC (Holding)	19.2%	5,088,000	19.2%	10,176,000
Jordan Insurance Company	9.21%	2,443,000	9.22%	4,886,000
Arab Supply and Trading: Company	5.0%	1,325,000	5.0%	2,650,000
Total	33.41%	8,856,000	33.41%	17,712,000

* As on 12/04/2021

* Once the Substantial Shareholders subscribe to the full percentage of their eligibility in the New Shares

.Source: The Company

Overview of the Substantial Shareholders

Arabia Company, LJSC (Holding)

Arabia Company LJSC (Holding) is a Lebanese holding company founded in 2001G. Its main Head Office is located in Beirut. The company operates in investment sector and owns stocks and shares in Lebanese or foreign closed companies and limited liability companies, manages companies in which it owns stakes or shareholding, sponsor them before third parties, and owns patents, Trademarks and other reserved rights and leases them.

The capital of the Arabia Company LJSC (Holding) is twenty-four million US dollars, divided into eighty thousand (80,000) fully paid-up shares, the value of each share is three hundred US dollars. The following table shows the shareholders of the company:

Table 4 : Shareholders of the Arabia Company, LJSC (Holding)

Shareholder	Ownership (%)	No. of Shares	Value (USD)
Arabia Insurance Company S.A.L (Lebanon)	98.85%	79,075	23,722,500
UBI (Cyprus)	1.06%	850	255,000
Wahba Abdullah Tamari	0.03%	25	7,500
Dr. Karma Badri Al Hasan	0.03%	25	7,500
Nadeem Emile Baroudi	0.03%	25	7,500
Total	100.00%	80,000	24,000,000

Source: The Company

As indicated in the table above, the Arabia Insurance Company S.A.L (Lebanon) owns approximately 99.0% of the Arabia Company LJSC (Holding).

The Arabia Insurance Company S.A.L (Lebanon) was founded in 1944G. It is a Lebanese joint-stock company headquartered in Beirut. The Arabia Insurance Company S.A.L (Lebanon) practices all insurance and reinsurance business through 10 branches and agencies in Lebanon, the United Arab Emirates, Bahrain, Kuwait and Qatar, as well as sister companies in both Jordan, Syria and Oman.

The Arabian Insurance Company's capital S.A.L (Lebanon) is fifty on billion (51,000,000,000) Lebanese Lira divided into twenty million and four hundred thousand (20,400,000) fully paid ordinary shares, at a nominal value of two thousand and five hundred (2500) Lebanese Lira per share. The following table shows the Company's shareholders:

Table 5 : Shareholders of the Arabia Insurance Company S.A.L (Lebanon)

Shareholder	Ownership (%)	No. of Shares	Value (LL)
Arab Bank	40.3%	8,226,339	20,565,847,500
Heirs of Mohammad Abdel-Rahman AL Bahar	5.2%	1,066,295	2,665,737,500
Investments, Ltd Gandol	3.6%	732,026	1,830,065,000
Rima Fouad Al-Saeed Shehadeh	2.8%	563,800	1,409,500,000
Hala Fouad Al-Saeed	2.8%	563,800	1,409,500,000
Suleiman Tannous & Sons Company LLC.	2.7%	554,200	1,385,500,000
Arab Bank (Switzerland) Lebanon S.A.L (in a fiduciary capacity)	2.2%	442,603	1,106,507,500
DT SA Allenby	2.1%	422,392	1,055,980,000
Sheikh Talal Yusuf Al-Zahid	1.7%	347,406	868,515,000
Limited Skyberry	1.7%	341,094	852,735,000
Nadim Emile Baroudi	1.2%	243,452	608,630,000
Heirs of the late Abdullah bin Musa bin Abdul Rahman bin Hassan	1.2%	237,260	593,150,000
A.B.C. Shareholding Company	1.1%	233,200	583,000,000
Dr. Karma Al-Fahoum Al-Hassan	1.1%	229,528	573,820,000
Mohammed Jalal & Sons Company LLC.	1.1%	223,812	559,530,000
Sawsan Badr Al-Fahoum Jafar	1.1%	217,098	542,745,000
Nasser Bin Khaled Al Thani & Sons Holding Company (L.L.C)	1.0%	207,600	519,000,000
Hatem Sharif Zoubi	1.00%	204,800	512,000,000
Other shareholders	26.19%	5,343,295	13,358,237,500
Total	100.00%	20,400,000	51,000,000,000

Source: The Company

Jordan Insurance Company P.L.C:

Jordan Insurance Company P.L.C is a public joint-stock limited company that is headquartered in the city of Amman. The Company operates in the activity of insurance and reinsurance where it offers insurance products against fire, natural factors, explosions, motor Insurance, car accidents, theft, breach of trust, civil liability risks, as well as insurance against the dangers of land, sea and air transport, life insurance and disability, in addition to insurance against the risks of land, sea and air transport, life insurance, disability and old age insurance. The Jordan Insurance Company P.L.C capital amounts to thirty million 30,000,000 Jordanian Dinars divided into thirty million 30,000,000 ordinary shares of a fully paid value, at a nominal value of (1) Jordanian dinar per share. The following table shows the Company's shareholders:

Table 6 : Shareholders of Jordan Insurance Company P.L.C

Shareholder	Ownership (%)	No. of Shares	Value (JD)
Othman Mohammad Ali Bdeir	30.789%	9,236,754	9,236,754
Munchen Re German Insurance Company	10.000%	3,000,000	3,000,000
Al Maseera Investment Company	8.338%	2,501,339	2,501,339
Methqal and Shawkat Capital	6.258%	1,877,391	1,877,391
Social Security Corporation	3.421%	1,026,417	1,026,417
Mohammad Osama Jawdat	3.320%	995,915	995,915
Omar Mohammad Othman	2.704%	811,128	811,128

Shareholder	Ownership (%)	No. of Shares	Value (JD)
Essam Mohammad Othman	2.543%	762,927	762,927
Shehadeh Salameh AL Tewal	1.695%	508,497	508,497
Talal Shehadeh Salameh	1.648%	494,426	494,426
Huda Mohammad Othman	1.287%	386,203	386,203
Hind Mohammad Othman	1.249%	374,763	374,763
Arab Bank PJSC	1.150%	344,990	344,990
Subscribers from the public	25.598%	7,679,250	7,679,250
Total	100%	30,000,000	30,000,000

Source: The Company

Arab Supply and Trading Company:

The Arab Supply and Trading Company was founded in 1976G, a Saudi limited liability company, that is headquartered in the city of Riyadh. The company operates in industry sector, food, agriculture, real estate and others in Saudi Arabia and the Middle East Region.

The capital of the Arab Supply and Trading Company is two hundred and fifty million (250,000,000) Saudi Riyals, divided into two hundred and fifty thousand (250,000) shares of equal value, each of which has a value of one thousand (1,000) Saudi Riyals. The following table shows the shareholders of the company:

Table 7 : Shareholders in the Arab Supply and Trading

Shareholder	Ownership (%)	No. of Shares	Value (SAR)
Khaled Sabeeh Al Masri	90%	225,000	225,000,000
Sabeeh Taher Masri	9%	22,500	22,500,000
Qimmat Al Sahra'a for Commercial Services Company	1%	2,500	2,500,000
Total	100%	250,000	250,000,000

Source: The Company

Ownership of the Arabia Insurance Company in other companies

The Arabia Insurance Company owns 3.85% of Najm for Insurance Services. This company caters for the needs of insurance companies through rendering support services for Motor Insurance as an accident surveyor, loss estimator, and insurance claims settlement specialist and insurance agent. Najm operates under the Saudi Central Bank's approval No. 1916 / MEEM THA/MEEM ALEF TA. Najm commenced its operations in 2007G in Riyadh, Kingdom of Saudi Arabia. It has then been transformed into a closed joint stock company on 12/10/1434H (18/08/2013G) under Commercial Registration No. 1010229751.

Apart from its ownership in Najm Company, Arabia Insurance Company has no ownership in other companies, subsidiaries or associates. Najm Company's Capital is fifty million and eighty (50,000,080) Saudi Riyals divided into five million and eighty (5,000,008) ordinary shares at a nominal value of 10 Saudi Riyals per share of fully paid up. The following table shows the ownership of the Arabia Insurance Company in it:

Table 8 : Ownership of the Arabia Insurance Company in other companies

Company	Number of Shares	Share Nominal Value	Total Nominal Value	Ownership (%)
Najm for Insurance Services	192,300	SAR 10	1,923,000	3.85%

Source: The Company

The Company does not have any ownership in other companies or any subsidiaries or sister companies.

3-6 Significant Dates and Developments

Table 9 : Significant Dates and Developments

Date	Developments
05/05/1426H (12/06/2005)	The Company obtained the service investment license number 102030104276 from the Saudi Arabian General Investment Authority
14/03/1428H (02/04/2007)	The Founding Shareholders received a license to establish the Company under the Council of Ministers Resolution No. (93)
15/03/1428H (03/04/2007)	The Founding Shareholders obtained a license to establish the Company pursuant to the Royal Decree No. (M/23)
15/10/1428H (27/10/2007)	The Company's shares were offered for Initial Public Offering (IPO)
18/01/1429H (27/01/2008)	The Company was established, and the Commercial Registration No. 1010243302 was issued
26/01/1429H (04/02/2008)	The Company's shares were listed in the Saudi Stock Exchange "Tadawul"
14/06/1429H (18/06/2008)	The Company obtained approval from SAMA No. TMN/15/20086 permitting it to conduct insurance and reinsurance business.
17/09/1430H (06/09/2009)	The Company obtained approval from the Council of Cooperative Health Insurance (CCHI) as a licensed health insurance company
14/06/1435H (14/04/2014)	The Company obtained approval of the Saudi Central Bank to amend the permit granted to it for conducting insurance and reinsurance business so that it becomes limited to conducting insurance business only according to letter No. 351000076885.
26/11/1435H (21/09/2014)	The Company obtained approval of the Saudi Central Bank to increase its capital per the letter No. 351000145469
28/10/1437H (02/08/2016G)	The Company obtained approval of the Saudi Central Bank to reduce the capital under letter No. 371000052477
16/04/1440H (23/12/2018G)	Recommendation of the Board of Directors to increase the Company's capital by offering Rights

Source: The Company

3-7 The Company's Vision and Mission

The Company's Vision

"To become one of the leading companies in cooperative insurance in the Kingdom"

Company's Mission

"To serve its customers, shareholders, employees, and Saudi society by providing a wide array of cooperative insurance products and services"

Company Strategy

- "To seek growth and achievement of returns for shareholders through the following:"
- Provide insurance services at appropriate prices and follow the advocacy of actuator expert in pricing in accordance with the requirements of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank.
- Acquire the best business technologies and applications and develop them continuously.
- Invest in human resources with extensive experiences and develop their performance.
- Wide geographical spread through opening several sale points of insurance services throughout the Kingdom of Saudi Arabia.
- Develop the size of business with agents and brokers within the Kingdom.
- Pay attention to all customers, especially individuals, small and medium-sized Companies.

Strengths and competitive advantages of the Company

- A renowned commercial name in the area.
- Support of the founding shareholders.
- Diversity of products.
- Administrative staff with high experience.
- Close relationship with reinsurance companies.

Products and services

The Company offers cooperative insurance and associated activities in Saudi Arabia. Its main activity includes all public insurance categories, health insurance, protection and savings insurance. The company offers its products through 36 different policies divided into 7 sectors: property insurance, engineering insurance, public accident insurance, maritime insurance, motor insurance, health insurance, life insurance and credit protection insurance.

The Company has received final approval of the Saudi Central Bank for all these schemes and they are as follows:

Table 10 : Approved Products

SN	Product
1	Property all risk insurance Policy
2	Fire insurance policy
3	Loss of Profits Insurance Policy
4	Housing Comprehensive insurance policy
5	Precious Collections Insurance Policy
6	Riot, strikes, civil disorders and/or intentional damage insurance policy
7	Commercial store owner insurance policy
8	Contractor all risk insurance policy
9	Installation all risk insurance policy
10	Contractor equipment and machinery insurance policy
11	Machinery, plants & equipment malfunction insurance policy
12	Machinery, plants & equipment malfunction loss insurance policy
13	Boilers and caldrons insurance policy
14	Stock damage due to cooling interruption insurance policy
15	Electronic devices insurance policy
16	Personal incident insurance policy (for groups and individuals)
17	Third Party liability insurance policy
18	Third party liability and products liability insurance policy
19	Engineers' professional responsibility insurance policy
20	Brokers professional responsibility insurance policy
21	Medical Malpractice Insurance policy
22	Civil Liability Insurance Policy (elevators)
23	Dishonesty insurance policy
24	Cash in Treasury and Cash during transport insurance policy
25	Glass panels insurance policy
26	Workers' compensation insurance policy
27	Employer liability insurance policy

SN	Product
28	Extension of warranty on mechanical and electrical faults to cover vehicles insurance policy
29	Movable goods insurance policy
30	Goods transported by land insurance policy
31	Ship structures insurance policy
32	Motor insurance policy
33	Cooperative Health Security insurance policy
34	Visitor / Tourist insurance policy
35	Group contract insurance policy
36	Social Insurance Program on Life for Credit Protection policy

Source: The Company

3-8 Future Products

The Company is continuously assessing opportunities for new products, whether individual, commercial, business, family or public products to meet customer requirements of individuals and institutions, in accordance with the provisions of the Cooperative Insurance Companies Control and Implementing Regulations. At present, the Company has no intention to provide new insurance products or study potential products to submit in the future.

3-9 Reinsurers

The Company deals with several reinsurance companies classified by Standard & Poor's (S&P) or AM BEST (AM BEST) at level not being less than stable. They are accredited by the Saudi Central Bank under the scope of local and global reinsurance companies, with which the Saudi insurance companies can deal with. The Central Bank also depends on reinsurers classified by Moody's Investor Service and Fitch Rating. If the Company wants to deal with reinsurers unaccredited by the central bank, they must obtain written consent from it. The classifications are indications of the strength of the financial position of the reinsurance company and its efficiency to cover claims, as well as the quality of its service and its reinsurance programs.

The Company contracted with several global reinsurance companies (please refer to section (9) "Legal Information") to minimize the risk of insurance, ensure the stability of operations and capital sources, reduce the risk of losses and stable the profitability. During 2020, the transactions with Hannover Re (Hannover Re) for reinsurance constituted about 40% of the total underwritten premiums.

It is worth mentioning that there is no significant financial burden related to the withholding tax that may be imposed by the reinsurers outside the Kingdom on the Cooperative Arab Insurance Company.

Table 11 : The Company deals with the following most important reinsurers:

Name *		Nationality	Classification as at 31 December 2020	The Classifying Co.
Hannover Reinsurance	Hannover Re	German	A+	(AM BEST)
			AA-	(S&P) Standard & Poor's
Swiss Reinsurance	Swiss Re	Switzerland	A+	(AM BEST)
			AA-	S&P) Standard & Poor's
CCR Reinsurance	CCR Re	French	A	(AM BEST)
RUV Reinsurance	RUV	German	AA-	S&P) Standard & Poor's
Saudi Reinsurance	Saudi Re	Saudi	BBB+	S&P) Standard & Poor's
			A3	(Moody's)

* As in the year ended 31/12/2020

Source: The Company

3-10 Competitive Advantages

The Company has the following competitive advantages:

- A renowned commercial name in the area.
- Support of the founding shareholders.
- Diversity of products.
- Administrative staff with high experience.
- Close relationship with reinsurance companies.

3-11 Marketing and distribution

The company is marketing its products within the framework of supporting the Company's vision and objectives, and developing its products and services to existing and potential customers. It seeks to develop the size of sales across its geographical spread in the Kingdom of Saudi Arabia, by providing its products and services from its headquarters in Riyadh as well as 17 branches distributed around the Kingdom. The Company has no commercial activity outside the Kingdom of Saudi Arabia. The following table shows details of the Company branches:

Table 12 : Company Branches

	Company Branches	CR No.	Activity details
1	Hafr Al - Baten - Al Khalidiya District	2511108098	Office practicing insurance work
2	Khamis Mushait - King Fahd Road	5855032635	Office practicing insurance work
3	Al Ahsa - Ain Al Najm District	2252039237	Office practicing insurance work
4	Al-Zulfi - Al Faisaliah District	1123101381	Office practicing insurance work
5	Wadi Al - Dawasir - Police Street	1185004442	Office practicing insurance work
6	Jubail - Jeddah Street	2055016560	Office practicing insurance work
7	Dammam - Prince Mohammed bin Fahd Road	2050066076	Office practicing insurance work
8	Al Kharj - Al Rayyan District	1011021898	Office practicing insurance work
9	Makkah - Al Naseem District	4031072081	Office practicing insurance work
10	Jeddah - Tahlia Street	4030190950	Office practicing insurance work
11	Jeddah - Hail Street	4030190951	Office practicing insurance work
12	Buraidah - Al-Marqab District	1131044607	Office practicing insurance work
13	Al-Madina Al-Monawara	4650058596	Office practicing insurance work
14	Riyadh - Al-Woroud District	1010270731	Office practicing insurance work
15	Al-Khobar	2051040574	Office practicing insurance work
16	Riyadh - Bin Tami Center	1010243302	Office practicing insurance work
17	Riyadh - Bin Tami Center	1010270745	Office practicing insurance work
18	Makkah - Al Khalidiya District	4031056888	Office practicing insurance work

Source: The Company

Distribution of Company's revenues by insurance branches

The Company exercises its activity under the license of the Saudi Central Bank No. TMN/15/20086 dated 14/06/1420H (corresponding to 18/06/2008G) to include public insurance, health insurance, protection and savings insurance in accordance with the terms of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The license ends on 10/06/1444H (corresponding to 03/01/2123G).

In 2014, upon request of the Arab Insurance Company to amend its activity, the Company obtained the approval of the Central Bank under the letter No. 351000076885 dated 14/06/1435H (corresponding to 14/04/2014G) to amend the license for practicing insurance and reinsurance activity, so that it will be limited in practicing insurance activity only. The following are details of the total written premiums for the Company for the financial years 2018, 2019 and 2020:

Table 13 : Distribution of the Company's revenues by insurance branches

Type of Insurance (SAR '000)	31 December 2018	31 December 2019	31 December 2020
Health	150,904	161,452	129,291
Motor	135,625	106,540	130,923
Fire	24,145	22,649	35,501
Engineering	15,901	15,961	25,152
Maritime	12,679	11,247	9,891
Other	11,533	14,570	15,674
Total insurance premiums	350,787	332,419	346,432

Source: The Company

Distribution of Company Revenues by Geographical Area

The Company is trying exercise its insurance activity through the sale and marketing of various insurance products through its head office in Riyadh and its branches, and through sales outlets in the Kingdom (and for further information, please see sub-section "Company and Point of Sale" section (9) "Legal Information" of this Prospectus). The following are the details of the total written premiums for the Company for financial years 2018, 2019 and 2020, according to the geographical area:

Table 14 : Distribution of company revenues by geographical area

Region (SAR '000)	31 December 2018	31 December 2019	31 December 2020
Eastern Region	20,801	19,526	14,505
Western Region	93,397	64,279	53,409
Central Region	236,589	248,613	278,518
Total	350,787	332,418	346,432

Source: The Company

Customers Service

The Company's customer service principles are based on the correct mix of staff, policies and communication tools that ensure provision of high-quality service. The company is committed to employing qualified and trained cadres to receive and meet the different types of customers and fulfill their requirements with best possible service. The Company has developed policies and procedures for customer service and employees to provide high quality from receiving customers and meet their needs and follow up their transactions and provide adequate information. The company also paid great attention to the development and management of relationships with all customers such as communication, contact, and electronic systems to follow customers' records in order to facilitate communication with all customers, expedite responses and provide correct and accurate information.

The Company also provides for its customers after sales services through the policies and communications systems with regard to claims, inquiries, suggestions and complaints, received around the clock.

3-12 Advanced and Effective Information Technology Systems

The Company mainly depends on (Premia) system, which is an integrated insurance system to meet the major requirements for operational activities and supporting financial and technical departments in the Company. The Company also uses software and technical systems that help it in future planning, performance control and results and support programs for different customer segments. As a result of the implementation of the integrated information system, the Company has a large base of data that plays an important role in the process of drawing and directing the Company's strategy and marketing plans.

3-13 Claims

The role of the claims department in the Company is to ensure that insurance policyholders have a fair compensation for the size of the losses they incurred under contractual obligations identified in the insurance policy. Claims department makes decisions regarding whether claims will be repaid or not by reviewing, adopting and verifying claims, and as such it supports the Company's profits by avoiding payment of any false or non-real compensation.

3-14 Subscription

The main role of Subscription Department is to protect the Company's books and records from all the risks that may cause financial losses. The Subscription Department studies potential risks before the issuance and pricing of insurance policies. Subscription department's responsibilities include risk assessment of new policies, determining appropriate classification, rates and premiums, preparing and issuing insurance and re-evaluating policies upon their renewal.

3-15 Information Technology

The IT Department serves the Company through a series of services including the integration of computer systems, coordination and supply of training programs, coordination and provision of information technology and technical support. IT management also supports the Company to achieve its business objectives by providing IT services to enable the staff and management to use technology for data processing with the best practices and provide technological environment that enables the Company's clients to access information quickly by using the most efficient and effective programs.

3-16 Business Failure

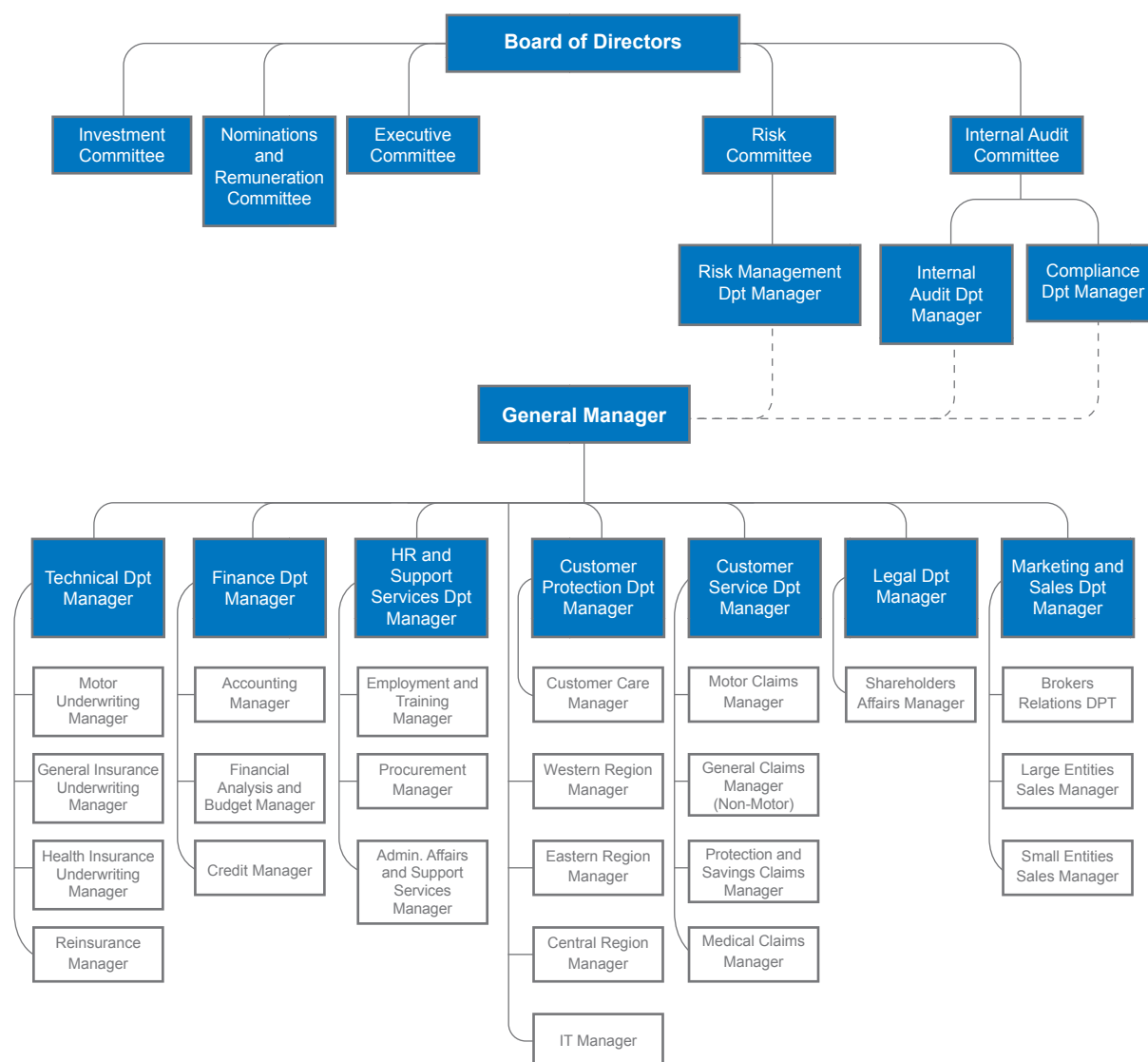
There was no interruption in the Company's work that could affect or have significant impact on the financial condition during the last 12 months. It should be noted that the Company work has not been interrupted during the Corona pandemic period of 2020 (for more details on the risk of Corona, please refer to the Risk (2.1.34) "Risks related to the Outbreak of Corona virus pandemic" Covid-19 "" of this Prospectus.

3-17 Employees and Saudization

As of the date of this Prospectus, the number of the Company employees is (204) employees, including (142) Saudi employees and (62) non-Saudi employees. According to the Nitagat program issue by the Ministry of Human Resources and Social Development, the Saudization rate as of the date of this Prospectus reached about 70%, and Nitagat the Company is classified within "Platinum" range.

3-18 Organization Structure

The following figure displays the Company's Organization Structure:



Source: The Company

4. Employees

4-1 Employees' stock programs existing prior to filing the application for registration and Acceptance to list the Rights

As at the date of this Prospectus, the Company does not have any employee share allocation programs or other arrangements that may facilitate the Company's employees (including Senior Management) to acquire the Company's shares.

Arrangements for Employees participation in the capital

As at the date of this Prospectus, there are no arrangements for participation of the employees in the Company's capital.

5. Financial Information and Management Analysis and Discussion

5-1 Introduction

The Financial Information and Management Analysis and Discussion section includes an analytical review of the Company's performance and its financial position during the financial years ending on December 31, 2018G, 2019G and 2020G. They are based on and should be read in conjunction with the Company's audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the notes attached thereto (hereinafter referred to as the "financial statements").

The financial statements for the fiscal year ending on December 31, 2018G, were audited by PKF Albassam and Partners, allied accountants, and Al-Azm and Al-Sudairy office, certified public accountants, while the financial statements for the periods ended on December 31, 2019G and December 31, 2020G were audited by PKF Albassam and Partners, and Al-Azm, Al-Sudairy, Al-Sheikh and Partners, certified public accountants. The Company issues its financial statements in Saudi Riyals.

The financial information contained in this section is extracted without material changes from the audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the accompanying note. The figures for the financial year ending on December 31, 2018G have been used as they are classified in the financial statements ending on December 31, 2019G. The figures for the financial year ending on December 31, 2019G have been used as they are classified in the financial statements ending on December 31, 2020G. Some figures for previous years have been reclassified to be in line with the presentation of accounts for the year 2020G, and there was no impact resulting from the reclassification on the comprehensive presentation of the financial statements.

This section prepared by the Company's Management contains future assumptions that involve risks and uncertain expectation. The Company's actual performance may differ materially from what is presented in these assumption as a result of various factors, including those factors discussed below and in other sections of this Prospectus.

Please note that the figures listed in this section have been rounded to the nearest integer. Therefore, the sum of these numbers may differ from what is contained in the tables. It should also be noted that all percentages and margins are based on these rounded figures.

5-2 Directors Declarations on the Financial Information

The Board of Directors jointly and severally acknowledges the following:

- The financial information contained in this Prospectus is extracted without material change from the audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G. These statements have been prepared on a consolidated basis in accordance with International Financial Reporting Standards (IFRS) in addition to other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA).
- The Company has no loans, whether secured by personal security, secured by mortgage or not secured by mortgage, including bank overdrafts, commitments under acceptance, acceptance credit and rental purchase commitments except as disclosed in the subsection "Pledges and Contingent Obligations" From Section (6) "Financial Information, Management Analysis and Discussion" of this Prospectus).
- There is no option right on the Company's capital as on the date of this Prospectus.
- The Company has sufficient financial resources to meet the requirements of working capital for a period of 12 months immediately following the date of the prospectus.
- There are no seasonal factors or economic cycles related to the activity that may have an impact on the business and the financial position of the Company.
- There is no information on any governmental, economic, financial, monetary or political policies or any other factors that have affected or could materially affect, directly or indirectly, the operations of the Company.
- There are no mortgages, rights or burdens on the Company's property as of the date of this Prospectus.
- Except for what was disclosed in subsection (5-1) "Income Statement" of Section No. 5 "Financial information and management analysis and discussion", there has been no material negative change in the financial and commercial position of the Company during the three years before the preceding the date of submitting the application for registration, and the offering of the securities related to this Prospectus this applied to the end of the period covered by the chartered accountant's report until the issuance of the prospectus.
- The Company does not own any contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain and which may significantly affect the assessment of the financial position of the Company.
- No commissions, discounts, brokerage fees or non-cash compensation were granted by the Company to any of the board members, senior executives, who are presenting or offering securities or experts during the past three years before the preceding date of submitting the application for the issuance of priority rights equities related to this Prospectus.

- The material information in this Prospectus has been disclosed according to the available information.
- The Company does not have any contingent liabilities, guarantees, or any important fixed assets that it intends to buy or lease, except for what was disclosed in the “(I)edges and Contingent Obligations” section of this Prospectus.

5-3 Basis of Preparation

Bases of Measurement and Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, in addition to other standards and publications approved by the Saudi Organization for Certified Public Accountants, the Companies Law and the Company's by-laws.

On July 23, 2019G, the Saudi Central Bank instructed insurance companies in the Kingdom of Saudi Arabia to process Zakat and income taxes in the income statement. In line with International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board (“IASB”) and approved in the Kingdom of Saudi Arabia (together referred to as “International Financial Reporting Standards” approved in the Kingdom of Saudi Arabia).

In accordance with the requirements of insurance regulations in the Kingdom of Saudi Arabia, the Company must maintain separate accounts for each of the insurance transactions and shareholders' transactions and the financial statements are presented accordingly. Assets, liabilities, as well as income and expenses for each product are recorded in the accounts for that product. The basis for the allocation of expenses related to joint operations is determined and approved by the Company's management and the Board of Directors.

The financial statements are prepared based on going concern basis and the historical cost principle, except for available-for-sale investments, which are measured at fair value and end of service benefits are measured at present value. The statement of financial position is not presented using a current/non-current classification. However, the following balances are generally classified as current items: cash and cash equivalents, insurance premiums receivables, reinsurance receivables, investments, prepayments, other assets, accounts payable and reinsurance payables, outstanding claims, accrued expenses, other liabilities, and provision for Zakat and Taxes, distribution of surplus accrued, unearned premiums, reinsurance share of unearned premiums, deferred acquisition costs and unearned commission income. The following balances are generally classified as non-current items: end of service indemnities, statutory deposit, returns on statutory deposit, commission income payable to the Central Bank of Saudi Arabia, claims incurred but not reported and net property and equipment.

The Company presents the statement of financial position according to liquidity.

The statement of financial position, income statement, comprehensive income statement, cash flows from insurance operations and shareholders' operations are presented from the financial information that was presented as additional financial information and in compliance with the requirements of the Implementing Regulations issued by the Saudi Central Bank. The Implementing Regulations issued by the Saudi Central Bank Arabia require a clear separation between the assets, liabilities, revenues and expenses of insurance operations and shareholder operations. Accordingly, the financial statements that include the statement of financial position, income statement, comprehensive income and cash flows prepared for insurance operations and shareholders' operations referred to above, only reflect the assets, liabilities, revenues, expenses and comprehensive profits or losses of the respective operations.

When preparing company-wide financial statements in compliance with IFRS, balances and transactions of insurance operations are combined with those of shareholders' operations. Overlapping balances, transactions, and unrealized gains and losses, if any, are eliminated in full during the consolidation. The accounting policies adopted for insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

Main Currency and Presentation Currency

The financial statements are presented in Saudi Riyals, which is the Company's functional currency.

Fiscal Year

The Company's fiscal year begins on January 1 and ends on December 31 of each Gregorian year.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires the use of estimates and judgments that affect the amounts of recognized assets and liabilities, the disclosure of contingent assets and liabilities at the date of preparing the financial statements, and the amounts of revenues and expenses recorded during the financial period for which the financial statements are prepared. Although these estimates and judgments are based on the management's best knowledge of current events and operations, actual results could differ from these estimates.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are expected to be reasonable under the circumstances.

In addition, the Company reviewed the main indicators to estimate the percentage of variation that may result from the Corona Virus (Covid-19) pandemic in the financial statements, the Company considered the following:

Impact of Coronavirus (Covid-19)

On March 11, 2020G, the World Health Organization declared the outbreak of the Coronavirus (Covid-19) as a pandemic due to its rapid spread around the world. This epidemic impacted the region of the Gulf Cooperation Council, including the Kingdom of Saudi Arabia. Governments in all countries of the world took a stand to limit the spread of the virus, and the Saudi government specifically closed its borders, issued guidelines on social distancing, and imposed a complete curfew at the state level.

As a result of the spread of the Corona virus (Covid-19) in the Gulf Cooperation Council region and other regions where the Company operates, and the resulting disruption of its activities at the social and economic level in those markets; The Company's management proactively assessed the impact of the pandemic on its operations and took several preventive and proactive measures and procedures to ensure:

- The health and safety of its employees and the broader community in which the Company operates.
- The continuity of its business inside the Kingdom to remain protected and sound.

The impact of the coronavirus (COVID-19) pandemic on the health sector and vehicles has been noted as described below. As is the case with any estimate, projections and likelihood of impact are based on significant judgments, the situation is characterized by rapidly evolving and uncertainties surrounding the duration and severity of the coronavirus pandemic (COVID-19), and therefore, actual results may differ from those that were expected.

The impact of this uncertain economic environment is based on estimates, and the Company will continue to reassess its position and impact on it on an ongoing basis.

Medical Technical provisions

The management believes, based on its assessment, that the decision of the Saudi government to cover the cost of medical treatment for both the Saudi citizen and the resident has helped to reduce any undesirable effect. During the ban period, the Company noticed a decrease in medical claims (claims for elective treatment and non-chronic conditions in general) which led to the decrease in claims. However, since the ban was lifted in June 21, 2020G, the Company is facing an increase in claims, which was within the expectations of the Company's management. The Company's management has duly taken into consideration the impact of the increasing claims on the future contractual cash flows of insurance contracts that enter into force on December 31, 2020G, in order to test the adequacy of the Company's commitment.

Technical provision for Motor Vehicles

As a result of the spread of Coronavirus (Covid-19), the Saudi Central Bank issued Circular 189 (the "Circular") on May 8, 2020G to all insurance companies in the Kingdom of Saudi Arabia. Among other things, the circular stipulates that insurance companies must extend the validity period of all existing individual Motor Insurance policies to an additional two months, in addition , to provide an additional two-month insurance coverage for all new retail Motor Insurance policies that have been underwritten within one month of the issuance of the circular.

The management discussed several internal factors with the appointed actuary, and came to the conclusion that the Company considers the two-month extension of the existing Motor Insurance policies as a new policy and that it records the premiums deficit based on the expected claims for the two-month period.

As for the new insurance policies written in accordance with the aforementioned circular; the premium is earned over the coverage period, i.e: 14 months and according to the Company's accounting policy. There is no material impact on the two-month period of the earned premiums as on December 31, 2020G, due to the lack of large amounts of premiums that were subscribed during the one-month period.

The Company has conducted a commitment adequacy test using current estimates of future cash flows under its insurance contracts at an aggregate (or "fragmented") level (as appropriate to the performance of some companies at a segmented level, which is a prudent and recommended practice) for the motor business, and recorded premiums/contribution to insurance premiums deficit.

Financial Assets

To take into account any potential impact of the Coronavirus (Covid-19) pandemic on the Company's financial assets, the Company has made an assessment, in accordance with the accounting policies, to determine whether there is objective evidence on

the impairment of a financial asset or a group of financial assets. Several factors were considered, such as the occurrence of a large financial deficit of exporters or debtors, default or delinquency, or the possibility of bankruptcy of exporters or debtors or other financial restructuring etc.

If equity is classified as available for sale, the Company makes an assessment to determine whether there has been a significant or long-term decline in the fair value of the financial asset below its cost.

Based on the results of these evaluations, the Company's management believes that the Corona Virus (Covid-19) pandemic did not have a material impact on the Company's announced results for the year ended on December 31, 2020G, knowing that the Company's management will monitor the situation and developments regarding this pandemic on an ongoing basis.

Following are the significant accounting judgments, and estimates used in preparing these financial statements:

Final Obligations Arising from Claims Made Under Insurance Agreements

The estimation of the final obligations resulting from the claims submitted under insurance contracts is one of the most important accounting estimates made by the Company. There are many sources of uncertainty that must be taken into account when estimating the liabilities that the Company will have to pay under these claims.

Estimates are made at the end of the reporting period for both the ultimate cost of a claim and the expected ultimate costs of claims incurred but not reported ("IBNR"). Unpaid claims are estimated using the input to the assessments for individual cases reported to the Company. At the end of each reporting period, claims estimate for the previous year are reassessed to ensure their adequacy and based on which changes are made to the provision (if necessary).

The provision for incurred but not reported claims is an estimate of the claims that are expected to be reported after the date of the statement of financial position in respect of the insured accident that occurred prior to the date of the statement of financial position. The technical methods used by management in estimating the cost of reported claims as well as claims incurred but not reported are represented in following the same methods of payment of past claims when forecasting the methods of payment of future claims.

