

Annual Report

2023





Annual Report 2023

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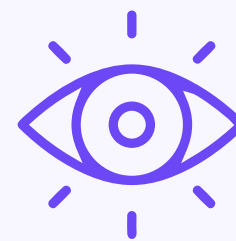
Overview

About Tawuniya



Our Purpose

Together for a safer life and bigger dreams



Our Vision

Largest insurer in the MENA region



Our Mission

Exceed expectations through superior customer experience and service excellence

The Company for Cooperative Insurance (Tawuniya) is a Saudi Joint Stock Company established in Riyadh by Royal Decree No. M/5, and incorporated on 18 January 1986 under Commercial Registration No. 1010061695.

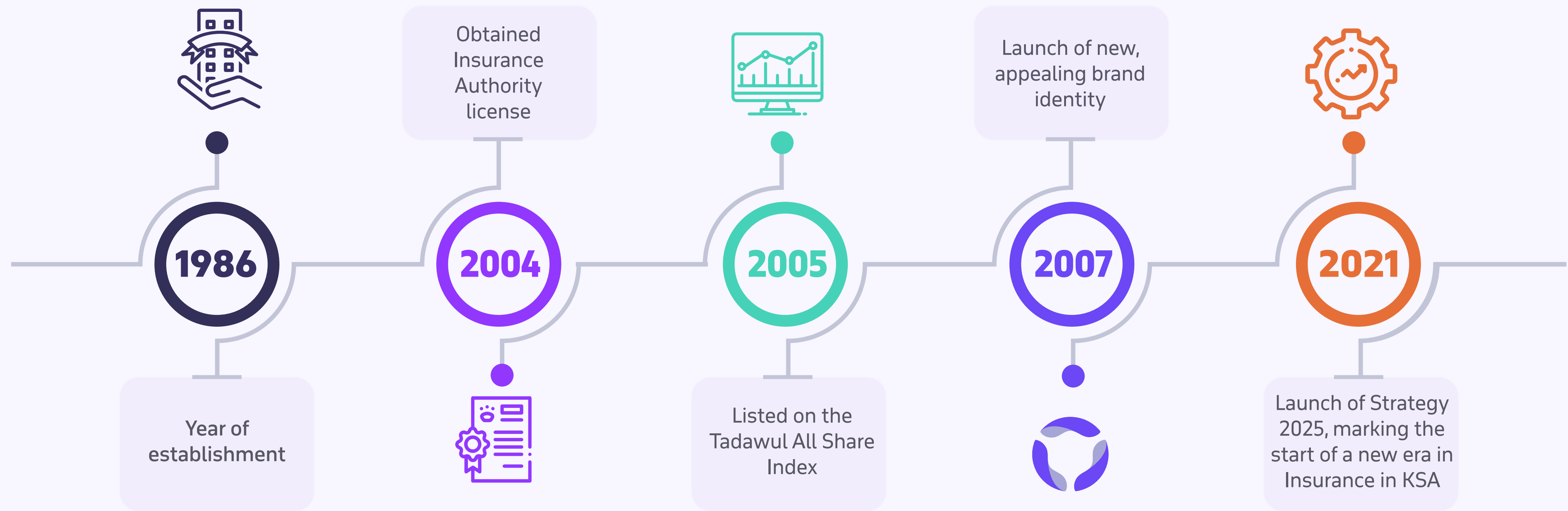
Tawuniya was the first national insurance company licensed in the Kingdom of Saudi Arabia to practice all insurance types in accordance with the cooperative insurance principle that is accepted by Islamic Shariah, obtaining its license on 1 December 2004 by the Saudi Central Bank (SAMA), under the Cooperative Insurance Companies Control Law. The Company is also regulated by, and compliant with SAMA regulations applicable to the insurance industry.

Tawuniya provides its customers with more than 60 insurance classes including health, motor, takaful, property and casualty, travel, and insurance for coverage of assets in addition to liability insurance for damage and accidents across multiple sectors including marine, aviation, and energy.

Strongly anchored to nearly four decades of operational excellence, Tawuniya has remained the first choice for all insurance customer segments in the Kingdom, continuously improving its service offering through the mastered formula of innovation, technology and collective insurance expertise.

The Company's Head Office is located in Riyadh, Kingdom of Saudi Arabia.

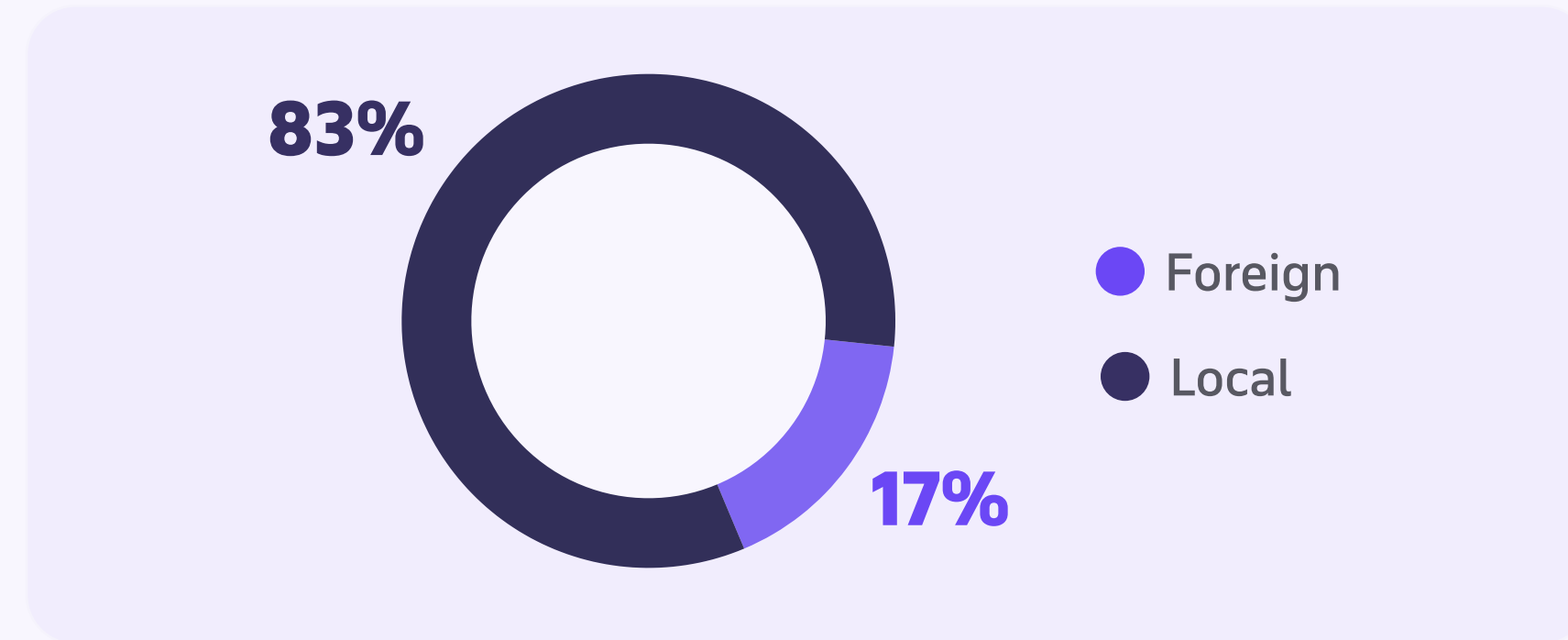
Tawuniya Milestones



Shareholder Structure

The authorized, issued and paid-up capital of Tawuniya was increased from SAR 1,250 Mn. to SAR 1,500 Mn. in 2023, the highest paid-up capital among insurance companies operating in the Kingdom of Saudi Arabia. This capital is divided into 150 million nominal shares of SAR 10 each, with the ownership of shares as at 31 December 2023 illustrated below:

Ownership of Shares



Subsidiaries and Associates

Subsidiaries



Associates



● Ownership

2023 Highlights

Total assets – 2023

SAR 18.4 Bn.

2022: SAR 15.3 Bn.



20.7%

Total equity – 2023

SAR 3.6 Bn.

2022: SAR 3.1 Bn.



15.6%

Insurance
Revenue - 2023

SAR 15.3 Bn.

2022: SAR 11.4 Bn.



33.8%

Paid-up capital - 2023

SAR 1.5 Bn.

Net profit of insurance
results - 2023

SAR 681 Mn.

2022: SAR 317 Mn.



114.8%

Net profit of investment
results - 2023

SAR 435 Mn.

2022: SAR 372 Mn.



17.0%

Net profit after
Zakat - 2023

SAR 616 Mn.

2022: SAR 302 Mn.



104%

Total Share of Saudi
insurance market

27%

Earnings per share - 2023

SAR 4.11

2022: SAR 2.01

Fitch Rating - 2023

'A' with stable outlook

2022: 'A' with stable outlook

S&P Rating - 2023

'A' with stable outlook

2022: 'A' with stable outlook

Saudization rate 2023

82%

Growing team - 2023

1,735

Female representation – 2023

39%

2022: 41%



Training hours – 2023

8,718

Launch of e-Learning
platform with 91% of
employees active



100%

Paper waste recycled



From regulators concerning
customer privacy breaches

**ZERO
Complaints**





Awards/recognition received during 2023

Our commitment to innovation, quality and excellence in the insurance sector has won us the recognition and laurels from industry stakeholders, awards that are greatly valued by Tawuniya for their encouragement in our journey forward.

In 2023, Tawuniya walked away with multiple awards at the CHI Excellence Awards organized by the Council of Health Insurance (CHI). The awards the highest standards of health insurance, while also recognizing innovation across the sector. Tawuniya was presented with the following awards:

- Best Population Health Management Award
- Best Value Based Healthcare Payment Model Strategy Award
- Best Patient Coordination
- NPHIES Digital Platform (National Platform for Health and Insurance Exchange Services)
- Women Leader of the Year won by Hanouf Alshammari, at Tawuniya

Key awards were won in recognition of Tawuniya's ground-breaking digital innovations that have revolutionized the industry and set the benchmark for customer service for the Kingdom's insurance sector.

- Digital Experience of the year 2023 at the Asian Experience Awards - presented by Asian Business Review Magazine
- General insurer of the year / Customer Experience Award at Insureteck
- Outstanding Organization Award at Internet 2.0

Chairman's Message



Dear Shareholders,

Saudi Arabia's non-oil activities reached a historic 50% share of the country's real GDP in 2023, the highest on record in the Kingdom according to the Ministry of Economy and Planning of Saudi Arabia. Overall, the non-oil sector grew by 3.8% to end the year on a strong note, with growth accelerating in the fourth quarter of the year in review. This increase in non-oil economic activity in 2023 contributed greatly to the diversity of the Saudi economy in line with the ambitious Vision 2030 targets of the Kingdom.

Against this backdrop, Tawuniya has delivered remarkably strong results in 2023, underpinned by healthy and steadfast growth across all three business lines, enabling the company to consolidate its position as the top insurer in the Kingdom and the most trusted business partner for risk management insurance solutions.

Tawuniya achieved a 33.8% year-on-year growth in our Insurance Revenues to reach SAR 15.3 Bn. driven by a 28% increase in gross written premiums compared to last year reaching SAR 18.47 Bn., maintaining our position as the largest insurer in the MENA region, and recording a strong bottom line with a net income of SAR 616 Mn. after Zakat at the close of the financial year, a remarkable 104% year-on-year increase from 2022.

This performance comes as a result of the carefully crafted and executed Strategy 2025, an ambitious blueprint that set Tawuniya on a path of heightened excellence, underpinned by four strategic promises; being passionate about our people, customer centricity, a digital first approach in all our operations, and delivering extraordinary results. As we approached the half-way mark of Strategy 2025 during the year in review, a strategy refresh exercise was conducted to update strategic objectives and targets where necessary, to meet rapidly evolving market needs. Our Enterprise Project Management Office (EPMO) was also restructured with a new expanded operating model, to control and monitor the execution of strategic and non-strategic projects, ensuring effective oversight to ensure the successful completion of Strategy 2025.

In early 2023, Tawuniya also underwent significant internal changes, with new appointments to the Board of Directors and Executive Team, including a new Chief Executive Officer, Chief Financial Officer, and Chief Strategy Officer. These internal Executive promotions and external recruitments were guided by a robust succession planning framework and long-term incentive plans.

The Kingdom also announced the establishment of the Insurance Authority (IA) of Saudi Arabia in 2023, an important step towards building a strong, vital and stable insurance sector that contributes to the Kingdom's Vision 2030 and its Financial Sector Development Program (FSPD). The new regulator, having

officially commenced its operations in November 2023, is expected to enhance the mandated supervision of the Saudi insurance sector, bringing stability, ensuring growth and improving the overall credit quality of the Saudi insurers. Tawuniya proactively engaged with the IA to minimize unpredicted changes in the regulatory environment, especially concerning the anticipated shift to the new Risk-Based Capital requirement. A Capital Management Plan aligned with growth targets is in development to ensure readiness for the regulatory transition.

During 2023, we remained committed to our digital first agenda, launching a new online portal for Small and Medium Enterprises (SMEs), revamping all digital channels, introducing sophisticated technologies to automate underwriting and claims processing, and launching several value-added services across our apps and platforms, enhancing and modernizing them during the year in review.

Tawuniya's performance has also strengthened its reputation as a highly sought-after employer in the Kingdom, attracting top talent from within a competitive labor market. We have also embarked upon various initiatives to prepare young Saudi talent by providing them unique opportunities to expand their knowledge and acquire required skills to meet the industry's pace of evolution and talent demand. We executed several initiatives throughout the year to strengthen the capabilities of our team through investments in training and development, delivering on our promise of being passionate for our people.