Actuaries use a combination of methods such as the chain ladder method, the Bornhuetter-Ferguson method and the expected loss rate method to determine these provisions. The actuary also uses a segmental approach, including an analysis of the cost per insured member per year for the medical segment. These methods are based on a number of explicit or implicit assumptions regarding the expected settlement value and claim settlement patterns.

Impairment of Financial Assets

The Company determines that a financial asset is impaired when there has been a significant or prolonged decline in the fair value of the financial asset below its cost. It requires the use of judgment to determine what is significant or long-term. A period of 6 months or more is considered long term and a reduction of 35% of the original cost is considered significant as per the Company policy. In making this judgment, the Company evaluates, among other factors, normal volatility in the share price, the solvency of the investee, sector performance, changes in the technology sector, and operating and financing cash flows.

Reduction in Insurance Premiums Receivable

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

Fair Value of Financial Instruments

The fair values of available-for-sale investments are based on quoted prices for tradable 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.

When there is no active market or when quoted prices are not available, the fair value of financial instruments is determined by using valuation techniques. In such cases, the fair value is estimated from observable data for similar financial instruments or by using models. When observable market inputs are not available, they are estimated based on appropriate assumptions. When valuation techniques (i.e.: forms) are used to determine fair values, they are validated and reviewed periodically by qualified personnel independent of those sources. All forms are approved before they are used, and forms are calibrated to ensure that outputs reflect actual data and comparable market prices. To the extent practical, forms use only observable data; However, areas such as credit risk (specific credit risk and counterparty risk), volatility and correlations require management discretion.

5-4 New Standards, Amendments to Standards and Interpretations

The accounting policies used in preparing these financial statements are in line with those used in preparing the annual financial statements for the year ended December 31, 2019G. There are new standards, amendments and interpretations that are applied for the first time in 2020G, but they have no impact on the Company's financial statements.

There are many other amendments and interpretations that were issued but have not become effective until the date of issuance of the Company's financial statements. The Company's board of directors believes that this will not have a significant impact on the Company's financial statements. The Company intends to adopt those amendments and interpretations, if applied.

The following are a number of amendments to standards issued that are effective as of this year but do not have a material impact on the Company's financial statements, except as mentioned below.

Amendments to the issued and applied standards effective as of January 1, 2020G:

Modifications to Standards	Description	Applicable for years beginning on or after	Summary of the amendment
IAS 1 and IAS 8	Definition of Materiality	January 1, 2020G	The amendments clarify that Materiality will depend on the nature or volume of information, either individually or in combination with other information, in the context of the financial statements
IFRS 3	Definition of Business	January 1, 2020G	The amendment clarifies that in order to be considered an action, an integrated set of activities and assets must include, at a minimum, an input and an objective process that together contribute significantly to the ability of creating outputs. Furthermore, it shows that work can exist without including all the inputs and processes needed to create the output.
Conceptual Framework for Financial Report	Amendments to the conceptual framework in IFRS, updated definitions and recognition criteria for assets and liabilities and clarifying some important concepts.	January 1, 2020G	The revised conceptual framework includes some new concepts, updated definitions and criteria for recognition of assets and liabilities, and clarifies some important concepts.
IFRS 9 International accounting Standard 39 IFRS 7	Interest rate index reform	January 1, 2020G	A fundamental revision and reform of key interest rate benchmarks is being conducted globally. The International Accounting Standards Board ("IASB") is engaged in a two-phased task to amend its guidance to help a smoother transition away from the Interbank Offered Rate ("IBOR").
IFRS 16	COVID-19 related rental privileges	June 1, 2020G	The amendments provide an exemption for tenants from applying IFRS 16 guidelines on lease modification accounting for lease privileges arising as a direct result of the COVID-19 pandemic. The amendment applies to annual reporting periods beginning on or after 1 June 2020G and early application is permitted.

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Modifications to Standards	Description	Applicable for years beginning on or after	Summary of amendment
IFRS 9,7,4,16 and IAS 39	Interest Rate Index Reform - Phase 2	January 1, 2021G	These amendments modify some specific hedge accounting requirements to provide relief from potential effects of affected hedge accounting to continue during the uncertainty period before the affected hedge items or hedging instruments are adjusted to current interest rate standards as a result of the current interest rate standard reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions made by the amendments to IFRS 9.
IAS 37	Unfair contracts - the cost of completing the contract	January 1, 2022G	The amendments specify that the "cost of fulfilling" a contract includes "costs directly related to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, 9, 1 and IAS 41	Annual Improvements to IFRS Standards 2018G-2020G	January 1, 2022G	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that when the "10 percent" test is applied to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment must be applied prospectively to adjustments and exchanges that occur on or after the date on which the entity first applies the amendment. IAS 41: The amendment removes the requirement of IAS 41 for entities to exclude Taxation in fair value measurements cash flows. IFRS 1: The amendment provides an additional exemption for a subsidiary that after its first application becomes after the parent company with respect to accounting for cumulative translation difference.
IAS 16	Property, plant and equipment - pre-use proceeds	January 1, 2022G	The amendments prohibit deduction from the cost of any item of property, plant and equipment and any proceeds from the sale of items produced before that asset becomes available for use. In addition, the modifications also clarify the meaning of "test whether the asset is working properly".
IFRS 3	Reference to the conceptual framework	January 1, 2022G	The amendment as a whole has been updated to IFRS 3 to refer to the 2018 conceptual framework instead of the 1989 framework.
IFRS 17	insurance contracts	January 1, 2023G	This is the new comprehensive accounting standard for insurance contracts that covers recognition, measurement, presentation and disclosure. Once in force, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of items as current or non-current	January 1, 2023G	The amendment clarifies what is meant by a right to defer settlement, that the right to defer must exist at the end of the reporting period, and that this classification is not affected by the possibility that an entity will exercise its right of deferment, only if the derivative is embedded in a convertible liability that is itself an equity instrument ownership and the terms of the obligation will not affect its classification.

Modifications to Standards	Description	Applicable for years beginning on or after	Summary of amendment
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and a partner or joint venture	Not Applicable	The amendments to IFRS 10 and IAS 28 deal with situations in which there is a sale or contribution of assets between an investor and an associate or joint venture. Specifically, the amendments state that profits or losses result from the loss of control over a subsidiary.

The Management expects that interpretations and amendments to these new standards will be applied in the Company's financial statements when they are applicable. The application of these interpretations and amendments may not have any material impact on the Company's financial statements in the initial application period.

Standards Issued and Not Valid

IFRS 17: Insurance contracts

Overview:

The International Accounting Standards Board issued IFRS 17 in May 2017G. IFRS 17 will be mandatorily effective for annual reporting periods beginning on or after January 1, 2023G. It sets forth the principles for the recognition, measurement, presentation and disclosure of insurance contracts. It replaces IFRS 4 Insurance Contracts. This new standard applies to insurance contracts issued, to all reinsurance contracts, and to investment contracts that have the characteristics of discretionary participation, provided that the entity also issues insurance contracts. This requires separating the following components from insurance contracts:

- Derivatives attached if they meet certain specified criteria and
- Distinguished investment components and
- Any undertaking to transfer premium goods or non-insurance services.

These components are to be calculated separately in accordance with the relevant standards (IFRS 9 and IFRS 15).

Measurements:

Contrary to the requirements in IFRS 4 that allow insurance companies to continue to use accounting policies for measurement purposes in place prior to January 2015G, IFRS 17 introduces the following different measurement models:

The general measurement model is based on the following groups:

- realized cash flows which include:
 - Weighted estimates of future cash flows and
 - Reflective adjustments to the time values of money (for example, discounts) and the financial risks associated with these future cash flows, and
 - Adjusting the risk factor for non-financial risks.
- The Contractual Service Margin represents the unearned profit for a group of insurance contracts and will be recognized as an entity providing services in the future. Contractual service margin cannot be negative at inception. Any negative net amount of cash flows met at inception will be immediately recorded in profit or loss.

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is re-measured as the sum of:

- Liability of remaining coverage which include realized cash flows related to future services and the Group's contractual service margin on that date and
- Liabilities for claims incurred, which are measured as cash flows realized and relating to past services assigned to the Group at that date.

The contractual service margin is subsequently adjusted for any changes in cash flows related to future services. Since the contractual service margin cannot be negative, changes in future cash flows that are greater than the remaining contractual service margin are recognized in profit or loss.

The effect of changes in discount rates will be reported to either profit or loss or other comprehensive income and is determined by the choice of accounting policy.

The variable fee approach is a mandatory model for measuring contracts characterized with direct participation (also referred to as “direct participation contracts”). This assessment of whether the contract meets these criteria is made at the commencement of the contract and is not re-evaluated at a later date.

With respect to these contracts, in addition to modifications under the general measurement model, the contractual service margin is also adjusted for:

- a. The entity's share of the changes in the fair value of the elements listed below and
- b. The effect of changes in the time value of money and financial risks unrelated to the listed elements.

As for the Premium Allocation Approach, it is a simplified approach that allows the measurement of liability for the remaining coverage if it provides a measurement that does not differ materially from the general measurement model for a group of contracts, or if the coverage period for each contract in the group is one year or less.

With the Premium Allocation Approach, the liability for the remaining coverage corresponds to the premiums received on initial recognition minus the insurance underwriting cash flows.

The general measurement model remains applicable in measuring liability for claims incurred. However, the entity is not required to adjust future cash flows for the time value of money and the impact of financial risk if these 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 a draft presented in June 2019G - Amendments to IFRS 17 and proposes specific amendments to IFRS 17 and received comments and feedback from various stakeholders. The IASB is currently re-discussing the observations and comments raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal legal procedures for setting standards.

The initial effective date of IFRS 17 and the deferral of IFRS 9 in the temporary exemption of IFRS 4 is January 1, 2021G. Under the current draft, it is proposed to amend the effective date of IFRS 17 to reporting periods beginning on or after January 1, 2023G.

Early 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 of January 1, 2023G.

Transition Period:

Retrospective effect application is required; however, if a full retrospective application of a group of insurance contracts is impractical, the entity is obligated to choose either the modified retrospective approach or the fair value approach.

Presentation and Disclosure:

The Company expects that this new standard will result in a change in the accounting policies for insurance contracts and reinsurance contracts and to any investment contracts with discretionary participation benefits, with amendments to presentation and disclosures.

Impact:

The Company is currently in the design and implementation phase of IFRS 17 which requires the development and design of new processes and procedures including any system improvements required under IFRS 17 and a detailed assessment of business requirements. Below are the main areas under the design phase and the status of the Company's progress so far:

The main areas of the design stage	progress summary
Governance and Oversight Framework	The Company has developed a comprehensive governance program for IFRS 17, which includes the establishment of a steering committee to oversee the monitoring of progress in implementation and assign roles and responsibilities to the various stakeholders.
Area of operations	The Company is in the process of operational planning for the design phase, which includes the development of a comprehensive data policy and data dictionary. The Company is also finalizing the structural designs for the various sub-systems. The Company has made progress by evaluating the business requirements, and work is currently underway to select the required supplier (in conjunction with carrying out various processes for the transition and evaluating the new resources needed).

The main areas of the design stage	progress summary
Technical and financial field	The Company has completed most of the policy papers covering various technical and financial matters after completing the policy decisions required under IFRS 17. The policy decisions were taken after due deliberations between the various stakeholders were conducted. Currently, the majority of the policy and procedure papers have been approved by the IFRS 17 Project Steering Committee of the Company.
Warranty Plan	The Company is working with other stakeholders to finalize the guarantee plan for the transitional and post-implementation period.

IFRS 9: Financial instruments, including amendments to IFRS 4, Insurance Contracts

This standard was published on July 24, 2014G and supersedes IAS 39.

The new standard addresses the following items related to financial instruments:

Classification and Measurement:

IFRS 9 uses a single approach to determining 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 of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that represent only capital and interest payments on the principal amount receivable and it is called “the asset and interest accrued exclusively thereon”.

The financial asset is measured at fair value through other comprehensive income and the realized gain or loss is recycled through profit or loss on sale, if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and to sell; and
- The contractual terms of the cash flows are exclusively the asset and the interest payable thereon.

Assets that do not meet either of these two categories are measured at fair value through profit or loss.

In addition, upon initial recognition, the entity may 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, the entity may also make an irrevocable selection process to present subsequent changes in the fair value of the instruments (including realized gains and losses) in other comprehensive income with a gain recognized in profit or loss.

In addition, for financial liabilities that are designated at fair value through profit or loss, the amount of the change in the fair value of the financial liabilities relating to changes in the credit risk of those liabilities is recognized in other comprehensive income, unless the effects of changes in the credit risk of those liabilities that are recognized in other comprehensive income may create or widen an accounting mismatch in profit or loss.

Impairment:

The impairment model under IFRS 9 reflects expected credit losses, compared to credit losses incurred under IAS 39.

Under the IFRS 9 approach, it is no longer necessary for a credit event to occur before credit losses are recognized. Instead, the entity always calculates Expected Credit Losses (ECL) and the changes in those ECL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since the initial recognition.

Hedge Accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more reliably with risk management. The requirements establish a more principle-based approach to the general model of hedge accounting.

The amendments apply to everything related to hedge accounting except for fair value hedges of interest rate risks (commonly re-

ferred to as a “total fair value hedge”). For these, the entity may continue to apply the hedge accounting requirements currently in force in IAS 39. This exception was largely granted because the IASB addresses macro hedge accounting as a separate project.

Effective Date:

The effective published date of IFRS 9 is January 1, 2018G. However, the amendments to IFRS 4 - Insurance Contracts: Application of IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts, published on September 12, 2016G, change the current IFRS 4 to allow entities that issue insurance contracts within the scope of IFRS 4 to mitigate some of the effects of applying IFRS 9 before the new IFRS 17 Insurance Contracts becomes effective.

The modifications offer two alternative options as follows:

1. Applying a temporary exemption from applying IFRS 9 until the first of the following occurs:
 - Effective date of the new insurance contract standard or
 - Annual reporting periods beginning on or after January 01, 2023G (the IASB proposes to extend the effective date of IFRS 17 and the temporary exemption from IFRS 9 in IFRS 4 to January 01, 2023G).

Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominantly insurance related and have not previously applied IFRS 9.

2. Adoption of IFRS 9, but for certain financial assets, the effects of some accounting mismatches that may occur before the implementation of the new insurance contract standard are subtracted from the profit or loss. During the transition period, further disclosures are required.

To date, the Company has conducted an initial assessment that has reviewed two factors as follows:

1. The carrying amount of a company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives not financed from insurance contracts) is compared to the total carrying amount of all of its liabilities.
2. The total book value of the Company's insurance related obligations is compared with the total book value of all of its liabilities.

Based on this initial assessment, the Company has determined that it qualifies for the temporary waiver.

Consequently, the Company decided to postpone the implementation of IFRS 9 until the effective date of the new insurance contracts standard. The disclosures relating to the financial assets required during the deferment period are included in the impact assessment set forth below.

Evaluation of Impact

On December 31, 2020G, the Company's total financial assets and total insurance-related assets amounted to SAR 458 million and SAR 227 million, respectively. Financial assets and insurance related assets are not necessarily mutually exclusive in terms of classification. Total financial assets consist of financial assets held at amortized cost and other financial assets.

The value of financial assets held at amortized cost amounted to SAR 433 million and consisted of cash and cash equivalents, term deposits, insurance premiums receivable, reinsurance receivables and investments held to maturity.

Other financial assets amounted to SAR 25 million and consist of available-for-sale investments. The Company may use the fair value classification through other comprehensive income for these other financial assets based on the Company's debt securities business model and the strategic nature of equity investments. The Company has not yet made a detailed assessment to determine whether the debt securities meet the asset and interest test exclusively as required by IFRS 9.

The foregoing is based on a preliminary assessment of the impact of IFRS 9 based on currently available information, and may be subject to changes arising from more detailed analyses or additional reasonable and supportive information available in the future.

The Company anticipates some of the effects arising from the implementation of IFRS 9, but a reasonable estimate of these effects cannot be provided until the Company performs a detailed review.

The significant accounting policies applied in the preparation of these financial statements are listed below:

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, checks for deposit, current accounts with banks and term deposits with original maturity of less than three months from the date of acquisition.

Term Deposits

Time deposits consist of term deposits with banks with maturities of more than three months and less than one year from the date of purchase.

Insurance Premiums and Reinsurance Receivables Balances

Insurance Premiums and reinsurance receivable balances are recognized when due and, upon initial recognition, are measured at the fair value of the amount received or receivable. The book value of the insurance premiums receivables is reviewed to ensure that there is an impairment when events or changes in circumstances indicate that its book value cannot be recovered, and the impairment loss is recognized in the statement of insurance operations results and the accumulated surplus. Receivable insurance premiums are discontinued when the reasons for recognizing financial assets no longer exist.

Advance Payments

Advance payments are expenses not yet incurred but paid in cash. Advance payments are originally recorded as assets and are measured at the amount paid in cash, and thereafter, they are charged to the insurance operations surplus statement and shareholders' comprehensive income statement when they are depleted or expired over time.

Investments and Other Financial Assets

A. Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party in the contractual provisions of the instrument. Financial assets are initially recognized at fair value. Transaction costs are listed in the initial measurement of the Company's financial assets, except in the case of financial assets at fair value through profit or loss. The Company's financial assets include accounts receivable and available-for-sale investments.

B. Classification and Subsequent Measurement

Financial assets are classified into the following specific categories: investment at fair value through profit or loss, financial assets available for sale, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeline generally established by regulations or traditions established in the market place.

1- Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are classified as market loans and receivables. After initial recognition, loans and receivables are consequently measured at amortized cost using the effective yield method less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

2- Investments Available for Sale

Available for sale investments include stocks and debt securities. Equity investments classified as available for sale represent investments that are not classified as held for trading or listed at fair value through profit or loss. Debt securities in this category are those that are held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions. After initial measurement, available-for-sale investments are subsequently measured at fair value.

Unrealized gains and losses are recognized directly in equity (through other comprehensive income/(losses)) under 'Change in fair value of available-for-sale investments'. Upon disposal of investment, the cumulative gain or loss previously recognized in equity is recognized in the statement of comprehensive shareholders' operations. In cases where the Company owns more than one investment in the same financial instrument, it is disposed of on a "first in, first out" basis. Interest earned at the time of acquisition of the available-for-sale financial investment is recognized as interest income using the effective interest rate. Dividends earned at the time of acquisition of available-for-sale financial investments are recognized in the comprehensive statement of shareholders' income when the right to receive them is established. The losses arising from the impairment of such investments are recognized in the comprehensive statement of shareholders' operations.

3- Investments Held to Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Company has the positive intent and ability to hold to maturity and are initially measured at amortized cost adjusted for premium or discount using the effective commission method. Any permanent impairment of investments held to maturity is recognized in the statement of insurance operations. Investments classified as held to maturity cannot be sold or reclassified without affecting the Company's ability to use this classification. It also cannot be designated as a hedged item with the risk of special commission rates or early

repayment risks as they are long-term investments.

4- Impairment of Financial Assets and Un-collectability

An assessment is made of each statement of financial position date to ensure that there is any objective evidence that any financial asset or group of financial assets is impaired. If such evidence exists, the impairment loss is recognized in the statement of insurance operations results and accumulated surplus/shareholders' operations. The impairment is determined as follows:

For financial assets at fair value, impairment represents the difference between cost and fair value, less impairment loss previously recognized in the statement of insurance operations results and accumulated surplus / shareholders' operations.

For financial assets recognized at cost, impairment is the difference between carrying value and the present value of future cash flows, discounted at the current market rate of return for a similar financial asset.

For financial assets carried at amortized cost, impairment is determined based on discounted future cash flows based on the original effective special commission rate.

Financial Liabilities

A. Initial recognition:

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party in 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 except for liabilities at fair value through profit or loss.

B. Classification and Subsequent Measurement:

Since the Company has no financial liabilities designated at fair value through profit or loss, all financial liabilities are measured at amortized cost using the effective commission method, with commission expense determined and recorded on an effective rate of return basis.

C. De-Recognition of Financial Instruments

Any financial instrument is derecognized when the Company ceases to exercise control over the contractual rights that make up the financial instrument, and this is usually when it is sold, or when the cash flows related to it are transferred to an independent third party.

D. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any significant impairment. Depreciation is charged to the income statement using the straight-line method over the estimated useful lives of property and equipment as follows.

- | | |
|----------------------------------|-----------|
| - Leasehold improvements | 4 years |
| - Furniture and furnishings | 10 years |
| - Vehicles | 5 years |
| - Computers and office Equipment | 3-5 years |

The carrying value of property and equipment is reviewed for impairment when incidents or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying amount is higher than the estimated recoverable amount, the assets are written down to their recoverable amount.

Gains or losses on disposal of any item of property and equipment (by calculating the difference between the net disposal proceeds and the book value of the item) are recognized in the income statement.

Right to Use Assets and Lease Liabilities

The Company has recognized new assets and liabilities for its operating leases, including office leases. Each lease payment is allocated between liabilities and financing cost. The financing cost is charged to the statement of profit or loss over the lease term so that a constant periodic rate of interest is earned on the remaining balance of the liability for each period. The right to use the asset is depreciated over the useful life of the asset and the lease term, whichever is shorter, on a straight-line basis.

- The assets and liabilities arising under the lease are initially measured at present value.
- The right to use asset is measured at cost that includes the following:
 - the amount of the initial measurement of the lease liability,
 - any rental incentives received,
 - any lease rent payments made on or before the commencement date of the contract, minus

- any initial direct costs, and
- Renewal costs.

The right-of-use assets are subsequently measured at cost less accumulated depreciation.

The lease liability includes the net present value of the following lease payments:

- fixed payments (including in substance fixed payments) less any debit rent incentives,
- variable lease payments that are based on an index or rate,
- amounts expected to be paid by the lessee under residual value guarantees,
- the exercise price of the purchase option if the lessee is reasonably certain to exercise the option, and
- Payments of fines for termination of the lease, if the lease term reflects the exercise of that option by the lessee.

Lease payments are discounted using the incremental borrowing rate which is the price that the lessee would pay to borrow the money needed to obtain an asset of similar value in a similar economic environment on similar terms and conditions.

Payments related to short-term leases and leases of low-value assets on a straight-line basis are recognized as an expense in the statement of profit or loss. Short-term leases are lease contracts with a lease term of 12 months or less, it includes Low-value assets related to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the term of the lease, management considers all facts and circumstances that create an economic incentive to exercise the option to extend, or not to exercise the option to terminate. Extension options are only included in the lease term if the lease term is reasonably certain. In determining the lease term, management generally considers factors including historical lease periods and business interruption costs required to replace the leased asset.

Accrued Expenses and Other Liabilities

Liabilities are recognized for amounts to be paid in the future for the goods or services received, whether or not invoices are submitted by the suppliers.

Provisions

Provisions are recognized when the Company has an obligation (legal or expected) as a result of past events and the costs to settle the obligation are both probable and can be measured reliably. No provisions are recognized for future operating losses.

Zakat and Income Tax

A provision for Zakat and income tax is deducted according to the Saudi Zakat and tax regulations. Zakat is charged to the property accounts of the Saudi founding shareholders and the general public, while income tax is charged to the property accounts of non-Saudi founding shareholders, and the provision for Zakat and income tax is charged to the income statement.

Deferred Tax

Deferred income tax, if any, is calculated using the liability basis for temporary differences arising between the carrying balances of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to apply or the carrying amount of assets and liabilities is settled, except for tax rates that have been enacted or nearly enacted at the end of the reporting period. Deferred tax should be recognized only to the extent that it is probable that future taxable profit will be available and the credit can be used.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits are recognized.

Deferred tax assets and liabilities are set off when there is a legally enforceable right to set-off between current tax assets and current tax liabilities, which relate to income taxes imposed by the same tax authority and which has the right to conduct the set-off process, which aims either to settle on a net basis or to achieve Assets and settle the liabilities simultaneously.

Current and deferred taxes are recognized in profit or loss, except to the extent related to transactions that are recognized directly in the statement of comprehensive income or equity. In this case, the tax must also be recognized.

Employees' End of Service Benefits

The Company provides end-of-service benefits to its employees in accordance with the terms and conditions of the labor law applied in the Kingdom of Saudi Arabia. The entitlement to these benefits is based on the employee's final salary and length of service, upon completion of the minimum service period. The expected costs of these benefits are accrued over the employment period. An annual provision is established based on the independent actuarial valuation in accordance with the requirements of

IAS 19 "Employee Provisions" using the projected unit credit method. The Company performed an actuarial valuation in the current year.

All past service costs are recognized immediately as expenses in the income statement.

Short-Term Employee Benefits

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

Retirement Benefits

The Company pays the retirement contributions of its employees in the Kingdom of Saudi Arabia to the General Organization for Social Insurance. This represents a defined contribution plan. Amounts paid are expensed when incurred.

Insurance Contracts

The Company issues contracts under which insurance risks are transferred. Insurance contracts are defined as those contracts under which the insurance company accepts significant insurance risks from policyholders by agreeing to compensate policyholders in the event of an unspecified future event that negatively affects the policyholder. As a rule of thumb, the Company defines significant insurance risks as the possibility of paying compensation when an insured accident occurs. If the contract is classified as an "insurance contract", it remains so for the remainder of the period even if the insurance risks have decreased significantly during the period, unless all rights and obligations related to it have been depleted or expired.

Re-Insurance

Reinsurance contracts are contracts entered into by the Company with reinsurers, according to which the Company is compensated for the losses of the issued insurance contracts.

The benefits to which the Company is entitled under reinsurance contracts are recognized as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profits commissions, if any, and reinsurers' share of outstanding claims, which are contingent upon anticipated claims and benefits arising under reinsured insurance contracts. Amounts recoverable from and/or due to reinsurers are recognized in a manner similar to amounts related to insurance contracts in accordance with the terms of each reinsurance agreement.

On the date of preparing all financial statements, the Company conducts an audit to ensure that there is an indication of impairment of reinsurance assets. If such an indication exists, the Company makes an estimate of the recoverable amount.

In the event that the carrying amount of the reinsurance assets exceeds the recoverable amount, then the asset is considered impaired and reduced to its recoverable value. The impairment, if any, is recognized in the income statement.

Reinsurance liability balances represent balances owed to reinsurance companies. The amounts due have been estimated in a manner consistent with the related reinsurance contracts.

The reinsurance agreements do not relieve the Company of its obligations towards policyholders.

Claims

Claims consist of amounts owed to contracted parties and other parties, and related loss settlement expenses, minus scrap and other recoveries, and are charged to the statement of insurance operations results and the accumulated surplus when incurred.

Total outstanding claims includes the total estimated cost of claims incurred but not paid at the date of the statement of financial position, whether or not reported. Provisions are set aside for reported but not paid claims at the balance sheet date on a case-by-case basis. A provision is also set aside at the date of the statement of financial position, according to management's estimates and the Company's previous experience, for the cost of paying claims incurred but not reported. The final obligations can be more or less than the provision set aside.

The difference between the provisions at the date of the statement of financial position and the payment and the provisions set aside in the subsequent year shall be included in the statement of insurance operations results and the accumulated surplus for that year. The Company does not discount its liabilities for unpaid claims because all claims are expected to be paid within one year from the date of the statement of financial position.

Reinsurance claims are recognized when the total insurance claims are recognized in accordance with the relevant contract term.

Scrap and Reimbursements

Some insurance contracts allow the Company to sell an (totally damaged) asset when the claim is settled (such as scrap). The Company may also pursue third parties for payment of some or all costs (such as compensations). Estimates of scrap recovery are included as a provision when measuring the outstanding claim obligations where the provision is the amount that can reasonably be recovered after the asset is disposed of.

Reimbursements is considered a provision when measuring outstanding claim obligations. This allowance is an estimate of the amount that can be recovered from the third party.

Deferred Underwriting Costs

Certain underwriting costs related to the issuance of new insurance policies are recorded as deferred underwriting costs and are amortized in the income statement over the period of the related insurance coverage. In the event that the assumptions regarding the future profitability of these insurance policies are not met, these costs can be amortized immediately, and this may require additional amortization in income.

Liability Adequacy Test

At the end of each financial period, a liability adequacy test is conducted to ensure the adequacy of insurance contract liabilities. After deducting the relevant deferred underwriting costs using current estimates of future cash flows for insurance contracts, and in performing these tests, management's best estimates of future cash flows and claims handling and administration expenses are used. Any deficit is charged directly to the income statement by writing off the deferred acquisition costs, after which a provision for losses resulting from the liability adequacy test is set aside.

Earned Premiums and Commission Income

Insurance premiums are posted to income in the income statement on a pro-rata basis over the terms of the insurance policies to which they relate. Unearned premiums represent the share of insurance premiums written relating to the period of coverage in effect.

Underwriting results represent earned premiums and fee and commission income less claims paid, other underwriting expenses and expected claims accrued relating to the year, after deducting amounts subject to reinsurance, less provision for expected future losses on valid insurance policies.

Commissions owed on reinsurance contracts are deferred and amortized on a straight-line basis over the life of the reinsurance contracts.

Retained insurance premiums and commission income related to risks in force beyond the end of the financial year are shown as unearned premiums, and are deferred using the following methods:

- The actual number of days for all other classes of insurance.
- For marine cargo the unearned premiums represent the premiums written during the last three months of the current financial year.
- A predetermined calculation process for engineering insurance for risks that exceed one year. According to this calculation process, lower premiums are earned during the first year and gradually increase with the end of the insurance policy period.

Commission Income

Commission income from term deposits is recognized on an effective yield basis.

Statutory Reserve

According to the by-law, the Company must transfer 20% of the net income for the year to the statutory reserve until this reserve reaches 100% of the capital. Due of the accumulated losses, no such transfer was made for the year ended December 31, 2020G.

Trading History

All regular purchases and sales of financial assets are recognized or derecognized on the trading date (i.e the date on which the Company commits to purchase or sell the assets). Regular operations related to the purchase and sale of financial assets are the operations that require that these assets be repaid within a period of time stipulated by regulations or those generally accepted in the market.

Foreign Currency

Transactions in foreign currencies are converted into Saudi Riyals at the conversion rates prevailing when the transactions were made. Monetary assets and liabilities denominated in foreign currencies as on the statement of financial position date are translated into Saudi Riyals at the rates prevailing on that date. All translation differences are listed in the income statement.

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position is included when there is a legally enforceable right and when the Company has the intention to settle the assets and liabilities on a net basis or to sell the assets and settle the liabilities simultaneously. Revenues and expenses are not offset in the income statement unless it is required or permitted by accounting standards or their interpretations.

Sectoral Information

The operating segment is a component of the Company that generates revenue and incurs expenses and has separate financial information available that is regularly evaluated by the Chief Operating Officer, who decides the manner in which resources are allocated and performance is evaluated. For administrative purposes, the Company consists of business units according to its products and services, and it has six operating segments as follows:

- Health insurance includes insurance on medical costs, medicines, and all medical and treatment services and supplies.
- Motor Insurance, which covers losses and liabilities related to vehicles, with the exception of transport risks.
- Fire insurance, which covers fire risks and other insurance operations that fall under this type of insurance.
- Engineering insurance, which covers the risks of building works, construction, mechanical, electrical and electronic works, malfunction of machines and machinery, and other insurance operations that fall under this type of insurance.
- Marine insurance, which covers the risks of goods on the road and transport vehicles on the main roads and other types of insurance that fall into this category.
- Other products, services of insurance, including the branches of insurance that were not mentioned above.

Segment performance is evaluated on the basis of profit or loss, which is measured, in some respects, differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. In the event that any transaction is expected to occur, it is carried out according to transfer rates between sectors, and is carried out on the same terms as dealing with other parties. Segment revenue, expenses and results include transfers between sectors, which are eliminated at the level of the Company's financial statements.

5-5 Statement of Income

The following table presents the income statement for the financial years ending on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 15 : Statement of Income

(SAR' 000)	31 December 2018G	31 December 2019G	Annual change	Annual change
	(Audited)	(Audited)	2018 – 2019G	2019-2020G
Gross Written Premiums	350,787	332,418	(5.2%)	4.2%
reinsurance share on premiums				
International	(88,921)	(94,170)	5.9%	(3.6%)
Local	(13,974)	(16,064)	15.0%	(65.4%)
Excess loss expense	(9,063)	(4,803)	(47.0%)	(10.1%)
Net written premiums	238,830	217,381	(9.0%)	13.1%
Change in unearned premiums, net	(6,745)	5,173	(176.7%)	(199.7%)
Net earned premiums	232,085	222,554	(4.1%)	8.1%
Reinsurance commission earned	25,123	16,370	(34.8%)	(30.2%)
Net revenue	257,208	238,924	(7.1%)	5.5%

(SAR' 000)	31 December 2018G	31 December 2019G	Annual change	Annual change
	(Audited)	(Audited)	2018 – 2019G	2019-2020G
Underwriting costs and expenses				
Gross Claims Paid	(217,984)	(248,706)	14.1%	(8.3%)
Reinsurers' share of paid claims	69,249	84,835	22.5%	(16.8%)
Net claims paid	(148,735)	(163,871)	10.2%	(3.9%)
Change in claims outstanding and claims incurred but not reported, net	7,811	(7,622)	(197.6%)	(87.2%)
Net claims incurred	(140,924)	(171,493)	21.7%	(7.6%)
Policy acquisition cost	(24,568)	(17,622)	(28.3%)	18.1%
Change in insurance premium deficiency reserve and other reserves	(7,043)	(4,360)	(38.1%)	(89.2%)
Other underwriting expenses	0	0	-	-
Total underwriting costs and expenses	(172,535)	(193,475)	12.1%	(3.6%)
Net underwriting profit	84,672	45,450	(46.3%)	44.5%
(Provision) / Recovery of doubtful debts	(12,943)	(13,586)	5.0%	(160.6%)
General and administrative expenses	(73,195)	(76,935)	5.1%	(10.5%)
Commission income on deposits	4,687	4,962	5.9%	(53.8%)
(Losses)/gains on sale of available for-sale investments	(1,251)	1,249	(199.8%)	61.4%
Impairment charges in investment (available for sales)	(2,000)	(2,898)	44.9%	(100.0%)
Dividend	3,626	3,998	10.3%	(6.9%)
Total other operating expenses	(81,076)	(83,211)	2.6%	(36.8%)
Total surplus / (deficit) for the year	3,596	(37,762)	(1150.1%)	(134.6%)
Zakat and income tax	(6,038)	(4,553)	(24.6%)	31.8%
Net (loss) / profit after Zakat and income tax	(2,442)	(42,314)	1632.8%	(116.7%)
Profit attributable to insurance operations	(177)	0	(100.0%)	-
(Loss) / Profit attributable to shareholders	(2,619)	(42,314)	1515.7%	(114.8%)
Other comprehensive income:				
Net change in fair value	(1,676)	7,467	(545.5%)	(105.3%)
Total (loss) / comprehensive income attributable to shareholders	(4,295)	(34,847)	711.3%	(116.8%)
Total comprehensive income / (loss) attributable to insurance operations	183	(595)	(425.1%)	(154.5%)
Total (loss) / comprehensive income	(4,112)	(35,442)	761.9%	(117.4%)
Source: Audited financial statements for the years ended on 31 December 2018G, 2019G and 2020G				

Table 16 : Key Performance Indicators

	31 December 2018G	31 December 2019G	31 December 2020G
Gross Written Premium Growth Rate	11.6%	(5.2%)	4.2%
Cession Rate	31.9%	34.6%	29.0%
Net earned premiums as a percentage of gross written premiums	66.2%	66.9%	69.5%
Net loss rate	60.7%	77.1%	65.8%
Commission paid as a percentage of gross written premiums	6.5%	5.0%	7.1%
Commission received as a percentage of the premiums ceded	22.2%	13.3%	11.0%
Net commission rate	(0.2%)	0.6%	3.9%
Net profit in written premiums as a percentage of gross written premiums	24.1%	13.7%	19.0%
Net expense ratio	37.1%	40.7%	25.2%
Net consolidated ratio	97.6%	118.4%	94.9%

Source: The Company

Gross Written Premiums

The health sector and the motor sector are the two main business sectors of the Company, as they contributed at a rate of 43.0% and 36.2%, respectively, of the total written premiums between 2018G and 2020G, followed by the fire sector and the engineering sector at rates of 8.0% and 5.5%, respectively.

Gross written premiums decreased from SAR 350.8 million in 2018G to SAR 332.4 million in 2019G, driven by a 21.4% decline in the motor sector due to the non-renewal of two policies for two large-sized companies and the decline in sales of individual insurance policies through an online platform affiliated to a broker, which was partially offset by an increase in written premiums for the health sector by 7.0% mainly due to the underwriting of policies belonging to two new major clients that were attracted through direct sales and intermediaries.

Gross written premiums increased by 4.2% in 2020G compared to 2019G to reach SAR 346.4 million. This increase is mainly due to growth in the motor, fire and engineering sectors by 22.9%, 56.7% and 57.6%, respectively, due to the attraction of new clients from large companies, which was partially offset by a 19.9% decrease in the health sector's written premiums as a result of the Company's tendency to liquidate high-loss portfolios.

Reinsurance Share on Premiums

The Company reinsures in accordance with a risk management strategy in order to protect the Company from potential losses and to secure additional potential growth. Reinsurance operations are carried out under proportional and Facilitative reinsurance agreements and contracts and re-insurance of excess loss.

The cedins rate increased in 2019G to 34.6% compared to the cedins rate in 2018G, which amounted to 31.9% due to the decrease in written insurance premiums related to the motor sector in 2019G, as this sector is covered through agreements to reinsure excess loss only, and therefore the retention ratio of the Company's Motor Insurance premiums will be higher.

In the year 2020G, there are several reasons that led to the decrease in the cedins rate to 29.0%, the most important of which are: the exit of the local reinsurer from the proportional reinsurance agreement for the health sector, the total retention of two of the main health policies, and the increase in written premiums related to the motor sector subject to excess loss insurance

Net Written Premiums

The discrepancy in the net written premiums is mainly caused by the motor sector, which recorded the highest retention rate among all other insurance sectors in the Company, with a retention rate of 98.1% between 2018G and 2020G. The net written premiums in the motor sector represented the highest percentage of the total net written premiums at a rate of 52.0% between 2018G and 2020G.

Next is the health sector, where the retention rate in this sector reached 69.5% in the period between 2018G and 2020G, and the net written premiums in the health sector represented 43.5% of the total net written premiums in the period between 2018G and 2020G.

The net written premiums decreased by 9.0% from SAR 238.8 million in 2018G to SAR 217.4 million in 2019G, mainly due to the decrease in written premiums in the motor sector.

The net written premiums increased by 13.1% from SAR 217.4 million in 2019G to SAR 245.8 million in the year 2020G in line with the increase in the Company's business driven mainly by the motor sector.

Change in Unearned Premiums, Net

The net change in unearned premiums is the difference between net written premiums and net earned premiums during each year.

Net Earned Premiums

The net earned premiums decreased by 4.1% from SAR 232.1 million in 2018G to SAR 222.6 million in 2019G in line with the decrease in the total insurance premiums written in the Motor Insurance sector.

The net earned premiums increased by 8.1% in the year 2020G compared to the year 2019G to reach SAR 240.6 million, and the increase was mainly recorded in the health sector for several reasons, the most important of which are: the increase in the retention rate in this sector in the year 2020G, and the occurrence of new underwritings related to Compulsory health insurance policies for visit, Hajj and Umrah visas, and a growth in production in the second half of 2019G compared to the second half of 2018G (which is recognized throughout the insurance coverage period, that extended to 2020G), which contributed to an increase in net insurance premiums earned in year 2020G.

Reinsurance Commission Earned

Reinsurance commission represents income generated from reinsurance arrangements/agreements. The reinsurance commission in the majority of reinsurance arrangements/agreements depends on the profitability of the reinsured portfolio which is negatively or positively affected in the event of an increase or decrease in the claims incurred.

The reinsurance commission earned for the year 2018G amounting to SAR 25.1 million included profit commission income related to previous years that were recorded within the reinsurance commission earned for the health sector (at a value of SAR 6.7 million), the engineering sector (at a value of SAR 3.8 million), the marine sector (at a value of SAR 1.2 million), and the general accidents sector (with a value of 1.2 million). The profit commission income is linked to the performance of the reinsurance agreements prorated for each agreement separately, and is subject to change according to the performance and terms of the reinsurance agreement for each year.

The earned reinsurance commission decreased by 34.8% in 2019G compared to 2018G to reach SAR 16.4 million, mainly due to a decrease in profit commission income in 2019G (SAR 3.6 million) compared to 2018G (SAR 12.9 million).

The reinsurance commission decreased by 30.2% in the year 2020G compared to the year 2019G to reach SAR 11.4 million as a result of the absence of profit commissions in the year 2020G compared to the profit commissions recognized in 2019G for previous years (at a value of SAR 3.6 million), in addition to the increase in facultative reinsurance which is generally subject to reinsurance commission lower than prorated insurance.

Net Claims Incurred

The Company's net loss rate increased from 60.7% in 2018G to 77.1% in 2019G as a result of the increase in net loss rates related to the health sector and the motor sector as follows:

- The net loss rate for the health sector increased from 65.3% in 2018G to 86.9% in 2019G for several reasons, the most important of which are: Cease the issuance of small group insurance policies with a relatively low loss rate compared to insurance for large groups due to the modification of the underwriting method in accordance with the instructions of the Council of Cooperative Health Insurance in addition to the increase in new benefits of health insurance policies by the Council of Cooperative Health Insurance, and the inability to increase prices due to high competition in the market.
- The net loss rate in the motor sector increased from 57.3% in 2018G to 73.9% in 2019G as a result of the increase in third party liability insurance claims (in particular, individual insurance policies issued through the "Tameeni" Platform) in addition to the presence of a number of corporate insurance policies with high loss rates.

The Company's net loss rate decreased to 65.8% in the year 2020G, affected by the period of closures caused by the Corona Virus (Covid-19) pandemic at the beginning of the year 2020G, which led to the reduction of vehicle movement resulting in a decrease in the net loss rates from the motor sector during the year.

Insurance Policy Costs

Policy costs mainly relate to insurance policy expenses, mainly representing commissions paid to sales representatives, brokers and agents. These costs are in line with movements in gross written premiums.

The total costs of insurance policies decreased by 28.3% from SAR 24.6 million in 2018G to SAR 17.6 million in 2019G due to the decrease in the costs of insurance policies attributed to the health sector and the motor sector as a result of the decline in

insurance policies written through intermediaries and agents and due to the underwriting of a major medical policy during the year 2019G through direct sales without incurring commission expenses on it.

The total costs of insurance policies increased by 18.1% to reach SAR 20.8 million in the year 2020G. This is mainly due to the high costs of insurance policies attributed to the motor sector as a result of the high insurance premiums written through intermediaries.

Change in Insurance Premium Deficit Reserve

The change in the insurance premium deficit reserve included in the income statement for the fiscal years 2018G, 2019G and 2020G is based on the recommendations of the actuary.

Other Underwriting Expenses

The amount charged as other underwriting expenses in the year 2020G represents the total amount of liquidation of accounts of one of the Company's clients dating back to previous years and includes motor premiums reimbursement in the amount of SAR 1.2 million, in addition to marine insurance claims in the amount of SAR 5.5 million.

Provision for Doubtful Debts

The provision for doubtful debts represents the change in the impairment of overdue installments, based on the guidelines set forth by the Saudi Central Bank.

General and Administrative Expenses

General and administrative expenses increased by 5.1% from SAR 73.2 million in 2018G to reach SAR 76.9 million in 2019G as a result of the increase in withholding tax and value-added tax potentially incurred in the amount of SAR 3.9 million, in addition to an increase in legal and professional fees in the amount of SAR 2.9 million. This was partially offset by a decrease in staff costs in the amount of SAR 3.6 million.

The decrease in staff costs in the amount of SAR 9.3 million led to a decrease in general and administrative expenses by 10.5% to reach SAR 68.9 million in the year 2020G.

The reasons for the increase/decrease referred to above are explained in the Other Operating Expenses and Income section.

Net Investment Income

Net investment income consists of commission income on deposits, bonds and dividends from investment funds in addition to gains/(losses) on the sale of available-for-sale investments, less any impairment charges on available-for-sale investments.

Net investment income increased from SAR 5.1 million in 2018G to SAR 7.3 million in 2019G mainly as a result of achieving profits from selling investments available for sale amounting to SAR 1.2 million in 2019G, compared to incurring losses from selling investments available for sale amounting to SAR 1.3 million Saudi in 2018G.

The net investment income increased to SAR 8.0 million in the year 2020G compared to the year 2019G as a result of:

- The absence of impairment burdens on investments available for sale in the year 2020G, compared to recording a decrease in impairment burdens in the amount of SAR 2.9 million in the year 2019G (which led to a decrease in the net investment income for the year 2019G).
- A decrease in commission income on deposits from SAR 5.0 million in 2019G to SAR 2.3 million in 2020G.

Zakat and Income Tax

The Company completed its tax and Zakat status until the year 2011G, and the Company received Zakat and tax assessments from the Zakat, Tax and Customs Authority for the years from 2012G to 2018G, which included differences with the Company's declarations. As a preliminary procedure and according to the statutory deadlines, the Company discussed and submitted its objection to the Zakat, Tax and Customs Authority, which resulted in partial acceptance by the Zakat, Tax and Customs Authority on different dates due to the different dates of receipt of the assessments and the dates of submitting the objection to them. Accordingly, the value of the differences after partial acceptance amounted to SAR 25,967,092.77 million. On March 1, 2021G, the Company paid the resulting amounts, as the Company paid an amount of SAR 519,794 thousand and filed a grievance regarding withholding tax assessments before the Tax Violations and Disputes Preliminary Resolution Committee on March 8, 2021G.

On January 4, 2021G, the Company appealed against the resolution of the Preliminary Committee issued against the Company regarding its grievance on the Zakat and tax assessments related to the year 2014G, and on March 03, 2021G, the Company paid the amounts arising from the items of differences related to income tax only resulting from decision of the Preliminary resolution Tax Disputes Committee in the amount of SAR 8,443.78 thousand, which relates to the Zakat and tax objection for the years 2013G and 2014G. (For more information, please see Risk No. (2.1.11) "Risks Related to Possible Shariah Zakat Entitlements and Additional Claims" from Section (2) "Risk Factors" of this Prospectus).

Net Change in Fair Value of Available for Sale Investments:

The change in the fair value of available-for-sale investments amounted to SAR (1.7) million in 2018G, SAR 7.5 million in 2019G, and SAR (0.4) million in 2020G. The change in the fair value of available-for-sale investments amounting to SAR 7.5 million in the year 2019G represents the movement between the opening and final balance of the investment's revaluation reserve. As of December 31, 2018G, the investment revaluation reserve amounted to SAR (6.3) million due to incurring a large and long-term decline in the fair value of units in a real estate fund and the initial public offering fund. In 2019G, the Company recorded a decrease in the costs of investments available for sale in the income statement, amounting to SAR 2.9 million, in addition to liquidating units of one of the initial public offering investment funds, which contributed to an increase in the investment revaluation reserve to SAR 1.1 million as on December 31, 2019G.

Total Comprehensive Income / (Loss)

Total comprehensive income / (loss) decreased from a loss of SAR 4.1 million in 2018G to a loss of SAR 35.4 million in 2019G mainly due to the decrease in net underwriting profit from SAR 84.6 million in 2018G to SAR 45.5 million in the year 2019G driven by a decrease in the net earned premiums and an increase in the net loss rate between 2018G and 2019G.

Total comprehensive income / (loss) increased to an income in the amount of SAR 6.2 million in the year 2020G, as a result of an increase in the net insurance premiums earned and a decrease in the net loss rate.

Revenues

Gross written premiums

Table 17 : Gross written premiums

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	150,904	161,452	129,291	7.0%	-19.9%
Motor	135,625	106,540	130,923	-21.4%	22.9%
Fire	24,145	22,649	35,501	-6.2%	56.7%
Engineering	15,901	15,961	25,152	0.4%	57.6%
Marine	12,679	11,247	9,891	-11.3%	-12.1%
Other	11,533	14,570	15,674	26.3%	7.6%
Gross written premiums	350,787	332,419	346,432	-5.2%	4.2%
percentage of total					
Health	43.0%	48.6%	37.3%		
Motor	38.7%	32.0%	37.8%		
Fire	6.9%	6.8%	10.2%		
Engineering	4.5%	4.8%	7.3%		
Marine	3.6%	3.4%	2.9%		
Other	3.3%	4.4%	4.5%		
Total	100%	100%	100%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

The total written premiums recorded by the Company between 2018G and 2020G are mainly concentrated on corporate documents, which represented an average of 89.5% of the total insurance premiums written during this period.

The Company issues insurance policies through direct sales by its head office in Riyadh, its branches and points of sale in the Kingdom of Saudi Arabia, in addition to brokers approved by the regulating authorities in the Saudi insurance market. The Company's sales are concentrated in the central region, which represented an average of 74.2% of the gross written premiums between 2018G and 2020G, followed by the western region with a percentage of 20.4% and the eastern region with a percentage of 5.3%.

The health and the motor sector are the two main business sectors of the Company, as they contributed at a percentage of 43.0%

and 36.2%, respectively, of the total written premiums between 2018G and 2020G, followed by the fire sector and the engineering sector at a percentage of 8.0% and 5.5%, respectively.

The main sectors that contributed to the changes in the gross written premiums are shown below:

In the year 2019G, the total written premiums decreased by 5.2% compared to the year 2018G, driven by the decline in the motor sector by 21.4% (the explanation is provided below). This was followed by a decrease in the fire sector and the marine sector by 6.2% and 11.3%, respectively. On the other hand, the health sector recorded an increase of 7.0% in 2019G compared to 2018G.

Gross written premiums increased by 4.2% in 2020G compared to 2019G. This increase is mainly due to growth in the motor, fire and engineering sectors by 22.9%, 56.7% and 57.6%, respectively. This was offset by a decrease in written health sector premiums by 19.9%.

Health Sector

The health sector is the largest contributor to the gross written premiums, as it represented 43.0%, 48.6% and 37.3% of the gross written premiums in the years 2018G, 2019G and 2020G, respectively.

The written premiums for the health sector increased by 7.0% in 2019G from SAR 150.9 million in 2018G to SAR 161.5 million in 2019G, mainly resulting from the underwriting of policies belonging to two new major clients that were attracted through direct sales and intermediaries. This was partially offset by the failure to renew a number of health policies belonging to small, medium and large-sized companies as a result of the high level of competition in the market.

The insurance premiums written for the health sector decreased by 19.9% in the year 2020G compared to the year 2019G to reach SAR 129.3 million as a result of the Company's tendency to liquidate the insurance portfolio from the relatively high-loss policies, which led to the non-renewal of a policy for a large-sized company whose insurance premiums amounted to SAR 23.4 million in the year 2019G and the cancellation of a large-sized policy that resulted in a refund of insurance premiums in the amount of SAR 7.5 million in the year 2020G.

Motor sector

The written premiums for the motor sector decreased by 21.4% from SAR 135.6 million in 2018G to SAR 106.5 million in 2019G, as a result of a decrease in insurance written premiums for corporate by SAR 15.7 million (due to the non-renewal of two policies for two large-sized companies) in addition to the decline of individual insurance by SAR13.4 million (due to a decrease in online sales after raising prices as a result of the high loss rates for these policies and the introduction of a number of insurance companies into competition through electronic sale platforms).

The written premiums for the motor sector increased by 22.9% in 2020G compared to 2019G to reach SAR 130.9 million as a result of the increase in insurance premiums written for corporate due to the attraction of large and medium-sized groups through intermediaries. This was offset by the loss of some accounts for medium-sized companies.

Fire Sector

Written premiums for the fire sector decreased by 6.2% from SAR 24.1 million in 2018G to SAR 22.6 million in 2019G.

The insurance premiums written for the fire sector increased by 56.7% in the year 2020G to reach SAR 35.5 million due to attracting a large-sized group through direct sales. The total written premiums for the fire sector for this group amounted to SAR12.9 million for the year 2020G.

Engineering Sector

The engineering sector includes products whose insurance coverage period exceeds one year and reaches five years, without considering the extension periods, if any.

The insurance premiums written for the engineering sector did not record any material change between 2018G and 2019G, reaching SAR 15.9 million and SAR 16.0 million, respectively.

The insurance premiums written for the engineering sector increased by 57.6% in the year 2020G to reach SAR 25.1 million, primarily due to the underwriting of a policy for a new client worth SAR 5.0 million, in addition to the extension of policies for a number of clients due to the delay in completing projects on time caused by the impact of the Corona Virus (Covid-19) pandemic.

Marine Sector

The written premiums for the marine sector decreased from SAR 12.7 million in 2018G to SAR 11.2 million in 2019G due to the non-renewal of relatively high-value policies by a major client in this sector.

The insurance premiums written for the marine sector decreased by 12.1% in the year 2020G compared to 2019G to reach SAR 9.9 million, as a result of the impact of the freight movement due to the Corona Virus (Covid-19) pandemic.

Other Sectors

Other segments written premiums mainly relate to general accident insurance, protection and savings insurance.

Total written premiums for other sectors increased from SAR 11.5 million in 2018G to SAR 15.6 million as a result of the increase in insurance premiums in the general accident insurance sector.

Reinsurance share on premiums

Table 18 : Reinsurance premiums assigned, including excess loss

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	51,617	58,954	27,084	14.2%	(54.1%)
Motor	3,006	2,238	1,755	(25.6%)	(21.6%)
Fire	22,670	20,262	32,485	(10.6%)	60.3%
Engineering	16,343	14,745	21,990	(9.8%)	49.1%
Marine	10,287	8,820	8,015	(14.3%)	(9.1%)
Other	8,035	10,017	9,301	24.7%	(7.1%)
Total reinsurance premiums ceded	111,958	115,037	100,629	2.8%	(12.5%)
Assignment rate: Reinsurance premiums ceded / Gross written premiums					
Health	34.2%	36.5%	20.9%		
Motor	2.2%	2.1%	1.3%		
Fire	93.9%	89.5%	91.5%		
Engineering	102.8%	92.4%	87.4%		
Marine	81.1%	78.4%	81.0%		
Other	69.7%	68.8%	59.3%		
Cession ratio	31.9%	34.6%	29.0%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

The Company reinsures part of the policies issued by it under proportional and facultative agreements and reinsurance contracts externally and locally. The external ceded reinsurance premiums represent a percentage of 83.8% of the total reinsurance premiums ceded between the year 2018G and the year 2020G, while the local ceded reinsurance premiums represent a percentage of 10.7% and the excess of loss arrangements represent about 5.5%.

The total ceded reinsurance premiums amount to an average of 31.8% of the total insurance premiums written between 2018G and 2020G. The main business sectors ceded by the Company during this period are the engineering sector with a percentage of 94.2% and the fire sector at a percentage of 91.6%, followed by the marine and other sectors, health and vehicles at a percentage of 80.2%, 65.9%, 30.5% and 1.9%, respectively.

Ceded reinsurance premiums increased by 2.8% from SAR 112.0 million in 2018G to SAR 115.0 million in 2019G, mainly driven by an increase in total written premiums in the health insurance sector.

Ceded reinsurance premiums decreased by 12.5% in 2020G to reach SAR 100.6 million, mainly due to a decrease in Ceded insurance premiums in the health sector (the main reasons are given below). This was offset by an increase in Ceded insurance premiums in the fire and engineering sectors in line with the business growth in these two sectors.

Health Sector

The ceded rate in the health sector amounted to 34.2%, 36.5% and 20.9% in the years 2018G, 2019G and 2020G, respectively.

The ceded rate in the health sector did not record any fundamental change between 2018G and 2019G, in the normal course of this insurance sector and in line with the reinsurance strategy adopted by the Company.

The Ceded rate in the health sector decreased to 20.9% in the year 2020G compared to the year 2019G, due to the two main reasons mentioned below:

- Reducing the ceded rate to this sector from 50% of the net risk premium in 2019G to 40% of the net risk premium in 2020G due to the local reinsurer's exit from the reinsurance agreement for the year 2020G;
- Full retention of two main health insurance policies, amounting to SAR15.6 million and SAR 12.4 million.

Motor sector

Insurance premiums in the motor sector are covered by excess loss insurance policies. Therefore, the ceded rate amounted to 2.2%, 2.1%, and 1.3% in the years 2018G, 2019G and 2020G, respectively. There are no significant changes in the ceded rate in this sector during this period.

Fire Sector

The ceded rate in the fire sector amounted to 93.9%, 89.5% and 91.5% in the years 2018G, 2019G and 2020G, respectively.

There has been no change in the retention ratio of the proportional reinsurance agreement for the fire sector in the years 2018G, 2019G and 2020G; however, the changes in the above-mentioned ceded rates are caused by the various volume of risks, the diversity of their reinsurance contracts between proportional and facultative reinsurance contracts, and the absence of adjustments to excess losses of insurance premiums in 2019G and 2020G. In general, the reinsurance premiums ceded in this sector have changed in line with the change in the written premiums.

Engineering Sector

The ceded rate in the engineering sector amounted to 102.8%, 92.4% and 87.4% in the years 2018G, 2019G and 2020G, respectively.

The ceded rate in the engineering sector in 2018G amounted to 102.8% as a result of including adjustments to the excess loss insurance premiums related to previous years, amounting to SAR 3.2 million in 2018G.

There was no change in the retention ratio of the proportional reinsurance agreement for the engineering sector in the years 2018G, 2019G and 2020G; however, the changes in the above-mentioned ceded rates are due to the difference in the volume of risks and the diversity of their reinsurance contracts between facultative and optional reinsurance contracts and the absence of adjustments to excess loss insurance premiums in 2019G and 2020G. In general, the reinsurance premiums ceded in this sector have changed in line with the change in the written premiums.

Marine Sector

The ceded rate in the marine sector amounted to 81.1%, 78.4% and 81.0% in the years 2018G, 2019G and 2020G, respectively.

There has been no change in the retention ratio of the proportional reinsurance agreement for the marine sector in the years 2018G, 2019G and 2020G; however, the changes in the above-mentioned ceded rates are due to the different volume of risks and the diversity of their reinsurance contracts between proportional and facultative reinsurance contracts. In general, the reinsurance premiums ceded in this sector have changed in line with the change in the written premiums.

Other Sectors

The ceded rate in other sectors (general accident insurance, protection and saving insurance) reached 69.7%, 68.8% and 59.3% in the years 2018G, 2019G and 2020G, respectively.

The ceded rate in other sectors decreased to 59.3% in the year 2020G, due to the inclusion of the Company's share of profit of Umrah and Hajj insurance agreement managed by a local insurance company, amounting to SAR 2.2 million, among the total insurance premiums written in the year 2020G.

Net written premiums

Table 19 : Net written premiums

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	99,287	102,497	102,206	3.2%	-0.3%
Motor	132,619	104,302	129,168	-21.4%	23.8%
Fire	1,475	2,386	3,016	61.8%	26.4%
Engineering	(442)	1,216	3,162	-375.2%	160.0%
Marine	2,392	2,427	1,876	1.5%	-22.7%
Other	3,499	4,553	6,373	30.1%	40.0%
Net written premiums	238,830	217,381	245,802	-9.0%	13.1%
Retention Ratio: Net Written Premium / Gross Written Premium					
Health	65.8%	63.5%	79.1%		
Motor	97.8%	97.9%	98.7%		
Fire	6.1%	10.5%	8.5%		
Engineering	-2.8%	7.6%	12.6%		
Marine	18.9%	21.6%	19.0%		
Other	30.3%	31.2%	40.7%		
Retention rate	68.1%	65.4%	71.0%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

The discrepancy in the net written premiums is mainly due to the motor sector, which recorded the highest retention rate among all other insurance sectors in the Company, with a retention rate of 98.1% between 2018G and 2020G. The net written premiums in the motor sector represented the highest percentage of the total net written premiums at a rate of 52.0% between 2018G and 2020G.

This is followed by the health sector, where the retention rate in this sector reached 69.5% between 2018G and 2020G, and the net written premiums in the health sector represented 43.5% of the total net written premiums between 2018G and 2020G.

The net written premiums decreased by 9.0% from SAR 238.8 million SAR in 2018G to 217.4 million SAR in 2019G, mainly due to the decrease in written premiums in the motor sector.

The net written premiums increased by 13.1% in the year 2020G compared to the year 2019G, reaching SAR 245.8 million in line with the increase in the Company's business mainly driven by the motor sector.

Net Change in Unearned Premiums

The net change in unearned premiums represent the difference between net written premiums and net earned premiums during each year.

Net Earned premiums

Table 20 : Net Earned premiums

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	150,904	161,452	129,291	7.0%	(19.9%)
Motor	135,625	106,540	130,923	(21.4%)	22.9%

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Fire	24,145	22,649	35,501	(6.2%)	56.7%
Engineering	15,901	15,961	25,152	0.4%	57.6%
Marine	12,679	11,247	9,891	(11.3%)	(12.1%)
Other	11,533	14,570	15,674	26.3%	7.6%
Net earned premi- ums	350,787	332,419	346,432	(5.2%)	4.2%
Percentage of the total					
Health	43.0%	48.6%	37.3%		
Motor	38.7%	32.0%	37.8%		
Fire	6.9%	6.8%	10.2%		
Engineering	4.5%	4.8%	7.3%		
Marine	3.6%	3.4%	2.9%		
Other	3.3%	4.4%	4.5%		
Total	100%	100%	100%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

The motor sector represented the highest percentage of the net earned premiums, as it contributed by 52.6% of the total between 2018G and 2020G, followed by the health insurance sector at a percentage of 42.7%, wherein the Company retains the bulk of its operations in these two sectors.

The net earned premiums increased by 8.1% to SAR 240.6 million in the year 2020G. The increase was mainly recorded in the health sector for several reasons, the most important of which are: the increase in retention rate in this sector in the year 2020G, and the occurrence of new underwritings related to mandatory health insurance policies for visit, Hajj and Umrah visas, and the growth in production in the second half of 2019G compared to the second half of 2018G (which is recognized during the insurance coverage period).

Reinsurance commission earned

Table 21 : Reinsurance commission earned

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	6,658	3,638	0	(45.4%)	(100.0%)
Motor	0	0	0	-	-
Fire	3,888	3,880	2,966	(0.2%)	(23.6%)
Engineering	7,149	3,238	3,879	(54.7%)	19.8%
Marine	4,288	3,730	3,291	(13.0%)	(11.8%)
Other	3,141	1,884	1,297	(40.0%)	(31.2%)
Reinsurance com- mission earned	25,123	16,370	11,433	(34.8%)	(30.2%)
Reinsurance commission received as a percentage of the premiums ceded					
Health	12.9%	6.2%			
Motor	-	-			

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Fire	17.1%	14.3%			
Engineering	42.1%	21.9%			
Marine	42.2%	40.9%			
Other	38.5%	19.8%			
Total	22.2%	13.3%			

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Reinsurance commission represents income generated from reinsurance arrangements/agreements. The reinsurance commission in the majority of reinsurance arrangements/agreements depends on the profitability of the reinsured portfolio which is negatively or positively affected in the event of an increase or decrease in the claims incurred.

Health Sector

The reinsurance commission earned in the health sector, amounting to SAR 6.7 million and SAR 3.6 million in 2018G and 2019G, respectively, represents profit commission income related to previous years that were recorded within the earned reinsurance commissions. The profit commission income is linked to the performance of the proportional reinsurance agreements for each agreement separately, and is subject to change according to the performance and terms of the reinsurance agreement for each year.

Fire Sector

The rate of reinsurance commission received as a percentage of the premiums ceded in the fire sector amounted to 17.1%, 14.3% and 9.8% in the years 2018G, 2019G and 2020G, respectively.

There was no significant change in the commission rate for the proportional reinsurance agreement for the fire sector in the years 2018G, 2019G and 2020G; however, the decrease in the above rates was mainly caused by the increase in facultative reinsurance, which is generally subject to a reinsurance commission lower than the proportional insurance.

Engineering Sector

The rate of reinsurance commission received as a percentage of the premiums ceded in the engineering sector amounted to 42.1%, 21.9% and 15.6% in the years 2018G, 2019G and 2020G, respectively.

The increase in the reinsurance commission rate received as a percentage of the premiums ceded in the engineering sector to 42.1% in the year 2018G is mainly due to recording profit commission income related to previous years amounting to SAR 3.8 million within the earned reinsurance commission.

There has been no fundamental change in the commission rate of the proportional reinsurance agreement in the engineering sector in the years 2018G, 2019G and 2020G; however, the changes in the above-mentioned ratios are mainly caused by changes in the distribution of the premiums ceded between proportional and facultative reinsurance, where the latter is generally subject to reinsurance commissions less than the proportional insurance.

Marine Sector

The rate of reinsurance commission received as a percentage of the premiums ceded in the marine sector amounted to 42.2%, 40.9% and 38.5% in the years 2018G, 2019G and 2020G, respectively.

The rate of reinsurance commission received as a percentage of the premiums ceded in the marine sector amounted to 42.2% in the year 2018G, mainly from recording profit commission income related to previous years amounting to SAR 1.2 million within the earned reinsurance commission.

There has been no fundamental change in the commission rate of the proportional reinsurance agreement in the marine sector in the years 2018G, 2019G and 2020G; however, the changes in the above-mentioned rates are mainly caused by changes in the distribution of the ceded premiums between proportional and facultative reinsurance, where the latter is generally subject to reinsurance commissions less than the proportional insurance.

Other Sectors

The rate of reinsurance commission received as a percentage of the premiums ceded in other sectors (comprised mainly of general accident insurance and protection and saving insurance) amounted to 38.5%, 19.8% and 14.9% in the years 2018G, 2019G and 2020G, respectively.

The received reinsurance commission rate as a percentage of the premiums ceded in other sectors decreased to 19.8% in 2019G compared to 38.5% in 2018G due to the increase in facultative reinsurance and the recording of profit commission income for previous years amounting to SAR 1.2 million.

The rate of the reinsurance commission received as a percentage of the premiums ceded in other sectors decreased to 14.9% in the year 2020G compared to 19.8% in the year 2019G due to the increase in facultative reinsurance.

Subscription costs and expenses

Claims

Table 22 : Total and reinsurers share of claims paid

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	110,634	151,884	146,077	37.3%	(3.8%)
Motor	92,849	81,927	72,353	(11.8%)	(11.7%)
Fire	770	1,789	1,279	132.3%	(28.5%)
Engineering	7,018	4,856	3,487	(30.8%)	(28.2%)
Marine	3,327	4,383	2,160	31.7%	(50.7%)
Other	3,387	3,867	2,750	14.2%	(28.9%)
Total Claims Paid	217,984	248,706	228,106	14.1%	(8.3%)
Health	(55,621)	(71,130)	(61,308)	27.9%	(13.8%)
Motor	(2,552)	(1,898)	(2,517)	(25.6%)	32.6%
Fire	(635)	(1,722)	(983)	171.4%	(42.9%)
Engineering	(5,805)	(3,884)	(2,484)	(33.1%)	(36.0%)
Marine	(2,101)	(3,558)	(1,534)	69.3%	(56.9%)
Other	(2,536)	(2,644)	(1,794)	4.3%	(32.1%)
Reinsurers' share of paid claims	(69,249)	(84,835)	(70,620)	22.5%	(16.8%)
Change in claims outstanding, net	806	5,304	358	558.0%	(93.3%)
Change in claims incurred but not reported, net	(8,617)	2,318	619	(126.9%)	(73.3%)
Net claims incurred	140,924	171,492	158,463	21.7%	(7.6%)
Share of reinsurers as a percentage of total claims paid					
Health	50.3%	46.8%	42.0%		
Motor	2.7%	2.3%	3.5%		
Fire	82.4%	96.3%	76.9%		
Engineering	82.7%	80.0%	71.2%		
Marine	63.2%	81.2%	71.0%		

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Other	74.9%	68.4%	65.2%		
Total	31.8%	34.1%	31.0%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Total Claims Paid

Total paid claims increased by 14.1% from SAR 218.0 million in 2018G to SAR 248.7 million in 2019G mainly due to the increase in paid claims attributed to the health sector in line with the increase in business in this sector, which was partially offset by a decrease in Total Claims Paid attributable to the motor sector.

The total paid claims decreased by 8.3% in the year 2020G compared to the year 2019G to reach SAR 228.1 million, mainly driven by the decrease in the total claims paid attributed to the motor and health sectors resulting from the period of closures caused by the Corona Virus (Covid-19) pandemic at the beginning of the year 2020G, which led to a reduction in the use of the vehicle and health insurance benefits during this period.

Reinsurers' Share of Paid Claims

The reinsurance share of the claims paid is determined by the reinsurance agreement of each insurance sector in the Company.

The percentage of reinsurers' share of paid claims out of the total claims paid increased from 31.8% in 2018G to 34.1% in 2019G, mainly driven by the increase in claims attributed to the health sector, which was subjected to a proportional reinsurance of 50% in the years 2018G and 2019G.

The percentage of reinsurers' share of paid claims decreased by 31.0% in the year 2020G, resulting mainly from the health sector, as the cession ratio to this sector was reduced from 50% of the net risk premium in 2019G to 40% in the year 2020G (due to the local reinsurer exiting from the reinsurance agreement for the year 2020G) in addition to fully retaining two main health insurance policies

Changes in Outstanding Claims and Claims Incurred But Not Reported

Changes in outstanding claims and changes in incurred but not reported claims represent changes in estimated claims provision and incurred but not reported claims estimated by the actuary during the year.

Net Claims Incurred

Table 23 : Net Claims Incurred

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	58,640	83,707	90,568	42.7%	8.2%
Motor	77,686	84,517	65,543	8.8%	(22.4%)
Fire	(714)	38	277	(105.3%)	628.9%
Engineering	2,406	886	1,453	(63.2%)	64.0%
Marine	(62)	943	(67)	(1611.2%)	(107.1%)
Other	2,968	1,403	688	(52.7%)	(51.0%)
Net claims incurred	140,924	171,493	158,463	21.7%	(7.6%)
Net loss ratio: Net claims incurred / Net premiums earned					
Health	65.3%	86.9%	81.5%		
Motor	57.3%	73.9%	56.7%		

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Fire	(76.7%)	1.9%	10.2%		
Engineering	(257.6%)	51.8%	52.3%		
Marine	(2.4%)	30.7%	(3.7%)		
Other	71.1%	27.8%	10.4%		
Net loss ratio	60.7%	77.1%	65.8%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Health Sector

The net loss rate for the health sector increased from 65.3% in 2018G to 86.9% in 2019G for several reasons, the most important of which are: discontinuing the issuance of individual insurance policies according to the instructions of the Council of Cooperative Health Insurance with a relatively low loss ratio compared to group insurance, and the addition of new benefits to health insurance policies by the Council of Cooperative Health Insurance, the inability to increase prices due to market competition.

The net loss rate for the health sector decreased to 81.5% in the year 2020G compared to the year 2019G, due to the Company's tendency to clean the insurance portfolio of high-loss policies this year.

Motor sector

The net loss rate for the motor sector increased from 57.3% in 2018G to 73.9% in 2019G as a result of the increase in third party liability insurance claims (especially for individual insurance policies issued through "Tameeni" platform) in addition to the presence of a number of corporate insurance policies with high loss rates.

The net loss rate of the motor sector decreased to 56.7% in the year 2020G, affected by the closure period caused by the Corona Virus (Covid-19) pandemic at the beginning of the year 2020G, which led to a reduction in the movement of vehicles, which led to a decrease in the net loss rates.

Fire Sector

The net loss rate of the fire sector appeared negative in the year 2018G, reaching (76.7%), as a result of releases and a decrease in the reserve of the incurred but not reported claims and outstanding claims when claims are settled.

The net loss rate related to the fire sector amounted to 1.9% in 2019G and 10.2% in 2020G, as there were no large claims incurred by the Company during these two years.

Engineering Sector

The loss rate for the engineering sector amounted to (257.6%) in 2018G, as a result of negative net earned insurance premiums due to recording adjustments to excess loss insurance premiums related to previous years in 2018G.

There is no significant change in the loss rate for the engineering sector in the years 2019G and 2020G, amounting to 51.8% and 52.3%, respectively.

Marine Sector

The net loss rate for the marine sector increased from (2.4%) in 2018G to 30.7% in 2019G.

The net loss rate for the marine sector decreased to (3.7%) in the year 2020G, as a result of a decrease in the net claims incurred due to releases and a decrease in the reserve of incurred but not reported claims and outstanding claims upon settlement of claims.

Other Sectors

The net loss rate for other sectors decreased from 71.1% in 2018G to 27.8% in 2019G as a result of the absence of large claims during this period.

The net loss rate for the other sectors decreased to 10.4% in the year 2020G as a result of a decrease in the net claims incurred due to the releases in the reserve of incurred but not reported claims.

Change in Insurance Premium Deficit Reserve and Other Reserves

In 2018G, and based upon the recommendation of the actuary, the Company increased the insurance premiums deficit reserve for the health sector by SAR 3.4 million and created a provision for the insurance premiums deficit reserve for the motor sector in the amount of SAR 2.7 million, the engineering sector in the amount of SAR 0.7 million, and the fire sector in the amount of SAR 0.3 million.

In 2019G, and based on the recommendation of the actuary, the Company increased the insurance premiums deficit reserve for the health sector in the amount of SAR 2.7 million and the fire sector in the amount of SAR 1.4 million, and created a provision for the insurance premiums deficit reserve for other sectors in the amount of SAR 0.4 million.

In the year 2020G, the Company added an insurance premium deficit reserve for the health sector in the amount of SAR 2.5 million and other sectors in the amount of SAR 0.7 million. This was offset by recovering part of the insurance premiums deficit reserve for the fire sector in the amount of SAR 1.7 million, the engineering sector in the amount of SAR 0.6 million, and the motor sector in the amount of SAR 0.5 million based on the recommendation of the actuary.

Insurance Policy Costs

Table 24 : Insurance Policy Costs

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	9,974	5,156	5,413	(48.3%)	5.0%
Motor	8,404	6,762	9,229	(19.5%)	36.5%
Fire	1,703	1,943	2,169	14.1%	11.6%
Engineering	1,720	1,640	2,167	(4.6%)	32.1%
Marine	1,590	833	724	(47.6%)	(13.1%)
Other	1,178	1,288	1,110	9.4%	(13.8%)
Insurance policy costs	24,568	17,622	20,813	(28.3%)	18.1%
Costs of insurance policies paid/total written premiums					
Health	5.3%	3.0%	4.8%		
Motor	6.4%	5.5%	9.3%		
Fire	8.1%	9.1%	6.4%		
Engineering	10.2%	11.0%	8.3%		
Marine	11.2%	6.2%	8.0%		
Other	10.0%	8.5%	6.4%		
Total	6.5%	5.0%	7.1%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Insurance policy costs mainly relate to commissions paid to sales representatives, brokers and agents. These costs are in line with movements in gross written premiums.

The health sector and the motor sector constitute the two largest sectors that contributed to the total underwriting costs of insurance policies, as they collectively represented a percentage of 74.8%, 67.6% and 70.4% of the total costs of insurance policies in the years 2018G, 2019G and 2020G, respectively.