Staying true to our promise towards customer-centricity, we drafted the first ever full taxonomy of the customer journeys across all three business lines, and across the full customer lifecycle. We then introduced a state-of-the-art Voice of Customer (VoC) platform that integrated customer data with customer feedback across 51 touchpoints, journeys, and relationships, greatly enriching the customer experience and delivering significant improvements on our Customer Satisfaction Score (CSAT) and Net Promoter Score (NPS) for the year in review.

We experienced remarkable growth in both Tawuniya Vitality and Tawuniya Drive programs. Health and Life presented customers with a differentiated value proposition for products, driven by market insights and research, while Mobility optimized pricing and continued to penetrate new markets through partnerships. Our general insurance line also witnessed growth in premiums written, and introduced more products to satisfy emerging market needs. At the close of 2023, over 40% of the General Portfolio were mega accounts linked directly to key Vision 2030 projects, enabling Tawuniya to deliver on our strategy promise of achieving extraordinary results.

Swift action was also taken to address risks stemming from the surge in business volume. A dedicated task force expedited remediation efforts, resulting in a robust solvency ratio surpassing both regulatory and internal thresholds. Our strong financial performance in 2023 was reflected in Tawuniya's upgraded credit ratings; from A- to A with stable outlook from S&P, and from A- to A with stable outlook from Fitch Ratings. Tawuniya's paid-up capital was also strategically increased to SAR 1,500 Mn. during this reporting period. We continued to make excellent progress in our ESG agenda following the launch of our inaugural ESG report in the preceding financial year.

We strengthened our overall corporate governance function by updating company guidelines for the development of policies and procedures, and providing a framework for the corporate governance of our subsidiary companies. In conformance with global Internal Audit Standards included in the International Professional Practices Framework (IPPF), Tawuniya conducted an External Quality Assessment Review (EQAR) in 2023, successfully achieving the highest rating across all 12 IPPF standards.

Tawuniya also updated the Company's personal data controls and Privacy Policy in compliance with the Kingdom's first Personal Data Protection Law (PDPL), which

was declared effective in 2023 by the Saudi Data and Artificial Intelligence Authority (SDAIA) and the Kingdom's data regulator – the National Data Management Office (NDMO). We maintained an above-regulatory-standard maturity level of 3 in cybersecurity controls enhancing cybersecurity policies and processes fortified the company against potential threats and data breaches. Furthermore, the year in review prompted a dedicated focus on Business Continuity Management (BCM) at Tawuniya, with planned actions including obtaining ISO 22301 certification for Business Continuity underscores Tawuniya's commitment to resilience in coping with incidents affecting our critical processes.

Given the nature of our business, Tawuniya was actively engaged in a range of impactful community initiatives to promote protection, safety and wellbeing in the past fiscal year, demonstrating our commitment to making a lasting, positive difference in the lives of the communities that we serve. Our endeavors in 2023 included incentivizing and rewarding safe driving among the public, as well as promoting active and healthy lifestyles through event sponsorships. We also encourage our employees to give back to the community through volunteering, fostering a culture of corporate social responsibility.

As we close yet another successful year, I would like to thank you for the trust you bestowed in our team, and I extend my appreciation to our clients for their loyalty, the newly elected Board, new appointed Executive Officers, and the rest of the Tawuniya team for their tremendous and sincere efforts to bring our strategic objectives to life. We look towards a new year full of successes and prosperity for our Company.

Abdulaziz I. Al-Nowaiser

Chairman of the Board

Chief Executive Officer's Review



Dear Shareholders,

In my first year as Tawuniya's new Chief Executive Officer, it gives me great pleasure to brief you on the Company's remarkable performance for the year 2023. We continued to enrich our insurance portfolio with innovative products and solutions to surpass SAR 15.26 Bn. in Insurance Revenues, growing the business by 33.8% year-on-year. Such promising growth in an operating environment that has remained aggressively competitive and fast-evolving is a testament to Tawuniya's contribution towards transforming the Kingdom's insurance industry to a future-ready sector that is equipped to handle the evolving protection needs of a Vision-2030-inspired Saudi Arabia.

Guided by our freshly-elected Board of Directors, I and the newly-promoted Executive Management Team ensured the Company remained strongly aligned to key objectives and outlined plans for Strategy 2025, which was refreshed at its halfway mark in 2023. Having achieved our objective of becoming the largest insurance company in the Middle East and North Africa region at the close of 2022, we continued our growth momentum during the year in review, delivering strong top-line and bottom-line growth at the close of 2023 across all three business lines; health and life, mobility, and general insurance.

Our health and life insurance portfolio grew by 26%, reaching SAR 12.5 Bn. at the close of the year. The growth is driven by capturing new market opportunities arising from a rapidly diversifying economy and the recent regulations of mandatory cover for private sector employees. The year in review also continued the growth momentum of pilgrims returning to Hajj and Umrah; the Hajj pilgrimage reached full capacity for the first time in 2023 following the COVID-19 pandemic, and the Umrah pilgrimage recorded a 58% increase in the number of pilgrims since 2019, in turn yielding SAR 261 Mn. in premiums for Tawuniya's Hajj and Umrah business. Tawuniya Vitality recorded a remarkable 750% increase in memberships year-on-year, while also on-boarding over 100 new brands and merchants on our marketplace to present members with an unmatched value proposition.

Our market competition for this business vertical also increased during the year in review, with the entry of the first foreign health insurer to the Kingdom. Tawuniya approached this as an opportunity to assert our market dominance through

customer-centric product innovation, advanced digitized insurance solutions, as well as new and exclusive value-adding services, successfully sustaining and growing our health and life market share in a competitive operating environment. Key among our achievements was the launch of two products to the market, namely the In-patient Insurance for Parents and the Domestic Worker Health Insurance, which were introduced to meet growing market needs in the Kingdom. Tawuniya also focused on meeting Corporate Health Insurance needs in 2023, launching the e-Service platform for SMEs, and recording the highest ever year-on-year growth of our SME business.

Several new mobility products were introduced during the year in review and was backed by strategic and highly successful marketing campaigns and a sophisticated pricing engine, which collectively contributed to the 171% year-on-year growth in the line of business, closing in on SAR 2.9 Bn. in Gross Written Premiums for 2023. Policyholders of the third-party liability plans Sanad and Sanad Plus were presented with add-on cover options during the year, with Sanad Plus policyholders offered the option of increasing their coverage limit, as well as the option of paying their policy premiums in installments with no added fees or interest.

Our pioneering telematics program Tawuniya Drive was introduced to third-party policyholders in 2023, recording a 400% year-on-year increase in registrations and taking the total number of registrants of the program to 300,000 at the close of 2023. Tawuniya Drive also expanded its partner network during the year to diversify its rewards, resulting in registered members availing close to SAR 5 Mn. through discounts and vouchers. We also introduced the Wala One loyalty program for Tawuniya Drive users, rewarding them for their loyalty by introducing them to a range of exclusive offers. We continued to digitize our Mobility Insurance process in 2023, launching the end-to-end digitized claims service for AlShammel policyholders, to deliver a seamless experience from the point of the accident.

Tawuniya's General Insurance business successfully met its top-line and bottom-line targets by introducing innovative products, doubling capacities, and proactively addressing emerging market needs to secure and grow its market share during 2023. We are proud to be the insurer of choice for a number of coveted government-led Vision 2030 mega project accounts including Roshn, Hexagon, and NEOM. Over 180,000 new general insurance policies were issued in 2023, recording a 254% year-on-year sales volume growth across the business vertical. The total gross written premium for Tawuniya's General business line totaled SAR 2.18 Bn. for the year under review, with the business line contributing 12% of Tawuniya's total gross written premium in 2023. We continued to consider ESG factors and remained observant of emerging risks for this vertical throughout the year.

In 2023 we strategically introduced and extended a number of general insurance covers to grow our market share; key among these was the launch of the Domestic Worker Contract Insurance to the market as it is expected to be made compulsory in 2024, and the list of disciplines covered was extended to include all healthcare professionals and practitioners, as medical liability insurance was made mandatory across the Kingdom.

Overall, Tawuniya's solid financial standing backed by strong growth in both overall revenue and profitability as well as across all three business lines, was reflected in our upgraded credit ratings in 2023; we improved our ratings from S&P and Fitch from A- to A, with a stable outlook.

Our loss ratio decreased year-on-year, as a direct result of significant improvements in our claims management systems, advanced reconciliation technologies, as well as sound pricing strategies. By improving efficiencies and productivity as a result of the continued automation of processes, digitization of solutions, and utilization of emerging technologies such as artificial intelligence (AI) and machine learning,

we were able to greatly enrich the customer journey and experience across all business lines. Our investment portfolio showed strong growth across all asset classes, especially in equities, leading to a 17% increase in investment income during 2023, driven by higher profit rates and steady fixed income returns.

We disclosed our growing commitment towards sustainability with the issuance of our second sustainability report 2023, highlighting our ESG strategy and documenting Tawuniya's progress towards contributing towards the Kingdom's own ESG targets through social and environmental impact, backed by sound governance practices. The report includes strategic Sustainable Development Goals carefully selected to complement our business practices and provide our investors and stakeholders with increased levels of transparency and insights into our sustainability practices across all of our operations.

Internally too, we strengthened our policies and HR practices to strengthen Tawuniya's growing reputation as a sought-after employer and nurtured an empowering and encouraging workplace culture to motivate our growing team of professionals. We also launched an e-Learning platform 'Marefa' powered by a new learning management system and digital library with over 50,000 courses, with over 90% of Tawuniya employees being active on the platform during the year.

As we look forward to 2024, Tawuniya remains committed to continue our journey towards performance excellence and innovation, as we navigate the Kingdom's insurance industry towards greater heights under the guidance of the newly

established Insurance Authority. I would like to take this opportunity to thank our employees and management team for their commitment, loyalty and unmatched effort that contributed towards a great performance and greater progress towards our objectives. I appreciate our shareholders for the trust they put in Tawuniya and ensure you of our commitment to shareholder value creation in 2024 and beyond.

Looking forward to yet another remarkable year.

Dr. Othman Y. Al-Kassabi

Chief Executive Officer

Strategic Business Review

Strategy 2025

Driven by its overarching purpose to empower people to live safer and dream bigger, Tawuniya meticulously planned and implemented Strategy 2025 during the 2021 fiscal year, setting goals, determining roles and responsibilities, and committing to key strategic objectives with a target of becoming Saudi Arabia's insurer of choice. With the launch of Strategy 2025, Tawuniya wished to be an advocate and example for positive change within the insurance industry, and to contribute to the financial, social, and environmental success of the Kingdom of Saudi Arabia in line with Vision 2030.

Tawuniya's 2025 Strategy is a roadmap for Tawuniya's transformation from its current state to its desired state through a series of strategic and enabling objectives. The execution of Strategy 2025 is structured around 12 programs and 43 initiatives. The Enterprise Project Management Office (EPMO) - was established to steer the delivery of these objectives and provide needed execution support, while ensuring business delivery ownership. In addition, criteria were set to classify the importance of initiatives and their priority for implementation through three waves, with detailed implementation charters developed to guide initiative owners in the execution of their initiatives. Also, 9 Strategic Committees were established and Chairs, Sponsors, Program Leads and Project Teams were assigned accordingly to support the realization of Strategy 2025.

The Strategy Office has a strong mechanism and performance measurement indicators to monitor the company's performance overall and various sectors' performance on a monthly basis. In addition, it continued to strengthen oversighting, monitoring, and controlling of strategic projects in 2023 by incorporating future financial projections into Business Monitoring Review (BMR) meetings. Furthermore, it expanded visibility and transparency through the automation and dissemination of scorecard capture and strategy execution, so as to better record the progress of the strategy execution.

Internally, Strategy 2025 continued to be promoted through various communication channels and media, to create awareness and enhance employee participation in meeting strategic objectives, and to ensure that the Company as a whole works towards achieving the same visionary objectives.

Refreshing and Realigning Strategic Objectives

The Saudi Arabian insurance industry continued to grow in 2023, powered by the objectives of Saudi Vision 2030, with regulatory enhancements as well as increasing technological and technical sophistication positively enhancing the overall credit quality of Saudi insurers during the year in review.

As non-oil business activity continued to grow in 2023, so did the insurance penetration across the sector. Health insurance, which accounts for over half of the Kingdom's gross written premiums, continued to expand, while underwriting discipline and government regulations led to significant improvements in terms of both growth and profitability in the motor insurance market in the Kingdom.

Against this backdrop of a diversifying Saudi economy and a rapidly evolving operating environment, a strategy refresh exercise was carried out by Tawuniya in 2023 to ensure the overarching objectives of Strategy 2025 remained in line with current and emerging market demands and trends in insurance, while also adhering to evolving government strategic direction.

The Strategy Refresh exercise was conducted in the second quarter of 2023, in order to achieve the below listed objectives:

- Setting new targets for Strategy 2025 by completing global and local market trends assessments, updating strategy assumptions and drivers, incorporating ESG criteria, and Digital Strategy.
- Updating the Financial Model in line with lines of business (LoB)
- Setting clear financial targets across all LoB by launching new portfolio of initiatives

The Company applied three corrective lenses while conducting the Strategy Refresh in 2023:



The EPMO was also restructured following the refresh exercise in 2023, with a new expanded operating model to control and monitor the execution of strategic projects, while also monitoring the non-strategic projects for the current and upcoming years, ensuring effective oversight and governance of the execution of the Strategy.