In 2019G, the total costs of underwriting insurance policies decreased by 28.3% from SAR 24.6 million in 2018G to SAR 17.6 million in 2019G due to the decrease in the costs of insurance policies attributed to the health and motor sectors as a result of the decline in insurance premiums written through brokers and agents and because of the underwriting of a major medical policy during the year 2019G through direct sales without incurring a commission expense on it.

The total costs of insurance policies increased by 18.1% in the year 2020G compared to the year 2019G to reach SAR 20.8 million, mainly resulting from the increase in the costs of insurance policies attributed to the motor sector as a result of the increase in insurance premiums written through intermediaries in this year.

Health Sector

The commission paid as a percentage of the total written premiums for the health sector decreased from 5.3% in 2018G to 3.0% in 2019G, as a result of discontinuing dealing with a major agent to issue health insurance policies during 2018G, in addition to the increase in insurance premiums written through direct sale (which is subject to either lower or no commission compared to doing business with brokers and agents).

The commission paid as a percentage of the total written premiums for the health sector increased to 4.8% in the year 2020G, due to the underwriting of a main policy through an intermediary and a decrease in insurance premiums written through direct sales.

Motor sector

There is no significant change in the commission paid as a percentage of the total insurance premiums written for the motor sector in the years 2018G and 2019G, which represent 6.4% and 5.5%, respectively.

The commission paid as a percentage of the total insurance premiums written for the motor sector increased to 9.3% in the year 2020G due to the underwriting of a number of major new policies through intermediaries and a decrease in insurance premiums written through direct sales.

Fire Sector

The commission paid as a percentage of the total written premiums of the fire sector increased from 8.1% in 2018G to 9.1% in 2019G, as a result of the decrease in insurance premiums written through direct sales.

The underwriting of a main policy through direct sales reduced the commission paid as a percentage of the total written premiums of the fire sector to 6.4% in the year 2020G.

Engineering Sector

The commission paid as a percentage of the engineering sector's total written premiums remained relatively stable in 2018G and 2019G, represent 10.2% and 11.0%, respectively.

The underwriting of a major policy through direct sale reduced the commission paid as a percentage of the total insurance premiums written for the engineering sector to 8.3% in the year 2020G.

Marine Sector

The commission paid as a percentage of the marine sector's gross written premiums decreased from 11.2% in 2018G to 6.2% in 2019G mainly due to a decrease in the volume of work with intermediaries as well as an increase in insurance premiums written through direct sales.

The commission paid as a percentage of the total written premiums of the marine sector increased to 8.0% in 2020G, due to a decline in insurance premiums written through direct sales.

Other Sectors

The commission paid as a percentage of the total written premiums of other sectors decreased from 10.0% in 2018G to 6.4% in 2020G mainly resulting in the general accident insurance sector due to an increase in insurance premiums written through direct sales.

Other Operating Expenses and Income

Provision For Doubtful Debts

The provision for doubtful debts was calculated based on the minimum guidelines set forth by the Saudi Central Bank.

General and Administrative Expenses

The following table displays the general and administrative expenses for the years 2018G, 2019G and 2020G.

Table 25 : General and administrative expenses

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Staff costs	43,255	39,633	30,350	(8.4%)	(23.4%)
Supervision and control costs	3,148	3,389	2,794	7.7%	(17.6%)
Claims administration expenses	7,752	7,679	7,384	(0.9%)	(3.8%)
Stationery and prints	3,335	3,031	3,880	(9.1%)	28.0%
Advertising	239	100	39	(58.2%)	(61.0%)
Legal and professional fees	3,035	5,896	8,041	94.3%	36.4%
Rents	3,868	1,714	692	(55.7%)	(59.6%)
Depreciation of the right of use Asset	0	1,954	1,971	-	0.9%
Lease obligations financing charges	0	291	218	-	(25.1%)
Depreciation	1,563	1,975	2,204	26.3%	11.6%
Insurance expenses	2,893	2,483	2,153	(14.2%)	(13.3%)
Telecom	1,747	2,301	1,713	31.7%	(25.6%)
Travel and accommodation	676	577	214	(14.6%)	(62.9%)
Board of directors attendance and allowance expenses	1,023	1,164	1,275	13.8%	9.5%
Withholding tax and value added tax expenses	(2,178)	1,671	2,760	(176.7%)	65.2%
Bank fees	660	722	458	9.4%	(36.6%)
Other	2,182	2,354	2,709	7.9%	15.1%
General and administrative expenses	73,195	76,935	68,854	5.1%	(10.5%)
Percentage of the total					
Staff costs	59.1%	51.5%	44.1%		
Supervision and control costs	4.3%	4.4%	4.1%		
Claims administration expenses	10.6%	10.0%	10.7%		
Stationery and prints	4.6%	3.9%	5.6%		
Advertisement	0.3%	0.1%	0.1%		
Legal and professional fees	4.1%	7.7%	11.7%		
Rents	5.3%	2.2%	1.0%		

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Depreciation of right of use asset	-	2.5%	2.9%		
Lease obligations financing charges	-	0.4%	0.3%		
Depreciation	2.1%	2.6%	3.2%		
Insurance ex-penses	4.0%	3.2%	3.1%		
Telecom	2.4%	3.0%	2.5%		
Travel and accom-modation	0.9%	0.8%	0.3%		
Board of directors attendance and al-lowance Expenses	1.4%	1.5%	1.9%		
Withholding tax and value added tax expenses	(30%)	2.2%	4.0%		
Bank fees	0.9%	0.9%	0.7%		
Other	3.0%	3.1%	3.8%		
General and administrative expenses	100.0%	100.0%	100.0%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Staff Costs

Staff costs represent the main expense within general and administrative expenses, as they constituted 59.1%, 51.5% and 44.1% of the total general and administrative expenses in the years 2018G, 2019G and 2020G, respectively.

Staff costs consist mainly of basic salary, housing and transportation allowances, in addition to bonuses, benefits, and contributions to the General Organization for Social Insurances, among others. These costs decreased in 2019G by 8.4% from SAR 43.3 million in 2018G to SAR 39.6 million in 2019G mainly as a result of reducing the number of employees during the year to reach 196 employees at the end of 2019G compared to 217 employees at the end of 2018G.

Staff costs decreased by 23.4% in 2020G compared to 2019G to reach SAR 30.4 million as a result of the cancellation of some privileges and benefits due to the impact of the Corona Virus (Covid-19) pandemic, in addition to the decrease in the number of employees to 192 employees as of December 31, 2020G and the vacancy of some management positions as of December 31, 2020G.

Supervision and Oversight Costs

Supervision and control costs include fees payable to the Council of Cooperative Health Insurance and the Saudi Central Bank. There is no significant difference in the costs of supervision and control in the years 2018G and 2019G.

Costs decreased by 17.6% from SAR 3.4 million in 2019G to SAR 2.8 million in 2020G. The decrease was mainly recorded in fees payable to the Council of Cooperative Health Insurance due to the decrease in written premiums for the health sector in the year 2020G.

Health Insurance Claims Administration Expenses

This represents the costs related to the third party as acting health insurance claims administrator (GlobeMed). There is no material change in the expenses of managing health insurance claims in the years 2018G, 2019G and 2020G.

Legal and Professional Fees

Legal and professional fees increased from SAR 3.0 million in 2018G to SAR 5.9 million in 2019G as a result of incurring consulting costs starting in 2019G related to additional actuarial services and the implementation plan of IFRS 17.

Moreover, the legal and professional costs increased to SAR 8.0 million in the year 2020G, mainly as a result of the increase in Elm Company fees (Yaqeen services for obtaining data on the insured) and costs related to the appointment of external consultants.

Rents and Depreciation of a Right-of-Use Asset and Expenses for Financing a Lease Liability

In accordance with International Financial Reporting Standards No. 16, as of January 1, 2019G, the Company has recorded the present value of lease contracts with a duration of more than 12 months under right-of-use assets based on lease commitments. This led to a decrease in the cost of rents from SAR 3.9 million in 2018G to SAR 1.7 million in 2019G, in addition to including SAR 2.0 million within the depreciation of a right-of-use asset and SAR 0.3 million within the lease commitment financing expenses in 2019G.

The total costs of rent, right-of-use asset depreciation and lease liability financing expenses decreased from SAR 4.0 million in 2019G to SAR 2.8 million in 2020G due to discounts obtained from lessors on renting the headquarters, main branch and some points of sale during the closure period caused by the coronavirus pandemic (Covid-19), in addition to obtaining additional discounts when renewing the lease of the headquarters and the main branch.

Withholding Tax and Value Added Tax Expenses

With the introduction of value-added tax starting from January 1, 2018G, the Company created an additional reserve in 2017G to cover potential tax obligations on unearned insurance premiums as on December 31, 2017G, which led to an increase in the expenditure in 2017G to SAR 3.2 million. During the year 2018G, a large part of this reserve was recovered as there was no need to keep it, which resulted in an income of SAR 2.2 million in 2018G.

In the year 2020G, withholding tax and value added tax expenses increased to SAR 2.8 million, compared to SAR 1.7 million in 2019G, resulting from the formation of a provision against contingent liabilities for withholding tax and value added tax.

Net Investment Income

Table 26 : Investment Income

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Commission income on deposits	4,687	4,962	2,294	5.9%	(53.8%)
Gain/(loss) on sale of investments available-for-sale	(1,251)	1,249	2,016	(199.9%)	61.4%
Impairment charges of investments available for sale	(2,000)	(2,898)	-	44.9%	(100.0%)
Dividend	3,626	3,998	3,723	10.3%	(6.9%)
Investment income	5,062	7,310	8,033	44.4%	9.9%

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Net investment income consists of commission income on deposits and debt securities as well as gains/(losses) on the sale of available-for-sale investments, less any impairment charges on available-for-sale investments.

Commission income on deposits decreased from SAR 5.0 million in 2019G to SAR 2.3 million in 2020G due to the decrease in the commission rate on deposits during the COVID-19 pandemic period.

The Company incurred losses amounting to SAR 1.3 million on the sale of available-for-sale investments in 2018G, mainly resulting from the loss on the sale of units in the initial offering fund. The Company achieved profits of SAR 1.2 million in the year 2019G, mainly as a result of profits achieved from sales of units in the Trading Finance Fund. The Company achieved profits of SAR 2.0 million in the year 2020G, resulting mainly from profits on the sale of units in Real Estate Investment Trusts (REITs) and the sale of units in a fund dedicated to finance trading.

The Company incurred the impairment charge in available-for-sale investments amounting to SAR 2.0 million in 2018G and SAR

2.9 million in 2019G due to a large and long-term decline in the fair value of units in a real estate fund and an IPO fund.

There is no material change in the distribution of dividends in the years 2018G, 2019G and 2020G.

Total Comprehensive Income / (Loss)

Total comprehensive income / (loss) decreased from a loss of SAR 4.1 million in 2018G to a loss of SAR 35.4 million in 2019G mainly due to the decrease in net underwriting profit from SAR 84.7 million in 2018G to SAR 45.5 million in the year 2019G driven by a decrease in the net insurance premiums and an increase in the net loss rate between 2018G and 2019G.

Total comprehensive income / (loss) increased to an income of SAR 6.2 million in the year 2020G, due to an increase in the net earned insurance premiums and a decrease in the net loss rate.

5-6 Statement of financial position

The following table provides a summary of the Company's statement of financial position as of December 31, 2018, December 31, 2019 and December 31, 2020.

Table 27 : Statement of financial position

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Total assets	668,416	645,333	630,305	(3.5%)	(2.3%)
Total liabilities and accumulated surplus	417,662	429,426	408,539	2.8%	(4.9%)
Total Shareholders' Equity	250,754	215,907	221,766	(13.9%)	2.7%
Total Liabilities and Shareholders' Equity	668,416	645,333	630,305	(3.5%)	(2.3%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Total Assets

Total assets decreased by 3.5% as on December 31, 2019G to reach SAR 645.3 million compared to SAR 668.4 million as on December 31, 2018G, mainly due to a decrease in cash and cash equivalents and term deposits from SAR 90.7 million and SAR 166.6 million, respectively, as on December 31, 2018G, to SAR 66.6 million and SAR 129.2 million, respectively, as on December 31, 2019G, to finance the net losses incurred in 2019G.

Total assets decreased by 2.3% as on December 31, 2020G to reach SAR 630.3 million, mainly driven by a decrease in term deposits from SAR 129.2 million as on December 31, 2019G to SAR 63.8 million as on December 31, 2020G and a decrease in investments from SAR 150.0 million as on December 31, 2019G to SAR 104.2 million as on December 31, 2020G. This was offset by an increase in cash and cash equivalents from SAR 66.6 million as on December 31, 2019G to SAR 149.3 million as on December 31, 2020G.

Total Liabilities and Accumulated Surplus

Total liabilities and accumulated surplus increased by 2.8% as on December 31, 2019G to reach SAR 429.4 million compared to SAR 417.7 million as on December 31, 2018G, mainly due to an increase in incurred but not reported claims, insurance premiums deficit reserve and other reserves from SAR 55.8 million and SAR 10.8 million, respectively, as on December 31, 2018G, to SAR 64.5 million and SAR 15.2 million, respectively, as on December 31, 2019G, based on the recommendation of the actuary.

Total liabilities and accumulated surplus decreased by 4.9% as on December 31, 2020G to reach SAR 408.5 million, mainly driven by a decrease in unearned insurance premiums from SAR 148.6 million as on December 31, 2019G to SAR 140.8 million as on December 31, 2020G driven by the decrease in unearned insurance premiums in the health sector from SAR 81.2 million as on December 31, 2019G to SAR 56.3 million as on December 31, 2020G as a result of the decrease in the total written premiums for the health sector in the year 2020G, followed by a decrease in reinsurance payables from SAR 36.4 million as on December 31, 2019G to SAR 29.4 million as on December 31, 2020G in addition to the decrease in incurred but not reported claims from SAR 64.5 million as on December 31, 2019G to SAR 60.0 million as on December 31, 2020G based on the recommendation of the actuary.

Total Shareholders' Equity

Total shareholders' equity decreased by 13.9% as of December 31, 2019G as a result of the Company's incurring net losses in the year 2019G. Total shareholders' equity increased by 2.7% as of December 31, 2020G, as a result of recording net income in the year 2020G.

Assets

The following table shows the Company's total assets as on December 31, 2018G, December 31, 2019G and December 31, 2020G

Table 28 : Total Assets

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Cash and cash equivalents	90,720	66,593	149,327	(26.6%)	124.2%
Term Deposits	166,576	129,158	63,764	(22.5%)	(50.6%)
Insurance premiums receivable and reinsurance receivables, net	113,178	110,463	141,114	(2.4%)	27.7%
Reinsurers' share of unearned premiums	51,490	55,863	42,905	8.5%	(23.2%)
Reinsurers' share of outstanding claims	41,491	37,152	33,978	(10.5%)	(8.5%)
Reinsurers' share of incurred but not reported claims	8,160	14,504	9,379	77.7%	(35.3%)
Deferred underwriting costs	8,391	7,236	11,018	(13.8%)	52.3%
Investments	125,214	149,998	104,154	19.8%	(30.6%)
Amounts due from a related party	83	83	93	-	12.0%
Prepayments and other assets	13,776	16,979	18,314	23.2%	7.9%
Right to use asset	0	6,734	5,372	-	(20.2%)
Property and equipment, net	6,547	6,713	6,599	2.5%	(1.7%)
Statutory deposit	40,000	40,000	40,000	-	-
Statutory deposit investment returns	2,790	3,859	4,290	38.3%	11.2%
Total Assets	668,416	645,333	630,305	(3.5%)	(2.3%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Cash and cash equivalents

The following table presents cash and cash equivalents as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 29 : Cash and cash equivalents

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Cash and cash equivalents	26	8	25	(68.0%)	212.5%
Current accounts with banks	55,486	30,881	70,115	(44.3%)	127.0%
Term deposits with maturities less than three months	35,209	35,704	79,188	1.4%	121.8%
Cash and cash equivalents	90,720	66,593	149,327	(26.6%)	124.2%
Cash in hand	0.0%	0.0%	0.0%		
Current accounts with banks	61.2%	46.4%	47.0%		
Term deposits with maturities less than three months	38.8%	53.6%	53.0%		
Cash and cash equivalents	100.0%	100.0%	100.0%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Cash and cash equivalents consist of cash in hand, current accounts with banks, and term deposits with original maturity of less than three months from the date of acquisition. The majority of bank accounts are with the Arab National Bank, the Saudi British Bank and Al Rajhi Bank, and the bulk of the term deposits are with the National Commercial Bank, the Arab National Bank, the Saudi Investment Bank and Emirates NBD.

Cash and cash equivalents decreased by 26.6% to reach SAR 66.6 million as on December 31, 2019G compared to SAR 90.7 million as on December 31, 2018G, in order to finance the operating activities resulting from the net loss incurred in the year 2019G.

Cash and cash equivalents increased by 124.2% to reach SAR 149.3 million as on December 31, 2020G, as a result of the increase in the balance of term deposits from SAR 35.7 million as on December 31, 2019G to SAR 79.2 million as on December 31, 2020G due to the maturity of term deposits with maturities of more than three months and partly investing in term deposits with maturities of less than three months, in addition to an increase in current accounts with banks from SAR 30.9 million as on December 31, 2019G to SAR 70.1 million as on 31 December 2020G resulting from proceeds from the sale of units in a trade financing fund in the last quarter of the year 2020G.

Term Deposits

Term deposits consist of term deposits with banks with maturity dates of more than three months from the date of their original deposit. Table No. (27) shows total assets and term deposit balances as on December 31, 2018G, December 31, 2019G and December 31, 2020G.

The balance of term deposits decreased from SAR 166.6 million as on December 31, 2018G to SAR 63.8 million as on December 31, 2020G, as a result of the maturity of term deposits and the use of due balances in investments and term deposits with maturities of less than three months (including cash and cash equivalents).

Insurance premiums receivable and reinsurance receivables, net

The following table displays the net insurance premiums receivable and reinsurance receivables as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 30 : Insurance premiums receivable and reinsurance receivables, net

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Insurance policy-holders	178,091	185,261	183,113	4.0%	(1.2%)
Less: provision for doubtful debts	(70,623)	(82,580)	(59,094)	16.9%	(28.4%)
Net balances of policyholders	107,468	102,681	124,019	(4.5%)	20.8%
Receivable reinsurance balances	11,841	15,541	20,629	31.3%	32.7%
Less: provision for doubtful debts	(6,131)	(7,760)	(3,535)	26.6%	(54.4%)
Net Receivable reinsurance balances	5,710	7,781	17,095	36.3%	119.7%
Insurance premiums receivable and reinsurance receivables, net	113,178	110,462	141,114	(2.4%)	27.7%

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Insurance premiums receivable consist of the net receivable balances of a large number of clients mainly in the Kingdom of Saudi Arabia, and reinsurance receivables consist of the net debit balances of insurance and reinsurance companies mainly in Europe and the Kingdom of Saudi Arabia. The balances of the top 10 clients constitute 46.0%, 49.2% and 47.1% of the installment's receivable as on December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively.

The net insurance premiums receivables and reinsurance receivables decreased from SAR 113.2 million as of December 31, 2018G to SAR 110.5 million as of December 31, 2019G due to the increase in the provision for doubtful debts due to late payment of dues (the provision movement is presented below).

The net insurance premiums receivables and reinsurance receivables increased to SAR 141.1 million as of December 31, 2020G, mainly due to the underwriting of a number of major insurance policies in the second half of the year 2020G.

Table 31 : Ages of receivable insurance premiums and reinsurance receivables

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Less than 30 days	25,185	19,242	45,068	(23.6%)	134.2%
from 31-90 days	22,550	22,589	34,171	0.2%	51.3%
Overdue and low value	142,197	158,972	124,503	11.8%	(21.7%)
Total Installments	189,932	200,803	203,742	5.7%	1.5%

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Table 32 : Movement in provision for doubtful debts

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018(2019)	2019(2020)
Provision at the beginning of the year	63,811	76,754	90,340	20.3%	17.7%
charges / (reversed) during the year	12,943	13,586	(8,235)	5.0%	(160.6%)
Receivables written off during the year	0	0	(19,476)	-	-
Provision at the end of the year	76,754	90,340	62,628	17.7%	(30.7%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Provision For Doubtful Debts

The provision for doubtful debts increased from SAR 76.8 million as on December 31, 2018G to SAR 90.3 million as on December 31, 2019G, as a result of customers' delays in paying their dues, which led to an increase in overdue and low value amounts from SAR 142.2 million as of December 31, 2018G to SAR 159.0 million as on December 31, 2019G.

The provision for doubtful debts decreased to SAR 62.6 million as of December 31, 2020G as a result of a decrease in overdue and low value amounts to SAR 124.5 million as on December 31, 2020G as a result of writing off receivables in the amount of SAR 19.5 million in addition to collecting part of the insurance premiums receivables and overdue reinsurers' receivables (please refer to risk No. (2.1.5) "Credit-Related Risks" from Section (2) "Risk Factors" of this Prospectus).

The Company, based on past experience, expects to collect premiums and insurance receivables that are past due and not fully impaired. It is not the Company's policy to obtain collateral for the receivables, and therefore most of them are without collateral.

The Company classifies the balances as "overdue and low value" according to its review of each case separately, and it prepares the technical provisions as stipulated in Article (69) of the implementing Regulations of the Saudi Central Bank as a minimum. The Company raises these provisions periodically to the Saudi Central Bank, as all insurance companies in the Kingdom are committed to complying with the technical allocation policy stipulated in the executive regulations issued by the Saudi Central Bank as a minimum.

Deferred underwriting costs

The following table shows the movement of deferred underwriting costs as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 33 : Movement in deferred underwriting costs

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Provision at the beginning of the year	10,044	8,391	7,236	(16.5%)	(13.8%)
Paid during the year	22,916	16,467	24,594	(28.1%)	49.4%
Amortized during the year	(24,568)	(17,622)	(20,813)	(28.3%)	18.1%
Provision at the end of the year	8,391	7,236	11,018	(13.8%)	52.3%

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Deferred underwriting costs mainly include commissions from brokers, agents and the Company's marketing team. Underwriting costs related to the issuance of new insurance policies are recorded as deferred underwriting costs and are amortized in the income statement over the relevant insurance coverage period.

The following table presents an analysis of deferred underwriting costs by sector as of December 31, 2018, December 31, 2019 and December 31, 2020.

Table 34 : Deferred underwriting costs

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	2,748	2,496	3,305	(9.2%)	32.4%
Motor	2,742	1,803	4,766	(34.2%)	164.3%
Fire	1,062	1,176	1,292	10.8%	9.9%
Engineering	654	763	695	16.6%	(8.9%)
Marine	331	194	263	(41.3%)	35.6%
Other	854	803	696	(6.0%)	(13.3%)
Deferred policies underwriting costs	8,391	7,236	11,018	(13.8%)	52.3%
Deferred underwriting costs as a percentage of commissions paid by sector					
Health	34.1%	50.9%	53.1%		
Motor	31.5%	31.0%	39.1%		
Fire	54.0%	57.2%	56.5%		
Engineering	40.3%	43.6%	33.1%		
Marine	23.4%	27.9%	33.1%		
Other	74.2%	64.9%	69.5%		
Total	36.6%	43.9%	44.8%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

The deferred underwriting costs were primarily related to the health sector and the motor sector, which represented 65.4%, 59.4% and 73.3% of the total deferred underwriting costs as on December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively.

Deferred underwriting costs decreased by 13.8% to reach SAR 7.2 million as on December 31, 2019G compared to SAR 8.4 million as on December 31, 2018G, mainly due to the decrease in deferred underwriting costs in the motor sector, where policies for two major clients were not renewed which were subject to a brokerage commission in the previous year.

The deferred underwriting costs increased by 52.3% to reach SAR 11.0 million as of December 31, 2020G, mainly due to the increase in deferred underwriting costs in the motor sector as a result of attracting a major client through an intermediary with a commission rate of 10% in the first quarter of the year 2020G, in addition to attracting two major clients in the fourth quarter via brokers.

Investments

The following table shows the investments as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 35 : Investments

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Investment funds	34,748.00	45,852.00	6,212.00	32.0%	(86.5%)
Bonds available for sale	25,451.00	23,050.00	17,047.00	(9.4%)	(26.0%)
Shares	1,923.00	1,923.00	1,923.00	-	-
Investments held to maturity	63,093.00	79,173.00	78,971.00	25.5%	(0.3%)
Total investment	125,215.00	149,998.00	104,154.00	19.8%	(30.6%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Table 36 : Movement of investments

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Balance at the beginning of the year	165,976	125,214	149,998	(24.6%)	19.8%
Additions	7,736	83,318	9,498	977.0%	(88.6%)
Disposals	(43,571)	(64,352)	(56,960)	47.7%	(11.5%)
Realized profits during the year	(1,251)	1,249	2,016	(199.9%)	61.4%
Change in the fair value of investments	(1,676)	7,467	(398)	(545.5%)	(105.3%)
Impairment charge on investments available for sale	(2,000)	(2,898)	0	44.9%	(100.0%)
Balance at the end of the year	125,214	149,998	104,154	19.8%	(30.6%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Investment Funds

The balance in the investment funds increased by 32.0% from SAR 34.7 million as on December 31, 2018G to SAR 45.9 million as on December 31, 2019G as a result of the Company's investment of SAR 10.7 million in five traded real estate funds managed by Derayah Financial Company.

The balance in investment funds decreased by 86.5% to reach SAR 6.2 million as of December 31, 2020G as a result of selling units in trade financing fund, which resulted in net proceeds of SAR 40.0 million in the year 2020G.

Bonds Available for Sale

The bonds classified as available-for-sale bonds as of December 31, 2020G, amounting to SAR 17.0 million, consist of a group of investments in Saudi and Gulf bonds, with commission rates ranging between 2.9-5.8%, with HSBC and Awda Capital as custodians.

The balance of available-for-sale bonds decreased by 26.0% from SAR 23.0 million as on December 31, 2019G to SAR 17.0 million as on December 31, 2020G as a result of the maturity of two bonds in the year 2020G.

Shares

Investments in shares amounting to SAR 1.9 million relate to the investment, as on December 31, 2020G, in Najm Insurance Services Company, a Saudi closed joint stock company under the commercial registration (1010229751), and the Company's capital is SAR (50,000,080) million, divided into five million and eight (5,000,008) ordinary shares with a nominal value of ten (10) Saudi Riyals per share, fully paid in value.

Bonds Held to Maturity

The balance of bonds held to maturity increased from SAR 63.1 million as on December 31, 2018G to SAR 79.2 million as on December 31, 2019G, as a result of the Company's acquisition of UAE bank bonds worth SAR 10.6 million in addition to Saudi government bonds worth SAR 5.5 million.

There is no material change in the balance of the bonds held to maturity date as on December 31, 2020G, which amounted to SAR 79.0 million as a result of the maturity of one bond worth SAR 3.0 million. This was offset by the Company's acquisition of a new bond worth SAR 2.8 million during the year.

Prepayments and Other Assets

The following table shows the prepayments and other assets as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 37 : Prepayments and other assets

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Prepayments	3,087	1,243	1,629	(59.7%)	31.1%
Advances to suppliers	2,665	1,881	3,012	(29.4%)	60.1%
Bank guarantees	1,578	6,135	2,733	288.8%	(55.5%)
Receivables staff	1,143	2,307	1,007	101.9%	(56.4%)
Deferred Third Party Medical Fee	3,513	3,810	2,488	8.5%	(34.7%)
Commissions due	1,740	1,552	1,090	(10.8%)	(29.8%)
Other	50	52	6,354	2.9%	12,119.2%
Prepayments and other assets	13,776	16,979	18,314	23.2%	7.9%

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Prepayments and other assets increased from SAR 13.8 million as on December 31, 2018G to SAR 17.0 million as on December 31, 2019G and continued to rise to reach SAR 18.3 million as on December 31, 2020G.

Prepayments

Prepayments mainly include prepaid amounts related to rent, medical insurance, Microsoft/Oracle licenses in addition to advance payments to medical service providers and others.

Advance Payments to Suppliers

The balance of advance payments to suppliers of SAR 2.7 million as of December 31, 2018G includes advances made by the Company amounting to SAR 1.1 million for non-recurring projects related to cybersecurity and information technology. The absence of these payments led to a decrease in the balance of payments made to suppliers to SAR 1.9 million as on December 31, 2019G.

Payments made to suppliers increased from SAR 1.9 million as on December 31, 2019G to SAR 3.0 million as on December 31, 2020G, resulting from an advance payment to a third party acting in health claims management (GlobeMed) in the amount of SAR 2.0 million related to services specific to the fourth quarter of the year 2020G.

Bank Guarantees

Some government medical service providers require bank guarantees as a condition for dealing with insurance companies. The value of bank guarantees increased from SAR 1.6 million as on December 31, 2018G to SAR 6.1 million as on December 31, 2019G, as a result of the Company's contracting with three medical service providers who demanded bank guarantees in the amount of SAR 4.8 million. The total balance decreased to reach SAR 2.7 million as on December 31, 2020G, mainly due to due guarantees in the amount of SAR 3.8 million belonging to two medical service providers.

Deferred Third Party Medical Fee

This is the GlobeMed Third party Administrator's (TPA) deferred fee calculated as a percentage of premiums for the health sector and amortized over the life of the insurance coverage. The deferred fees increased from SAR 3.5 million as on December 31, 2018G to SAR 3.8 million as on December 31, 2019G as a result of an increase in general in the gross written premiums of the health sector during this period. On the other hand, the deferred medical fees of a third party decreased to SAR 2.5 million as of December 31, 2020G due to the decrease in the total written premiums of the health sector during the year 2020G.

Commissions Due

Th commissions payable mainly relate to the accrued proceeds from term deposits and bonds.

Other

The Company received value-added tax assessment notices on June 10, 2020G, after an examination and audit of the VAT returns submitted for the two years: 2018G and 2019G, where the authority demanded the Company to pay tax differences and fines totaling to SAR 10.5 million. The Company paid the amount of the calculation difference on June 23, 2020G on the value added tax according to the authority's claim of SAR 6.3 million, benefiting from its exemption from fines based on the grace period and waiver of fines in the event of payment before June 30, 2020G as a result of the Corona pandemic. The authority sent a confirmation to write off the aforementioned fines, and the Company recovered the amounts of some differences during the year 2021G in the amount of SAR 1.7 million and submitted its objections to the final assessments sent by the authority, which resulted in a partial acceptance in which the difference was reduced by SAR 1.1 million. The Company has submitted an appeal to the General Secretariat for Resolution of Tax Disputes, and a number of (24) cases have been registered in this regard. Accordingly, the paid amounts were included in other assets as on December 31, 2020G.

Noteworthy, during the first quarter of 2021G, there was an exchange of response memos regarding the Company's appeals submitted against the assessment of the General Authority for Zakat, Tax and Customs, with regard to value-added tax for the years 2018G and 2019G, where the Company, according to the request received from the General Secretariat of Tax Committees, responded to the response memorandum submitted from the Zakat, Tax and Customs Authority, no later than March 2, 2021G, and the Company responded on February 24, 2021G. The exchange of notes was followed by the invitation of the General Secretariat of the two parties to the dispute on April 25, 2021G, and the plaintiff (the Company) filed a lawsuit, which in turn appealed the decision on June 16, 2021G, in the amount of SAR 3,007,208 million. The case is still being considered by the Appeals Committee and to date the hearing session date has not been set (please refer to Risk No. (2.2.19) "Risks Associated with Value Added Tax" from Section No. (2) "Risk Factors" of this Prospectus), right of use asset.

IFRS 16 "Leases" provides a single model for accounting for leases. The lessee recognizes a right-of-use asset that represents his right to use the underlying asset and a lease liability that represents his obligation to making lease payments. There are optional exemptions for short-term leases and leases of low-value assets. The lessor accounting method remains similar to the current standard – i.e lessors continue to classify leases into financing or operating leases.

The Company adopted IFRS 16 on January 1, 2019G using the modified retrospective application methodology, and therefore the cumulative effect of adopting IFRS 16 (as an adjustment to the opening balance) for advance payments is recognized without any impact on the retained earnings balance on January 1, 2019G and without restatement in comparative figures.

Property And Equipment, Net

The following table presents property and equipment, net as of December 31, 2018G, December 31, 2019G and December 31, 2020G.

Table 38 : Property and equipment, net

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Leasehold im- provements	2,985	2,634	2,332	(11.7%)	(11.5%)
Furniture and furnishings	0	11	0	-	(100.0%)
vehicles	148	109	143	(26.5%)	31.2%
Computers and office equipment	3,414	3,958	4,124	15.9%	4.2%
property and equip- ment, net	6,547	6,713	6,599	2.5%	(1.7%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

The net book value of property and equipment increased by 2.5% to reach SAR 6.7 million as on December 31, 2019G compared to SAR 6.5 million as on December 31, 2018G as a result of additions of SAR 2.1 million (not including depreciation and mostly related to computers and office equipment) . This was offset by a depreciation charge during the year of SAR 1.9 million.

The net book value of property and equipment decreased from SAR 6.7 million as on December 31, 2019G to SAR 6.6 million as on December 31, 2020G as a result of depreciation charged during the year in the amount of SAR 2.2 million, which was offset by the additions of SAR 2.1 million (mostly related to computers). and office equipment).

As at the date of this Prospectus, the Company does not own any real estate. The Company has rented the sites that it uses to carry out its activities.

Statutory Deposit

The statutory deposit represents 10% of the paid-up capital, in accordance with the requirements of the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the approval of the Saudi Central Bank . During the year 2016G, the capital was reduced from SAR 400 million to SAR 265 million. The Company addressed the Saudi Central Bank to request the withdrawal of the surplus from the statutory deposit. The Saudi Central Bank stated that, in accordance with Article 52 of the Executive Regulations, the statutory deposit was increased to 15% of the capital after the reduction. The Company did not withdraw the surplus amounting to SAR 250 thousand. The Company deposited the statutory deposit with the Arab National Bank.

As of December 31, 2020G, the commission received on the deposit amounted to SAR 4.3 million and was disclosed in the assets within an accrued income on the statutory deposit, while the corresponding commission appears in the liabilities within the accrued statutory deposit investment returns.

Liabilities and accumulated surplus

The following table shows the accumulated liabilities and surplus as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 39 : Liabilities and accumulated surplus

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Accounts Payable	49,149	22,230	23,684	(54.8%)	6.5%
Accrued ex- penses and other liabilities	22,713	28,691	28,211	26.3%	(1.7%)

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Reinsurance payables	21,464	36,390	29,424	69.5%	(19.1%)
Unearned premiums	149,402	148,602	140,803	(0.5%)	(5.2%)
Unearned reinsurance commissions	4,637	3,623	3,278	(21.9%)	(9.5%)
Outstanding Claims (under settlement)	82,739	83,704	80,887	1.2%	(3.4%)
Claims incurred but not reported	55,826	64,488	59,982	15.5%	(7.0%)
Provision for Insurance premiums deficit and other provisions	10,799	15,159	15,630	40.4%	3.1%
Provision for end of severance indemnity	10,616	10,845	10,428	2.2%	(3.8%)
Amounts due to related parties	313	41	0	(86.8%)	(100.0%)
Zakat and income tax due	5,714	4,636	6,282	(18.9%)	35.5%
Rent obligation	0	6,253	4,911	-	(21.5%)
Receivable statutory deposit investment returns	2,790	3,859	4,290	38.3%	11.2%
Total Liabilities	416,161	428,520	407,809	3.0%	(4.8%)
Accumulated Surplus - Insurance Operations					
Surplus distributions payable	1,939	1,939	2,253	0.0%	16.2%
Actuarial loss for defined benefit plans	(438)	(1,033)	(1,523)	135.8%	47.4%
Total liabilities and accumulated surplus	417,662	429,426	408,539	2.8%	(4.9%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Accounts Payable

Accounts payable decreased from SAR 49.1 million as of December 31, 2018G to SAR 22.3 million as of December 31, 2019G, mainly due to expediting the medical claims payment process to service providers in addition to the settlement of several relatively large claims.

There is no material change in the accounts payable amounting to SAR 23.7 million as of December 31, 2020G compared to the balance as of December 31, 2019G in the amount of SAR 22.2 million.

Accrued expenses and other liabilities

The following table shows the accrued expenses and other liabilities as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 40 : Accrued expenses and other liabilities

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Due to suppliers and intermediaries	18,497	21,148	22,447	14.3%	6.1%
Withholding tax due	398	2,757	694	591.8%	(74.8%)
Health Insurance Council dues	295	269	1,043	(8.7%)	287.7%
Board of Directors attendance Expenses and allowances	396	377	1,564	(4.7%)	314.9%
Other	3,127	4,141	2,463	32.4%	(40.5%)
Accrued expenses and other liabilities	22,713	28,691	28,211	26.3%	(1.7%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Accrued expenses and other liabilities increased from SAR 22.7 million as on December 31, 2018G to SAR 28.7 million as on December 31, 2019G, and then decreased to SAR 28.2 million as on December 31, 2020G.

Due to Suppliers and Intermediaries

The increase in the account due to suppliers and brokers resulted from SAR 18.5 million as on December 31, 2018G to SAR 22.4 million as on December 31, 2020G, due to the increase in business through intermediaries.

Withholding Tax Payable

Adjustments related to previous years were recorded in 2018G specific to the withholding tax due, which led to the reduction of the balance to SAR 398 thousand as of December 31, 2018G.

The withholding tax due increased to SAR 2.8 million as on December 31, 2019G as a result of creating a provision for a reinsurance broker in the amount of SAR 2.5 million in 2019G and then decreased to SAR 0.7 million as on December 31, 2020G as a result of tax payment against the provision formed last year.

Health Insurance Council Dues

The entitlements are calculated based on 1% of the health insurance written premiums. The increase in the dues to the Health Insurance Council from SAR 269 thousand as on December 31, 2019G to SAR 1.0 million as on December 31, 2020G as a result of allowing insurance companies to postpone the payment of the dues due to the Coronavirus pandemic, which led to the accumulation of due amounts.