The Strategy Refresh Exercise was successfully completed with Tawuniya adding a new portfolio of initiatives with clear focus on profitability, efficiency and diversification. Below are the refreshed strategic programs and enablers that were mapped across the four strategic pillars:



Progress at the close of 2023

Following the Strategy Refresh in 2023, Tawuniya continued with the implementation of its strategic objectives through actionable steps, monitoring the progress towards their successful completion. At the close of 2023, Tawuniya successfully met targets for the year, and recorded a number of major achievements in its Strategy 2025 realization journey:

- Increased Tawuniya's paid-up capital from SAR 1,250 Mn. to SAR 1,500 Mn.
- Launched "Tawuniya Drive" to promote and reward safe driving as part of Tawuniya's mobility ecosystem build-up. More than 300,000 clients have thus far joined the program, and are enjoying safe driving rewards, while Tawuniya witnesses higher retention ratios with lower loss ratios.
- Implemented Artificial Intelligence (AI) models in its Mobility underwriting practice, allowing the Company to provide the right products at the right price to market, increasing channel penetration and attracting more clients. The success of these initiatives was clearly reflected in the growth of Tawuniya's mobility line of business.
- Capitalized on Tawuniya's exclusive wellness program, Tawuniya Vitality, promoting a healthier, more active, and rewarding lifestyle by helping users understand their health status. This program received the "Best Health Initiative" from the Council of Health Insurance (CHI).
- Adopted sophisticated machine-learning technologies to enhance health claims fraud controls. This initiative supports minimizing healthcare inflation rates while ensuring adequate treatment to all clients.
- Covered new emerging risks by designing and launching a multitude of innovative products such as Cyber Security for Individuals, Travel COVID, Home Insurance, Parent Insurance, and Domestic Worker Health / Contract Insurance.
- Successfully launched the first insurtech company in the market – Tree Digital Insurance Company. Tree provides a new digital experience in insurance while increasing accessibility for a broader customer base.
- Invested in expanding distribution channels and offerings through new partnerships across the insurance value chain for all lines of business, including bancassurance with multiple banks for leasing accounts, and embedded insurance.
- Evaluated its position in ESG and committed to a set of goals for 2023 and beyond, aligned with the Kingdom's Vision 2030, and growing global urgency.
- Rolled out new, product-focused organization structure to better align with the strategy and enable faster and more streamlined execution.
- Revamped the operating model to complement Tawuniya's new purpose and strategy by implementing multiple initiatives related to organizational structure, launching and activating Tawuniya's brand uplift for external engagement, while integrating Tawuniya's corporate values across the Company and all employee tiers.

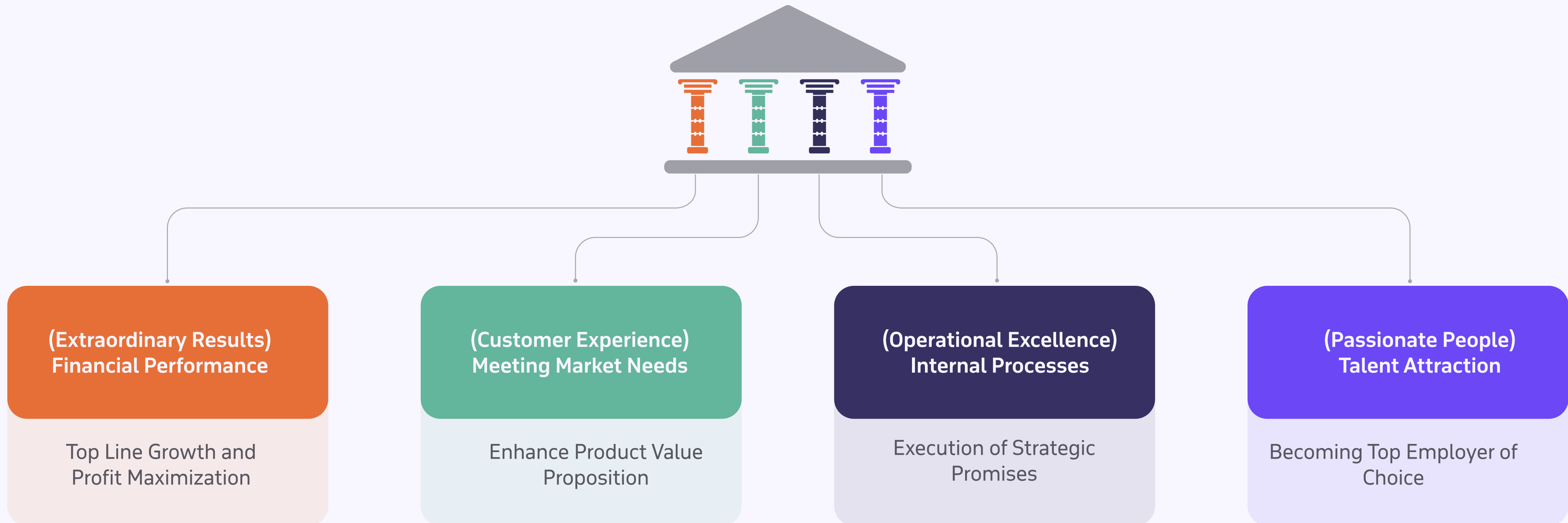
- Strengthened the Company's balance position, and upgraded credit rating from S&P "From A- to A with stable outlook" and Fitch "From A- to A with stable outlook", reflecting its sustained financial performance.
- Enhanced customer experience with the launch of Medallia Voice of Customer (VoC) measurement platform, with 51 journeys, touchpoint, and relationship surveys across the three lines of business, completing 30+ customer experience journey enhancement projects.
- Developed governance of the implementation of transformation projects, building internal capabilities, and attracting high competencies and expertise, thereby raising the quality of work and speed of completion.
- Launched of Tawuniya's e-learning platform 'Marefa' by the Human Resources Division, resulting in 91% of Tawuniya employees being active on the platform compared to the benchmarked average of 70%.
- Reached Business Continuity Maturity (BCM) at level 3 as per Insurance Authority BCM Framework, as well as Cybersecurity Maturity at level 3.9, strengthened with the Cybersecurity ISO/ IEC 27001:2022 Certification.
- Significant growth in Marketing Team engagement score from 55% to 83%.

More detailed information can be found in this Report under each operating vertical

Tawuniya's strong performance recorded in 2023 remains primarily driven by the optimization of Selling, General and Administration (SG&A) expenses, strong underwriting results, overall growth in the market and Tawuniya's market share, and the effective management and successful implementation of its strategic projects in line with Strategy 2025 timelines and objectives.

Future Outlook

Tawuniya has clear future strategic direction, with the current senior leadership team well aligned with the company's 2025 strategic plan, working tirelessly to realize the Company's vision and achieve its future goals. For 2024, Tawuniya will remain focused on achieving set corporate objectives across its four pillars:

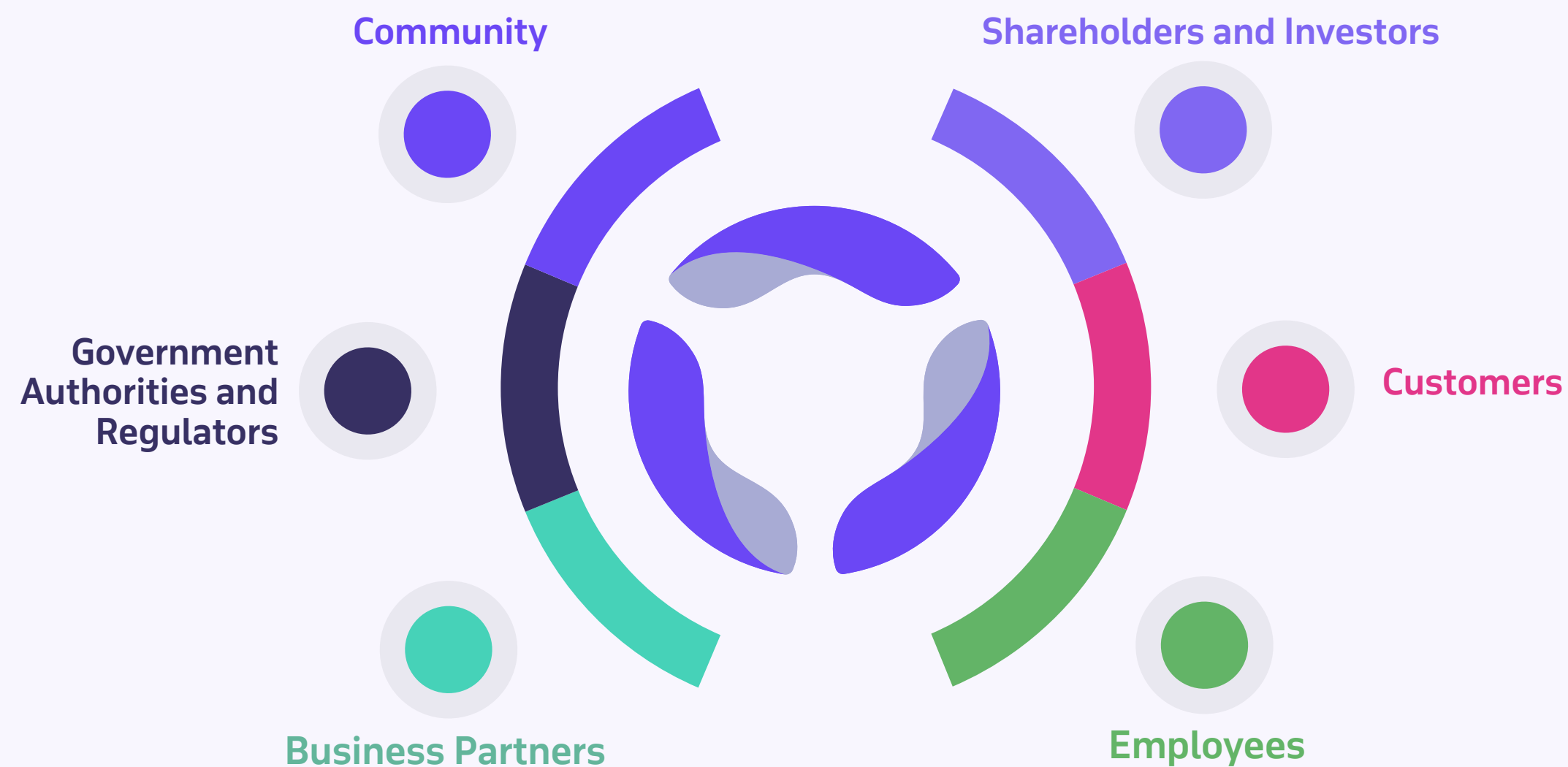


In Addition, Tawuniya plans in 2024 to increase its current market share, ensuring profitability and a balanced portfolio mix.

Stakeholders

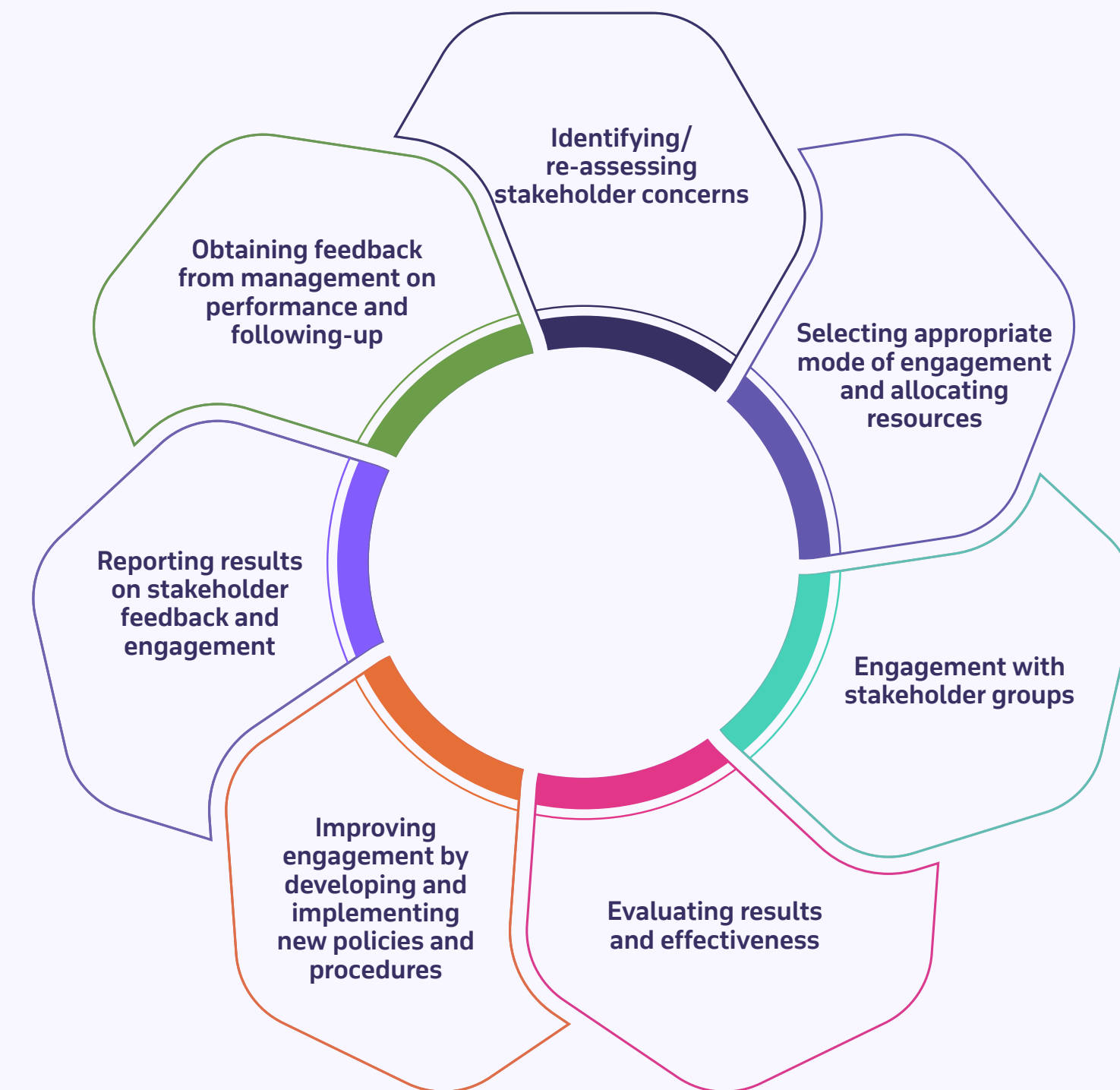
Frequent and effective engagement with all stakeholders continued to be paramount to Tawuniya's success in 2023, as the company continued to identify, understand and prioritize stakeholder interests and concerns, in order to sustainably deliver value to each stakeholder group, and to derive value from them in turn.

Tawuniya has categorized its range of stakeholders into the key stakeholder groups below:



Stakeholder Engagement Process

Tawuniya engages with stakeholders through a cyclic process, ensuring we remain effectively engaged and responsive to meet evolving and emerging stakeholder concerns throughout the year, thereby providing timely solutions and effective communication to satisfy stakeholder needs.

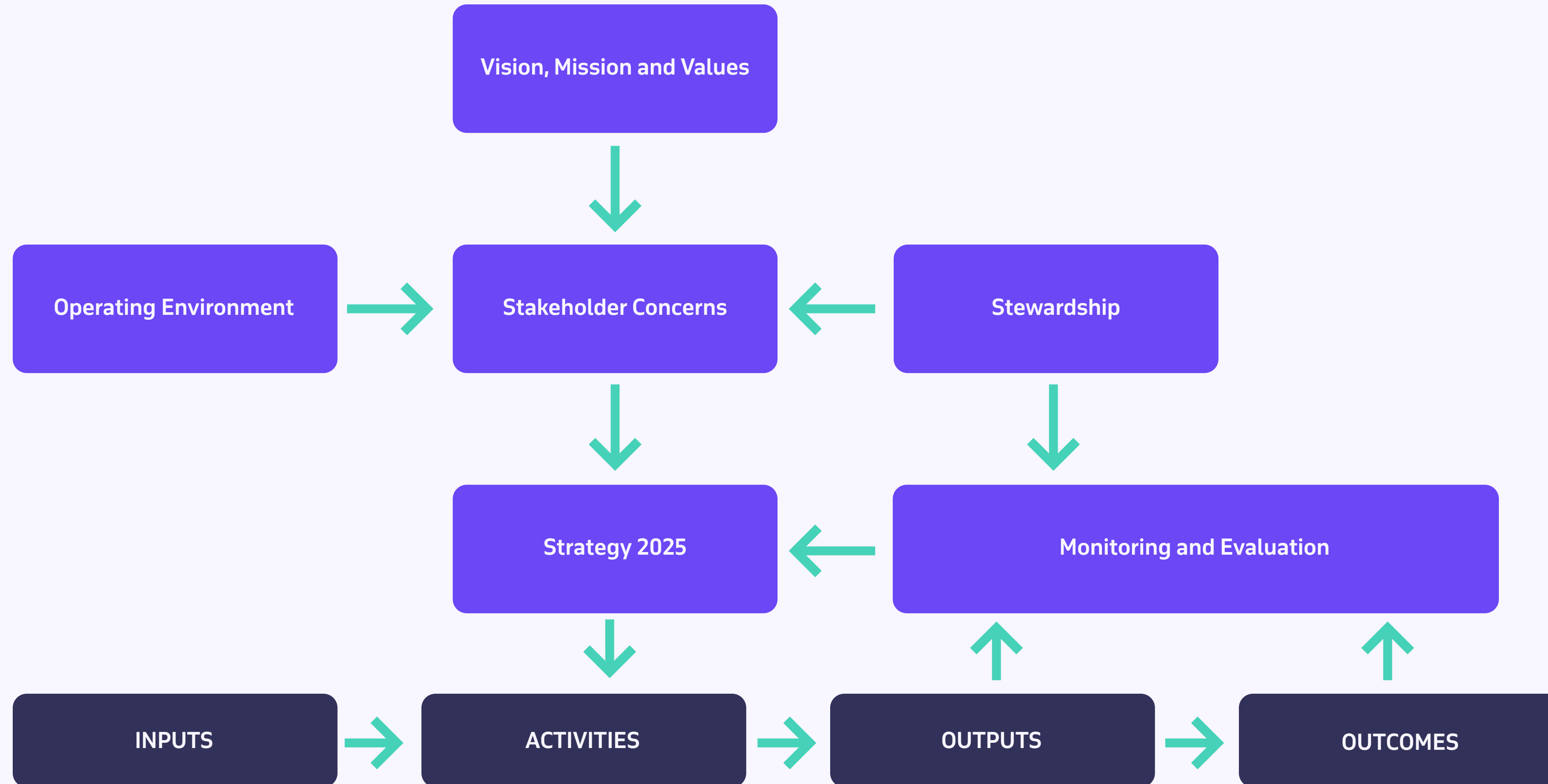


Stakeholder Engagement

| Stakeholder Group | Topics of Engagement | Mode of Engagement | Frequency of Engagement | | | | |
|----------------------------|---|--|-------------------------|-----------|---------|-------------|-----------|
| | | | Annual | Quarterly | Monthly | As Required | Continued |
| Shareholders and Investors | <ul style="list-style-type: none"> Company Performance Shareholder Returns Strategy Governance Business Expansion Plans Sustainable Growth | General Assembly Meeting | X | | | | |
| | | Extraordinary General Meetings | | | | X | |
| | | Annual Report | X | | | | |
| | | Interim Financial Statements | | X | | | |
| | | Earnings Call | | X | | | |
| | | Press Conferences and Releases | | | | X | |
| | | Announcements made on the Saudi Stock Exchange | | | | X | |
| | | Corporate Website (Dedicated Investor Relations Content) | | | | | X |
| Customers | <ul style="list-style-type: none"> Accessibility Data Privacy and Security Service Quality Inclusion through financial services Affordability Grievance Handling Mechanism Knowledge and Literacy in Insurance Customer support | Tawuniya physical office network | | | | | X |
| | | Tawuniya online platforms | | | | | X |
| | | Mobile apps | | | | | X |
| | | Social Media | | | | | X |
| | | Print and Electronic Media | | | | X | |
| | | Corporate Website | | | | | X |
| | | Customer Satisfaction Surveys | | | | X | |
| | | Queries and Complaints | | | | X | |
| | | Call Center Assistance | | | | | X |

| | | | | | | | |
|---------------------------------------|--|---|---|--|---|---|---|
| Employees | <ul style="list-style-type: none"> • Career Progression • Training and Development • Female Empowerment • Corporate Values • Remuneration and Benefits • Employee Loyalty and Recognition • Grievance Handling Mechanisms | Induction and Training Programs | | | | | X |
| | | Key Performance Indicators (KPIs) | | | | | X |
| | | e-Learning and classroom training | | | | | X |
| | | Internal Communications | | | | | X |
| | | Employee Health and Wellbeing Programs | | | | X | |
| | | Performance Reviews | X | | | | |
| | | Multiple channels for Employee Grievances | | | | | X |
| | | Management and Staff Meetings | | | | X | |
| Business Partners | <ul style="list-style-type: none"> • Contractual Performance • Future Business Opportunities | Review Meetings | | | | X | |
| Government Authorities and Regulators | <ul style="list-style-type: none"> • Governance • Company Performance • Business Expansion and Sustainable Growth • Saudization • Risk Management • Contribution to Economic Development and Diversification (Vision 2030) | One-on-One Consultations | | | | X | |
| | | Briefings and Communications | | | | X | |
| | | General Assembly Meeting | X | | | | |
| | | Extraordinary General Meetings | | | | X | |
| | | Annual Report | X | | | | |
| | | Interim Financial Statements | | | X | | |
| Community | <ul style="list-style-type: none"> • Employment Opportunities • Development Initiatives / Philanthropic Contributions | Localized Recruitment | | | | X | |
| | | Assistance through Corporate Social Responsibility (CSR) Events and Philanthropic Initiatives | | | | X | |

Value Creation Model



INPUTS

Financial Capital

Strong financial performance, reflecting high profitability and asset quality

- SAR 1,500 Mn. paid-up capital
- SAR 15.3 in Insurance Revenues

Human Capital

An empowered team driven by the passion to protect

- 1,735 total employees
- 8,718 total training hours
- Launch of Marefa e-Learning platform

Social and Relationship Capital

Nurturing long-standing connections and earning a license to operate

- Strong Reinsurance Partnerships
- Growing Healthcare Network and Partner Network for Vehicle Repairs
- Strong Relationship with Regulatory authorities
- Community welfare and development Projects

Intellectual Capital

The intangible value generated by the Company

- Pioneers in Insurtech
- Deep insights, accumulated knowledge and expertise in insurance
- Experienced Board and Competent Corporate Management
- Strong brand value as top insurer and sought-after employer

ACTIVITIES

Guided by Strategy 2025 and its refreshed objectives (page XX)

- Growing prudently across all three business lines
- Introducing customer-centric, market-driven, innovative products and solutions
- Improving employee experience, capacity, and loyalty through opportunities and development
- Strengthening digital leadership position and navigating the industry towards a digital era
- Enhancing corporate governance and compliance to strengthen the foundations of the business

**Refer Our Business Lines (pages XX-XX)*

OUTPUTS

Financial Capital

- SAR 616 Mn. profitability for year in review, a 104% YoY increase
- 34% revenue growth
- 19.8% return on equity

Human Capital

- 39% female representation within the company
- 82% Saudization
- Reduced turnover rate of 23%
- 91% employees active on e-Learning Platform Marefa

Intellectual Capital

- Upgraded digital platforms
- Increased customer satisfaction (Can we add CSAT and NPS here?)
- Increased efficiencies, productivity and reduced turnaround times
- Presented with awards and accolades during 2023

OUTCOMES

- Largest insurer in the MENA region
- Innovative insurance products and solutions
- Transforming lifestyles through Tawuniya Drive and Tawuniya Vitality programs
- Technology-driven automated and digitized processes
- Multiple digital portals for Corporate, SME, and individual customers
- Enriched customer journeys
- Reaching maturity in Business Continuity Management (BCM) and Cybersecurity

Alignment to Vision 2030

A transformative and ambitious blueprint to unlock the potential of the Kingdom and diversify its economy, Saudi Arabia's Vision 2030 has thus far delivered unprecedented transformation and remarkable growth across the Kingdom since its launch in 2016. As one of its Vision Realization Programs, the Financial Sector Development Program (FSDP) plays a crucial role in shaping the future of Saudi Arabia's financial sector to promote income diversification, boost savings, and offer various financing and investment opportunities. Under the FSDP, the insurance sector remains one of the most important financial services sectors that supports all other economic activities and maintains their stability.

During the year in review, Tawuniya's Strategy 2025 continued to remain in alignment with the overarching objectives of Vision 2030, contributing towards developing a sustainable and thriving insurance sector in the Kingdom, contributing to the growth of the private sector and the overall growth of the non-oil sector GDP.

In line with Vision 2030, we have seen strategic regulatory changes, such as the more recent comprehensive motor insurance rules and the standard insurance policy on domestic workers' contracts, further driving the insurance industry's growth during the year in review. Tawuniya remains committed and on track to support the Saudi Government achieve these objectives by introducing innovative insurance solutions powered by digitalization and innovative thinking to satisfy evolving market demands.

Furthermore, Vision 2030's strategy for diversifying its economy involves multiple mega projects that will create greater opportunities for insurers in the Kingdom, enabling the sector to achieve its Vision 2030 objective of increasing gross written premiums as a percentage of non-oil GDP to 2.4% by 2025.


Tawuniya's key strategic objectives of Strategy 2025 are well aligned with the 2025 insurance sector commitments of Vision 2030, especially in terms of increasing the coverage ratio of both health and motor insurance schemes from 2019 baseline values. Tawuniya's position as the pioneering and largest insurance company in the kingdom will help contribute towards the Vision 2030 objective of increasing the coverage ratio of health insurance schemes from 33.8% to 45%, and motor insurance schemes from 56% to 77% by 2025.

With sustainability being at the heart of Vision 2030, Tawuniya also remains committed to support the Kingdom's ambitious 2060 net zero target through various initiatives.

Beyond the Company's core insurance business, Tawuniya also continued to support the promise of Vision 2030 to build a "strong, thriving, and stable Saudi Arabia that provides opportunity for all", by implementing and advancing a number of initiatives that contributed towards Vision 2030 objectives.

Tawuniya's environmental, social, and governance initiatives support the following strategic objectives of the Vision 2030:

Environmental




- Reduce all types of pollution
- Safeguard the environment from natural threats
- Protect and rehabilitate natural landscapes
- Increase the contribution of renewables to the national energy mix

Social



- Make healthcare services more accessible
- Improve the value of healthcare services
- Strengthen health risk prevention methods
- Increase public participation in sports and athletics
- Prepare the youth to enter the workforce
- Increase the proportion of women in the workforce
- Support people with disabilities in the labor market

Governance



- Increase the business' commitment to social responsibilities
- Increase the business' commitment to sustainable development

Commitment to Sustainable Development Goals (SDGs)

The insurance industry takes on a multifaceted role; as risk manager, risk carrier and institutional investor, in contributing to environmental, social and economic sustainability around the world. Insurance therefore, as a risk protection mechanism, shields against unexpected financial shocks that set back development progress, and builds resilience.