Expenses and Allowances for Attending the Board Of Directors

The expenses and allowances for attending the Board of Directors increased from SAR 0.4 million as on December 31, 2019G to SAR 1.6 million as on December 31, 2020G as a result of creating a provision for remuneration of the members of the Board of Directors for the year 2020G, which is linked to the approval of the General Assembly.

Other Dues

Other accruals consist principally of audit fees, advisory services, provisions for airline tickets and employee leave. The increase from SAR 3.1 million as on December 31, 2018G to SAR 4.1 million as on December 31, 2019G resulted from recording entitlements related to contracting with an actuarial expert for health insurance. Other dues decreased to SAR 2.5 million as of December 31, 2020G, due to a decrease of entitlements to consultants and a decrease in the provision for airline tickets.

Reinsurers' Payables

Reinsurers' payables represent reinsurance premiums ceded and payable under reinsurance transactions and agreements, which are subject to adjustments according to reinsurance commissions payable from reinsurers and the reinsurers' share of claims paid.

Reinsurers' payables increased from SAR 21.5 million as on December 31, 2018G to SAR 36.4 million as on December 31, 2019G. This increase was affected by the increase in the balances of Hannover Re (due to an increase in written premiums in the health sector) and Marsh Company in the amount of SAR 9.5 million and SAR 3.9 million, respectively.

Reinsurers' payables decreased to SAR 29.4 million as of December 31, 2020G, as a result of a decrease in the balance of Hannover Re Company (due to a decrease in written premiums in the health sector) in an amount of SAR19.0 million. This was offset by an increase in the balance of ACE Company (due to the increase in written premiums in the two sectors; Fire and Engineering) in the amount of SAR 12.6 million.

Unearned Premiums Reserve and the Share of Reinsurers of this Reserve

The following table presents the unearned premium reserve and the reinsurers' share of this reserve as on December 31, 2018G, December 31, 2019G and December 31, 2020G.

Table 41 : Provision for unearned insurance premiums and the share of reinsurers from this provision

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	69,251	81,199	56,313	17.3%	(30.6%)
Motor	44,881	34,791	48,354	(22.5%)	39.0%
Fire	12,466	12,077	15,157	(3.1%)	25.5%
Engineering	8,171	8,517	10,147	4.2%	19.1%
Marine	4,645	3,038	2,720	(34.6%)	(10.5%)
Other	9,988	8,981	8,112	(10.1%)	(9.7%)
Gross unearned premium provision	149,402	148,602	140,803	(0.5%)	(5.2%)
Health	23,832	29,638	13,671	24.4%	(53.9%)
Motor	0	0	0	-	-
Fire	11,321	10,523	13,297	(7.1%)	26.4%
Engineering	6,486	7,328	8,577	13.0%	17.0%
Marine	3,313	2,347	1,962	(29.2%)	(16.4%)
Other	6,537	6,026	5,398	(7.8%)	(10.4%)
Reinsurers' share of the unearned premium provision	51,490	55,863	42,905	8.5%	(23.2%)
Net unearned pre- mium provision	97,912	92,739	97,898	(5.3%)	5.6%
Unearned premium provision as a percentage of gross written premiums					
Health	45.9%	50.3%	43.6%		
Motor	33.1%	32.7%	36.9%		
Fire	51.6%	53.3%	42.7%		
Engineering	51.4%	53.4%	40.3%		
Marine	36.6%	27.0%	27.5%		

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Other	86.6%	61.6%	51.8%		
Total	42.6%	44.7%	40.6%		
Reinsurers' share of the unearned premium provision as a percentage of the unearned premium provision					
Health	34.4%	36.5%	24.3%		
Motor	-	-	-		
Fire	90.8%	87.1%	87.7%		
Engineering	79.4%	86.0%	84.5%		
Marine	71.3%	77.3%	72.1%		
Other	65.4%	67.1%	66.5%		
Total	34.5%	37.6%	30.5%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Unearned Premiums

Insurance premiums are taken to the income statement on a pro-rata basis over the terms of the insurance policies to which they relate. Unearned premiums represent the share of insurance premiums written relating to the period of coverage in effect.

The health sector represents the largest percentage of unearned insurance premiums, as it represented 46.4%, 54.6% and 40.0% of unearned insurance premiums as on December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively. This is followed by the motor sector, which represented 30.0%, 23.4% and 34.3% of the unearned insurance premiums as on December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively.

There is no material change in the total unearned insurance premiums as on December 31, 2019G compared to December 31, 2018G, as it decreased slightly from SAR 149.4 million as on December 31, 2018G to SAR 148.6 million as on December 31, 2019G. The total unearned premiums amounted to 44.7% as a percentage of total insurance premiums written, as on December 31, 2019G compared to 42.6% as on December 31, 2018G.

The total unearned insurance premiums decreased to SAR 140.8 million as on December 31, 2020G, mainly resulting from the decrease in the total unearned insurance premiums attributed to the health sector, which decreased from SAR 81.2 million as on December 31, 2019G to SAR 56.3 million as of December 31, 2020G, due to the decline in business in this sector in the year 2020G compared to the year 2019G. This was offset by an increase in the total unearned insurance premiums attributed to the motor sector from SAR 34.8 million as on 31 December 2019G to SAR 48.4 million as on 31 December 2020G. The total unearned insurance premiums decreased as a percentage of the total written premiums to 40.6% as of December 31, 2020G.

Reinsurers' Share of the Unearned Premium Reserve

The reinsurers' share of the unearned insurance premiums is calculated on a pro-rata basis by the same mechanism of calculating the unearned insurance premiums. The share of the reinsurers of the unearned premiums coincides with the share of the reinsurers of the insurance premiums written according to the reinsurance agreements.

Reinsurers' share of unearned premiums increased from SAR 51.5 million as on December 31, 2018G to SAR 55.9 million as on December 31, 2019G, in line with the movement of unearned premiums (excluding the motor sector that is not subject to proportional reinsurance) and the cession rates during these years.

The share of reinsurers in unearned premiums decreased by 23.2% to SAR 42.9 million as on December 31, 2020G, and the share of reinsurers in unearned premiums as a percentage of unearned premiums decreased to 30.5% compared to 37.6% as on December 31, 2019G. This decline was mainly recorded in the health sector as a result of:

- Reducing the cession ratio to this sector from 50% of the net risk premium in 2019G to 40% in 2020G due to the exit of the local reinsurer from the reinsurance agreement for the year 2020G; and
- Full retention of two main health insurance policies, amounting to SAR 15.6 million and SAR 12.4 million.

Unearned Reinsurance Commissions

The following table shows the balance of unearned reinsurance commissions as on December 31, 2018G, December 31, 2019G and December 31, 2020G.

Table 42 : Total unearned reinsurance commissions

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Balance at the beginning of the year	4,919	4,637	3,623	(5.7%)	(21.9%)
Commissions received during the year	24,841	15,356	11,088	(38.2%)	(27.8%)
Commission earned during the year	(25,123)	(16,370)	(11,433)	(34.8%)	(30.2%)
Balance at the end of the year	4,637	3,623	3,278	(21.9%)	(9.5%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Reinsurance commission income is received from ceded business according to proportional and facultative reinsurance transactions. The commission is recorded in the income statement over the period of the insurance policies to which it is linked on a pro-rata basis. The unearned reinsurance commission represents the commission share relating to the unexpired period of insurance coverage.

The following table displays the unearned reinsurance commission by insurance sector as of December 31, 2018, December 31, 2019 and December 31, 2020.

Table 43 : Unearned reinsurance commissions by insurance sector

(SAR' 000)	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	0	0	0	-	-
Motor	0	0	0	-	-
Fire	2,008	1,029	1,238	(48.7%)	20.3%
Engineering	1,422	1,408	967	(1.0%)	(31.3%)
Marine	1,001	879	675	(12.2%)	(23.2%)
Other	206	306	398	48.6%	30.1%
Unearned reinsurance commissions	4,637	3,623	3,278	(21.9%)	(9.5%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Unearned reinsurance commissions from the fire and engineering sectors contributed in a percentage of 74.0%, 67.3% and 67.3% of the total unearned reinsurance commissions as on December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively, and this was primarily driven by an increase in cession ratios associated with these sectors.

Unearned reinsurance commissions decreased by 21.9% to reach SAR 3.6 million as on December 31, 2019G compared to SAR 4.6 million as on December 31, 2018G, mainly driven by a decrease in unearned reinsurance commissions from the fire sector as a result of the decline in business in this sector in 2019G, in addition to the increase in facultative reinsurance, which is generally subject to reinsurance commissions lower than proportional insurance.

The unearned reinsurance commission decreased by 9.5% to reach SAR 3.3 million as of December 31, 2020G, driven by a decrease in unearned reinsurance commissions in the engineering sector due to the increase in facultative reinsurance, which is generally subject to reinsurance commissions lower than proportional insurance.

Outstanding Claims and Reinsurers' Share of Outstanding Claims

The following table shows outstanding claims as on December 31, 2018G, December 31, 2019G and December 31, 2020G.

Table 44 : Claims outstanding, net

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	23,223	15,829	15,332	(31.8%)	(3.1%)
Motor	27,877	39,068	40,546	40.1%	3.8%
Fire	3,182	3,208	2,224	0.8%	(30.7%)
Engineering	9,182	7,639	7,184	(16.8%)	(6.0%)
Marine	6,910	5,167	2,777	(25.2%)	(46.3%)
Other	12,365	12,793	12,823	3.5%	0.2%
Outstanding Claims	82,739	83,704	80,887	1.2%	(3.4%)
Health	(10,749)	(7,166)	(3,953)	(33.3%)	(44.8%)
Motor	(6,741)	(9,062)	(13,059)	34.4%	44.1%
Fire	(3,017)	(3,136)	(2,161)	3.9%	(31.1%)
Engineering	(7,033)	(5,543)	(4,806)	(21.2%)	(13.3%)
Marine	(5,700)	(3,782)	(1,969)	(33.7%)	(47.9%)
Other	(8,251)	(8,463)	(8,031)	2.6%	(5.1%)
Reinsurers' share in outstanding claims	(41,491)	(37,152)	(33,978)	(10.5%)	(8.5%)
Net total outstand- ing claims	41,248	46,552	46,909	12.9%	0.8%
Reinsurers' share of outstanding claims as a percentage of outstanding claims					
Health	46.3%	45.3%	25.8%		
Motor	24.2%	23.2%	32.2%		
Fire	94.8%	97.8%	97.2%		
Engineering	76.6%	72.6%	66.9%		
Marine	82.5%	73.2%	70.9%		
Other	66.7%	66.2%	62.6%		
Total	50.1%	44.4%	42.0%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Outstanding Claims

Total outstanding claims includes the total estimated cost of claims incurred but not paid at the date of the statement of financial position. Provisions are made for reported and unpaid claims at the balance sheet date on a case-by-case basis. A provision is also set aside, based on management's estimates and the Company's past experience, for the cost of paying claims incurred but not reported at the date of the statement of financial position. The final obligations can be more or less than the provision set aside.

Outstanding claims increased slightly from SAR 82.7 million as on December 31, 2018G to SAR 83.7 million as on December 31, 2019G, mainly driven by the rise in the outstanding claims attributed to the motor sector, especially the claims related to corporate insurance.

Outstanding claims decreased by 3.4% to reach SAR 80.9 million as of December 31, 2020G as a result of a decrease in the outstanding claims attributed to the marine and fire sectors.

Reinsurers' Share of Outstanding Claims

Amounts recoverable from reinsurers are recognized similarly to the amounts related to insurance contracts in accordance with the terms of reinsurance agreements.

The share of reinsurers from outstanding claims decreased from SAR 41.5 million as on December 31, 2018G to SAR 37.2 million as on December 31, 2019G, and then to SAR 34.0 million as on December 31, 2020G, attributed mainly to the health, engineering and marine sectors in line with the movement of outstanding claims for these sectors in 2019G and 2020G, in addition to the decrease in the cession percentage in the health sector from 50% of the net risk premium in 2019G to 40% in 2020G. This was offset by an increase in the share of reinsurers from the outstanding claims of the motor sector as a result of the rise in the outstanding claims for this sector.

Incurred but not reported claims and reinsurers' share of Incurred but not reported claims

Table 45 : Claims incurred but not reported, net

Type of Insurance SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Health	8,560	21,565	21,241	151.9%	(1.5%)
Motor	40,861	36,478	34,703	(10.7%)	(4.9%)
Fire	801	1,438	1,577	79.5%	9.7%
Engineering	1,522	1,233	1,536	(19.0%)	24.6%
Marine	933	904	451	(3.1%)	(50.1%)
Other	3,149	2,870	474	(8.9%)	(83.5%)
Claims incurred but not reported	55,826	64,488	59,982	15.5%	(7.0%)
Health	(3,909)	(10,150)	(6,743)	159.7%	(33.6%)
Motor	0	0	0	0.0%	0.0%
Fire	(680)	(1,253)	(1,402)	84.3%	11.9%
Engineering	(1,083)	(826)	(962)	(23.7%)	16.5%
Marine	(545)	(575)	(238)	5.5%	(58.6%)
Other	(1,943)	(1,700)	(34)	(12.5%)	(98.0%)
Reinsurers' share of incurred but not reported claims	(8,160)	(14,504)	(9,379)	77.7%	(35.3%)
Net claims incurred but not reported	47,666	49,984	50,603	4.9%	1.2%
Reinsurers' share of IBNR claims as a percentage of IBNR claims					
Health	45.7%	47.1%	31.7%		
Motor	-	-	-		
Fire	84.9%	87.1%	88.9%		
Engineering	71.2%	67.0%	62.6%		
Marine	58.4%	63.6%	52.8%		
Other	61.7%	59.2%	7.2%		
Total	14.6%	22.5%	15.6%		

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Estimates are made at the end of the reporting period for both the final claim cost of the claim and the expected final cost of claims incurred but not reported as well as the reinsurers' share of such claims based on reinsurance agreements. Unpaid claims are estimated using the assessment inputs of the individual cases reported to the Company. At the end of each reporting period, the

previous year's claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for incurred but not reported claims is an estimate of the claims that are expected to be reported after the statement of financial position date in respect of the insured accident that occurred prior to the statement of financial position date. The technical methods used by management in estimating the cost of reported claims as well as claims incurred but not reported is to follow the same methods of payment of past claims when forecasting the methods for payment of future claims.

Actuaries use a combination of methods such as the chain ladder method, the Bornhuetter-Ferguson method and the expected loss rate method to determine these provisions. The actuary also used a sectoral approach including a cost analysis of per member per month (PMPM) rates for the health sector. These methods are based on a number of explicit or implicit assumptions regarding the expected settlement value and claim settlement patterns.

The incurred but not reported claims increased by 15.5% from SAR 55.8 million as on December 31, 2018G to SAR 64.5 million as on December 31, 2019G mainly driven by the increase in the incurred but not reported claims attributed to the health sector based on the actuary's recommendation.

IBNR claims decreased by 7.0% to SAR 60.0 million as of December 31, 2020G, mainly driven by a decrease in IBNR claims attributed to the motor and other sectors based on the actuary's recommendation.

Insurance Premiums Deficit Reserve and Other Reserves

The insurance premiums deficit reserve and other reserves increased from SAR 10.8 million as on December 31, 2018G to SAR 15.2 million as on December 31, 2019G, mainly driven by the increase in the insurance premiums deficit reserve and other reserves attributed to the health sector and the fire sector based on the actuary's recommendation.

During the year 2020G, the Company made adjustments to the insurance premiums deficit reserve and other reserves in the following sectors to reach SAR 15.6 million:

- An increase in the insurance premiums deficit reserve and other reserves for the health sector in the amount of SAR 2.5 million mainly resulting from the reduction of the cession ratio on this sector from 50% of the net risk premium in 2019G to 40% in 2020G (due to the exit of the local reinsurer from the Reinsurance Agreement for the year 2020G) in addition to the impact resulting from the application of the circular issued by the Health Insurance Council regarding emergency cases coverage for the insured at government health facilities.
- An increase in the insurance premiums deficit reserve and other reserves for other sectors by SAR 0.7 million. This was offset by the recovery of part of the insurance premiums deficit reserve and other reserves for the fire sector at a value of SAR 1.7 million for the engineering sector in the amount of SAR 0.6 million, and for the motor sector in the amount of SAR 0.5 million based on the actuary's recommendation.

Provision For End of Service Severance Pay

An annual provision is established based on the independent actuarial valuation in accordance with the requirements of IAS 19 "Employee Provisions" using the unit expected credit method. End of service benefits is a legal requirement for all Saudi companies, and it is payable to employees upon their resignation, dismissal, or termination of their employment contracts.

The provision for end of service benefits increased by 2.2% as on December 31, 2019G to reach SAR 10.9 million as on December 31, 2019G compared to SAR 10.6 million as on December 31, 2018G.

The provision for end of service benefits decreased by 3.8% as of December 31, 2020G, to reach SAR 10.4 million, due o the decrease in the number of employees during the year.

Due Zakat and Income Tax

The Zakat and income tax due decreased from SAR 5.7 million as on December 31, 2018G to SAR 4.6 million as on December 31, 2019G, and then increased to SAR 6.3 million as on December 31, 2020G.

The Company submitted its tax and Zakat returns to the Zakat, Tax and Customs Authority for all years up to the fiscal year ending on December 31, 2020G, and the Company has received a final certificate for the fiscal year ending on December 31, 2020G.

Since the Company is owned by shareholders from the Kingdom of Saudi Arabia and by foreign shareholders, it is subject to Zakat and income tax to the extent that it applies to foreign shareholders.

The Company had received from the Zakat, Tax and Customs Authority on May 15, 2020G an amendment notices for the Zakat and tax return for the year 2018G and a notice for amending the withholding tax return for the same year. The Company also responded, refuting its opinion on the differences reached by the Zakat, Tax and Customs Authority, and provided the authority with all documents and explanations sufficient for all items in question. On October 27, 2020G, the Company submitted an appeal to the General Secretariat for Resolution of Tax Disputes after obtaining the Authority's amendment to its Zakat and tax assessment,

which did not include the approval of all items under objection.

On September 29, 2020G, the Company received notices of amendment letters to Zakat, income tax and withholding tax returns for the years: 2015G, 2016G and 2017G, and the Company submitted its objections on them per regulations and within the legal period.

Partial acceptance notices were issued after the Company objected to the Zakat and tax assessments for the years: 2015G, 2016G and 2017G. The Company subsequently accepted the differences related to Zakat and income tax and paid the resulting amounts, totaling to SAR 0.5 million. At the same time, it filed an appeal regarding withholding tax assessments before the First Committee for Resolution of Tax Violations and Disputes on the specified date.

A session was also set to discuss the Company's lawsuit submitted to the Zakat, Tax and Customs Authority's assessment for the years 2013G and 2014G on November 01, 2020G, which resulted in a partial acceptance of the lawsuit and therefore the Company appealed.

The Company has paid the amounts resulting from the items of differences related to income tax only, which emanated from the decision of the First Committee for the Resolution of Tax Disputes, relative to the Zakat and tax objection for the mentioned years 2013G and 2014G, in order to take advantage of the grace period granted by the Authority for exemption from fines if paid before March 31, 2021G. On January 4, 2021G, the Company appealed the decision of the First Committee issued against the Company regarding its grievance on the Zakat and tax assessments for the two years; 2013G and 2014G.

Surplus Dividends Payabl

The balance of the due surplus dividends settled at SAR 1.9 million as on December 31, 2018G and December 31, 2019G, as no profits were achieved in 2019G. The surplus dividends due increased to SAR 2.3 million as on December 31, 2020G as a result of the Company recording profits for the year and distributing part of the surplus during the year for previous years.

Transactions with Related Parties and their Balances

The following table shows the transactions and balances with related parties as on December 31, 2018G, December 31, 2019G and December 31, 2020G.

Table 46 : Transactions with related parties

SAR'000	Transaction	31 December 2018	31 December 2019	31 December 2020
		(Audited)	(Audited)	(Audited)
Board members and the companies they represent (insurance transactions)	Insurance premiums	6,845	4,857	6,332
	Paid Claims	672	1,544	1,617
Senior management staff	Short term benefits	4,583	3,804	4,037
	Indemnity	154	159	135
Arab Insurance Company (Lebanon (shareholder)	Balance paid to the Arab Insurance Company	309	511	0
	Expenses paid by the insurance company on behalf of the Arab Insurance Company	0	16	41
Jordan Insurance Company (shareholder)	Expenses paid on behalf of the Jordan Insurance Company	7	3	14
	Reinsurance operations, net			
Board of Directors expenses and allowances (shareholder operations)		1,023	1,164	1,275

Table 47 : Balances with related parties

SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Amounts due from related parties					
Jordan Insurance Company - Shareholder	83	83	83	-	-
Arab Insurance Company (Lebanon) Shareholder	0	0	10	-	-
Total amounts due from related parties	83	83	93	-	12.0%
Amounts due to related parties					
Arab Insurance Company (Lebanon) Shareholder	313	41	0	(86.8%)	(100.0%)
Total amounts due to related parties	313	41	0	(86.8%)	(100.0%)
Directors and the companies they represent belong to insurance policies	1,718	975	877	(43.3%)	(10.1%)
Reinsurance liability due from the Jordanian insurance company	530	533	547	0.5%	2.6%
Other balances due from related parties	2,248	1,508	1,424	(32.9%)	(5.6%)

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Related parties that the Company deals with include:

Board Members and the Companies they Represent

Transactions with members of the Company's Board of Directors and the companies they represent include written premiums and paid claims in addition to annual allowances and bonuses.

Senior Management Staff

They are the people who have the authority and responsibility for planning, directing and controlling the activities of the Company (senior executives including CEO and CFO). Transactions with the Company's senior employees include salaries, benefits and end of service benefits.

The Arab Company S.A.L (Holding Company)

The Arab Company SAL (Holding Company), a subsidiary of the Arab Insurance Company SAL (Lebanon), that owns 19.2% of the shares of the Arab Insurance Cooperative Company prior to the offering. Transactions with Arabia Insurance Company SAL (Lebanon) mainly include balances paid to Arabia Insurance Company SAL (representing the Company's share of information technology expenses) in addition to expenses paid by the Company on behalf of Arabia Insurance Company SAL.

Jordan Insurance Company

The Jordan Insurance Company owns 9.22% of the Company's shares prior to the offering. Transactions with Jordan Insurance Company include facultative reinsurance operations related to the public sectors.

Potential Commitments and Obligations

As with most insurance companies, claims are brought against the Company during its normal business cycle. Based on the advice of legal advisors, the Company's management believes that the final outcome of these cases will not have a material impact on the Company's income or statement of financial position.

The contingent liabilities are the result of bank guarantees amounting to SAR 2.7 million as of December 31, 2020G in favor of various service providers, and the Arab National Bank withheld that value from the Company's current account with him - which is classified under the prepayments item and other assets in the statement of financial position.

Shareholders' equity

The following table shows the shareholders' equity as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 48 : Shareholders' equity

SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
capital	265,000	265,000	265,000	-	-
Accumulated losses	(7,922)	(50,236)	(43,979)	534.1%	(12.5%)
Provision for revaluation of investments	(6,324)	1,143	745	(118.1%)	(34.8%)
Total Shareholders Equity	250,754	215,907	221,766	(13.9%)	2.7%

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Table 49 : Statement of changes in shareholders' equity

SAR'000	31 December 2018	31 December 2019	31 December 2020	Annual Change	Annual Change
	(Audited)	(Audited)	(Audited)	2018-2019	2019-2020
Balance at the beginning of the year	255,049	250,754	215,907	(1.7%)	(13.9%)
Net profit for the year attributable to shareholders	(2,619)	(42,314)	6,257	1515.5%	(114.8%)
Change in fair value of available-for-sale investments	(1,676)	7,467	(398)	(545.5%)	(105.3%)
Balance at the end of the year	250,754	215,907	221,766	(13.9%)	2.7%

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Capital

The authorized, issued and fully paid up capital is SAR 265 million as on December 31, 2020G and it consists of 26.5 million shares with a nominal value of SAR 10.. Noteworthy, on 13/04/1440H (corresponding to 20/12/2018G), the Company's board of directors recommended increasing the Company's capital through the issuance of priority of rights shares in the amount of SAR 265 million. The Company obtained Saudi Central Bank no-objection to the capital increase under letter No. (89/30238) dated 08/18/1440 AH (corresponding to 23/04/2019G) accumulated losses

Accumulated Losses

Accumulated losses increased from SAR 7.9 million as on December 31, 2018G to SAR 50.2 million as on December 31, 2019G as a result of incurring a net loss assigned to shareholders in 2019G in the amount of SAR 42.3 million.

The accumulated losses decreased to SAR 44.0 million as of December 31, 2020G as a result of the Company recording net profits during the year 2020G.

Investment Revaluation Reserve

The investment revaluation reserve represents the cumulative unrealized gains/(losses) in the fair value of available for sale investments. The investment revaluation reserve amounted to SAR 745 thousand as of December 31, 2020G.

5-7 Statement of Cash Flows

The following table shows the Cash Flows as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 50 : Statement of Cash Flows

SAR'000	31 December 2018	31 December 2019	31 December 2020
	(Audited)	(Audited)	(Audited)
Net (loss) / profit after Zakat and income tax	(2,442)	(42,314)	7,071
Adjustments for non-cash items:			
Depreciation of property and equipment	1,564	1,975	2,207
Gain on sale of property and equipment	(1)	((3)
Depreciation of right-of-use assets	0	1,954	1,971
Financing charges	0	291	218
Provision / (recovery) of doubtful debts	12,943	13,586	(8,235)
Losses/(profits) on sale of available-for-sale investments	1,251	(1,249)	(2,016)
Impairment charge in investments available for sale	2,000	2,898	0
Provision for end of severance indemnity	1,939	1,813	1,717
Zakat and income tax due	6,038	4,553	6,000
	23,292	(16,494)	8,931
Changes in operating assets and liabilities			
Insurance premiums and receivables for receivable reinsurers	(18,118)	(10,871)	(22,416)
Reinsurers' share of unearned premiums	(879)	(4,373)	12,958
Reinsurers' share of outstanding claims	(136)	4,339	3,174
Reinsurers' share of incurred but not reported claims	(2,885)	(6,344)	5,125
Deferred underwriting costs	1,653	1,155	(3,781)
Amounts due from a related party	64	(83)	(10)
Prepayments and other assets	(1,738)	(5,448)	(1,335)
Accounts Payable	6,867	(26,918)	1,453
Accrued expenses and other liabilities	2,867	5,978	(481)
Reinsurers' payables	(8,190)	14,925	(6,965)
Unearned premiums	7,623	(800)	(7,799)
Unearned reinsurance commissions	(282)	(1,014)	(345)

SAR'000	31 December 2018	31 December 2019	31 December 2020
	(Audited)	(Audited)	(Audited)
Outstanding claims (under settlement)	942	965	(2,816)
Claims incurred but not reported	(5,732)	8,662	(4,506)
Insurance premium deficiency reserve and other reserves	7,043	4,360	471
Surplus distributions payable	(1,493)	0	(500)
Amounts due to related parties	230	(188)	(41)
Cash from/(used in) operating activities	11,128	(32,149)	(18,884)
Zakat and income tax paid	(5,303)	(5,631)	(4,354)
Paid severance pay	(1,252)	(2,179)	(2,624)
Net cash from/(used in) operating activities	4,574	(39,959)	(25,862)
Cash flows from investing activities			
Disposals / (Additions) Investments	35,835	(18,965)	47,462
(Additions) / Disposals of Term Deposits	(96,576)	37,418	65,393
(Additions) / Disposals of property and equipment	(3,108)	(2,141)	(2,090)
Net cash (used in) / from investing activities	(63,848)	16,313	110,765
cash flows from financing activities			
Right to use assets paid	0	(481)	(2,169)
Net cash generated from/(used in) financing activities	0	(481)	(2,169)
Net change in cash and cash equivalents	(59,274)	(24,127)	82,734
Cash and cash equivalent, beginning of the year	149,995	90,720	66,593
Cash and cash equivalent, end of the year	90,721	66,593	149,327

Source: Audited financial statements for the years ended on 31 December 2018, 2019 & 2020

Cash and cash equivalents decreased by 26.6% to reach SAR 66.6 million as on December 31, 2019G compared to SAR 90.7 million as on December 31, 2018G as a result of the increase in net cash flows used in operating activities that are mainly due to the Company's losses in this year.

Cash and cash equivalents increased by 124.2% to SAR 149.3 million as of December 31, 2020G, mainly as a result of the increase in net cash flows from investment activities, which are mainly due to proceeds from disposals of investments and term deposits, which were added to bank balances and investing part of them in term deposits with maturity dates of less than three months (considered among cash and cash equivalents).

Operational Activities

The net cash used in operating activities amounted to SAR 40.0 million in 2019G compared to the net cash generated from operating activities amounting to SAR 4.6 million in 2018G, mainly due to the Company incurring a net loss in the same year in addition to recording a net decrease of SAR 26.9 million of accounts payable as a result of payments made by the Company.

The Company recorded a net profit of SAR 7.1 million in the year 2020G, which contributed to reducing the net cash used in operating activities to reach SAR 25.9 million in the year 2020G, compared to SAR 40.0 million in the year 2019G. In the year 2020G, a net increase of SAR 22.4 million was recorded in the balance of insurance premiums and re-insurers' receivables due to the delinquency of some clients in paying their dues.

Investment Activities

The Company used a net cash of SAR 63.8 million in investment activities in the year 2018G, mainly as a result of investing part of the sale of investment proceeds in addition to balances of cash and cash equivalents in term deposits with maturities of more than three months in the year 2018G.

In 2019G, the net cash generated from investment activities amounted to SAR 16.3 million as a result of accruing some term deposits and using part of them to finance operating activities.

The net cash generated from investing activities increased to SAR 110.8 million in the year 2020G as a result of disposals of investments and term deposits with a net value of SAR 47.5 million and SAR 65.4 million, respectively. Part of the proceeds were used in term deposits with maturity dates less than three months (including cash and equivalents).

5-8 Statement of Solvency Margin

The following table presents the Statement of Solvency as on December 31, 2018, December 31, 2019 and December 31, 2020.

Table 51 : Statement of Solvency

SAR'000	31 December 2018	31 December 2019	31 December 2020
	(Audited)	(Audited)	(Audited)
Acceptable assets			
Policyholder transactions	259,002	234,972	284,897
Shareholder transactions	335,209	326,934	275,845
Total Acceptable Assets	594,212	561,905	560,741
Liabilities			
Policyholder transactions	407,036	419,480	395,581
Shareholder transactions	84,455	111,026	54,138
Subtracts: Allowable disposable liabilities in covering the minimum margin	(75,413)	(101,987)	(41,910)
Total Liabilities	416,078*	428,520	407,809
Net acceptable assets			
Policyholder transactions	(148,033)	(184,509)	(110,684)
Shareholder transactions	250,754	215,907	221,707
Adjustments: Allowable additions and disposals	75,413	101,987	41,910
Total Acceptable Net Assets (A)	178,134	133,386	152,932
Minimum Margin Required			
Solvency Margin Required	50,304	45,231	52,583
Total Solvency Margin Required	50,304	45,231	52,583
Minimum Capital Required	100,000	100,000	100,000
Total Solvency Margin Required (B)	100,000	100,000	100,000
The increase/(deficit) in acceptable net assets compared to the required minimum margin (A) (B)	78,134	33,386	52,932
Solvency margin cover	178.1%	133.4%	152.9%

Source: Saudi Central Bank models and Management of the Arabia Insurance Cooperative Company

* In the financial statements for the year 2019G, an amount of SAR 83,000 has been reclassified from liabilities to assets of the year 2018G, for comparison purposes.

The total acceptable assets in the entire table depend on the admissibility factors (i.e.: the acceptability ratios for each type of assets) specified in the Implementing Regulations of Saudi Central Bank. If the percentage of certain assets out of the total assets is less than the acceptable percentage, then 100% of the assets are considered acceptable.

The admissible assets are compared in light of the solvency margin stipulated by Saudi Central Bank after deducting the total liabilities in order for the Saudi Central Bank to verify whether the insurance company has sufficient solvency.

The Company maintains its capital in accordance with the guidelines set forth by Saudi Central Bank in Article (66) Tables 3 and 4 of the Implementing Regulations, which stipulates the solvency margin that should be maintained. According to the said Article, the Company should maintain a solvency margin equal to the higher level of the following three methods:

- The minimum capital requirement is SAR 00.0 million.
- Margin of solvency of insurance premiums.
- Margin of solvency of insurance claims.

The minimum required solvency margin amounted to SAR 100 million during the years 2018G, 2019G and 2020G, and the Company has complied with the solvency margin requirements during the mentioned years.

6. Using the Offering Proceeds

6-1 Net Offering Proceeds

It is expected that the total proceeds from subscription to the Rights Issue Shares will be two hundred and sixty-five million (265,000,000) Saudi Riyals. It is expected that about five million Saudi Riyals (5,000,000) Saudi Riyals will be deducted from the total proceeds of the offering to cover the expenses and subscription fees of the Financial Advisor, Legal Advisor, Lead Manager, Underwriter, advertising and printing expenses and other expenses related to the subscription. Accordingly, the net proceeds of the Offering will amount to about two hundred and sixty million (260,000,000) Saudi Riyals.

6-2 Using the Net Offering Proceeds

All insurance companies operating in the Kingdom conduct their activities in accordance with the Insurance Companies Control Law and its Implementing Regulations and subsequent amendments issued by Saudi Central Bank from time to time.

The net Offering Proceeds will be used mainly to support the growth of the Company's business in order to comply with the requirements of solvency, as this will be done through the use of the Offering Proceeds in financial investments in addition to the increase in the statutory deposit stipulated by Saudi Central Bank due to the increase in the Company's capital. from Offering Proceeds.

The table below shows the suggested use of the Offering Proceeds:

Table 52 : Suggested use of Offering Proceeds

Statement	Value (Million Saudi Riyals)	Percentage from the total Offering Proceeds (%)
Total Offering Proceeds	265	100%
Estimated Offering expenses	5	1.89%
Net Offering Proceeds	260	98.11%
Increasing the statutory deposit	26.5	10.00%
Financial investments	233.5	88.11%

Source: The Company

The company will use Offering Proceeds as follows:

A. Use the net Offering Proceeds in financial investments

The Company will use the amounts of net Offering Proceeds allocated to medium and long-term investments and financial deposits, in addition to increasing and diversifying the Company's investment portfolio, which will be invested in investment funds such as Murabaha, trading, fixed income, shares and sukuk, in addition to direct investment in bonds, sukuk and shares, in line with the Implementing Regulations for control of cooperative insurance companies issued by Saudi Central Bank, and the investment policy approved by the Board of Directors. Most of the investments will be concentrated in investment pools of few and medium risks in the Kingdom. Part of the amount will be distributed to high-risk investments or investments outside the Kingdom. The Company intends to allocate about SAR 233.5 million. The Company also intends to make financial investments as soon as the capital increase process is completed, as the Company will deposit the amounts allocated for financial investments as term deposits and Murabaha funds to ensure the ability to withdraw from the amounts as needed. The Company will transfer the amounts to the available investment opportunities until reaching a proportional distribution of the portfolio between Investments. It should be noted that the Company will not engage in any unlicensed investment or commercial activity.

It is worth noting that the amounts will be distributed to investment channels in accordance with Article Sixty-one of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states the following:

1. The Company shall, when formulating its investment policy, take into consideration that the maturity of its invested assets is in concurrence with its liabilities according to the issued policies. The Company shall provide SAMA with an investment policy inclusive of assets distribution. If such investment policy was not approved by SAMA, the Company shall adhere to the investment standards in Table (1) of the Implementing Regulations, provided that investments outside the Kingdom shall not exceed 20% of the total investment and in accordance with paragraph (2) of Article fifty-nine (59) which states that the Company shall invest (50%) of its total invested assets in Saudi Riyals. SAMA's written approval is required if the Company wishes to reduce this percentage.
2. The Company shall take into consideration the investment concentration risks. Concentration in an investment instrument shall not exceed 50% in one investment instrument mentioned in table (1) of the Implementing Regulations.

As well, the amounts will be distributed to investment channels according to Article sixty-two (62) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states that the Company shall not use financial instruments, such as derivatives and off-balance-sheet items, other than for efficient portfolio management and with SAMA's written approval. The Company is permitted to invest in such instruments when these conditions are met:

1. Such derivatives must be listed on a financial exchange, are capable of being readily closed out, are based on underlying admissible assets and have a prescribed pricing basis.
2. The Company has set aside assets that can be used to settle any obligations under these derivatives and set adequate provisions for any adverse changes on the derivatives and their coverage.
3. The counter party must be reputable and in an acceptable financial condition.

It is worth noting that the Company has existing investments (please refer to "Investments" in Section No. (5) "Financial Information and Management Discussion and Analysis" of this Prospectus)

In line with the requirements of Article (54) Paragraph (B) of the Rules on Offering Securities and Continuing Obligations, the Company will disclose to the public when there is a difference of (5%) or more between the actual use of the proceeds of the Rights Issue Shares against what was disclosed in this Prospectus as soon as it becomes aware of that.

B. Using the net Proceeds of the Offering to raise the solvency margin

The Company intends to increase its capital from two hundred and sixty-five million (265,000,000) Saudi Riyals to five hundred and thirty million (530,000,000) Saudi Riyals to support the growth of its business, by using the net Offering Proceeds in financial investments (within the traditional activities of the Company) and increasing the statutory deposit.

The Implementing Regulations require insurance companies to maintain a minimum amount of net assets that can be included in the solvency margin account. This requirement is translated upon the need to maintain a minimum full cover (100%) of the solvency margin (net assets included in the solvency account divided by the minimum solvency margin).

Saudi Central Bank requires insurance companies to evaluate their net assets for the purpose of calculating the net assets subject to inclusion in the financial solvency account according to the inclusion schedules and percentages specified by Saudi Central Bank, provided that the following is taken into account:

- Market value shall not be exceeded in the valuation process, and all assets linked to the Investment part of the Protection and Savings insurance policy shall be excluded.
- Maximum limit of 20% of the total assets value in anyone-asset category.

Article sixty-six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law stipulates that the Company, in respect to its general and health insurance business, shall maintain a margin of solvency equivalent to the highest of the following three amounts:

- The minimum capital requirement is one hundred million (SAR 100,000,000) Saudi Riyals for insurance companies, and two hundred million (SAR 200,000,000) Saudi Riyals for reinsurance companies or insurance companies that simultaneously engage in reinsurance business.
- Premium Solvency Margin
- Claims Solvency Margin

Article (67) of the Implementing Regulations of the Insurance Companies Control Law states that a Company that practices protection and savings insurance must maintain a solvency margin through the sum of the following:

- Four percent (4.0%) of the technical provisions for protection and savings insurance.
- Three per thousand (0.3%) Three per thousand (3/1000) of the Capital at Risk for individual policies after the deduction of reinsurance cessions, provided that the reinsurance amount does not exceed 50% of the total Capital at Risk.
- One per thousand (0.1%) of the Capital at Risk For group policies after the deduction of reinsurance cessions, provided that the reinsurance amount does not exceed 50% of the total Capital at Risk.

The table below shows the details of the Company's financial solvency margin and cover as on 31/12/2019G and as on 31/12/2020G

Table 53 : Details of the Company's solvency margin and cover as on December 31, 2019G and as on December 31, 2020G

SAR'000	31/12/2019G	31/12/2020G
Minimum required capital	100,000	100,000
Premium Solvency Margin	45,231	52,583
Claims Solvency Margin	37,768	39,216

SAR'000	31/12/2019G	31/12/2020G
Minimum Solvency Margin Required	100,000	100,000
The net assets to be included in solvency	133,386	152,932
An increase (deficit) in the acceptable net assets compared to the minimum required solvency margin	33,386	52,932
Solvency margin cover (%)	133%	153%

Source: The Company

The company has fully complied with the imposed capital requirements as of December 31, 2019 and as of December 31, 2020.

The following are the expected contributions to the net proceeds of the Offering in maintaining the capital requirements for the next five years, which were calculated based on certain requirements imposed by Saudi Central Bank on insurance companies as the items rise indirectly, as a result of the use of underwriting proceeds, which are the increase in statutory deposit, investments and financial deposits.

The table below shows the expected contribution of the net Offering Proceeds to maintaining the solvency requirements imposed by the Central Bank over the next few years.

Table 54 : The expected contribution of the net Offering Proceeds in maintaining the solvency requirements

SAR'000	2019/12/31	2020/12/31	2021/12/31	2022/12/31	2023/12/31
Minimum required capital	100,000	100,000	100,000	100,000	100,000
Premium Solvency Margin	45,231	52,583	54,407	62,768	74,112
Claims Solvency Margin	37,768	39,216	38,611	42,125	48,413
Minimum Solvency Margin Required	100,000	100,000	100,000	100,000	100,000
Net assets to be included in solvency	133,386	52,932	361,693	364,878	382,983
An increase (deficit) in the acceptable net assets compared to the minimum required solvency margin	33,386	52,932	261,693	264,878	282,983
Solvency margin cover (%)	133%	153%	362%	365%	383%

Source: The Company

C. Using the net Offering proceeds to increase the statutory deposit

According to the Implementing Regulations of the Cooperative Insurance Companies issued by Saudi Central Bank, the statutory deposit must be 10% of the paid-up capital, and accordingly the Company will allocate twenty-six million five hundred thousand (26,500,000) Saudi Riyals from the net Offering Proceeds as a statutory deposit, bringing the total statutory deposit to six Sixty million five hundred thousand (66,500,000) Saudi Riyals.

7. Experts Statements

The advisors whose names appear in page (vi) have given their written consents to the publication of their names, logos and statements in the form included in the Prospectus and have not withdrawn such a consent up to the date of this Prospectus. None of the above advisers or their employees or any of their relatives has any shareholding or interest of any kind in the Company.

8. Declarations

As at the date of this Prospectus, the Company's Directors declare that:

- There has not been any interruption in the business of the Company, which may have or has had a significant effect on the financial position in the last 12 months.
- No commissions, discounts, brokerages or other non-cash compensation have been granted within the three years immediately preceding the application for registration and offer of securities that are the subject of this prospectus in connection with the issue or offer of any securities by the Company.
- There has not been any material adverse change in the financial or trading position of the Company in the three financial years preceding the application for registration and offer of securities that are subject to this prospectus and during the period from the end of the period covered in the external auditors' report up to and including the date of approval of the prospectus.
- Other than what is mentioned in the subsection entitled "Transactions with Related Parties" in Section 5 – Financial Information and Management Discussion and Analysis of this Prospectus, they do not have any shareholding or interest of any kind in the Company, and nor does any relative of theirs.
- The Company did not keep treasury shares, and the EGM of the Company did not approve the purchase of the Company's shares.

9. Legal Information

9-1 Company's Name

The Company has been registered in the commercial registration of joint stock companies in the city of Riyadh under the commercial name "Arabia Insurance Cooperative Company.

9-2 Company Establishment and Capital Development

- Arabia Insurance Cooperative Company is a Saudi joint stock company established under Royal Decree No. (M/23), dated 15/03/1428H (corresponding to 03/04/2007G) and the Council of Ministers Resolution No. (93), dated 14/03/1428H (corresponding to 02/04/2007G) and the license of the Ministry of Investment No. (01- 102030104276), dated 05/05/1426H (corresponding to 12/06/2005G). The Company operates under Commercial Registration No. (1010243302), issued in Riyadh on 18/01/1429H (corresponding to 27/01/2008G). Its headquarter is located at Bin Tami Center - King Abdulaziz Road - Al Worood District, Riyadh, Kingdom of Saudi Arabia.
- On 26/01/1429H (corresponding to 04/02/2008G), the Company entire shares of twenty million (20,000,000) ordinary shares of a nominal value of ten (10) Saudi Riyals per share were listed in the Saudi Stock Exchange Company (Tadawul) through public subscription. The founding shareholders have subscribed to (60%) of the Company's twelve million (12,000,000) ordinary shares, while public shareholders subscribed to (40%) of the Company's eight million (8,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share and a total value of eighty million (80,000,000) Saudi Riyals.
- On 14/06/1429H (corresponding to 18/06/2008G), the Company obtained the Saudi Central Bank's license No. (TMN/15/20086) to practice insurance business in general insurance, health insurance, protection and saving, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The license was renewed on 19/04/1441H (corresponding to 16/12/2019G) for a period of three years starting 11/06/1441H (corresponding to 05/02/2020G) and ending on 10/06/1444H (corresponding to 03/01/2023G).
- On 18/06/1436H (corresponding to 07/04/2015G), the Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the Company capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals, consequently increasing the number of the Company shares from twenty million (20,000,000) ordinary shares to forty million (40,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share, by issuing twenty million (20,000,000) preemptive rights shares of a nominal value of ten (10) Saudi Riyals per share.
- On 28/10/1437H (corresponding to 08/02/2016G) and after the Company has obtained the approval of the Saudi Central Bank, under letter No. 351000145469, dated 28/10/1437H, corresponding to 02/08/2016G, the Extraordinary General Assembly agreed to reduce the Company capital by (33.75%), from four hundred million (400,000,000) Saudi Riyals to two hundred and sixty-five million (265,000,000) Saudi Riyals, consequently reducing the number of the Company shares from forty million (40,000,000) shares to twenty-six million and five hundred thousand (26,500,000) shares through canceling thirteen million and five hundred thousand (13,500,000) shares of the shares issued for the Company.
- On 18/08/1440H (corresponding to 23/04/2019G), the Company obtained the approval of the Saudi Central Bank under letter No. (89/30238), dated 18/08/1440H (corresponding to 23/04/2019G) to increase the Company capital from two hundred and sixty-five million (265,000,000) Saudi Riyals to five hundred and thirty million (530,000,000) Saudi Riyals through issuing preemptive rights shares in the amount of two hundred and sixty-five million (265,000,000) Saudi Riyals.
- On .../.../...H (corresponding to .../.../...G), the Extraordinary General Assembly agreed to increase the Company capital by (100%) from two hundred and sixty-five million (265,000,000) Saudi Riyals to five hundred and thirty million (530,000,000) Saudi Riyals, consequently increasing the number of the Company shares from two hundred and sixty-five million (265,000,000) ordinary shares to five hundred and thirty million (530,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share.

9-3 Capital Amendment

- On 18/06/1436H (corresponding to 07/04/2015G), the Extraordinary General Assembly agreed to increase the Company capital by (100%) from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals, consequently increasing the number of the Company shares from twenty million (20,000,000) ordinary shares to forty million (40,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share, by issuing twenty million (20,000,000) preemptive rights shares of nominal value of ten (10) Saudi Riyals per share.
- On 28/10/1437H (corresponding to 02/08/2016G), the Extraordinary General Assembly agreed to reduce the Company capital by (33.75%) from four hundred million (400,000,000) Saudi Riyals to two hundred and sixty-five million (265,000,000) Saudi Riyals, consequently reducing the number of the Company shares from forty million (40,000,000) shares to twenty-six million and five hundred thousand (26,500,000) shares, by canceling thirteen million and five hundred thousand (13,500,000) shares of the shares issued for the Company.

9-4 Company Objectives

- In accordance with the commercial registration No. (1010243302), dated 18/01/1429H (corresponding to 27/01/2008G), the Company may carry out the following activities: protection and saving, health insurance, and general insurance.
- In accordance with article No. (3) of the Articles of Association, the Company may carry out the following activities:
- Cooperative insurance business and every activity related to this business such as reinsurance, assignment, representation, correspondence, or brokerage. The Company may carry out all the works required to achieve its objectives, whether in the field of insurance or investing its funds. The Company may own, move, sell, replace, or rent immovable and cash funds directly by it, or through companies it establishes or acquires, or in partnership with other parties. The Company carries out its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations as well as the laws and rules applicable in the Kingdom of Saudi Arabia, after obtaining the necessary licenses from the competent authorities, if any.

The Company obtained the final approval from the Central Bank of Saudi Arabia to carry out its insurance business. For more information (please refer to the Subsection "Licenses and Permits under which the Company operates" of this Section).

9-5 Company Term

Article six (6) of the Articles of Association stipulates that the term of the Company shall be ninety-nine (99) Gregorian years starting from the date of registering the Company in the commercial registration. The Company term may be extended by a resolution issued by the (Extraordinary) General Assembly at least one year prior to term. The data of the commercial registration indicates that the Company term will expire on 20/12/1527H (corresponding to 18/01/2104G).

9-6 Board of Directors

Board Formation

In line with article fifteen (15) of the Company Articles of Association, the Company shall be managed by a board of directors composed of seven (7) members elected by the Ordinary General Assembly for three (3) years. On 03/07/1441H (corresponding to 27/02/2020G), the Shareholders Ordinary General Assembly elected board member for a new session that start on 03/07/1441H (corresponding to 27/02/2020G for three years term and will expire on 06/08/1444H (corresponding to 26/02/2023G. The board of directors for the said session was formed as follows:

Table 55 : Board Members

The Company Board Appointed on 03/07/1441H (corresponding to 27/02/2020)*								
Name	Position	Type of Membership	Nationality	Age	Direct Ownership		Indirect Ownership	
					No. of Shares	% of Direct Ownership	No. of Shares	% of Direct Ownership
Abdulaziz Abdulhadi Al Qahtani **	Chairman	Non-executive	Saudi	72	29,150	0.11%	26,235	0.10%
Abdulrahman Mohammed Al-Angri	Acting Chairman	Independent	Saudi	60	1,000	0.00%	-	-
Munir Boutros Muasher	Member	Non-executive	Jordanian	51	-	-	-	-
Othman Muhammed Ali Bedair	Member	Non-Executive	Jordanian	83	-	-	752,444	2.84%
Ghassan Ibrahim Akeel	Member	Non-executive	Jordanian	53	4,000	0.02%	-	-
Abdulaziz bin Saleh Al Omair	Member	Independent	Saudi	42	662	0.00%	-	-
Mohammed Ibrahim Al Mangour	Member	Independent	Saudi	39	-	-	-	-

Source: The Company

* In its meeting held on 03/07/1441H (corresponding to 27/02/2020G), the Company Ordinary General Assembly approved the election of the members of the Board of Directors for the current session, which starts from 03/07/1441H (corresponding to 27/02/2020G) for three years term ending on 06/08/1444H (corresponding to 26/02/2023G).

** On 25/11/1441H (corresponding to 16/07/2020G), the Company Board of Directors decided to appoint Mr. Abdulaziz Abdulhadi Al Qahtani as a Chairman of the Board of Directors, and to appoint Dr. Abdulrahman Al Angri as Acting Chairman of the Board of Directors. The Company obtained the no objection of the Saudi Central Bank on 25/11/1441H (corresponding to 16/07/2020G).

On 13/04/1440H (corresponding to 20/12/2018G), the Board of Directors recommended to increase the Company capital through preemptive rights of a total value of two hundred and sixty-five million (265,000,000) Saudi Riyals divided into twenty-six million and five hundred thousand (26,500,000) ordinary shares, representing 100% increase of the Company capital. After issuing the preemptive rights, the Company capital has become five hundred and thirty million (530,000,000) Saudi Riyals divided into fifty-three million (53,000,000) ordinary shares.

The Company is complied with the Companies Law and the Governance Regulations issued by the Board of the Capital Market Authority and the Insurance Companies Governance Regulations issued by the Saudi Central Bank. The Company Articles of Association stipulates that the number of board members shall be seven members elected by the Ordinary General Assembly for a period not to exceed three years. The Company Governance Regulations also shows that the Company complies with article (16) of the Governance Regulations which obligates listed companies that the majority of board members shall be non-executive members and that the number of its independent members shall not be less than two members or comprise one-third of board members (whichever is more). Accordingly, the Company complies with Clause (54) of the Insurance Companies Governance Regulations. Currently, there are three independent members in the Board of Directors of the Arabia Insurance Cooperative Company out of seven members.

Chairman, Acting Chairman and Secretary

The Company is complied with the Articles of Association, the Governance Regulations issued by the Board of Directors of the Capital Market Authority and the Insurance Companies Governance Regulations issued by the Saudi Central Bank in terms of appointment in these posts. On 25/11/1441H (corresponding to 27/02/2020G), the Company Board of Directors agreed to appoint Mr. Abdulaziz Abdulhadi Al Qahtani as a Chairman of the Board of Directors of the Company. The Board also agreed to appoint Mr. Abdulrahman Mohammed Al Angri as Vice Chairman of the Board. The Company obtained the no of objection of the Central Bank on 24/05/1441H (corresponding to 19/01/2020G). The Company Board of Directors posts are as follows:

Table 56 : Chairman, Acting Chairman and Secretary

Name of Appointed Person	Position
Abdulaziz Abdulhadi Al Qahtani	Chairman
Abdulrahman Mohammed Al Angri	Vice Chairman
Othman Muhammed Ali Bedair	Member
Ghassan Ibrahim Akeel	Member
Abdulaziz bin Saleh Al Omair	Member
Mohammed Ibrahim Al Mangour	Member
Munir Boutros Muasher	Member

Source: The Company

Per the Company Articles of Association, the board of directors shall have the extended powers to manage the Company and achieve its objectives. Within the limits of its powers, the board may authorize a member or more or a third party to undertake a specific work or works, without prejudice to the related laws and regulations. The board of directors shall have the following tasks, powers, and authorities:

- Representing the Company in its relations with third parties, governmental and private authorities, chambers of commerce and industry, all companies, institutions, commercial banks, money houses, all government financing funds and institutions of various names and specializations, and other lenders.
- Absolving the Company debtors from their obligations.
- Doing bids and buying, selling, and mortgaging real estates.
- The board shall also have the following duties, powers, and authorities:

- e. The board shall have the right to contract and sign in the name of and on behalf of the Company on all types of contracts and documents, including but not limited to companies Articles of Association in which the Company is a partner, including all amendments thereto, annexes and amendment decisions; sign agreements and sukuk (deeds) before the notary public and official authorities, as well as loan agreements, guarantees, warrants and sukuk for selling and buying real estates.
- f. Issuing legal powers of attorney on behalf of the Company, selling, buying, emptying, and accepting emptying, securing, delivering, leasing, renting, receiving, and paying.
- g. Opening accounts and credits, withdrawing and depositing in banks, and issuing guarantees to banks, funds, and government financing institutions in the name of the Company.
- h. Signing on all papers, order notes, checks, all commercial papers and documents, and all banking transactions.

Board Remunerations

The remuneration of the Board of Directors consists of the percentage set forth in the Company Articles of Association. The Board of Directors report for the year 2020G, which was approved by the (Ordinary) General Assembly on 21/10/1442H (corresponding to 02/03/2021G), the report for the year 2019G (which was approved by the (Ordinary) General Assembly on 09/11/1441H (corresponding to 30/06/2020G) and the report for the year 2018G (which was approved by the (Ordinary) General Assembly on 24/10/1440H (corresponding to 27/06/2019G), include a comprehensive statement of all remunerations, allowances, expenditures and other benefits received by board members. The reports also included a statement of the amounts received by board members in their capacity as employees or administrators, or the amounts received by them against technical, administrative, or advisory works. The reports also included a statement of the number of board sessions and the number of sessions attended by each member as of the date of the last meeting of the General Assembly. Article (19) of the Company Articles of Association stipulates that the annual remuneration for board members against the services they perform shall be determined in accordance with the provisions of paragraph (1) of article nineteen of the Articles of Association. In the event the Company has achieved profits, a percentage equivalent to (10%) of the remaining net profit may be distributed after deducting the reserves decided by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control Law and the Articles of Association and after distributing a profit to shareholders of no less than (5%) of the Company paid capital. This shall be provided that the entitlement to this remuneration is in proportion to the number of sessions attended by the member. Any estimate contradictory there shall be null and void.

Board Meetings

In accordance with article (21) of the Company Articles of Association, the Board shall meet at the Company's head office by invitation from its chairman, who shall call the board to convene upon request by two members. The invitation shall be documented in the manner deemed fit by the board. The board meetings shall be held periodically and whenever needed, provided that the number of board meetings shall not be less than four (4) meetings annually. One meeting at least shall be held every three months. In accordance with article (32) of the Company Governance Regulations, the board shall meet on periodic basis at least every three months during one fiscal year. The Board of Directors shall also document its meetings, prepare minutes of Meetings and deliberations, including the voting that took place, and shall classify and keep such minutes for ease of reference

Board Committees

The Board of Directors has five (5) sub-committees, as follows:

Audit Committee

The Audit Committee is composed of three (3) members. The committee members were appointed by the (Ordinary) General Assembly held on 01/01/1442H (corresponding to 20/08/2020G and will expire by end of the current Board session on 05/08/1444H (corresponding to 26/02/2023G). The Chairman of the Audit Committee was appointed after approval of the Board in its meeting held on 25/11/1441H (corresponding to 16/07/2020G). The Company obtained the no objection of the Saudi Central Bank on 25/11/1441H (corresponding to 16/07/2020G). The Audit Committee is composed of the below named members:

Table 57 : Audit Committee Members

Name	Position
Abdulrahman Mohammed Al Angri	Chairman
Abdullah bin Mohammed bin Muammar	Member
Mashary bin Salman Al Sahim	Member

Source: The Company

The Audit Committee Business Regulations was approved by the Ordinary General Assembly in its meeting held on 09/09/1438H (corresponding to 04/06/2017G).

The Audit Committee held six (6) meeting during the financial year which ended on 31 December 2018G, four (4) meetings during the financial year which ended on 31 December 2019G and six (6) meetings during the financial year which ended on 31 December 2020G.

Summary of the Tasks and Responsibilities of the Audit Committee

- Making recommendations to the Board of Directors to approve the appointment or reappointment of external auditors, including the guarantee that the nominated external auditors possess the necessary expertise to audit the business of insurance and/or reinsurance companies.
- Recommending the appointment and dismissal of the Director of the Compliance Department or the Compliance Officer after obtaining the written approval of the Saudi Central Bank.
- Recommending the appointment and dismissal of the Director of the Internal Audit Department or the Internal Auditor after obtaining the written no objection of the Saudi Central Bank.
- Ensuring that the external auditors are independent from the Company, board members and the senior management of the Company.
- Ensuring that the Internal Audit Department or the Internal Auditor are independent in performing their tasks; and verifying that there is no restriction on their work or that nothing would adversely impact their work.
- Ensuring that the Compliance Department or the Compliance Officer are independent in performing their duties; and verifying that there is no restriction on their work or that nothing would adversely impact their work.
- Discussing the annual and interim quarterly financial statements with the external auditors and the senior management of the Company before issuing them.
- Studying and reviewing the annual and interim quarterly financial statements and making recommendations to the Board of Directors in that regard.
- Studying the audit plan of the internal and external auditors.
- Studying, approving, and following up on implementation of the compliance plan.
- Studying the important accounting policies, its procedures, and changes thereon.
- Coordinating between internal and external auditors.
- Studying the reports of the external auditors and making recommendations thereon to the Board of Directors.
- Reviewing the reports of the Internal Audit Department or the Internal Auditor and making recommendations thereon to the Board of Directors.
- Reviewing the reports of the Statutory Control Department or the Statutory Controller and making recommendations thereon to the Board of Directors.
- Assessing the level of efficiency, proficiency, and objectivity of the work of the external auditors, the Internal Audit Department or the Internal Auditor, the Compliance Department, and the Compliance Officer.
- Studying the remarks of the Saudi Central Bank and the relevant supervisory and control authorities in relation to any legal violations or requesting corrective measures and making recommendations thereon to the Board of Directors.
- Studying the internal and external auditors' assessment of internal control procedures.
- Studying the operations among the group entities and the operations with the related parties.
- Studying the reports of the actuarial expert and making recommendations thereon to the Board of Directors.
- Ensuring the Company obligation to implement the actuarial expert suggestions and recommendations when they are mandatory under the regulations and instructions issued by the Saudi Central Bank and the relevant supervisory and control authorities.
- Following up the reports issued by the Saudi Central Bank and the relevant supervisory and control authorities and making recommendations thereon to the Board of Directors.
- Recommending determining the value of the monthly salary, incentive reward and other remunerations for the Internal Audit Department or the Internal Auditor, in line with the internal regulations of the Company approved by the Board.
- Recommending determining the value of the monthly salary, incentive reward and other remunerations for the Compliance Department or the Compliance Officer, in line with the Company internal regulations approved by the Board.
- Ensuring the availability of a written regulations on professional conduct rules after being approved by the Company's Board of Directors to ensure that the Company's systems are carried out fairly and ethically.
- Following up with the Director of Compliance Department or the Compliance Officer on important lawsuits filed by or against the Company and submitting periodic reports thereon to the Board of Directors.
- Ensuring the optimal use of information technology and the availability of the controls necessary to obtain accurate and reliable information and data.

Nominations and Remunerations Committee

The Nominations and Remunerations Committee is composed of four (4) members. The members of the Nominations and Remunerations Committee were appointed by the Board of Directors based on its resolution taken in its meeting held on 09/09/1438H (corresponding to 04/06/2017G). The committee term shall end by expiry of the current Board of Directors session on 03/08/1444H (corresponding to 23/02/2023G). The Company obtained the no objection of the Saudi Central Bank on 25/11/1441H (corresponding to 16/07/2020G). The committee is composed of the below named members.

Table 58 : Members of the Nominations and Remunerations Committee

Name	Position
Abdulaziz bin Saleh Al Omair	Chairman
Abdulaziz bin Abdulhadi Al Qahtani	Member
Abdulrahman bin Mohammed Al Angri	Member
Munir Boutros Muasher	Member

Source: The Company

The Nominations and Remunerations Committee held two (2) meetings during the Financial year which ended on 31 December 2018G, three (3) meetings during the Financial year which ended on 31 December 2019G and two (2) meetings during the Financial year which ended on 31 December 2020G.

Summary of the Duties and Responsibilities of the Nominations and Remunerations Committee

- Making recommendations to the Board of Directors with respect to the Company Governance Law, Policies and Procedures and working on submitting suggestions for its continuous updating and development; setting and developing criteria for the Board of Directors and committees nominees; annually reviewing the skills required for membership of the Board of Directors; preparing a description of the capabilities and qualifications required for membership of the Board of Directors, including determining the time that a member shall allocate for the works of the Board of Directors.
- Submitting suggestions to the Board of Directors regarding the size of the Board and its committees and their work rules; reviewing the structure of the Board of Directors and making recommendations regarding changes that can be made.
- Ensuring annually the independence of the independent members, and the absence of any conflict of interest if the member is a member of the board of directors of another company.
- Determining weaknesses and strengths of the Board of Directors and providing suggestions on addressing them in line with the Company's interest.
- Recommending nomination for membership of the Board of Directors and committees, while observing not to nominate any person previously convicted of any crime that affects dignity and honesty.
- Making recommendation to the Board of Directors with respect to members retirement policies.
- Developing clear policies for the compensations and remunerations of Board members and senior executives. Upon developing these policies, the use of performance-related criteria shall be taken into consideration.
- Assisting in the assessment of the works of the Company Chief Executive Officer and the extent to which he has achieved targeted objectives.
- Assisting in testing the executive leaderships of the Company.
- Submitting suggestions to the Board of Directors to assess the works of the Board and its committees.
- Making recommendations on updating and developing the Board's work regulations.

Executive Committee

The Executive Committee is composed of three (3) members. The members of the Executive Committee were appointed by the Board of Directors based on its resolution taken in its meeting held on 25/11/1441H (corresponding to 16/07/2020G). The committee term shall expire by expiry of the current Board of Directors session on 05/08/1444H (corresponding to 26/02/2023G). The Company obtained the no objection of the Saudi Central Bank on 25/11/1441H (corresponding to 16/07/2020G). The Executive Committee is composed of the below named members.

Table 59 : Executive Committee Members

Name	Position
Munir Boutros Muasher	Chairman
Abdulaziz bin Saleh Al Omair	Member
Othman Muhammed Ali Bedair	Member

Source: The Company

The Executive Committee held six (6) meetings during the financial year which ended on 31 December 2018G, six (6) meetings during the financial year which ended on 31 December 2019G and six (6) meetings during the financial year which ended 31 December 2020G.

Investment Committee

The Investment Committee is composed of three (3) members. The members of the Investment Committee were appointed by the Board of Directors based on its resolution taken in its meeting held on 25/11/1441H (corresponding to 16/07/2020G). The committee term shall expire by end of the current Board of Directors session on 05/08/1444H (corresponding to 26/02/2023G). The Company obtained the no objection of the Saudi Central Bank on 26/11/1441H (corresponding to 16/07/2020G). The committee is composed of the below named members.

Table 60 : Investment Committee Members

Name	Position
Ghassan Ibrahim Faris Akeel	Chairman
Abdulaziz bin Abdulhadi Al Qahtani	Member
Mohammed Ibrahim Al Mangour	Member

Source: The Company

The Investment Committee held four (4) meetings during the financial year which ended on 31 December 2018G, four (4) meetings during the financial year which ended on 31 December 2019G and four (4) meetings during the financial year which ended on 31 December 2020G.

Risks Management Committee

The Risks Management Committee is composed of four (4) members. The members of the Risks Management Committee were appointed by the Board of Directors based on its resolution taken in its meeting held on 25/11/1441H (corresponding to 16/07/2020G). The committee term shall expire by end of the current Board of Directors session on 03/08/1444H (corresponding to 23/02/2023G). The Company obtained the no objection of the Saudi Central Bank on 25/11/1441H (corresponding to 16/07/2020G). The committee is composed of the below named members.

Table 61 : Risk Management Committee Members

Name	Position
Ghassan Ibrahim Faris Akeel	Chairman
Othman Mohammed Bedair	Member
Mohammed Ibrahim Al Mangour	Member

Source: The Company

The Risk Management Committee held four (4) meetings during the financial year which ended on 31 December 2018G, four (4) meetings during the financial year which ended on 31 December 2019G and four (4) meetings during the financial year which ended on 31 December 2020G.

Summary of the Tasks and Responsibilities of the Risk Management Committee

- Implementing the risks management strategy.
- Monitoring the risks that the Company may be exposed to.
- Developing risks management effective policies and procedures to determine, assess, measure and control risks.
- Identifying the emerging risks and suggesting corrective actions to mitigate and control such risks.
- Assessing the Company's ability to tolerate risks and extent of exposure to such risks through carrying out tolerance tests on periodic basis.

- Developing an emergency plan and following it up.
- Coordinating with the various departments and senior management to warrant the efficiency and proficiency of risks management systems.

Executive Management

Mr. Ziyad bin Mohammad Al Rubaish has been occupying the Chief Executive Officer position since 16/07/1441H (corresponding to 06/07/2020G). The following table shows the details of the Company executive management:

Table 62 : Executive Management

Name	Position	Nationality	Age	Date of Appointment	Owned Shares			
					Direct		Indirect	
					No	%	No.	%
Zeyad Mohammed Al Rubaish	General Manager	Saudi	45	29/08/1434 corresponding to (07/07/2013G)	-	-	-	-
Hussain Abdul-mohsen Al Rashed	Director of Finance	Saudi	38	22/01/1438 corresponding to (16/07/2017G)	-	-	-	-
Adel bin Saleh Al Faraj	Director of Human Resources and Administrative Affairs	Saudi	55	16/04/1430 corresponding to (11/04/2009G)	-	-	-	-
Meshal Abdulqader Almazro.	Director of Technical Department	Saudi	33	22/12/1442 corresponding to (01/08/2021G)	-	-	-	-
Saud bin Ahmed Al Manea	Director of Claims	Saudi	55	01/08/1432 corresponding to (02/07/2011G)	-	-	-	-

Source: The Company

The Company states that some of the Board members have direct transactions with the Company. These transactions are limited to insurance policies submitted by the Company directly or indirectly without preferential transactions as follows:

Table 63 : Statement of transactions between the Company and any of the Board members for nine months period of the year 2020G:

Name of Related Party	Name of Board Member	Nature of Transaction	Value (SAR000)
Abdulhadi Abdullah Al Qahtani Company	Abdulaziz bin Abdulhadi Al Qahtani	Insurance Policies	5,333.20
Arabian Supply Company/ Astra	Ghassan Ibrahim Akeel	Insurance Policies	170.2
Abdulaziz Abdulhadi Al Qahtani	Abdulaziz bin Abdulhadi Al Qahtani	Insurance Policies	183.5
Abdulaziz bin Saleh Al Omair	Abdulaziz bin Saleh Al Omair	Insurance Policies	32.2
Wasl Investment Company	Abdulaziz bin Saleh Al Omair	Insurance Policies	533.6
Abdulrahman bin Mohammed al Angri	Abdulrahman bin Mohammed Al Angri	Insurance Policies	34

Source: The Company

Compensations and Remunerations of Board Members

The Nominations and Remunerations Committee is responsible for proposing the compensations and remunerations of Board members and senior executives. The following table shows the value of salaries, remunerations and allowances received by Board members and six top executive managers, including the Chief Executive Officer and Director of Finance during the last three years.

Table 64 : Value of salaries and allowances received by Board members and six top senior executive managers:

	31 December 2018G	31 December 2019G	31 December 2020G
Board Members	171,000	1,093,000	192,000
Six top senior executive managers, including the Chief Executive Officer and Director of Finance	4,737,238	3,963,566	4,171,957
Total	4,908,238	5,056,566	4,363,957

Source: The Company

Corporate Governance

In accordance with the laws, regulations, and instructions issued by the Capital Market Authority, particularly the Corporate Governance Regulations issued under the resolution of the Capital Market Authority Board No. (8-16-2017G), dated 16/05/1438H (corresponding to 13/02/2017G), based on the Companies Law issued under Royal Decree No. (M/3), dated 28/01/1437H (corresponding to 10/11/2015G), as amended by the Authority Board resolution No. (3-57-2019), dated 15/09/1440H (corresponding to 20/05/2019G), in addition to the Insurance Companies Governance Regulations issued by the Saudi Central Bank, the Company governance guide was developed and approved by the Board of Directors on 21/07/1433H (corresponding to 20/04/2016G).

9-7 Governmental Approvals, Licenses and Certificates

Approvals and Licenses Tables

The Company (including its branches) obtained several regulatory and operational licenses and certificates from the competent authorities. These licenses and certificates are renewed periodically. Expired licenses and certificates are under renewal in line with applicable procedures. The members of the Board of Directors acknowledge that the Company has obtained all the licenses and approvals required to carry out its business and will continue to do so, and that expired licenses and certificates are under renewal. Board members are not aware of any matters that prevent renewal of any of such licenses and certificates. The following tables show the current licenses and certificates obtained by the Company:

Table 65 : Licenses and approvals obtained by the Company

Type of License	Purpose	License Number	Date of Issue	Date of Expiry	Issuing Authority
Commercial Registration	Registering the Company in the Commercial Companies Registration (joint stock companies)	1010243302	18/01/1429H (corresponding to 27/01/2008G)	18/01/1444H (corresponding to 16/08/2022G)	Ministry of Commerce – Commercial Registration Office in the city of Riyadh
Chamber of Commerce and Industry Membership Certificate	Company comply with the commercial registration law which requires the Company to subscribe to the Chamber of Commerce and Industry	101000183888	21/05/1442H (corresponding to 05/01/2021G)	27/05/1443H (corresponding to 31/12/2021G)	Chamber of Commerce and Industry in Riyadh
Permit to practice insurance activity	Practicing the general insurance activity, health insurance, protection and saving insurance	20086/15/TMN	14/06/1429H (corresponding to 18/06/2008G)	10/06/1444H (corresponding to 25/12/2022G)	Saudi Central Bank
Service Investment License	Practicing insurance activity	01-102030104276	05/05/1426H (corresponding to 12/06/2005G)	20/03/1444H (corresponding to 16/10/2022G)	Ministry of Investment

Type of License	Purpose	License Number	Date of Issue	Date of Expiry	Issuing Authority
General Organization for Social Insurance Certificate	The Company comply with the laws of the General Organization for Social Insurance	35898182	19/11/1442H (corresponding to 29/06/2021G)	19/12/1442H (corresponding to 29/07/2021G)	General Organization for Social Insurance
Zakat and Income Certificate	To state that the Company has submitted its assessment for the period which ended on 31 December 2019G	1110774444	22/10/1442H (corresponding to 03/06/2021G)	29/09/1443H (corresponding to 30/04/2022G)	Zakat, Income and Customs Authority****
Saudization Certificate	To state that the Company complies with the Saudization percentage required per Nitaqat program	20002012036384	09/08/1442H (corresponding to 22/03/2021G)	12/11/1442H (corresponding to 22/06/2021G)	Ministry of Human Resources and Social Development
Council of Co-operative Health Insurance	A qualification license to practice the cooperative health insurance business	2/30/6534/Dhad	17/09/1430H (corresponding to 07/09/2009G)	26/09/1442H (corresponding to 08/05/2021G)	Council of Co-operative Health Insurance
Commercial Activity Practice License	Practicing insurance activities	340933	18/10/1434H (corresponding to 25/08/2013G)	18/10/1443H (corresponding to 19/05/2022G)	Ministry of Municipal and Rural Affairs – Riyadh Region Municipality
Commercial Activity Practice License	Practicing insurance activities	34326	14/02/1437H (corresponding to 26/11/2015G)	14/02/1444H (corresponding to 10/09/2022G)	Ministry of Municipal and Rural Affairs – Riyadh Region Municipality

Source: The Company

* The name of "Ministry of Commerce and Investment" has been amended to "Ministry of Commerce."

** The name of the Saudi Arabian Monetary Agency has been amended to "Saudi Central Bank."

*** The name of "the General Investment Authority" has been amended to "Ministry of Investment."

**** The name of the Ministry of Labor and Social Development has been amended to "Ministry of Human Resources and Social Development."