The United Nations' 2030 Agenda for Sustainable Development provides an accessible and effective framework for combating many of the world's most pressing environmental, political, and economic challenges. From the Sustainable Development Goals (SDGs) outlined in the UN 2030 Agenda, Tawuniya has identified several SDGs that enable the Company to make the most positive impact on its stakeholders and the environment through its operations, investments, and community programs.

We are prioritizing the following seven United Nations SDGs in Tawuniya's ESG strategy:



3 GOOD HEALTH AND WELL-BEING

SDG 3
Good Health and Well-Being

Tawuniya promotes health and well-being for all, regardless of age, background, or socio-economic status, and continues to implement many initiatives to nurture good health and well-being among our customers, employees, and local communities. Tawuniya's first-of-its-kind programs—Tawuniya Drive and Tawuniya Vitality— were launched to support the health and well-being of our customers by incentivizing healthier lifestyle choices and safer driving respectively.



5 GENDER EQUALITY

SDG 5
Gender Equality

Tawuniya makes a conscious effort to ensure gender equality in the workplace. The Company strives to establish an environment where employees are not judged by their gender, but rather by their skills, behaviors, and work ethics. Tawuniya has significantly increased the number of female employees in its workforce, and is committed to promoting gender equality at all organizational levels.



8 DECENT WORK AND ECONOMIC GROWTH

SDG 8
Decent Work and Economic Growth

Decent work and economic growth are ideals that align with Tawuniya's goal of being a trusted partner known for protecting its stakeholders' most valuable assets. The Company aims to empower its customers through educational campaigns, and its employees through a variety of professional courses under its newly introduced, comprehensive Learning and Development strategy.



SDG 9
Industry, Innovation and Infrastructure

Tawuniya aims to empower customers, partners, and employees to innovate continuously. By insuring our customers against risks, Tawuniya gives them freedom to pursue innovative projects with the potential to benefit society. The Company's underwriting and financing activities support infrastructure projects, sustainable industrialization, and reliable transportation.



SDG 11
Sustainable Cities and Communities

Tawuniya Drive helps make towns and cities safer by promoting safe driving and offering financial incentives that reduce the likelihood of accidents, complemented by campaigns to raise customer awareness on ways to prevent accidents with the goal of building a safer society. Additionally, Tawuniya's proposed public park will help improve the quality of life in its immediate and adjacent areas and communities. Through its insurance activities, the Company helps protect properties against damage from floods, fires, and burglaries. Tawuniya also helps protect the investments of individuals, businesses, and government bodies through insurance policies. Finally, Tawuniya's numerous CSR initiatives support local communities, contributing towards reducing economic disparities and eliminating poverty.



SDG 13
Climate Action

Over the past few years, Tawuniya has significantly reduced its waste generation as well as its resource consumption. In the coming years, the Company will continue to integrate climate considerations in its organizational structure, decision-making processes, and investment policies. The construction of Tawuniya's park is another key step in its mission to offset Tawuniya's emissions. As an insurer, Tawuniya also play a vital role in mitigating the effects of natural disasters resulting from climate change on economic growth and personal finances.



SDG 17
Partnerships

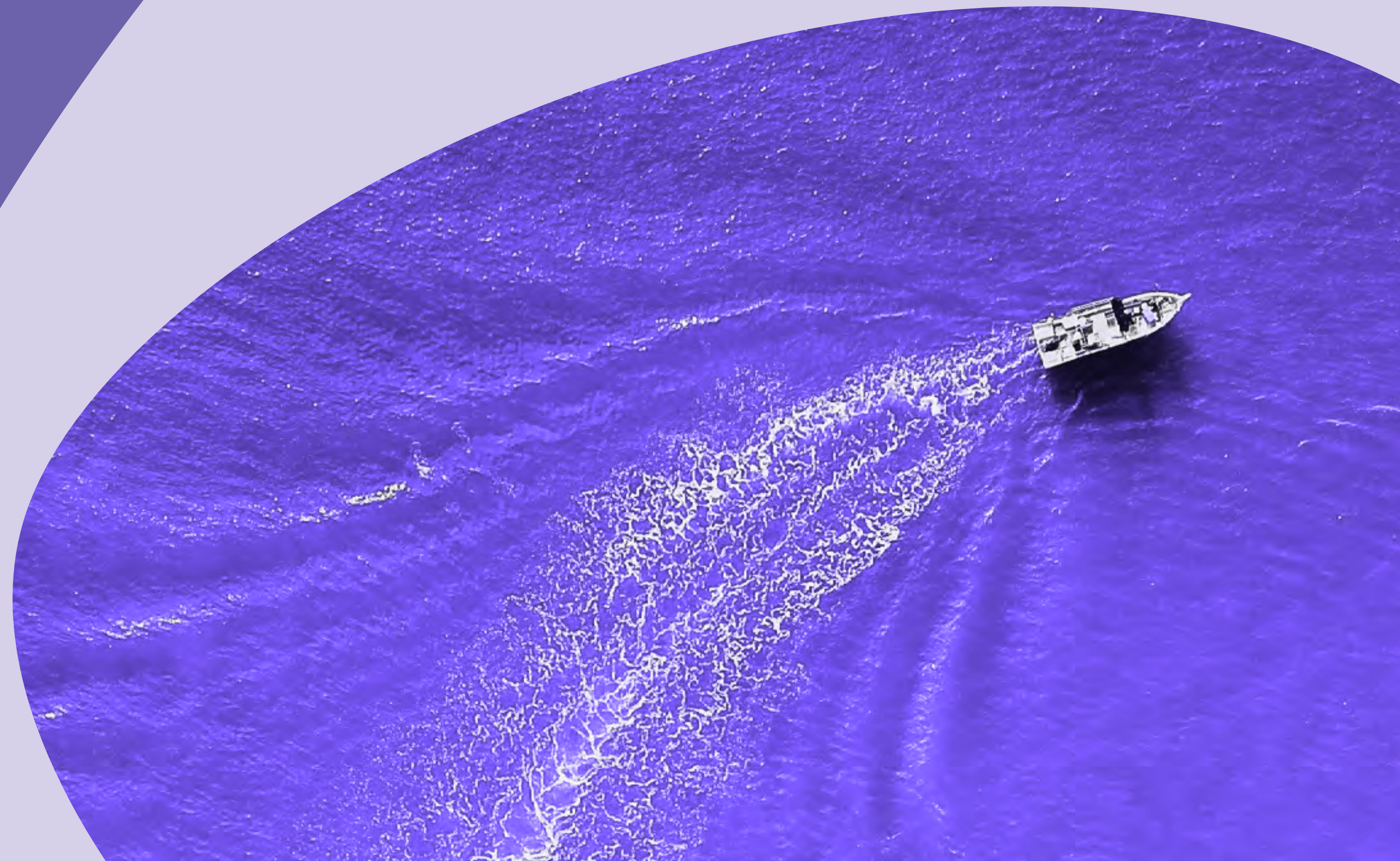
Building new partnerships and establishing the environments necessary to provide high-quality solutions to customers is a key pillar in Tawuniya's ESG strategy. The Company partners with leading hospitals to build a network for benchmarked healthcare, while also collaborating with repair shops across the Kingdom to give mobility customers the best experience possible. We aim to lead by example through our multi-stakeholder partnerships, helping our partners to integrate ESG into their business operations. We also try to further the ESG agenda in our discussions with international development organizations, governments, regulators, non-governmental organizations, other insurers, and local communities.

Our Business Lines



OUR BUSINESS LINES

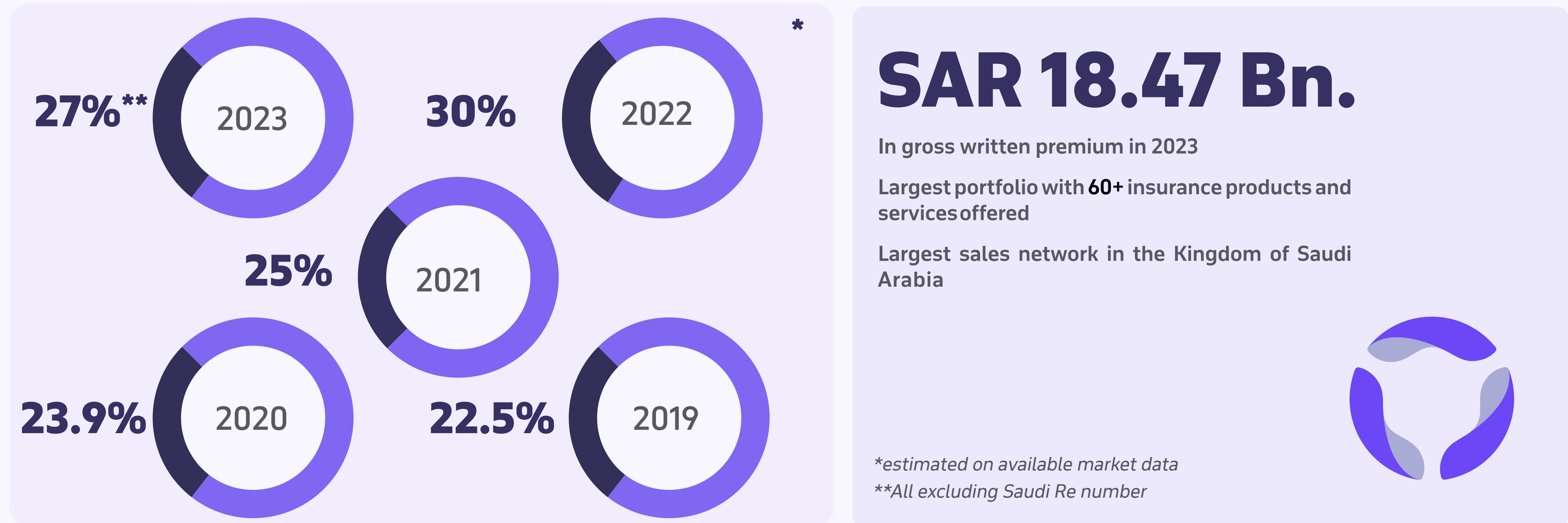
Since its establishment, Tawuniya has played a key role in the insurance sector of the Kingdom of Saudi Arabia. Through nearly four decades of operation, the Company has consistently improved its service offering and financial performance to become the top insurance provider in the kingdom. The main insurance verticals offered at Tawuniya include individual and corporate insurance covers in health, takaful, motor, property and casualty (across multiple sectors), expansively covering over 60 insurance classes.



2023 Highlights

Drawing from nearly four decades of unrivalled technical expertise in the Saudi insurance market, Tawuniya enjoyed a total insurance market share of 27% for the reporting period.

Market Share



Chief Financial Officer's Review



Necessary regulatory enhancements, rapidly advancing technical sophistication, and the promise of a thriving and diversified economy powered by ambitious Vision 2030 goals continued to drive the growth of the insurance sector of the Kingdom of Saudi Arabia in 2023. Tawuniya too, successfully continued its growth momentum in 2023, recording one of our strongest performances to date.

In 2023, Tawuniya's Gross Written Premiums (GWP) reached SAR 18.5 Bn., a significant 29% year-on-year growth from SAR 14.3 Bn. in 2022, maintaining our position as the largest insurer in the MENA region in terms of GWP. This performance was backed by impressive growth shown across Tawuniya's lines of business during the year in review, aided by market growth, as well as unparalleled value-added services that differentiated our product offerings in a saturated market.

Given the continued expansion of the health insurance sector and its resulting market competition and pricing, Tawuniya's Health and Life GWP successfully crossed the SAR 10 Bn. milestone during the year in review to reach SAR 12.5 Bn. at the close of 2023, recording a 26% growth year-on-year. The Health and Life vertical remained our strongest performing line of business, contributing 68% of Tawuniya's total GWP for the year, supported by an evolving and digitized product portfolio, strategically targeting emerging market needs.

The mobility business line continued to record extraordinary growth in 2023, backed by a strong sales performance, strategic pricing, and more customer-centric value-added services added on to our telematics-driven solutions. The mobility vertical recorded an outstanding 171% year-on-year growth across the business line in 2023, reaching SAR 2.9 Bn. in GWP.

Our general line of business reached a GWP of SAR 2.2 Bn. for the year in review, recording a sales growth of 254% despite the discontinuation of Tawuniya's Travel COVID policy. The doubling of sales was largely driven by the mandatory medical malpractice insurance coming into force in early 2023, as well as the market's growing confidence in Tawuniya's capabilities in underwriting complex and large general insurance policies.

With pilgrim numbers reaching pre-pandemic levels in 2023, Tawuniya's Hajj and Umrah vertical maintained its medical policy sales during the year in review, while recording a slight decrease in the general accident covers, surpassing SAR 800 Mn. in total.

Following the adoption of the new IFRS 17 and IFRS 9 Standards that came into effect on 01 January 2023, Tawuniya applied the necessary adjustments to our consolidated statement of income for the year ended 31 December 2022 for stronger alignment with the international standards, and better comparison of our financial results for the year 2023.

Our total assets reached SAR 18.5 Bn. for the year in review, increasing by 21% year-on-year from the re-stated asset value of SAR 15.2 Bn. for 2022. This growth was largely driven by term deposits, reinsurance contract assets, as well as investment income. Furthermore, cash flow from operating activities during the year was recorded at a healthy inflow of SAR 1.6 Bn., while SAR 1 Bn. was directed towards investing activities, with our net investment income reaching SAR 435.5 Mn. for the year.

As line-item descriptions in the consolidated statement of income changed considerably during 2023 following the adoption of the IFRS 17 standard, we have calculated our total insurance revenue for the year in review as is now required, recording a significant 34% year-on-year increase to reach SAR 15.3 Bn. at the close of 2023. Notably, our total insurance service expenses also increased by 34% from SAR 10.5 Bn. in 2022 to SAR 14.1 Bn. in 2023. Nevertheless, our insurance net income following the deduction of net expenses from insurance contracts reached SAR 681 Mn., a significant 115% increase year-on-year.