***** The name of "the General Authority of Zakat and Tax" has been amended to "Zakat, Tax and Customs Authority."

Table 66 : Licenses and approvals obtained by the Company branches

Type of License	Purpose	License No.	Date of Issue	Date of Expiry	Address
Chamber of Commerce and Industry Membership Certificate	The Company comply with the commercial registration law which requires subscription to the Chamber of Commerce and Industry	601011114362	21/05/1441H (corresponding to 16/01/2020G)	29/10/1443H (corresponding to 30/05/2022G)	Al Qassim
Chamber of Commerce and Industry Membership Certificate	The Company comply with the commercial registration law which requires subscription to the Chamber of Commerce and Industry	303001139421	21/05/1441H (corresponding to 16/01/2020G)	10/06/1443H (corresponding to 13/01/2022G)	Hafr Al Batin

Type of License	Purpose	License No.	Date of Issue	Date of Expiry	Address
Shop License	License of the Ministry of Municipal and Rural Affairs	40122536922	20/12/1440H (corresponding to 22/08/2010G)	19/12/1441H (corresponding to 13/04/2022G)	Harf Al Batin
Commercial Activity License	License of the Ministry of Municipal and Rural Affairs	41012553647	05/01/1441H (corresponding to 19/02/2018G)	04/01/1442H (corresponding to 16/01/2021G) (under renewal)	Al Khobar
Professional License	License of the Ministry of Municipal and Rural Affairs	3909477537	06/06/1439H (corresponding to 22/08/2018G)	05/06/1441H (corresponding to 30/01/2020G) (under renewal)	Al Ahsa
Commercial Activity Practicing License	License of the Ministry of Municipal and Rural Affairs	7447	09/11/1436H (corresponding to 24/08/2015G)	09/11/1440H (corresponding to 12/07/2019G) (under renewal)	Al Zolfi
Commercial Activity Practicing License	License of the Ministry of Municipal and Rural Affairs	4100013	25/01/1441H (corresponding to 24/09/2019G)	25/01/1444H (corresponding to 23/08/2022G)	Wadi al Dawasir
Shop License	License of the Ministry of Municipal and Rural Affairs	4203388	19/04/1440H (corresponding to 26/12/2018G)	18/04/1441H (corresponding to 15/12/2019G) (under renewal)	Al Jubail
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	2050066076	29/07/1430H (corresponding to 22/07/2009G)	25/05/1443H (corresponding to 29/12/2021G)	Dammam
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	2252039237	24/08/1430H (corresponding to 15/08/2009G)	21/05/1443H (corresponding to 25/12/2021G)	Al Ahsa
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	2055016560	16/07/1433H (corresponding to 06/06/2012G)	16/07/1443H (corresponding to 17/02/2022G)	Al Jubail
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	1011021898	29/07/1435H (corresponding to 28/05/2014G)	29/07/1443H (corresponding to 02/03/2022G)	Al Kharj
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	1123101381	10/06/1439H (corresponding to 26/02/2018G)	10/06/1443H (corresponding to 13/01/2022G)	Al Zolfi
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	1185004442	17/11/1433H (corresponding to 03/10/2012G)	17/11/1443H (corresponding to 16/06/2022G)	Wadi al Dawasir
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	4030190950	28/06/1430H (corresponding to 21/06/2009G)	28/06/1443H (corresponding to 31/01/2022G)	Jeddah
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	4030190951	28/06/1430H (corresponding to 21/06/2009G)	28/06/1443H (corresponding to 31/01/2022G)	Jeddah

Type of License	Purpose	License No.	Date of Issue	Date of Expiry	Address
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	5855032635	05/07/1430H (corresponding to 28/06/2009G)	21/05/1443H (corresponding to 25/12/2021G)	Khamis Mushait
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	4031072081	01/11/1433H (corresponding to 17/09/2012G)	01/11/1441H (corresponding to 22/06/2020G) (under renewal)	Makka Al Mokarramah
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	1010270731	11/07/1430H (corresponding to 04/07/2009G)	11/07/1443H (corresponding to 12/02/2022G)	Riyadh
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	4650058596	29/10/1433H (corresponding to 16/09/2012G)	29/10/1443H (corresponding to 30/05/2022G)	Al Madinah Al Munawwarah
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	1131044607	29/10/1433H (corresponding to 16/09/2012G)	29/10/1443H (corresponding to 30/05/2022G)	Buraidah
Commercial Registration	Registering the Company in the commercial companies' registration (company branch)	2511108098	10/06/1439H (corresponding to 26/02/2018G)	10/06/1443H (corresponding to 13/01/2022G)	Hafr Al Batin
Insurance Business Practice Office	License of the Ministry of Municipal and Rural Affairs	34326	14/02/1437H (corresponding to 26/11/2015G)	14/02/1444H (corresponding to 10/09/2022G)	Riyadh

Summary of approvals related to insurance products provided by the Company in line with the applicable laws

The Company obtained the final approval from the Central Bank, per the following approvals summary related to insurance products provided by the Company.

Property Insurance

Table 67 : Property Insurance Products marketed by the Company

No.	Product Name	Product Description	Type of Approval	Date of Approval
1	All property risks insurance policy	Under this policy, the Company covers the insured properties or any part thereof in the event of unexpected destruction or material damage. The said properties include buildings, constructional furnishings, machines, equipment, tools, stored products, and furniture, etc.	Final	14/04/1433H (corresponding to 7/03/2012G)
2	Fire insurance policy	Under this policy, the insurance covers any material damages of properties, which may result from fires caused by lightnings, explosions, electrical contact. Properties include buildings, constructional furnishings, machines, equipment, tools, stored products, and furniture, etc.	Final	14/04/1433H (corresponding to 7/03/2012G)
3	Profit Loss insurance policy	This insurance provides compensation against profit loss due to material damage resulting from fire, lightning or storms and other natural factors.	Final	14/04/1433H (corresponding to 7/03/2012G)
4	Comprehensive home insurance policy	The policy covers compensation against any losses or damages to the policy holder home and any related utilities such as garages, walls, fuel tanks, waterpipes and electrical cables, etc.	Final	27/02/1438H (corresponding to 27/11/2016G)

5	Valuables insurance policy	Under this policy, the Company provides coverage for compensation of valuables.	Final	27/02/1438H (corresponding to 27/11/2016G)
6	Anti-riot and/or strikes and/or civil strikes and/or intentional damage insurance policy	This insurance provides compensation against losses and damages that may be incurred by the policy holder as a result of acts of riots, civil disturbances, intentional damage such as fire, robbery of property or intentional break-up.	Final	21/03/1434H (corresponding to 01/02/2013G)
7	Commercial shops owners' insurance policy	This policy provides commercial shops owners with coverage for fire and additional risks, riots, strikes, civil disturbances, intentional damages, deterioration of stock in cold storage, installed glass panels, money, and commodities during transportation, civil responsibility, consequential loss, labor compensations, personal accidents, and fidelity.	Final	18/11/1440H (corresponding to 20/07/2019G)

Source: The Company

Engineering Insurance

Table 68 : Engineering insurance products marketed by the Company

No.	Product Name	Product Description	Type of Approval	Date of Approval
1	All contractors' risks insurance policy	The policy covers any damage or loss that may be caused to construction projects such as houses, buildings, bridges, and towers.	Final	27/02/1438H (corresponding to 27/11/2016G)
2	All installation risks insurance policy	Under this policy, the Company covers any damages or loss that may be caused to projects including installing or fixing equipment, tools, or machines. The policy also covers damages that may be caused to third party properties in addition to physical injuries.	Final	27/02/1438H (corresponding to 27/11/2016G)
3	Contractors' equipment and machinery insurance policy	The policy provides protection for furnishings and equipment used by contractors during their work. Coverage is also provided in the event of unexpected damage during operation.	Final	27/02/1438H (corresponding to 27/11/2016G)
4	Machinery and equipment breakdown insurance policy	The policy provides protection for the mechanical devices, machinery, and equipment in the event of unexpected breakdown during operation or maintenance. The policy also provides protection against material damages due to breakdown of such machinery and equipment.	Final	27/02/1438H (corresponding to 27/11/2016G)
5	Profit loss resulting from breakdown of machinery and equipment insurance policy	The insurance provides compensation against loss of profit as a result of any accidents that may occur during work and operation due to breakdown of machinery and equipment.	Final	27/02/1438H (corresponding to 27/11/2016G)
6	Boilers insurance policy	The policy provides protection against losses resulting from explosions or damages that may be caused by boilers during operation.	Final	27/02/1438H (corresponding to 27/11/2016G)
7	Deterioration of stock in cold storage insurance policy	Under this policy, the insurance covers commodities kept in cold storage in the event of unexpected breakdown.	Final	27/02/1438H (corresponding to 27/11/2016G)
8	Electronic devices insurance policy	Under this policy, the Company provides coverage for the electrical equipment compensation.	final	27/02/1438H (corresponding to 27/11/2016G)

Source: The Company

General Accidents Insurance

Table 69 : General accidents insurance products marketed by the Company

No.	Product Name	Product Description	Type of Approval	Date of Approval
1	Personal accidents insurance policy (for groups and individuals)	The policy provides compensation in the event of death or permanent total or partial disability which results from personal accidents. This policy is provided for individuals and groups.	Final	27/02/1438H (corresponding to 27/11/2016G)
2	Third party liability insurance policy	This insurance provides protection for the policy holder against legal responsibility that he might be exposed to and covers financial compensations imposed on him in the event of death, physical injury, or property damage. Such damages may result from unexpected accidents during work, training, operation or moving, etc.	Final	21/03/1434H (corresponding to 01/02/2013G)
3	Third party and product liability insurance policy	Under this policy, the Company provides the policy holder with coverage against third party legal liability which may result from production operations and product damages.	Final	27/02/1438H (corresponding to 27/11/2016G)
4	Engineers' professional liability insurance policy	This type of insurance enables professional business owners like engineers and architects to protect themselves against the legal liability that they might be exposed to.	Final	12/10/1431H (corresponding to 20/09/2010G)
5	Brokers professional liability insurance policy	This policy provides protection for brokers against the legal liability that they might undergo due to judiciary claims or allegations or loss of documents due to violating or neglecting their professional duties.	Final	27/02/1438H (corresponding to 27/11/2016G)
6	Medical malpractice insurance policy	This policy covers the damages that result from medical malpractices including costs of any lawsuits or judiciary measures.	Final	24/11/1433H (corresponding to 09/01/2012G)
7	Civil liability insurance policy (elevators)	This insurance provides protection against legal liability for owners of properties that have electrical elevators against the damages that may be incurred by elevator users in the event of unexpected stoppage, or breakdown.	Final	30/11/1433H (corresponding to 15/10/2012G)
8	Fidelity insurance policy	This type of insurance covers financial losses that may be incurred by the policy holder due to fraud or dishonesty of one of his employees within the scope of his work.	Final	27/03/1431H (corresponding to 12/03/2010G)
9	Cash in treasure and in transit insurance policy	The insurance under this policy covers loss of money from the treasure stated in the policy as a result of robbery or fire. It also covers loss of money during transfer from and into locations specified in the policy such as a bank, office, or post.	Final	15/04/1432H (corresponding to 20/03/2011G)
10	Glass panels insurance policy	The policy covers any damages or losses resulting from breaking the glass of buildings or facilities during the insurance period.	Final	27/03/1431H (corresponding to 12/03/2010G)
11	Labor compensation insurance policy	This policy covers its holder against paying compensations and/or expenditures specified in the Saudi Labor Regulations.	Final	06/02/1433H (corresponding to 31/12/2011G)
12	Employer liability insurance policy	This policy provides protection to the employer against legal liability that he might undergo due to death, physical injury, or unexpected accidents to any of his workers.	Final	06/02/1433H (corresponding to 31/12/2011G)
13	Extension of warranty on mechanical and electrical breakdowns insurance policy which covers vehicles	Under this policy, the Company provides coverage for vehicles owners to extend the warrant provided on mechanical and electrical breakdowns that their vehicles may be exposed to.	Final	27/02/1438H (corresponding to 27/11/2016G)

Source: The Company

Marine Insurance

Table 70 : Marine Insurance products marketed by the Company

No.	Product Name	Product Description	Type of Approval	Date of Approval
1	Transported freight insurance policy	The policy covers any losses or damages that may occur to commodities during transportation by sea or air due to unexpected accidents or fires.	Final	12/01/1432H (corresponding to 18/12/2010G)
2	Land transported freight insurance policy	Under this policy, the insurance covers any severe losses or damages that may occur to commodities during transportation by land due to collision, overturn or burn of the carrier.	Final	12/01/1432H (corresponding to 18/12/2010G)
3	Hulls insurance policy	Under this policy, the Company covers hulls against marine navigation related risks.	Final	12/01/1432H (corresponding to 18/12/2010G)

Source: The Company

Motor Insurance

Table 71 : Motor Insurance products marketed by the Company

No.	Product Name	Product Description	Type of Approval	Date of Approval
1	Motor Insurance Policy	This insurance provides the policy holder with a compensation against damage or loss that may be incurred by the vehicles while inside the Kingdom of Saudi Arabia. The Company also compensates third parties in the event of physical injury or material damages due to any accidents suffered by the policy holder while driving the vehicle.	final	19/05/1434H (corresponding to 30/03/2013G)

Source: The Company

Health Insurance

Table 72 : Health insurance products marketed by the Company

No.	Product Name	Product Description	Type of Approval	Date of Approval
1	Cooperative Health Insurance Policy	Under this policy, the Company covers the costs of medical services incurred by policy holders at specific hospitals, clinics, and medical centers.	Final	23/11/1429H (corresponding to 21/11/2008G)
2	Visitor/Tourist Insurance Policy	Includes compensable expenditures only in emergency cases, such as specified health benefits and expenses for preparing and returning the body of the insured visitor to his original country.	Final	08/10/1437H (corresponding to 13/07/2016G)

Life Insurance and Credit Protection

Table 73 : Life insurance and credit protection products marketed by the Company

No.	Product Name	Product Description	Type of Approval	Date of Approval
1	Groups Contract Insurance Policy	The policy provides life insurance for the insured group of individuals during the employment contract period in the event of death or permanent total or partial disability that result from unexpected accidents or disease.	Final	07/03/1433H (corresponding to 30/01/2012G)

No.	Product Name	Product Description	Type of Approval	Date of Approval
2	Life Social Insurance Program Policy for Credit Protection	This program covers the value of the remaining loan for individuals who borrow from banks and credit companies in the event of death or total disability of creditor.	Final	07/03/1433H (corresponding to 30/01/2012G)

Source: The Company

Continuing Obligations imposed by government authorities on the company and its subsidiaries in its capacity as a “license holder”

The following regulatory authorities obligate the Company to comply with some of the essential requirements as follows:

Continuing obligations per the requirements of the Saudi Central Bank:

- Article (76) of the Insurance Companies Control Law Implementing Regulations states that the Saudi Central Bank has the right to withdraw the license of the Company in the following cases:
 - No business activities for a period of six months from the issuance date of the license.;
 - None compliance with the Law and its Implementing Regulations;
 - Providing SAMA with false information in its licensing application;
 - Conducting its business and affairs in a manner that threatens to make it insolvent or that it is hazardous to its policyholders, stockholders, or the public;
 - Insolvency, or its assets are not sufficient for carrying on its business;
 - The business is fraudulently conducted;
 - The paid-up capital falls below the prescribed minimum limit or failure to fulfill the provisions of Article 68;
 - The business or volume of activities falls to a limit that SAMA finds unviable to operate under;
 - Refusal or delay of payments due to beneficiaries without just cause;
 - Refusal to be examined or to produce its accounts, records, or files for examination by SAMA;
 - Failure to pay a final judgment against it related to its insurance operation.
- With respect to paragraph (b) of the above terms, and in accordance with article fourteen (14) of the Cooperative Insurance Companies Control Law and article fifty-eighth (58) of its Implementing Regulations, the Saudi Central Bank obligates insurance and reinsurance companies that are subject to the law to deposit in a local bank a statutory amount to the order of the Saudi Central Bank. The said amount shall comprise ten percent (10%) of the paid-up capital and the Saudi Central Bank may increase this percentage to a maximum of fifteen percent (15%). The Company shall deposit the statutory deposit amount within three months from the date of granting the license in the bank specified by the Saudi Central Bank at that time. The said amount will also be invested by the Saudi Central Bank, and returns will be due to the Bank. As at the date of this Prospectus, the Company complies with the Saudi Central Bank laws and its Implementing Regulations.

Continuing Obligations per the requirements of the Ministry of Commerce:

- The Company is complied with the commercial registration law with regard to registration in Commercial Registration Department in the city of Riyadh, where the headquarter of the Company is located. The Company is registered under certificate No. (1010243302), dated 18/01/1429H (corresponding to 27/01/2008G), which will expire on 18/01/1444H (corresponding to 16/08/2022G).
- The Company is also complied with the Companies Law in relation to the adoption of the Company's Articles of Association, in line with the amendments made to the Companies Law, after the prior approval of the Ministry of Commerce has been obtained on the draft Articles of Association and the approval of shareholders in the (Extraordinary) General Assembly Meeting held on 14/07/1438H (corresponding to 11/04/2017G). The Articles of Association were approved by the Corporate Governance Department (Ministry of Commerce) on 29/08/1438H (corresponding to 25/05/2017G). The Company has complied with the requirements of the Capital Market Authority and the Saudi Stock Exchange Company (Tadawul) with respect to uploading a copy of the Articles of Association on the Company's page on Tadawul website.
- The Company has a trademark that was registered in the Ministry of Commerce under the number (1439004833). This will enable the Company to place its name and logo on the external facade of the building or offices occupied thereby. The Company has also been granted the necessary legal protection in accordance with the trademark law. (For more information, please refer to the Subsection “Licenses and Permits under which the Company operates” of Section No. (9) “Legal Information” of this Prospectus).
- The Company is also in compliance with the commercial registration law with regard to obtaining a membership certi-

cate in the Chamber of Commerce and Industry. It has obtained the certificate No. (101000183888), dated 21/05/1442H (corresponding to 05/01/2021G) which was issued by the "Riyadh Chamber". The certificate will expire on 27/05/1443H (corresponding to 31/12/2021G)

- The Company branches are compiled to complete the procedures for their establishment. They are also committed to the commercial registration law with regard to registration in the Commercial Registration Department and obtaining a membership certificate in the Chamber of Commerce and Industry for each branch (for more information, please refer to the Subsection "Company Branches and Points of Sale", from Section No. (9) ("Legal information" of this Prospectus).
- In addition, the Company has no accumulated losses of up to 50% of the capital in accordance with the provisions of article 150 of the Companies Law.

Continuing Obligations per the requirements of the Capital Market Authority

The Capital Market Authority obligates listed companies to abide by the rules on the offer of securities, continuing obligations, special instructions issued by the Authority, and the listing rules, especially the obligation of periodic disclosure of material and financial developments and the Board of Directors' report. Insurance companies are also obligated to announce their financial results in accordance with the forms approved by the Authority. These results shall include clear data on the surplus or (deficit) of insurance operations net of the returns on policyholders' investments, total written premiums, net claims incurred, net profits or losses on policyholders' investments and net profits or losses on shareholders' funds investments. Such data shall be compared with the corresponding period, whether quarterly or annual. Per the Continuing Obligations Guide for Listed Companies, the annual financial results announced on (Tadawul) website shall be derived from the audited financial statements approved by the Company's external auditor appointed by the assembly and approved by the Board of Directors. Announcement forms included in the instructions for Companies' announcements of their financial results shall be adhered to. In addition, the Company shall provide a statement of all the reasons and effects of the change in the financial results for the current financial year against the comparison period. The reasons shall include all financial results announcement items.

As for the financial adequacy of joint stock companies, it is worth mentioning that based on the new Companies Law, the Capital Market Authority Resolution No. (1-130-2016) was issued on 23/01/1438H (corresponding to 24/10/2016G), amending the procedures and instructions for companies listed in Tadawul and which accumulated losses reached (50%) or more of its capital. The name of the said procedures and special instructions was amended to "the Procedures and Instructions for Companies whose shares are listed in Tadawul, and which accumulated losses reached (20%) or more of the capital". The amended procedures and instructions shall be applicable as of 25/ 07/1438H (corresponding to 22/04/2017G).

The Capital Market Authority also obligated the financial market listed companies, which accumulated losses reached (50%) or more of the paid-up capital to disclose their plan on applying article (150) of the Companies Law on Tadawul website before 24/07/1438H (corresponding to 21/04/2017G).

The Capital Market Authority also obligated the companies whose shares are listed in the financial market to follow the joint stock companies' announcement instructions regulations, issued under the Authority's Board Resolution No. (4- 8- 2017), dated 26/04/1438H (corresponding to 24/01/2017G).

As at the date of publishing this Prospectus, the Company has not violated any of the aforementioned instructions and is committed to the Capital Market Law and its Implementing Regulations. The members of the Board of Directors of the Company confirm that the Company is continuing to comply with the requirements of the law, regulations and instructions of the Capital Market Authority and the Saudi Stock Exchange Company (Tadawul) until the date of this Prospectus. The members also pledge that the Company will continue to do so.

It is worth mentioning that in accordance with the Royal Decree No. (15016), dated 16/03/1442H, with respect to the suspension of applying some provisions of the articles of the Companies Law, applying Paragraph (2) of (article one hundred and fifty) of the Companies Law has been suspended for a period of two years as of 01/08/1441H (corresponding to 25/03/2020G).

Continuing Obligations per the requirements of the Council of Cooperative Health Insurance

- The health insurance products are subject to the Council of Cooperative Health Insurance laws (Insurance Council) after being approved by the Saudi Central Bank. The Insurance Council monitors the Company and ensures that it complies with the terms that regulate the provision of health insurance products.
- Article (43) of the Implementing Regulations of the health insurance law stipulates that insurance companies are not allowed to conduct the cooperative health insurance business unless they are qualified by the Council. Qualification is restricted to three years period renewable for other similar periods. Article (44) of the Implementing Regulations of the health insurance law stipulates that cooperative insurance companies are qualified to conduct health insurance based on an application submitted for this purpose. The council may determine the details it deems related to the nature and scope of the data to be included in these applications within the required limits. The Council shall decide on the application for qualification within ninety days from the date of submittal of the application.
- The Insurance Council monitors the Company and ensures that it complies with the terms that regulate the provision of health insurance products, including but not limited to:

- The obligation to provide specialized medical personnel to grant the necessary health approvals within a period not to exceed (60) sixty minutes. In the event of disapproval, the reasons thereof shall be clarified officially.
- The obligation to pay the amounts due to health service providers such as hospitals and clinics, within a maximum of (45) days.

Continuing Obligations per the requirements of the Ministry of Investment:

Since shares of capital are owned by some foreign founding shareholders (non-Saudis and non-Gulf citizens), the Company has obtained a service investment license No. (01-10203104276) issued by the Ministry of Investment on 05/05/1426H (corresponding to 12/06/2005G). The license is valid until 20/03/1444H (corresponding to 16/10/2022G).

The Ministry of Investment requires that licensed companies shall adhere to the following instructions: (1) the commercial registration data shall not differ from the data included in the license issued by the ministry, (2) no investment or commercial business shall be conducted without a license, or (3) An investment license shall be available for the company's branches and marketing centers (points of sale) or (4) The investment activity shall not discontinue during the validity period of the license, except in cases of force majeure accepted by the Ministry. A timeline showing the date of resuming the activity within five days from the date of the force majeure event shall be provided, or (5) The name or logo of an international or local commercial agency shall not be used without a license, or publications, seals, or advertising means in a commercial name that is contrary to the name licensed by the Ministry shall not also be used, or (6) the product specifications and style shall conform with the approved Gulf, Saudi or international specifications, or (7) The Ministry shall be informed in writing that the address, correspondence and communication data have been amended, or that data has been updated.

All the companies licensed by the Ministry of Investment shall apply to amend their license in accordance with any amendments made to their data, including but not limited to reducing or increasing the capital, amending the commercial name, or opening branches.

As at the date of this Prospectus, the Company complies with the requirements of the Ministry as well as the terms and instructions of the license referred to above.

Continuing Obligations per the requirements of the Zakat, Tax and Customs Authority:

- The Company is obligated to submit its Zakat and tax assessments within 120 days as of the end of the financial year for the purpose of renewing the certificate issued by the Zakat, Tax and Customs Authority. The Company has been registered as "a taxpayer" under the distinct taxation number (3000461079). The Company submitted its Zakat assessment for the financial year which ended on 31 December 2019G and obtained Zakat certificate No. (1110774444), dated 03/08/1441H (corresponding to 27/03/2020G) from the Zakat, Tax and Customs Authority. The certificate is valid until 18/09/1442H (corresponding to 30/04/2021G).
- (Except as mentioned in the risk factor No. (2.2.19) "VAT-related risks" of Section No. (2) "Risk Factors", and Subsection "Expenses Paid in Advance and Other Assets" of Section No. (5) "Financial Information and Management Discussion and Analysis" of this Prospectus, which is related to the existence of (24) cases related to value added tax, the Company is obligated to the value-added tax law and its Implementing Regulations. The Company is registered at the Zakat, Tax and Customs Authority under taxation number (300046107900003), under a certificate issued on 16/05/1440H (corresponding to 22/01/2019G). The Company has been registered in the Authority since 12/12/1438H (corresponding to 24/08/2017G).
- In compliance with the Zakat, Tax and Customs Authority Law, the Company branches have been added to the list of branches of the taxpayer (Arabia Cooperative Insurance Company).

Continuing Obligations per the requirements of the Ministry of Human Resources and Social Development

A file under the unified No. (1-190789) has been opened at the Ministry of Human Resources and Social Development (Labor Office), in line with the Saudization certificate issued thereby. As at the date of this Prospectus, the Company benefits from the electronic services provided by the Ministry of Human Resources and Social Development. The Saudization certificate has been obtained to state that the Company is classified in the platinum range and is committed to the required Saudization percentage per Nitaqat program.

Company Branches and Points of Sale

Article (5) of the Company Articles of Association stipulates that the Company may establish branches, offices, or agencies inside or outside the Kingdom after approval of the Saudi Central Bank. In line with Article (9) of the Cooperative Insurance Companies Control Law, which stipulates that the written approval of the Saudi Central Bank shall be obtained prior to opening the insurance companies' branches, the Saudi Central Bank requires that the insurance companies willing to open branches shall adhere to the statutory procedures issued by the Ministry of Commerce and related to the opening of branches for joint stock companies. As for points of sale, the municipal license and/or rental contract shall be sufficient if the point of sale is located in government facilities, hotels, or tourist resorts (such as a kiosk). Until the date of preparing this Prospectus, the Company has obtained the final approval of the Central Bank of Saudi Arabia to open a number of branches and points of sale as follows:

Table 74 : Branches and points of sale, their commercial registrations and obtained municipal licenses:

	Company Branches	Commercial Registration No.	Date of Issue	Expiry Date	Municipal License	Detailed Activity	Expiry Date
1	Hafr Al Batin – Al Khaldiya District	2511108098	10/06/1439H (corresponding to 26/02/2018G)	10/06/1443H (corresponding to 13/01/2022G)	40122536922	Health insurance office	19/12/1441H (corresponding to 13/04/2022G)
2	Khamis Mushait – King Fahad Road	5855032635	05/07/1430H (corresponding to 28/06/2009G)	21/05/1433H (corresponding to 25/12/2021G)	Under release	-	-
3	Al Ahsa – Ain Al Najm District	2252039237	24/08/1430H (corresponding to 15/08/2009G)	21/05/1443H (corresponding to 25/12/2021G)	3909477537	Installment financing activity	05/06/1441H (corresponding to 30/01/2020G) (under re-nwal)
4	Al Zolfi - Al Faisaliya District	1123101381	10/06/1439H (corresponding to 26/02/2018G)	10/06/1443H (corresponding to 13/01/2022G)	7447	Insurance business practice office	09/11/1440H (corresponding to 12/07/2019G) (under re-nwal)
5	Wadi Al Dawasir – Police Road	1185004442	17/11/1433H (corresponding to 03/10/2012G)	17/11/1443H (corresponding to 16/06/2022G)	4100013	Insurance business practice office	25/01/1444H (corresponding to 23/08/2022G)
6	Al Jubail – Jeddah Street	2055016560	16/07/1433H (corresponding to 06/06/2012G)	16/07/1443H (corresponding to 17/02/2022G)	4203388	Insurance company	18/04/1441H (corresponding to 15/12/2019G) (under re-nwal)
7	Dammam – Prince Mohammed bin Fahad Road	2050066076	29/07/1430H (corresponding to 22/07/2009G)	28/07/1440H (corresponding to 04/04/2019G) (under renewal)	Under release	-	-
8	Al Kharj – Al Rayan District	1011021898	29/07/1435H (corresponding to 28/05/2014G)	29/07/1443H (corresponding to 02/03/2022G)	under release	-	-
9	Makka Al Mokarrama – Al Nassim District	4031072081	01/11/1433H (corresponding to 17/09/2012G)	01/11/1441H (corresponding to 22/06/2020G) (under renewal)	Under release	-	-
10	Jeddah – Al Tahliya Street	4030190950	28/06/1430H (corresponding to 21/06/2009G)	28/06/1443H (corresponding to 31/01/2022G)	Under release	-	-
11	Jeddah – Hail Street	4030190951	28/06/1430H (corresponding to 21/06/2009G)	28/06/1443H (corresponding to 31/01/2022G)	Under release	-	-
12	Buraidah – Al Margab District	1131044607	29/10/1433H (corresponding to 16/09/2012G)	29/10/1443H (corresponding to 30/05/2022G)	Under release	-	-

	Company Branches	Commercial Registration No.	Date of Issue	Expiry Date	Municipal License	Detailed Activity	Expiry Date
13	Al Madinah Al Monwarah	4650058596	29/10/1433H (corresponding to 16/09/2012G)	29/10/1443H (corresponding to 30/05/2022G)	Under release	-	-
14	Riyadh – Al Worood District	1010270731	11/07/1430H (corresponding to 04/07/2009G)	11/07/1443H (corresponding to 12/02/2022G)	Under release	-	-
15	Al Khobar	2051040574	03/08/1430H (corresponding to 26/7/2009G)	21/05/1445H (corresponding to 04/12/2023G)	41012553647	Health insurance office	04/01/1442H (corresponding to 16/01/2021G)
16	Riyadh-Bin Tami Center	1010243302	18/01/1429H (corresponding to 27/01/2008G)	18/01/1444H (corresponding to 16/08/2022G)	40102404861	Insurance business practice office	14/02/1444H (corresponding to 10/09/2022G)
17	Riyadh-Bin Tami Center	1010243302	18/01/1429H (corresponding to 27/01/2008G)	18/01/1444H (corresponding to 16/08/2022G)	340933	Insurance business practice office	18/10/1443H (corresponding to 19/05/2022G)

Source: The Company

9-8 Summary of Substantial Contracts

The following is a summary of the agreements that are deemed substantial by the Company, based on the extent of their importance and impact on the Company's operations. In concluding the contracts and agreements referred to below, the Company was committed to execute all transactions on a purely commercial competitive basis that warrants the rights of shareholders, and to vote on these contracts by the Company general assembly without the participation of shareholders who have interests in the said contracts. The Company and its board members confirm their compliance with the restrictions of the Companies Law and the Corporate Governance Regulations on the transactions with the related parties with respect to those contracts.

It is worth mentioning that the Company has no substantial contracts outside the framework of its normal course of business. The Company has concluded a number of contracts, including but not limited to: (1) Internet Services Agreement on 13/01/1442H (corresponding to 01/09/2020G) for the purpose of providing the Company with cloud systems and technical solutions as well as other internet services related to improving the Company workflow, (2) A legal services agreement dated 29/03/1441H (corresponding to 27/11/2019G) for a law firm to undertake the tasks of pleading, defending, collecting debts and claims entrusted to the firm by the Company from natural or legal persons, (3) A cooperation agreement between Arabia Cooperative Insurance Company and another company on 12/06/1436H (corresponding to 01/04/2015G) to follow up the administrative works related to the management of health insurance claims, (4) The agreement on third party civil liability insurance ports for foreign vehicles entering and crossing the territories of the Kingdom of Saudi Arabia between Najm Company for Insurance Services and Arabia Cooperative Insurance Company on 15/04/1442H corresponding to (01/12/2020G), (5) Arabia Insurance Cooperative Company shareholders register management agreement concluded on 27/01/1430H corresponding to 24/01/2009G between the Saudi Stock Exchange Company (Tadawul) and Arabia Insurance Cooperative Company, (6) Agreement on general and Motor Insurance services provision for the benefit of Al Jomaih Companies Group for one year starting on 17/07/1442H (corresponding to 01/03/2021G)

Provision of consulting actuarial services contract

An actuarial services contract was concluded between the Company and Nitaq Actuarial Services Company on 22/09/1437H (corresponding to 27/06/2016G), to provide actuarial advisory services in relation to the Company's business, and to provide services including for example the following:

- Annual actuarial reports.
- Reports on annual pricing of vehicles and medical works.

Insurance Brokerage Agreements

Insurance brokers' agreements have been concluded with business-related companies to facilitate attracting customers and promoting the Company insurance products among individuals, establishments, companies, and entities. In return, the insurance brokers will be entitled to a commission estimated at a percentage of the premiums collected by the broker from customers for

each type of insurance. The company has the right to adopt a different percentage from the shown percentage, provided that the broker is notified accordingly.

The validity period of the agreements is one Gregorian year, and their renewal shall be subject to a written consent of the two parties. If the two parties continue to implement the agreement despite the expiry of its validity period, it shall be automatically renewed for a similar period, under the same terms and conditions mentioned in the original agreement.

Below are the most important articles set forth in the insurance brokers' agreements that are stated as an example, and some of which is the responsibility of the Company and some others of which are the responsibility of the broker.

- Company Obligations:
 - Repaying commissions due to the broker against the net premiums paid to the Company.
- Broker's Obligations:
 1. The broker shall fully comply with all the business rules issued by the Company.
 2. The broker shall execute the contract and provide the necessary insurance services to the insured in accordance with the regulatory requirements and professional principles.
 3. The broker shall disclose these contracts and the nature of the commission that the broker will receive from the Company to his clients.
 4. The broker shall notify the clients of all relevant information within a sufficient time.
 5. The broker may have other obligations that protect the rights of the Company.
- Spatial and Qualitative Scale:
 - Per the agreement, the Company shall deal with the broker on non-exclusive basis. The Company shall be able to work other brokers and agents during the contract validity period, without objection of the broker.
- Commissions:
 - The broker shall receive a commission on the net premiums paid to the Company, based on the schedules of limits of commissions determined by the Central Bank and as agreed upon by the two parties. Administrative expenses may also be added to the premium value without including it in the commission percentage.
- Post-Termination Obligations:
 - Under the agreement, the broker shall have the right to receive the commissions collected on insurance policies until the expiry of the contract term. However, the broker is not allowed to collect any compensation or commission on the subscriptions due after the end of the contract.

Reinsurance Agreements

A set of reinsurance agreements has been concluded with companies specialized in reinsurance business. Under these agreements, the Company reinsures all or part of the losses that may arise from the insurance policies issued by the Company to reduce its exposure to losses in return for an agreed upon premium. Under these agreements, the Company is compensated against every part of the losses of the issued insurance contracts. These agreements also include different exclusions depending on the product that is reinsured. The reinsurance agreements are usually valid for twelve months.

Table 75 : Valid or Renewed Reinsurance Contracts

Reinsurance Company	Insurance Policy/ Type of Coverage
Hannover - Re	All works related to the miscellaneous accidents department.
IW RES	All types of commodities from any port and/or place.
Hannover – Re	Commodities and/ or interests assigned by the Company for its commodities account.
Hannover – Re	All property risks.
Hannover – Re	Vehicles accidents including special types of engines, heavy machines, buses, labor compensations and employers liability.
Hannover - Re	Works accepted through direct insurance and/or joint insurance.
General Reinsurane IG	Group life insurance.

Source: The Company

Provision of technical maintenance services for the computerized systems and programs agreement

On 12/12/2010G, the Company concluded a support and maintenance contract with the Information Technology Systems Company (ITSC), upon a condition that ITSC provides the Company with technical programs and systems. Based on the contract

validity period, ITSC provided the Company with a five-year sale and ownership license in the amount of 580,000 Saudi Riyals paid in yearly arrears for use in its computerized system. Accordingly, the Company shall be considered the owner of the programs and systems license granted by ITSC, provided the value of license is paid by the Company. As agreed upon by the two parties, after expiry of the first five-year period, the operating version of the system was owned by the Company which has adhered to a maintenance contract with the Technical Company for Information Systems, valuing 180,000 Saudi Riyals paid annually. The contract is valid to date.

- ITSC Obligations:

1. ITSC shall install the systems within a maximum of two weeks as from the date of signing the contract and shall provide its own devices for the operation and use of such systems.
2. ITSC shall provide the Company with maintenance and technical support for extendable and renewable five years period.
3. ITSC shall train two (2) employees from each department of the Company on the use of maintenance devices and programming.
1. On 1/6/2009G, Info-Tech (3i) Company concluded a technical software licensing contract with the Company, provided that the maintenance value is 40,816 dollars, and maintenance is provided annually for one year, renewed automatically as from the date of signing the contract. Info-Tech (3i) shall guarantee the support and maintenance of the computerized systems under the agreement. In addition, Info-Tech will compensate the Company against any technical failure or damage to the computer systems, provided that the value of compensation shall not be more the amount of the contract.
2. On 19/06/2013G, Mini-Tech Company concluded a contract with the Company for the purpose of providing technical solutions for the technical programs provided under the agreement. Accordingly, Mini-Tech shall be obligated to repair technical damages and all breakdowns under a notification by the Company. Repairs shall be provided periodically based on seasonal payments in the amount of 9,637 dollars and shall be provided annually and determined per nature of breakdown and the period specified for its repair.

Insurance Shareholders Register Management Agreement

A shareholders' register management agreement has been concluded with the Saudi Stock Exchange Company (Tadawul) on 27/01/2009G. The Company will benefit from Tadawul provided services stated in the agreement under annual subscriptions against a service automatically renewed period.

Foreign Motor Insurance Ports Agreement

The Company concluded an agreement with Najm Insurance Services Company on 1/12/2021G to provide insurance services for foreign vehicles entering and crossing the territories of the kingdom of Saudi Arabia, which shall obtain an insurance policy from local companies. Accordingly, the agreement shall be valid for an automatically renewed five years period. Najm Company shall collect the premiums amount stated in the agreement from the insured persons and the Company will grant Najm Company an equivalent of 35% of its value as a commission.

Lease Contracts

The Company does not own any properties. The Company leases all sites it occupies to conduct its business, whether these sites are branches or points of sale. Therefore, the Company concluded eighteen renewable lease contracts, most of which are traditional renewable lease contracts and are subject to a lease amount paid by the Company to the lessor on annual basis. The contracts are considered null and void if the lessee has delayed payment of the rental amount.

Table 76 : Valid and renewed lease contracts for the sites occupied by the Company

S	Location	Lessor	Rental Ammount	Lease Contract Period
1	Al Khobar – King Abdullah Road	Diwan Al Jazira Company for Housing Complexes	233,000 Saudi Riyals annually	3 Gregorian years starting 24/08/2017G and renewed automatically
2	Riyadh – Al Worood District	Saleh Hmoud Al Tami and Brothers Holding Company	1,564,800 Saudi Riyals annually	5 Gregorian years starting 27/10/2015G and renewed automatically
3	Riyadh – Al Worood District	Saleh Hmoud Al Tami and Brothers Holding Company	215,130 Saudi Riyals annually	3 Gregorian years starting 10/12/2020G and renewed automatically
4	Riyadh – Al Worood District	Saleh Hmoud Al Tami and Brothers Holding Company	653,868 Saudi Riyals Annually	5 Gregorian years starting 01/08/2005G and renewed automatically


S	Location	Lessor	Rental Ammount	Lease Contract Period
5	Jeddah – Prince Mohammed bin Abdulaziz Street	Mohammed and Hmoud Saeed Fakhri Joint Venture Company	180,000 Saudi Riyals paid bi-annually	One year starting 16/03/1431H and renewed automatically
6	Makka Al Mokarramah – Third Ring Road	Salwa Administrative Tower	72,000 Saudi Riyals annually	3 years as of 01/02/1438H until 30/01/1441H, under renewal
7	Al Ahasa – Ein Najm District	Khalid Abdullah Mohammed Al Barrak	40,000 Saudi Riyals	3 Hijra ryears starting from 01/11/1438H until 01/11/1441H, renewable (under renewal)
8	Al Madinah Al Monwarah	Amira bint Towairish Mohammed Al Harbi	35,000 Saudi Riyals annually	One Gregorian year starting 01/12/2018G until 01/12/2019G (under renewal)
9	Al Zolfi	Abdulaziz bin Ali Al Moteb	25,000 Saudi Riyals annually	One Hijra year staring 12/06/1439H until 12/10/1440H, renewed automatically
10	Al Kharj – Al Rayaan District – Abi Baker Street	Saeed bin Mohammed Al Sowaiket	40,000 Saudi Riyals annually	Two Hijra years starting 10/08/1439H until 10/08/1441H, renewed automatically
11	Riyadh	Doroub Al Yam Est.	40,000 Saudi Riyals annually	One Hijra year starting 1-9-1440H until 1-9-1441H, under renewal
12	Dammam – Al Souq District	Abdalmohsen Al Momen Sons Real Estate Company	28,000 Saudi Riyals annually	One Hijra year starting 1/11/1439H (under renewal)
13	Hafr Al Batin – Al Khaldiya District	Al Hamidi Habib Al Janaya Al Mutairi	30,000 Saudi Riyals paid in advance every six months	3 Hijra years starting 06/11/1438H until 06/11/1441H (under renewal)
14	Jeddah – Al Kandara District, Airport Street	Azizah Ahmed Otaifi	30,000 Saudi Riyals annually	One Hijra year starting 21/12/1439H until 21/12/1440H, renwed automatically
15	Al Jubail, Omar bin Abdulaziz Street	Eid Ali Eid Al Khatir	28,000 Saudi Riyals annually	One Gregorian year starting 11/10/2018G until 11/10/2019G, the contract is not renewed automatically (under renewal)
16	Khamis Mushait	Ali Abdullah Ali Showail	35,000 Saudi Riyals annually	One Gregorian year starting 01/12/2019G until 01/12/2020G, renewed automatically
17	Wadi Al Dawasir, Al Khamasin District	Mohammed Ibrahim Al Safi	25,000 Saudi Riyals annually	One year starting 01/08/1438H until 01/08/1439H, renewed automatically
18	Riyadh, Al Worood District	Haraj Waid Commercial Est.	40,000 Saudi Riyals annually	One Hijra year starting 01/09/1440H until 01/09/1441H, renewed automatically

Trademarks and Intellectual Property

The Company has trademarks that have been registered in the Ministry of Commerce (Department of Trademarks*). This will enable the Company to place its name and logo on the building façade or offices occupied thereby. Registration of trademark has provided the Company with the required legal protection in accordance with the Trademarks Law.

In marketing its services and products, the Company relies on its commercial name registered in the commercial registration, which is reflected in its logo, and supports its business, its competitive position and provides the Company with a competitive distinct advantages among customers in the market.

Table 77 : Trademark

Trademark	Certificate No.	Owner	Date of Registration	Start of Protection	End of Protection
	1439004833	Arabia Cooperative Insurance Company	12/05/1439H (corresponding to 29/01/2018G)	25/02/1439H (corresponding to 14/11/2017G)	24/02/1449H (corresponding to 28/07/2027G)

Source: The Company

*The trademarks registration responsibility has been assigned to the Saudi Authority for Intellectual Property

The trademark is registered under category (36) in the form of a gray and blue shield with the Latin letters AICC shown underneath inside a gray rectangle.

The Company has no other registered intellectual property and does not rely in its business on any valuable intangible property such as trademarks, patents, copyrights, or any other intellectual property.

9-9 Disputes and Litigations

As at the date of this Prospectus, and except as otherwise disclosed in this section and Section No. (2) "Risk Factors" (please refer to Risk No. (2.1.13) "Litigation Risks" from Section No. (2) "Risk Factors" of this Prospectus), the Company hereby confirms that it is not either jointly or individually, a party in any litigation, claim, arbitration, or administrative proceeding, that would materially affect its business or financial position. However, and as is customary in the insurance sector, there are lawsuits filed against the Company before the Committees for the Resolution of Insurance Disputes and Violations. These lawsuits are related to claims for insurance policies for various types of products such as Motor Insurance, or demand for blood money, and medical malpractice insurance.

With respect to the material lawsuits filed by the Company, the Company has a restricted implementing request before the implementation courts against Saudi Oger Ltd. to implement a judicial verdict issued on 25/11/1439H (corresponding to 07/08/2018G) in favor of the Company by the Committee for the Resolution of Insurance Disputes and Violations due to the failure of Saudi Oger Ltd to pay an amount of 40,081,256 Saudi Riyals. The entire paid installments are estimated at 113,080,973 Saudi Riyals. As at the date of this Prospectus, an amount of 72,999,717 Saudi Riyals has been paid from the medical insurance installments due from Saudi Oger Ltd. It is worth mentioning that the Company has submitted a request to the Implementation Court in Riyadh to implement the decision and payment of the amount due from Saudi Oger Ltd. However, Saudi Oger Ltd. Company is under liquidation. As at the date of this Prospectus, the Company has not been provided with the expected date of liquidation of Saudi Oger Ltd. by the liquidation trustees. On 27/19/1442H (corresponding to 08/06/2021G), the Company submitted the documents required by Saudi Oger Ltd. appointed liquidation trustees and thereby initially added to the list of creditors.

9-10 Material information that has changed since the Capital Market Authority has approved the last prospectus

Below is a summary of the most important information that has changed since the Capital Market Authority has approved the last prospectus (preemptive rights prospectus), which was issued on 18/06/1436H (corresponding to 07/04/2015G):

- **Capital:** The Company reduced its capital from four hundred million (400,000,000) Saudi Riyals to two hundred and sixty-five million (265,000,000) Saudi Riyals, on 28/10/1437H (corresponding to 02/08/2016G).
- **Board of Directors:** The number of the members of the Board of Directors was reduced from (10) members to (7) members.
- **Founding Shareholders:** The ownership percentage of the Jordan Insurance Company (a founding shareholder of the Company) was reduced from 12.2% of the Company's total shares (as at the date of the Company's last prospectus approved by the Capital Market Authority) to 9.21% as at the date of this Prospectus.
- **Governance:** Internal governance regulations and policies have been approved in line with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority and the Insurance Companies Governance Regulations. The Company's Governance Regulations was approved by the Board of Directors on 13/07/1437H (corresponding to 20/04/2016G).
- **The Company's Articles of Association:** The Articles of Association were approved by the Corporate Governance Department in the Ministry of Commerce on 29/08/1438H (corresponding to 25/05/2017G) after obtaining the Ministry of Commerce approval on the draft Articles of Association and the approval of the shareholders in the (Extraordinary) General Assembly meeting, dated 14/07/1438H (corresponding to 11/04/2017G).

Except as otherwise mentioned above, there are no material changes in the said information that have been made after the issuance of the last CMA approved prospectus on the offering of Company shares.

9-11 Declarations related to Legal Information

The members of the Board of Directors declare as follows:

- a. The issuance does not constitute a breach of the relevant laws and regulations in Saudi Arabia.
- b. the issuance does not constitute a breach of any contract/agreement entered into by the issuer.
- c. All material legal issues concerning the Company have been disclosed in the prospectus.
- d. Other than what has been mentioned in Section (9.10) "Disputes and Litigations" and Section 2 "Risk Factors", the Company is not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its financial position
- e. That the members of the Board of Directors are not subject to any lawsuits or legal proceedings that, individually or collectively, may materially affect the business of the Company or its subsidiaries or their financial position.
- f. The directors are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its financial position.
- g. That the Company is continuing to comply with the requirements of the Ministry of Commerce until the date of this Prospectus, and that they pledge to continue to do so.
- h. That the Company is continuing to comply with the requirements of the Ministry of Investment until the date of this Prospectus, and that they pledge to continue to do so.
- i. That the Company is continuing to comply with the requirements of the Zakat, Tax and Customs Authority until the date of this Prospectus, and that they pledge to continue to do so.
- j. That the Company is continuing to comply with the requirements of the Ministry of Human Resources and Social Development until the date of this Prospectus, and that they pledge to continue to do so.
- k. That the Company is continuing to comply with the requirements of the law and regulations of the Capital Market Authority and the Saudi Stock Exchange Company (Tadawul) until the date of this Prospectus, and that they pledge to continue to do so.
- l. That the Company has no subsidiaries as at the date of this Prospectus.

10. Underwriting

he Company and the Underwriter (Alinma Investment Company) have entered into an underwriting agreement for twenty(six million five hundred thousand (26,500,000) ordinary shares at a price of ten (10) Saudi Riyals per share, representing 100.0% of the Rights Issue Shares offered for subscription ("Underwriting Agreement").

10-1 Underwriter

Underwriter

Alinma Investment Company

P.O. Box: 55560, Riyadh 11544

Kingdom Saudi Arabia

Tel: +966 11 2185999

Fax: +966 11 2185970

Website: www.alinmainvestment.com

Email: info@alinmainvestment.com



10-2 Main terms of the Underwriting Agreement

According to the terms and conditions of the Underwriting Agreement:

1. The Company undertakes to the Underwriter that, on the date of the allotment, it will issue and allocate to the Underwriter all the Right Issue Shares pledged to be underwritten in this Offering, which the Eligible Shareholders have not subscribed to, at the Offering Price.
2. The Underwriter undertakes to the Company that on the date of the allotment, it will purchase all the shares it pledged to underwrite in this Offering, which the Eligible Shareholders did not subscribe to, at the Offering Price.
3. The Underwriter shall receive a specific financial consideration in return for his undertaking to underwrite, which will be paid from the Offering Proceeds.
4. The Underwriter's obligation to purchase all remaining shares is subject to the provisions related to the termination of the Agreement, such as the occurrence of any force majeure events as defined in the Agreement, or the failure to fulfill a number of preconditions in connection with the Offering.
5. The Company will provide a number of guarantees, declarations and undertakings to the Underwriter.

11. Waivers

The Company neither submitted any request to be exempted nor exempted from any requirements relating to the Offering.

12. Information related to Shares and Offering Terms and conditions

The Company filed an application for the registration and offering of the New Shares to the Capital Market Authority and to the Saudi Stock Exchange Group (Tadawul) to list the new shares. All requirements were fulfilled in accordance with the Rules on Offering of Securities and Continuing Obligations and Listing Rules

All Eligible Shareholders (i.e.: Registered Shareholders and the persons who purchased the Rights during the Trading Period) and the bidders from the Investment Institutions must very carefully read the information related to the shares and the Offering terms and conditions before subscribing electronically or submitting the subscription application through the intermediary or filling out the Rump Offering form. Submission of the Subscription Application or signature and Submission of the Rump Offering form constitutes approval and acceptance of the aforementioned terms and conditions

12-1 The Offering

Under this Prospectus, twenty six million five hundred thousand (26,500,000) ordinary shares will be offered from the Company's capital (by way of Rights Issue (representing (100%) of the Company's capital before the capital increase, at an Offer Price of ten (10) Saudi Riyals per share, and a nominal value of ten (10) Saudi Riyals and a total offering value of two hundred and sixty(five million (265,000,000) Saudi Riyals. The new shares will be issued at a ratio of one (1) new share for every one (1) share of the existing share. The New Shares will be subscribed by the Eligible Persons.

12-2 How to Apply for Subscription to the Rights (New Shares)

Registered Shareholders wishing to subscribe to the Rights Issue Shares must submit the subscription application during the Subscription Period through an investment portfolio at Tadawul platforms through which the sale and purchase orders are entered. Subscription applications may be made through any other means provided by the agent and the shares Custodian in the Kingdom during the Subscription Period. In case that there is a Rump Offering Period, subscription applications could be submitted for any remaining shares by Investment Institutions only.

By participating in the Subscription, the Subscriber:

- Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form;
- Warrants that he/she has carefully read the Prospectus and understood all its contents;
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus;
- Declares that he/she has not previously subscribed for this Right Issue, in which case the Company has the right to reject all applications;
- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- Warrants not cancelling or amending the Subscription Application Form after submission.

Registered Shareholders will be able to trade the Rights deposited in their portfolios through the Tadawul system. These Rights are considered an acquired right for all shareholders registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly meeting for the capital increase (the Eligibility Date). Each Right entitles its holder to subscribe for one New Share, at the Offering Price. The Rights will be deposited after the Extraordinary General Assembly meeting for the capital increase is held in two working days at most. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol for the Rights Issue Shares, and the Registered Shareholders will then be notified of the deposit of the Rights in their portfolios.

12-3 Subscription Application

Eligible Persons wishing to exercise their full Rights and subscribe for all the Rights to which they are entitled, must subscribe through the investment portfolio at the Trading Platforms through which buying and selling orders are entered or through any other means provided by the agent and the Custodian of shares.

The number of shares that the eligible person is entitled to subscribe for is calculated according to the number of Rights he owns. As for the subscription amount that the subscriber is required to pay, it is calculated by multiplying the number of existing tradable Rights that he owns before the end of the subscription period by (10) ten Saudi Riyals.

12-4 Trading and Subscription Stage and Rump Offering Period

Eligible Shareholders who wish to subscribe to the Rights must submit a subscription application during the subscription period

which begins on .../.../...H (corresponding to .../.../...G) and ends on .../.../...H (corresponding to .../.../...G).

The Extraordinary General Assembly held on .../.../...H (corresponding to .../.../...G) approved the recommendation of the Board of Directors to increase the Company's capital through a Rights Issue. Under this Prospectus, twenty-six million five hundred thousand (26,500,000) ordinary shares will be offered for subscription through the Rights Issue, which represent 100% of the Company's capital prior to subscription at an Offer Price of ten (10) Saudi Riyals per share, with a nominal value of ten (10) Saudi Riyals per share, with a total offering value of Two hundred and sixty-five million (265,000,000) Saudi Riyals. The new shares will be issued at a ratio of one share for each Right. Subscription to the Rights will be offered to the shareholders registered in the shareholders' register of the Company at the end of the second trading day following the Extraordinary General Assembly on .../.../...H (corresponding to .../.../...G) and to the Eligible Persons who have purchased the Rights During the Rights issue Subscriptions Period, including the Registered Shareholders who have purchased additional Rights in addition to the Rights they originally owned. If the Rights of the Eligible Persons are not exercised by the end of the Subscription Period, then the remaining shares (as a result of inability to exercise those Rights or being sold by the Eligible Persons) will be offered to the investment institutions during the Rump Offering Period. The Registered Shareholders will be able to trade the Rights that have been deposited in their portfolios through the Saudi Stock Exchange (Tadawul). These Rights are considered as acquired right for all shareholders recorded in the Company's Register at the end of the second trading day following the EGM that approved the capital increase. Each Right gives its holder the right to subscribe for one New Share, at the Offering Price. Rights will be deposited after the assembly convenes. The Rights will appear in the Registered Shareholders' portfolios under a new code for the Rights, and the Registered Shareholders will then be notified of depositing the Rights in their portfolios.

The schedule and details of the Offering are as follows:

- 1. Eligibility Date:** End of trading session on the day of the Extraordinary General Assembly on .../.../...H (corresponding to .../.../...G).
- 2. Trading Period and Subscription Period:** Trading Period and Subscription Period commence on .../.../...H (corresponding to .../.../...G) provided that the Trading Period ends on .../.../...H (corresponding to .../.../...G), and the Subscription Period continues until the end of .../.../...H (corresponding to .../.../...G).
- 3. Rump Offering Period:** Starts at ten o'clock in the morning of .../.../...H (corresponding to .../.../...G) and continues until five o'clock in the evening of the next day on .../.../...H (corresponding to .../.../...G). During this period, the remaining shares will be offered to a number of Institution Investors, provided that those investment institutions submit offers to buy the remaining shares during the Rump Offering Period, provided that the bids shall not fall below the Offering Price. Rump Shares will be allocated to the Investment Institutions with the highest bids first, then the lowest and the lowest. The Rump shares shall be allocated on a pro rata basis to the Investment Institutions that offer the same price. In the event that there are shares that are not purchased by the Investment Institutions, these shares will be allocated to the Underwriter, who will purchase those shares at the Offer Price.
- 4. Final allocation of shares:** The shares will be allocated to each investor based on the number of Rights that he fully and properly exercised. The total amount of the offering resulting from the Rump Offering process will be paid to the Company, provided that the Company distributes the difference between the proceeds of the Rump Offering and the Rump Offering price to the eligible persons who have not exercised their right to subscribe in whole or in part without calculating any fees or deductions, no later than .../.../...H (corresponding to .../.../...G).
- 5. Trading of New Shares in the Market:** Trading of shares offered for subscription in the Tadawul system will begin upon completion of all procedures related to the registration and allocation of the New Shares.

12-5 Eligible Persons Not Participating in the New Shares Subscription

Registered Shareholders who do not participate in whole or in part in subscribing to the New Shares will be subject to loss and a decrease in their ownership percentage in the Company in addition to a decrease in the value of the shares they currently own, while Registered Shareholders who do not exercise their rights to subscribe will retain the same number of shares they owned before the capital increase. Eligible Persons who do not subscribe to the New Shares will not receive any advantages or benefits in exchange for the Rights Issue Shares they are entitled to, except for receiving a cash compensation from the proceeds of selling shares in the Rump Offering, each according to what he is entitled to. It is worth noting here that if the Investment Institutions purchased the remaining shares at the Offering Price only, or if such Investment Institutions have not subscribed in the Rump Offering and therefore the Underwriter purchased the remaining shares at the Offering Price, the Eligible Persons who have not participated in the subscription would not receive any compensation in exchange for the Rights in the New Shares that they had not exercised.

In the event that the Rump Shares are sold to Investment Institutions at a price higher than the Offering Price, the amount of compensation will be determined for the Eligible Persons who did not participate in the subscription of the New Shares in whole or in part according to the following equation:

Compensation amount for each unsubscribed share =

Total Rump Offering Proceeds - Total Remaining Offering Price

Number of unsubscribed shares

12-6 Allocation

The Company and the Lead Manager will open an Escrow Account into which the Offering Proceeds will be deposited. Shares will be allocated to eligible persons based on the number of Rights they have exercised fully and correctly. The total Offering Proceeds as well as the amount resulting from the Rump Offering will be paid to the Company, Provided that the Company shall distribute the difference between the proceeds of the Rump Offering process and the offering amount to the eligible persons who did not exercise their right to subscribe in whole or in part without any fees or deductions, no later than ofH (corresponding toG). In the event that shares remain unsubscribed after that, the Underwriter will purchase those new remaining shares and they will be allocated to them.

It is expected to announce the final number of shares that have been allocated to each eligible person without any commissions or deductions by the Lead Manager by crediting them to the subscribers' accounts. For more information, Eligible Persons should contact the Agent through which the subscription application was submitted. The allocation results will be announced no later thanH (corresponding toG).

12-7 Payment of Compensations and Refund of Surplus

The amount of compensation and refund of the surplus (if any) will be paid to the Eligible Persons who did not participate wholly or partially in the Subscription of the Rights Issue Shares without any deductions, no later than the day ofH (corresponding toG).

Supplementary Prospectus

The Company must submit to the Authority a Supplementary Prospectus, in accordance with the requirements of the rules on the Offering of Securities and Continuing Obligations, if the Company becomes aware at any time after the date of the publication of this Prospectus and before the completion of the Offering of any of the following:

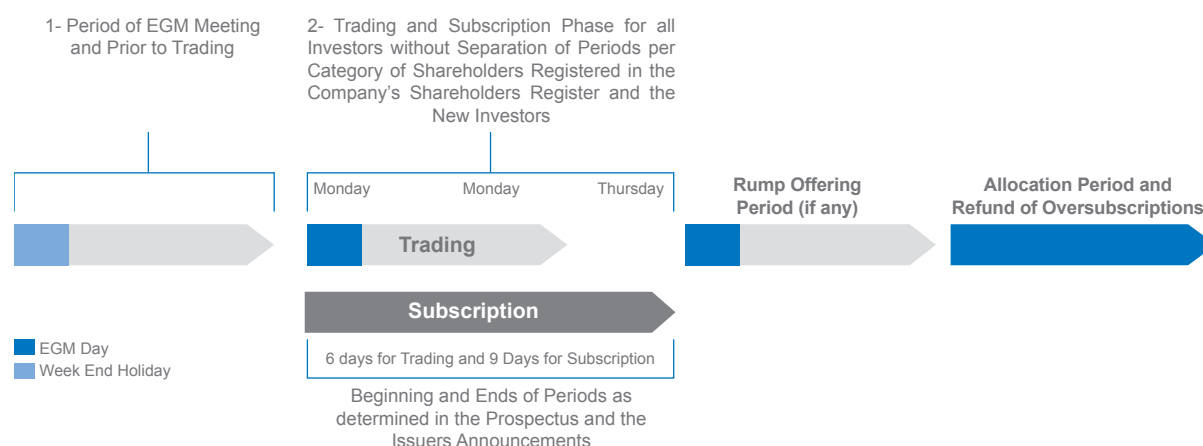
- The existence of a significant change in material matters mentioned in this Prospectus.
- Any important issues have emerged that should have been included in this Prospects.

The investor who subscribed for the New Shares prior to the publication of the Supplementary Prospectus may cancel or amend his subscription for these shares before the end of the Offering Period.

12-8 Suspension or cancellation of the Offering

The Financial Market Authority may at any time issue a decision to suspend or cancel the Offering if it deems that the Offering may result in a breach of the Capital Market Law, its Implementing Regulations, or the market rules. In addition, the Offering will be canceled if the Extraordinary General Assembly does not approve any of the details of the Offering.

The following figure shows the mechanism of trading and subscription to tradable Rights:



12-9 FAQs about the new mechanism for the Rights Issue

What is a Rights Issue?

Rights are tradable securities that give their holders the right to subscribe to the new shares offered upon approval of the capital

increase by the extraordinary general assembly (EGM) through issuance of new shares. They are acquired rights for all Registered Shareholders who own shares at the close of trading on the day of the EGM meeting for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly for capital increase. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price.

To whom Rights are granted?

Rights are granted to all Registered Shareholders in the Company's Register at the Depository as at the close of the second trading day after the date of the EGM to increase the capital.

When are the Rights deposited?

By the end of the second trading day after the Extraordinary General Meeting and its approval to increase the capital. The New Rights appear in their portfolios under a new code for the Rights. Such Rights will not be allowed to be traded or subscribed until at the beginning of the Trading and Subscription periods.

How are Investors in the Rights notified of the Rights being deposited in their portfolios?

Investors are notified through an announcement on the Tadawul website and through Tadawulati Service provided by the Depository Center and SMS's sent through intermediaries/brokers.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Eligibility Factor and number of Shares held by the Registered Shareholder in the Company's Shareholders Register at the Depository as at the close of the second trading day after the EGM.

What is the Rights Issue Eligibility Factor?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned at the EGM date. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company. E.g., If the number of issued shares for a company is one thousand (1,000) shares and that company raises its capital by offering two hundred (200) new shares so that the number of its shares has increased to one thousand and two hundred (1,200) shares, then the subscription eligibility factor will be 1 to 5 (one right for every five shares).

Will the name and symbol of these rights differ from the name and symbol of the Company's shares?

Yes, the acquired Right will be added to the Investor's Portfolio under the name of the original stock, with the addition of the word Rights, in addition to a new symbol for these Rights.

What is the Right value upon commencement of trading?

The Right opening price is the difference between the share closing price on the day preceding the Right listing, and the Offer Price. For example, (using hypothetical prices) if the closing price of a share on the preceding day is SAR 25 (twenty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 25 minus 10, i.e. SAR 15 (fifteen Saudi Riyals).

Who is the Registered Shareholder?

Any shareholder who owns shares at the end of trading on the day of the extraordinary general assembly for the capital increase and who is registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day of the EGM for the capital increase.

Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period and then subscribe to them during the Subscription Period after completing the purchase and settlement of Rights.

Is it possible for a Registered Shareholder to lose his eligibility to subscribe even if he has the right to attend the EGM and vote on increasing the capital through a Rights Issue?

Yes, the Shareholder loses his eligibility to subscribe if he sells his shares on the day of the Extraordinary General Meeting or one working day before it.

How does the subscription take place?

Similarly, to the current process, Subscription Applications are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the intermediaries.

Can an Eligible Person subscribe to more shares than the rights owned by him/her?

No, an Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (1000) Rights as each share is eligible for (1) Right. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe, but they cannot trade until after depositing the certificates in investment portfolios through the receiving agents or Depository Center at Tadawul and introducing the necessary documents before the end of the Subscription Period.

If New Shares are subscribed to and the Rights are sold after that, what happens in this case?

In the event that a registered shareholders subscribed and then sold the Rights, and the number of Rights equal to the number of Rights he/she subscribed for before the end of the trading period was not purchased, the subscription application will be rejected entirely in the event that all rights are sold or partially equal to the sold rights. The registered shareholder will be notified accordingly, and the rejected subscription amount will be returned to him/her through the receiving agent.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

When can a subscriber subscribe for the Rights he/she purchased during the trading period?

At any time during the subscription period, i.e.: until the ninth (9) day, after the settlement of the purchase of rights (two business days).

Can a holder of Rights sell or assign them after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, Eligible Person may only exercise the right to subscribe for the capital increase or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What are Trading and Subscription periods?

The Trading Period and the Subscription Period start on the same day, while the trading period continues until the end of the sixth day from the beginning of the period, the subscription period continues until the end of the ninth day from the beginning of the same period, as mentioned in this Prospectus and the Company's announcements.

What will happen to Rights that are unsold or unsubscribed for during the Trading Period and the Offering Periods?

The remaining shares resulting from the failure to exercise or sell these rights shall be offered during the Rump Offering Period, which is organized by the Lead Manager according to the criteria determined by this Prospectus.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Share Capital through a rights issue?

The shareholder who is registered in the Issuer's Shareholders' Register at the end of the trading session on the EGM day shall have the right to attend the EGM and vote on increasing the Issuer's Share Capital through a rights issue.

When is the share price adjusted as a result of increasing the Issuer's Share Capital through a rights issue?

The share price is adjusted by the Exchange before the start of trading on the day following the EGM.

Will any other fees be added for the rights trades?

The same commissions will be applied to buying and selling transactions as they are in shares, but without a minimum commission amount, provided that the maximum amount does not exceed fifteen and a half basis points (0.155%) of the total transaction value.

If an investor buys securities on the EGM day, will he/she be eligible for the Rights resulting from the increase of the Issuer's Capital?

Yes, as the investor will be registered in the Company Shareholders Register two business days after the date of the purchase of shares (i.e., at the end of the second trading day following the day of the EGM), bearing in mind that Rights will be granted to all shareholders registered in the Company Shareholders Register at the end of trading session on the second trading day following the date of the EGM. However, he/she may not attend or vote in the EGM for the capital increase.

If an investor has more than one portfolio with more than one Brokerage Company, how will his/her Rights be calculated?

The investor's shares will be distributed to the portfolios owned by him/her, according to the percentage of ownership in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest number of rights.

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non(registered) shareholders on the day of the EGM subscribe for the Rights?

Non-registered Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

12-10 Trading in New Shares

Trading of New Shares will start when all relevant procedures are completed. It is expected that this will be after allocating the New Shares, and the start of trading will be announced at a later time.

12-11 Miscellaneous items

- The Subscription Application Forms and all related terms, conditions and undertakings are binding and for the benefit of its parties from the applicants, their successors, assignee, the executors of wills, the administrators of the estates and the heirs, provided that, except for what is specifically stipulated in this Prospectus. The Application or any rights, interests, or obligations arising from it or delegated to any of the parties referred to in this Prospectus may not be assigned without obtaining the prior written consent of the other party.
- These instructions and terms and any receipt of the subscription application or the contracts resulting therefrom shall be governed by the laws of the Kingdom of Saudi Arabia, and shall be interpreted and implemented in accordance with them.
- This Prospectus can be distributed in both Arabic and English, and in the event of a conflict between the Arabic and English versions of this Prospectus, the Arabic version shall prevail.
- Despite the Authority's approval of this Prospectus, it may suspend this Offering if the Company becomes aware at any

time after the Authority's approval of this Prospectus and before the acceptance and listing of shares in the market that: (i) there has been a material change in any of the basic information contained in this Prospectus or any documents required to be listed under the Rules on the Offer of Securities and Continuing Obligations; or (ii) the availability of any additional information that should have been included in this Prospectus. In these two cases, the Company shall submit to the Authority a Supplementary Prospectus, in accordance with the requirements of the Rules on the Offering of Securities and Continuing Obligations. At that time, the Supplementary Prospectus will be issued and the new subscription dates announced. It is also possible to suspend this subscription in the event that the Extraordinary General Assembly does not agree on any of its details.

Further Assistance:

In the event of any inquiries, please contact the Company on the e-mail (ShareholdersRelations@aicc.com.sa) and for legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to provide advice on the merits of issuing rights or even provide financial, tax, legal or investment advice.

12-12 Decisions and approvals according to which shares will be offered

The decisions and approvals according to which the shares will be offered are as follows:

1. The recommendation of the Company's Board of Directors, in its meeting held on 16/04/1442H (corresponding to 23/12/2018), to increase the Company's capital through a Rights Issue of two hundred and sixty-five million (265,000,000) Saudi Riyals, after obtaining all the necessary regulatory approvals and approval of the Extraordinary General Assembly.
2. The Company obtained a no objection from the Central Bank to the capital increase according to letter No. (89/30238) on 18/08/1440H (corresponding to 23/04/2019G).
3. Approval of the Saudi Stock Exchange Group (Tadawul) on the application for listing new shares on the date of its announcement on 06/11/1442H (corresponding to 13/06/2021G). It was also approved to publish this Prospectus and all the supporting documents requested by the Authority, on the date of its announcement on the Authority's website on 28/01/1443H (corresponding to 05/09/2021G).
4. Approval of the extraordinary general assembly of the company's shareholders on .../.../...H (corresponding to .../.../...G) to increase the Company's capital through the issuance of Rights. The Subscription consists of offering twenty-six million five hundred thousand (26,500,000) ordinary shares at an offer price of (10) Saudi Riyals, in order to increase the Company's capital from two hundred and sixty-five million (265,000,000) Saudi Riyals to five hundred and thirty million (530,000,000) Saudi Riyals and an increase in the number of shares from twenty-six million and five hundred (26,500,000) ordinary shares to fifty-three million (53,000,000) ordinary shares.

12-13 Miscellaneous items

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the Kingdom's regulations and shall be construed in accordance with them. This Prospectus may be distributed in both Arabic and English, and in the event of a conflict between the Arabic text and the English text, the Arabic text of the Prospectus shall prevail.

12-14 Statement of any arrangements in place to prevent disposal of certain shares

There are no arrangements in place to prevent disposal of any shares.

13. Change in the share price as a result of an increase in capital

13-1 Change in the share price as a result of an increase in capital

The closing price of the Company's share on the day of the EGM is (٢٠) Saudi Riyals, and it is expected to reach (٢٢) Saudi Riyals at the opening of the following day. This change represents a decrease of (٩%). In the event that none of the shareholders appear in the Company's Shareholders Register at the Depository Center subscribed to at the end of the second trading day following the date of the Extraordinary General Assembly, this will lead to a decreasing their ownership percentage in the Company.

13-2 Method for calculating the share price as a result of the capital increase

First: Calculating the market value of the Company upon closing on the day of the EGM:

The number of shares at the end of the day of the EGM x the closing price of the Company's share on the day of the EGM = The market value of the Company at the close on the day of the EGM.

Second: Calculating the share price at the opening day of the day that follows the day of the EGM:

(The market value of the Company at the close on the day of the EGM + the value of the shares offered) / (the number of shares at the end of the day of the EGM + the number of shares offered for subscription) = The expected share price at the opening of the day following the day of the EGM.

14. Covenants relating to the Subscription

14-1 Overview of the Subscription Application and the Covenants:

It is possible to subscribe using the trading platforms or through any other means provided by the agent to the investors. The new shares will be subscribed to in one stage, according to the following:

1. During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
2. The Registered Shareholder will be able to subscribe directly to the number of his shares during the subscription period, and if he acquires new Rights, he will be able to subscribe to them after the end of its settlement period (two working days).
3. New investors will be able to subscribe to the new shares directly after the rights purchase is settled (two working days).
4. Subscription will be made available electronically through the investment portfolio in trading platforms and applications through which buy and sell orders are entered, in addition to subscribing through other channels and means made available by the Agent.

Each Rights gives its holder the right to subscribe to one new share, at the Offering Price. The subscriber to the new shares declares the following:

- His acceptance of all the subscription terms and conditions stated in this Prospectus.
- That he has read this Prospectus and all its contents carefully and understood its content.
- His acceptance of the Company By-Laws.
- He undertakes not to cancel or amend the subscription application after its submission.

14-2 Allocation Processes

The Rights will be allocated to eligible persons based on the number of rights they have exercised fully and correctly. As for those entitled to fractional shares, fractions of shares will be collected and added to the remaining shares that were not subscribed to and offered to the investment institutions during the Rump Offering Period, and the total price of the Rump Shares will be paid to the Company. The remaining proceeds from the sale of the remaining shares and fractions of shares (exceeding the Offering Price) shall be distributed to the entitled persons, each according to what he is entitled to, no later than $\frac{22}{22}H$ (corresponding to $\frac{22}{22}G$).

In the event that shares remain unsubscribed to, then the underwriters will purchase those New Shares and they will be allocated to it.

Eligible Persons should contact the agent through which they were subscribed to obtain any additional information. The allocation results will be announced no later than $\frac{22}{22}H$ (corresponding to $\frac{22}{22}G$).

14-3 Saudi Stock Exchange (Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day at one go from 10 a.m. until 3:00 p.m., from Sunday to Thursday of each week, during which orders are executed. Beyond such times, orders are permitted to be inserted, amended, and cancelled from 9:30 a.m. until 10 a.m.

The transactions are executed through automatic order matching, and orders are received and prioritized according to the price. In general, market orders are executed first, which are the orders that have the best prices, followed by fixed-price orders, and in the event that several orders are entered at the same price, they are executed according to the timing of the entry.

The Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul web-site on the Internet, which provides up-to-date market information for major information providers such as Reuters. Transactions are automatically settled within two business days (T + 2).

The Company must disclose all decisions, material and important information to investors through Tadawul, which is responsible for monitoring the market in order to ensure fair trading and efficient market operations.

14-4 Trading of the Company Shares on the Saudi Stock Exchange

An application has been submitted to CMA to register and list the Rights and a request has been submitted to the Saudi Tadawul (Tadawul) for their listing. This Prospectus has been approved and all requirements have been met.

Approval of Registration, Offering and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the New Shares is completed and will be announced in due course on Tadawul website. The dates mentioned in this Prospectus are tentative and may be changed with the approval of CMA.

Although the existing shares are listed on the Saudi Stock Exchange (Tadawul), the New Shares can only be traded after their final allotment to the Subscribers and bidders in case of Rump Offering and depositing them in the subscribers' Tadawul accounts. Trading in the new shares is strictly prohibited before that.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them and the Company shall not be liable in such a case.

15. Documents available for Inspection

The following documents will be available for review at the headquarters of the Company, located in Riyadh, Kingdom of Saudi Arabia, Bin Tami Center (King Abdul Aziz Road, PO Box 286555 Riyadh 11323, during official working hours from Sunday to Thursday from eight thirty (8:30) in the morning until five thirty (5:30) in the evening, as of the first working day after the date of the call for the Extraordinary General Assembly, provided that this period is not less than fourteen (14) days prior to the date of the Extraordinary General Assembly meeting. These documents will remain available for inspection until the end of the Offering:

15-1 Documents related to incorporation and Articles of Association:

- Commercial Registration.
- Articles of Association
- Company By(Laws.

15-2 Approvals related to the Offering:

- Board of Directors 'decision recommending the increase of capital.
- No objection by the Central Bank of Saudi Arabia to increase the capital.
- Conditional approval of Tadawul Group (Tadawul) to list New Shares shares.
- Capital Market Authority's approval on the Offering of Rights.
- Resolution of the Extraordinary General Assembly approving the capital increase.

15-3 Reports, letters and documents:

- Underwriters Agreement and the Lead Manager Agreement.
- Written consents by the Financial Advisor, Lead Manager, Underwriters, Legal Advisor and Auditors to use their names, logos and statements in the Prospectus.
- Written approval by the actuary, Nitaq Company for Actuarial Services, to use its name, logo and statement in the Prospectus.

15-4 Financial data:

- The Company's audited financial statements for the financial years ending on December 31, 2018, December 31, 2019 and December 31, 2020, and the auditor's reports on them.

* The Company's Extraordinary General Assembly's decision to approve the capital increase will be available for inspection at the Company's head office located in Riyadh on the day following the date of the decision.