The strong financial performance for the year in review resulted in our earnings before taxes reaching SAR 717.8 Mn. in 2023, recording an outstanding 83% year-on-year growth over our re-stated 2022 earnings. We crossed SAR 100 Mn. in zakat payments during the year in review, and doubled our net profit after zakat from the previous financial year to SAR 616 Mn. As a result of this remarkable performance, earnings per share (EPS) too, greatly improved from the restated value of SAR 2.01 to reach SAR 4.11 at the close of 2023.

Mr. Mater Al-Enazi
Chief Financial Officer

Five-year Summary of Business Results

IFRS 17 (SAR'000'000)

| Description | FY23 | FY22 |
|--|----------|----------|
| Insurance revenue | 15,265 | 11,408 |
| Insurance service expenses | (14,067) | (10,485) |
| Insurance service result before reinsurance contracts held | 1,198 | 923 |
| Net expense from reinsurance contracts held | (517) | (606) |
| Insurance service result | 681 | 317 |
| Net investment income | 436 | 372 |
| Net insurance finance expense | (68) | (6) |
| Net income (before zakat) | 718 | 392 |
| Net income (after zakat) | 616 | 302 |
| Total Equity | 3,622 | 3,132 |
| Basic and diluted earnings per share (in SAR) | 4.11 | 2.01 |

IFRS 4 (SAR'000'000)

| Description | 2021 | 2020 | 2019 |
|--------------------------------|--------|-------|-------|
| Gross Written Premium (GWP) | 10,219 | 9,062 | 8,376 |
| Net Earned Premiums (NEP) | 7,930 | 7,042 | 6,877 |
| Net Incurred Claims | 6,660 | 5,488 | 5,813 |
| Net profit (loss) before Zakat | 350 | 514 | 402 |
| Total Comprehensive income | 330 | 310 | 691 |
| Total equity | 3,039 | 2,809 | 2,500 |
| Profit per share (SAR) | 2.13 | 3.15 | 2.62 |

(SAR'000)

| Income Statement for 2023 | | | |
|--|------------------|--------------------|-------------|
| Description | 2023 | 2022 (Restated) | % |
| Insurance revenue | 15,265,424 | 11,408,348 | 34% |
| Insurance service expenses | (14,067,493) | (10,485,303) | 34% |
| Insurance service result before reinsurance contracts held | 1,197,931 | 923,045 | 30% |
| Allocation of reinsurance premiums | (1,889,590) | (1,618,800) | 17% |
| Amounts recoverable from reinsurers for incurred claims | 1,372,831 | 1,012,888 | 36% |
| Net expense from reinsurance contracts held | (516,759) | (605,912) | -15% |
| Insurance service result | 681,172 | 317,133 | 115% |
| Commission income | 450,430 | 260,002 | 73% |
| Dividend income | 2,576 | 3,452 | -25% |
| Gain on disposal of available-for-sale investments | - | 36,488 | - |
| Net fair value (losses) / gains on financial assets at fair value through profit or loss | (56,176) | 39,967 | -241% |
| Share of profit from equity accounted investments | 38,710 | 32,207 | 20% |
| Net investment income | 435,540 | 372,116 | 17% |

| Income Statement for 2023 | | | |
|--|------------------|--------------------|--------------|
| Description | 2023 | 2022 (Restated) | % |
| Reversal of / (allowance for) expected credit losses on financial assets | 16,234 | (141,502) | -111% |
| Finance (expense) / income from insurance contracts issued | (142,152) | 2,347 | -6157% |
| Finance income / (expense) from reinsurance contracts held | 73,838 | (8,098) | -1012% |
| Net insurance finance expense | (68,314) | (5,751) | 1088% |
| Net insurance financial result | 1,064,632 | 541,996 | 96% |
| Other operating expenses | (427,394) | (178,003) | 140% |
| Other income | 80,568 | 27,586 | 192% |
| Net profit for the period before zakat | 717,806 | 391,579 | 83% |
| Zakat charge for the year | (101,380) | (89,386) | 13% |
| Net profit for the period after zakat | 616,426 | 302,193 | 104% |
| Basic and diluted earnings per share (in SAR) | 4.11 | 2.01 | |
| Weighted average number of shares in issue | 150,000,000 | 150,000,000 | |

SAR'000)

| Summary of Financial Position 2023 | | | | | |
|------------------------------------|------------|------------|------------|------------|------------|
| Description | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total Assets | 18,416,726 | 15,260,390 | 12,524,616 | 14,257,426 | 14,114,485 |
| Total Liabilities | 14,794,909 | 12,127,830 | 9,588,419 | 11,448,064 | 11,614,796 |
| Total Equities | 3,621,817 | 3,132,560 | 2,936,197 | 2,809,362 | 2,499,689 |

**2020 and 2019 numbers were taken from IFRS 4 2020 statutory financial statements.*

Future Outlook

With the diversification of the Saudi economy, Tawuniya remains focused on our responsibility to navigate the promising insurance industry on this growth trajectory, and we are excited to create new insurable assets and new lines of mandatory coverage across the Kingdom to meet evolving customer needs. We look forward to realizing our overarching strategic vision of strengthening our position as the leading insurer in the Kingdom of Saudi Arabia, and becoming the largest insurer in the MENA region.

Health and Life Insurance

Health insurance continued to be the main driver of the Kingdom's insurance sector expansion in recent years, as a result of a booming economy and mandatory medical coverage for private sector employees. The latest data from the Insurance authority highlights a significant year-on-year growth in gross written premiums in 2023, with over 60% of premiums falling under the health insurance vertical. 2023 also saw the entry of the first foreign health insurer to the Kingdom, reflecting the Saudi government's drive to attract foreign insurers, raise the benchmark of the sector, improve quality of service, and foster product innovation.

Against this highly competitive and promising backdrop, Tawuniya continued to grow its health and life insurance vertical, improving efficiencies, turnaround times, and access to services through digitalization and automation, while also enhancing policyholders' coverage with value added services, and introducing new products to address identified gaps in the market.

Tawuniya conducted a number of focused market surveys during the year in review to identify client needs and resulting market opportunities to penetrate into untapped market segments. Focus group sessions were conducted to understand the type and scope of supplementary benefits sought by potential policyholders when browsing the market for health insurance products, while a few more focus groups were conducted to gain an understanding of the Saudi population's perceptions and attitudes towards financial planning and savings through insurance plans that provide life coverage.

Such deep insight into customer behavior was leveraged through innovative products, automated processes, and digitized solutions, winning us recognition from the Council of Health Insurance (CHI) at the CHI Excellence Awards 2023 (Details listed out on Awards/recognition received during 2023 – page XX), for navigating the Kingdom's health insurance vertical towards benchmark standards.

2023 Highlights

Health and Life saw a significant improvement across all segments resulting in a 26% year-on-year growth in GWP to reach SAR 12.5 Bn. Over 31,000 new health insurance policies were purchased in total during the year in review, with 17,483 of them being Corporate Insurance covers given the mandatory coverage for private sector employees. Of the total medical claims received in 2023, 97% were made electronically.

Revolutionizing Health Insurance through Digital Transformation

A number of digital and technological upgrades were carried out to enhance both front-end and back-end operations across Tawuniya's Health Insurance business during 2023, greatly improving the policyholder experience, as well as the speed and accuracy of the claims process.

In Service Provider Management:

- **Integrative Infrastructure** – Tawuniya integrated a digital Provider Portal to trace, track and provide end-to-end visibility of all service provider interactions, from initiation of the contracting request and turnaround times to monthly financial statements, greatly improving traceability and operational efficiencies.
- **Digitization of Contracts** – Contracts and contractual terms of all healthcare service providers were digitized and added on to the core system, providing a baseline for sustainable analytics and data-driven, automated efficiencies.
- **Operational Dashboards** – Visibility in provider management was enhanced with the introduction of strategic, tactical and operational dashboards that improved transparency, operational accuracy and cost efficiencies.

In Pre-authorization:

- **Automation** – Tawuniya continued to make significant progress in its automation journey during the year, identifying and automating a number of authorization processes across the customer journey to improve turnaround times and eliminate human error.
- **Referrals** – The referral process was updated with the advanced pre-authorization feature, allowing pharmacies to dispense medicine directly to policyholders by eliminating the process of new request submission and approval.

In Enrollment:

- **CHI Approvals** – Ability to electronically upload health insurance information of Tawuniya policyholders to the Council of Health Insurance (CHI), eliminating the manual verification process and decreasing the response time, thereby achieving a 95% acceptance rate of its policies by the CHI, enhancing Tawuniya's compliance standards while improving client satisfaction.
- **Third-Party Partnerships** – To leverage existing services and expertise in the market and automate various processes throughout the policyholder journey.

Tawuniya's medical governance standards were also improved further in 2023, where medical rules were integrated across internal controls with real-time monitoring to ensure stringent compliance with regulations.

Tawuniya Vitality Program

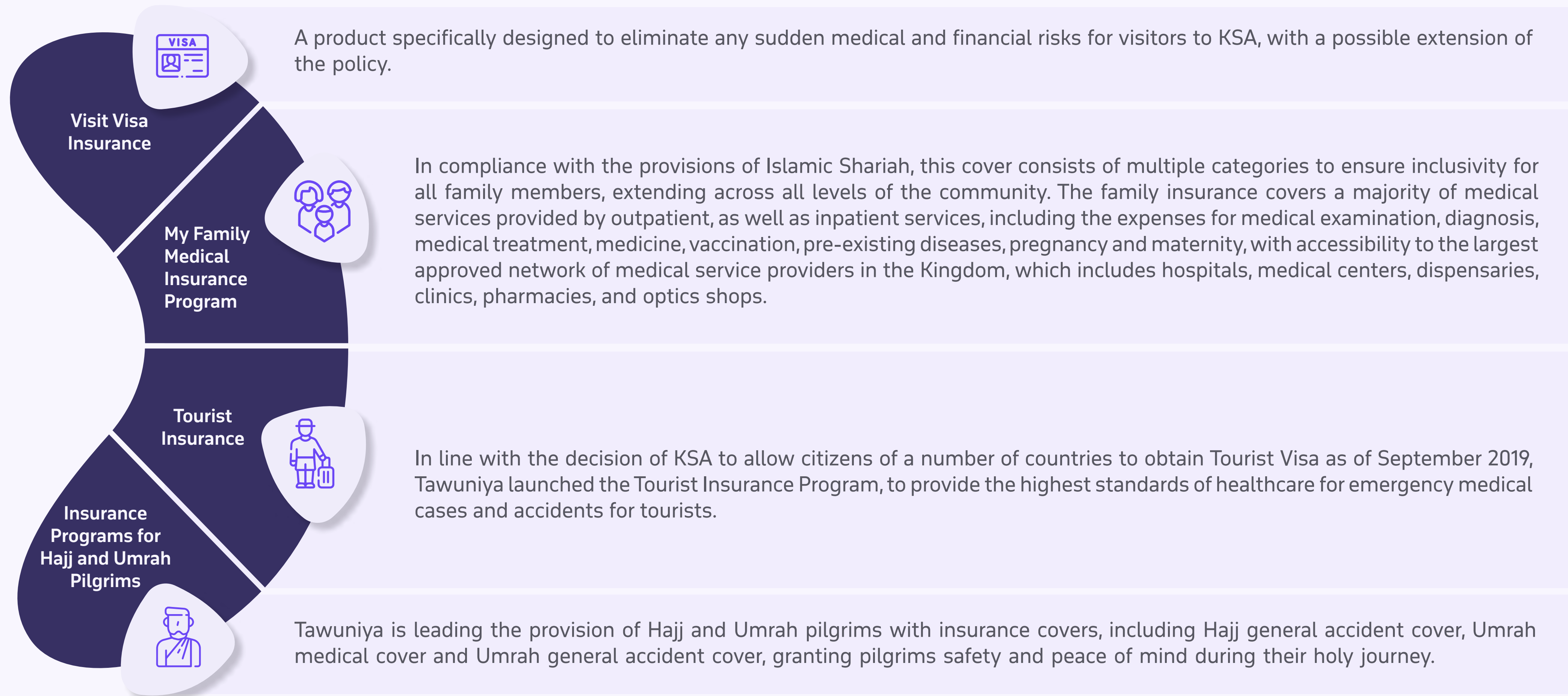
In 2020, Tawuniya introduced 'Tawuniya Vitality', the first-of-its-kind wellness program in the Kingdom as well as the MENA region, navigating the region's insurance sector towards a data-driven, customer-centric future. The program, built on behavioral scientific research and proven application, sets personalized goals based on an individual's fitness level, recommending healthier lifestyle choices and offering rewards for improving overall well-being. The program was launched in partnership with the Vitality Group, the global leader in wellness-based insurance with over 20 million members globally. Driven by smart technology, the highly engaging app continues to re-invent the health insurance experience for policyholders, effectively enhancing the quality of life in the Kingdom.

2023 Highlights

During 2023, the Tawuniya Vitality Market Place continued to grow by on-boarding over 100 brands and merchants, delivering an unrivaled customer value proposition. Instant redemption of incentives was made more efficient through a more interactive and highly-responsive user interface. The concentrated effort resulted in a substantial increase of 600% in Tawuniya Vitality memberships year-on-year. Overall, Vitality Members reaching the higher tiers of the program recorded an 18% decrease in claims per client over the past 3 years, compared to policyholders that were not registered members of the program.

A total of 142 Vitality Events were held throughout the year, engaging with policyholders as well as the general public through various health and lifestyle awareness sessions and workshops. This included Health Days that covered numerous medical conditions including breast cancer and diabetes, and 20 educational sessions including first aid, stress management and healthy eating. The Vitality Program also sponsored a number of national-scale events including the Riyadh Marathon and the HR Tech Saudi Summit, and also activated the Vitality Champion program across 5 mega corporations in the Kingdom, promoting a healthier work-life balance among users.

Personal/Individual Insurance Covers



2023 Highlights

With the insight gained through the market survey and focus groups conducted during 2023 resulted in the launch of two new products under health and lifestyle insurance:

- **In-patient Insurance for Parents**

Addressing the identified market need for adults to purchase health insurance for their parents, to provide medical coverage for conditions that require hospitalization without financial strain .

- **Domestic Worker Health Insurance**

Addressing the identified market need for health insurance coverage of domestic workers – a demographic that is otherwise disadvantaged and largely non-insured, Tawuniya introduced the Domestic Worker Health Insurance cover to provide sponsors the peace of mind in knowing that their workers are covered in case they incur unexpected healthcare-related costs.

Exclusive Value-Adding Services

In addition to all benefits provided by the policy, Tawuniya offers a number of exclusive and value-adding services that were further expanded during 2023 to meet the evolving health insurance needs of its growing policyholder base. All value-added services (except for medication refills) are offered with zero-deductible health insurance plans. These services include, but are not limited to:

- Medical reimbursement for treatment outside Tawuniya's approved medical care network
- Chronic disease management refill of chronic disease medication, now with tracking enabled
- Home vaccination services for children aged between 0-7 years

Corporate Health Insurance Covers

Tawuniya offers distinctively designed medical insurance options for companies based on the number of employees and resulting number of coverages required. Tawuniya provides a number of benefits to Corporates through health insurance packages, including:

- Providing a single point of contact
- Easy online processing
- Cashless claims through a wide network of a medical care network
- Low cost premiums to encourage insuring larger numbers of employees
- Scalable plans tailored to cover companies of all sizes

2023 Highlights

In Q4 of 2023, Tawuniya partnered with Saudi HR management systems provider Jisr to introduce clients with the novel value-added benefit of discounted subscriptions to Jisr HRMS, offering users the feature to manage the Tawuniya health policies of their employees through the Jisr Platform, streamlining their client HR operations.

- **Small and Medium Enterprises (SMEs)**

With an ambitious Vision 2030 target that aims to have 35% of the Kingdom's GDP originate from SMEs by 2030, the number of registered SMEs in Saudi Arabia has continued to increase over the past few years, contributing to the diversification of the Saudi economy. Given the significant role played by the insurance sector in the empowerment of SMEs, Tawuniya continued to enhance SME health and life insurance offerings during the year in review, building a healthy portfolio by achieving a targeted and diversified mix of clients across multiple SME business verticals.

- **360-degree Health Insurance**

For companies with less than 250 employees, Tawuniya offers a comprehensive, 360-degree health insurance package that provides 9 categories of medical insurance coverage for employees and their families to choose from. The comprehensive package is rounded up with Tawuniya's integrated health services program Taj, alongside membership to Tawuniya Vitality to promote a healthy lifestyle among employees. The 360-degree health insurance package is compatible with the requirements of the Kingdom's Council of Health Insurance (CHI).

2023 Highlights

Tawuniya launched the SME e-Service Platform in 2023 to meet the rapidly evolving needs of its growing SME client demographic, providing access to automated services online, greatly reducing turnaround times for requests from five days to a few minutes, thereby improving client satisfaction, while also contributing to the reduction of client operational costs. Tawuniya also extended the Wafaa protection plan covering loss of life due to any cause to SME medical policies during the latter part of 2023, with the automation of the process scheduled to continue in 2024 to further benefit SME businesses.

This concentrated effort to enhance SME health and life insurance offerings in 2023 resulted in Tawuniya recording the highest ever year-on-year growth for its SME business as well the SME intermediary business, and also recorded the highest retention ratio ever for SMEs.

- **Mid-to-large corporates**

For corporations with more than 250 employees, Tawuniya offers medical insurance and life insurance packages based on each company's evolving needs, compatible with the requirements of the CHI.

a. Compulsory Medical Insurance

Offers out-patient and in-patient medical expenses, with additional features for companies to update employee information and upgrade existing plans of employees as necessary.

b. Takaful Life Insurance

A program approved by the Shariah Authority, which reimburses the agreed benefit in the event of the loss of life of an employee of the insured institution or company. Employers can choose from a Group Life Plan or a Group Life Credit Plan, with the benefits ranging from the basic coverage benefit of mortality due to any cause, to other additional benefits including, but not limited to; critical illness, permanent, total or partial disablement due to accident or sickness, medical expenses as well as expenses for repatriation of mortal remains. Takaful also extends to Takaful Wafaa – Medical Limit Protection Plan, covering loss of life due to any cause beyond KSA borders.

Future outlook

Tawuniya constantly assesses its Health product portfolio, and will continue to upgrade and improve on existing product offerings to meet the distinct demands of specific demographics, while complying with regulatory changes. Additionally, the Health line will actively craft innovative solutions to meet the needs of previously overlooked segments, thereby expanding Tawuniya's reach and strengthening its value proposition. Technological innovation will also power the growth of the Health business, with the upcoming launch of Tawuniya's comprehensive digital platform that aims to cover all corporate health insurance needs, among other covers.

The segment's distribution strategy will continue to improve commission structures and incentives, and focus on leveraging digital channels to maintain and grow Tawuniya market share, especially among MSMEs as well as the large corporates and the government sector. The Health business will also continue to pursue exclusive partnerships with global and regional insurance companies to meet growing international coverage demands. With limited market competition in the Life segment in KSA, Tawuniya remains on schedule to successfully complete its product development plan and launch a number of individual life products and group protection covers during the coming financial year.

Mobility Insurance

Saudi Arabia's motor insurance market witnessed a huge growth during 2023, making it the second-largest contributor to overall insurance premium growth in the Kingdom¹ behind health insurance. The growth of the sector over the past few years resulted from evolving motor insurance regulations that were aimed at encouraging greater adoption of motor insurance across the Kingdom.

In ongoing efforts to further regulate the sector and safeguard the rights of policyholders, 2023 saw amendments carried out to the Unified Compulsory Motor Insurance Policy by the Saudi Central Bank (SAMA)² at the onset of the year for third-party insurance products. The tail-end of the year in review also saw the revision of comprehensive motor insurance rules taking effect across the Kingdom, with the aim to broaden insurance coverage by including relatives, private drivers, and sponsor beneficiaries of the policyholder.

In such a regulation-driven, competitive market, Tawuniya's Motor Insurance business continued to introduce innovative, digitized solutions in 2023, remaining fully compliant with new policies and mandatory regulations introduced in the Kingdom.

2023 Highlights

Powered by a strong sales performance, mutually beneficial partnerships as well as strategic pricing and smart underwriting practices, Tawuniya recorded a remarkable top-line business growth of 171% at the end of the year, successfully increasing its motor insurance market share to 27% at the close of 2023. Tawuniya sold approximately 1.5 million new motor insurance policies in 2023, and recorded a 7% year-on-year reduction in loss ratio. Of the total motor claims received in 2023, approximately 99% were made online, a successful 57% year-on-year increase. The total gross written premiums for Tawuniya's motor insurance business (excluding Tree) totaled to SAR 2.81 Bn. for the year in review, contributing to 15.27% of Tawuniya's total gross written premiums in 2023. Quite notably, 99.5% of claims settled during the year were settled within 7 working days.

¹ <https://www.arabnews.com/node/2445541/business-economy>

² <https://oxfordbusinessgroup.com/reports/saudi-arabia/2023-report/insurance/full-coverage-a-combination-of-regulatory-developments-and-demographic-factors-are-fuelling-penetration-growth-and-innovation-overview/>

Our Mobility Insurance Portfolio

Comprehensive Plan

Al-Shamel is Tawuniya's comprehensive motor insurance program that provides total peace of mind for the discerning vehicle owner. Al-Shamel comprises total and partial loss cover for the insured vehicle as well as full third-party liability cover up to SAR10 Mn. for damage caused in an accident involving the insured vehicle. Al-Shamel also includes embedded benefits that complement the core insurance such as Roadside Assistance, Tawuniya Drive, End-to-End (E2E) claims servicing and customizable extensions to complete the Al-Shamel experience.

Third-Party Liability Plan

Sanad is the standard regulatory third-party liability insurance product, offering insured vehicles with liability coverage of up to SAR10 Mn. To further augment this offering, we have introduced Tawuniya Flex, offering clients the opportunity to add paid extensions which comprise Towing, Theft, Fire, Hail & Flood, Glass, Personal Accident and more to their cover.

Third-Party Liability Plus Plan

Sanad Plus is a hybrid program that combines liability coverage with selective own-damage coverage for the insured vehicle. This program allows the client to customize the amount of own-damage cover required for their vehicle up to a limit, and acts as the bridging product between Sanad and Al-Shamel.

Personal/Individual Motor Insurance plans

Mechanical Breakdown Insurance (MBI)

- An innovative product offered by Tawuniya for the first time in the Kingdom, this insurance provides coverage for labor and the cost of repairing mechanical and electrical faults and failures. The cover offers an outstanding level of repair services through a wide network of approved workshops across the Kingdom. During the year in review, roadside assistance service was embedded to the MBI cover. A new coverage limits plan was introduced to enable policyholders the opportunity to customize their MBI covers accordingly.

Corporate Motor Insurance plans

For corporations with more than 250 employees, Tawuniya offers motor insurance packages based on each company's needs, with a combination of comprehensive AlShammel covers complemented by Sanad third-party liability covers. A number of new corporate motor insurance products were introduced during the year in review, including the Goods in Transit product.

For small and medium enterprises (SMEs) with less than 250 employees, Tawuniya offers a 360-degree motor insurance plan that combines the basic extensions and benefits of the comprehensive and third-party liability covers. The SME motor insurance will be accessible online through Tawuniya's SME e-Service Platform in early 2024.

Roadside Assistance (RSA)

Tawuniya's Dorooob Roadside Assistance program comprises a combination of services designed to assist drivers in solving possible issues ranging from flat tire and dead battery and breakdowns to minor repair and vehicle recovery. RSA services that offer greater convenience to clients include:

- Vehicle towing service
- Battery charge or change
- Emergency fuel supply
- Tire change
- Car service pickup and delivery

Dorooob program also provides, free of charge, the service of transporting the vehicle to the periodic insurance inspection station for inspection, returning it and submitting the final report.

Motor Insurance additional extensions:

- Geographical extension
- Hire care facility
- Agency repairs
- Personal accident

Tawuniya Drive

The pioneering telematics program introduced to the Saudi Market in 2021, Tawuniya Drive encourages and rewards safer driving habits through a points-based system, significantly improving the driving behaviors of users. With a sensor attached to the driver's vehicle, the Tawuniya Drive app collects and analyzes data relating to acceleration, braking, mobile phone usage, speed and speed limit violations among other driving behaviors. Drivers can access a range of rewards from Tawuniya Drive's partner network, rewards ranging from fuel and car maintenance discounts to food and beverage vouchers. Tawuniya Drive is offered to all Al-Shamel customers on a complimentary basis, and has also been made available for non-Shamel customers at a small fee.

Tawuniya Drive gives the opportunity to earn weekly rewards and premium discounts of up to 20%, Tawuniya Drive aims to improve road traffic safety for customers and communities—a goal that aligns with the National Transformation Program (NTP) and the Kingdom's Vision 2030.

The loss ratio for Tawuniya Drive participants is significantly lower than that of their non-participant counterparts—a fact which suggests that Tawuniya Drive participants are involved in far fewer accidents. Since its successful launch in 2021, Tawuniya has gathered more than one billion kilometers of driving data from this program, providing a unique insight into driving behavior and trends for our underwriting team.



2023 Highlights

An unparalleled value proposition, wide-ranging rewards with a growing partner network, and targeted marketing efforts saw 250,000 new registrations in 2023, increasing the number of active participants to 300,000 and maintaining the active engagement rate above 40% during the year. Tawuniya Drive also successfully expanded its partner network to diversify its rewards, with registered members availing over SAR 5 Mn. through food and beverage vouchers, fuel discounts, and cashback offers among other rewards during 2023.

Rewarding Loyalty

In 2023, Tawuniya in partnership with Wala Plus, a leading company in the field of well-being, loyalty, and reward programs, introduced the 'Wala One' loyalty program, allowing registered Tawuniya Drive users access to a range of discounts, benefits and exclusive loyalty offers.

Wala One is a digital platform that allows policyholders to collect points in a single digital wallet and redeem them by availing offers and discounts offered by a partner network comprising hundreds of well-known brands, further strengthening customer loyalty and elevating customer satisfaction levels.

Gaining Deep Market Insight

In 2023, the Mobility business conducted a number of market studies and surveys to gain deeper insight into policyholder needs and identify market gaps. These included direct client engagement through the Voice of Client (VoC) initiative to obtain client feedback, as well as surveys on motor insurance service preferences, as well as customer experience, conducted during the year in review.

The insight gained through market surveys enabled Tawuniya's Mobility Insurance business to fast adapt to the advances in the motor insurance landscape, and address policyholder needs by introducing new mobility insurance solutions and enhancing existing products to meet evolving market needs. This also led to strengthening strategic partnerships with Banks to be their preferred insurance partner, penetrating the leasing market, and also identifying the most effective sales channels and strategically aligned service providers to improve year-on-year sales and market reach.

Online and Offline Client Engagement

The Mobility division recorded a strong sales performance through a number of strategic campaigns during the year in review; these included

- **Ameen Taslam** - a nation-wide campaign launched to create timely awareness of new enforcements of financial penalties by the traffic police that were activated from October 2023, which resulted in a 65% growth in the business with an SAR 400 Mn. GWP achieved during the campaign.
- **Try Before You Buy** - Non-Tawuniya clients were encouraged to explore the benefits of the Tawuniya Drive program through this campaign, with a one-month free trial of the program that resulted in over 5 million digital impressions and 150,000 new registrants for the Tawuniya Drive program.
- **E2E Campaign** - The newly launched digital E2E claim service for comprehensive cover holders was also introduced via a strategic marketing campaign, which resulted in a 25% increase in the service utilization.
- **Women's Day Bundled Offer** - Female drivers were offered a bundled discount offer in celebration of Women's Day 2023.
- **Home Insurance Cross-Selling Campaign** - Mobility insurance covers were promoted as part of a cross-sell strategy with Tawuniya's home insurance product, which resulted in the sale of 50,000 mobility covers.
- **Dashcam Campaign** - Offering free dashcams to customers purchasing AlShammel policies through the STC Channel
- **Winter Bundle** - Three coverages, namely Hail and Flood, Geographical Extension, and Personal Accident Cover, were bundled together and offered at a discounted price during winter season.

Beyond the campaigns, a number of client engagement events and initiatives were also hosted during the year in review, including the Tabouk Safety Competition and Traffic Safety Sessions, where Tawuniya also received tokens of appreciation from organizers. For corporate clients, Tawuniya participated in the dedicated day for SME's organized by the MiSK youth empowerment foundation - "MiSK for SMEs", and held over 15 Tawuniya Drive events and activations with key corporate clients. The success and effectiveness of the marketing campaigns as well as the events greatly contributed to the significant top-line business growth of the Mobility Insurance business during the year.

Driving the Digital Agenda

Tawuniya's Mobility Insurance vertical continued its digitization drive during the year in review by implementing a number of projects; key among these initiatives was the launch of the fully digital, end-to-end (E2E) claims service currently offered exclusively to AlShammel policyholders, thereby delivering a seamless policyholder experience from the point of the accident. The digital claims feature also enables Tawuniya to utilize emerging technologies to better manage claims and enhance digital customer journeys through the collection and analysis of data.

There were numerous process enhancements across products, as well as the integration of digital sales journeys via strategic partner channels developed throughout the year in review, enabling a smooth sales experience.

Future Outlook

Tawuniya's Mobility insurance vertical will continue to explore opportunities to meet its growth objectives, while remaining uncompromising in enriching and enhancing its customer experience. An immediate target is the automation of 30% of the Mobility claims process to increase efficiencies, reduce claim processing times, and thereby increase customer satisfaction. The business vertical will also expand on its use of Artificial Intelligence, and utilize such emerging technologies for fraud detection as well as other data-based predictions. A number of new, first-of-its-kind insurance products are all on schedule to be launched during 2024, successfully addressing identified gaps across the mobility insurance market.



General Insurance (Property and Casualty)

In an operating environment driven by the sustained expansion of the Kingdom's non-oil sector during 2023, Saudi Arabia's general insurance vertical saw promising growth supported by favorable regulatory developments, alongside the implementation of national-scale infrastructure and construction projects under the Kingdom's ambitious Vision 2030. Tawuniya's General Insurance business maintained its market leading position in 2023 and successfully met its top-line and bottom-line targets by introducing innovative products, doubling capacities, and proactively addressing emerging market needs to secure and grow its market share during the reporting period.

The year in review presented a number of challenges to the General Insurance business; key among them were aggressive market competition and price wars, which were strategically navigated and overcome by introducing innovative products, increasing policyholder awareness on Tawuniya's greater value proposition, and improved pricing accuracy. New market opportunities were explored by intensifying efforts to develop partnerships with supply chain partners. The business vertical also strengthened its risk modeling approach during 2023, onboarding a balanced mix of clients ranging from retail and small-scale businesses to larger corporate accounts, to ensure minimum impact on the bottom-line resulting from larger claim resolutions.

Furthermore, beyond the fast-growing retail client portfolio, 2023 saw Tawuniya successfully winning a number of government-led mega project accounts under the Kingdom's Vision 2030 agenda, including the urban-area planned development project Neom, and national community real-estate developer Roshn.

2023 Highlights

The General Insurance business recorded remarkable results during the year under review; a total of 187,211 new general insurance policies were issued in 2023, recording a 254% year-on-year sales volume growth across the business vertical. Sales volumes were driven by the mandatory medical malpractice insurance coming into force in early 2023, generating more than double the 2022 premium from the product. Additionally, the timely introduction of the new Domestic Worker Contract Insurance also contributed to the growth in sales, with Tawuniya capturing a larger portion of the market in 2023, as the policy is set to become compulsory in the following financial year.

Of the total General insurance claims received in 2023, a promising 37% of claims were made online, a significant 314% year-on-year growth. The total gross written premium for Tawuniya's General business line totaled SAR 2.18 Bn. for the year under review, with the business line contributing 12% of Tawuniya's total GWP in 2023.

Benchmarking client engagement

Multiple channels and approaches were utilized to engage with existing as well as potential policyholders during the year in review, including market surveys on Home Insurance and Extended Warranty products, to identify, analyze and address client needs. A number of targeted workshops as well as webinars / seminars were also held throughout the year to create awareness on product and service updates as well as other market trends and evolving industry standards during 2023, including:

- Workshop on Aviation insurance market update
- Crop Insurance product pitch in collaboration with Reinsurance Partner Swiss Re to the Ministry of Agriculture
- Cyber Insurance awareness session for Saudi entrepreneurs registered with the MiSK youth empowerment foundation
- Webinar / Seminar on Passive Fire Protection
- Webinar / Seminar and Workshop on Risk Management for Shopping Malls followed by workshop
- Webinar / Seminar on Risk Management for Warehouses followed by workshop
- Workshop on Managing Hot-work Hazards

The continued effort to improve general insurance products and services through client engagement during 2023 ensured that the General Insurance business achieved a Net Promoter Score of 44, a strong testimony of Tawuniya's commitment to enhance client satisfaction.

Leveraging the power of digital

The purchasing as well as claims processes of the General Insurance personal products line have been digitized, and continued to be enhanced during the year in review, further improving customer convenience, experience, and satisfaction. A number of processes were also automated during the reporting period, including the bail bond requirement process under medical malpractice claims, all resulting in greater efficiencies as well as improved turnaround times.

Digital channels were also optimized for sales during the year in review, with a number of targeted campaigns being successfully implemented;

- **International Travel Insurance sales campaign** offering competitive pricing, has increased policy sales.
- **The National Day campaign** for personal lines products resulted in doubled revenue
- **Extended 'Buy 2 Get 1 Free' promotion** for Medical Malpractice Insurance resulting in doubled revenue
- **Mobility Insurance Cross-Selling Campaign** – Home insurance covers were promoted as part of a cross-sell strategy with Tawuniya's mobility insurance product.

Equipping employees with future-ready expertise

During the year in review, the General Insurance business vertical continued to empower its team through capacity building and training initiatives that better equipped the employees to meet the highly competitive nature of the sector. A specialized training program with a pathway to ACII for Tawuniya's General Insurance team as well as employees of partners, clients, and other intermediaries was held to ensure Young Saudi Talent are future ready for the rapidly evolving General Insurance landscape. A total of 12 Tawuniya employees and 13 non-Tawuniya employees participated in the event. Furthermore, Tawuniya conducted 11 overseas training programs for 17 employees in collaboration with reinsurance partners. The General Insurance sector also chose 6 employees for a unique rotation exercise as part of the overarching training strategy. Such focused trainings among other initiatives to create a nurturing, conducive and encouraging environment for employees has ensured meeting the Employee Engagement Score for the business line, successfully meeting its planned objectives.

Integrating ESG considerations

As is the nature of the business, Tawuniya's General Insurance business considers ESG factors when formalizing partnerships and terms with global reinsurance companies as part of its underwriting / pricing practices.

Climate change risks continued to be considered in property underwriting, while the General Insurance business also remained observant of the growing number of ESG-related corporate lawsuits in national, regional as well as global scale, seeking forward-looking insights as to what sectors might face such litigations in the future in liability underwriting. For certain risks, Tawuniya examines account statements and reports to assess sustainability and any possibility of future losses/risks. Individual sector regulations including marine, aviation, energy, etc. are immediately implemented according to regulatory requirements.

Our Portfolio

Tawuniya's General Insurance portfolio includes coverage of property, engineering, marine, aviation, energy and general accidents insurance coverage. Generally, geopolitical developments impact this division more directly than other insurance divisions, making reinsurance arrangements and investment adjustments more common. Tawuniya closely monitors these developments and implements hedging policies that facilitate more positive outcomes for individuals and corporations covered.

Personal/Individual General Insurance products

a. Home Insurance

A property insurance policy to help cover homes and all personal belongings within, from unforeseen circumstances such as burglaries, fires, floods, earthquakes, storms, and explosions, for stronger financial and social security. The Home Insurance product was revamped in 2023, resulting in three options for policyholders to choose from.

b. International Travel Insurance

Designed to eliminate risks and uncertainties for Saudi nationals for traveling across the GCC, Schengen countries, and other worldwide destinations. Changes were carried out to the pricing model during 2023 to ensure market expectations were met, and market share was maintained. Tawuniya also tied up with a large travel and tourism company to offer international travel insurance cover to customers.

c. Medical Malpractice Insurance

Protects medical professionals from risks associated with their work, and the third-party legal liability that may arise from any error, negligence, or omission incurred during their work. In 2023, the list of disciplines covered by this policy was extended to include all healthcare professionals and practitioners, as medical liability insurance was made mandatory for all healthcare professionals across the Kingdom.

d. Domestic Worker Contract Insurance

Addressing the identified market need for domestic workers and their employers to be compensated for employment-related incidents to both parties, including coverage from failure to pay salaries for employees, and coverage for expenses for employers across multiple scenarios that can eliminate the original employment contract. The policy will be integrated as part of the employer's contract procedure, and can be extended after the initial two years.

Corporate General Insurance products

Tawuniya offers two distinct categories of covers for businesses to identify, analyze and manage their General risks based on the number of employees and resulting number of coverages required.

- SME360 Property & Casualty Program

Tawuniya offers a 360 insurance plan to cover all insurance needs for growing Small and Medium Enterprises (SMEs) with less than 250 employees, including programs tailored to suit four key SME sectors in the Kingdom; hospitality, trading, contractors, and manufacturing. In 2023, Tawuniya developed a tool that would enable brokers to sell the SME360 insurance plan online.

- Mid-to-Large Corporates

For larger businesses with over 250 employees, Tawuniya offers a range of General covers:

a. Property Insurance

Provides coverage to companies and institutions for land based, location based, stationary, tangible, physical legal assets. Items insured include, but are not limited to buildings, plant and machinery, stocks, furniture, fittings, electronic equipment, etc. The policy can be extended to cover loss of profits arising from loss to the premises or its content.

b. General Accident Insurance

Protects businesses against financial loss due to crime, damage to property, legal liability and other special risks.

c. Engineering Insurance

Covers loss of contract works, construction site, equipment and machinery, and third-party claims in respect of property damage or bodily injury arising from a construction project.

d. Aviation Insurance

Covers damage to aircraft & liability to third party; life or property.

e. Marine Cargo & Marine Hull

Covers physical loss or damage to the insured cargo, liability of the cargo owner, as well as, litigation and labor charges in an attempt to minimize the loss. During 2023, Marine Hull third-party liability cover was revamped in order to meet regulatory requirements.

f. Energy Insurance

The large petrochemical complexes, state-of the-art power plants, mining operations are fraught with a multitude of risks throughout the development, construction and operation stages and therefore require the most comprehensive and complex insurance covers.

g. Event Cancellation Insurance

In 2023, Tawuniya introduced a proposition to provide insurance against losses resulting from cancellation of events, covering almost any unexpected circumstance that necessitates cancellation, abandonment or postponement of the event beyond the control of the insured party, and covered a few large-scale sporting events during the year in review.

Value Added Services (VAS) offered to General Insurance policyholders:

- Infrared Thermographic Inspections
- Warehouse Safety Audits
- Fire Risk Audits
- Specialized training program offered to clients, partners (brokers) to develop young Saudi Talent
- Weekly Risk Management Tip (emails)

Future Outlook

Given the ongoing Vision 2030 mega projects and the projected growth of the Saudi economy in 2024, the commercial lines of Tawuniya's General Insurance business are looking to benefit from construction, energy, marine, aviation and other projects during the following financial year. With the Domestic Worker Contract Insurance expected to be made compulsory at the onset of 2024, Tawuniya is ready to dominate a highly competitive market given its timely launch of the product and targeted sales during the reporting period. The business line will continue to build strategic partnerships, explore multiple sales channels, and better promote new products through cross-selling opportunities, with special focus on penetrating the Small and Medium Enterprise (SME) market, with the market projected to remain aggressively competitive in 2024.

Asset Management

Tawuniya's growing investment portfolio remains strictly Shariah compliant, organically excluding sectors that do not align with Islamic values such as tobacco and defense. Tawuniya's Risk Management Team reviews and assesses the company's various investment risks quarterly, while the overarching investment strategy of Tawuniya is evaluated and adjusted on an annual basis to ensure the company is responsive to the market. The observations and recommendations that arise in these meetings are then handed over to Tawuniya's Investment Committee.

Under the direction of Tawuniya's Investment Committee, Tawuniya invests in four different asset classes:



Saudi as well as GCC equities are managed internally and through an external fund manager, while emerging and global equities are managed externally. The investment team continues to be trained and equipped to better manage and service its customers against the Kingdom's evolving investment landscape. Tawuniya is compliant with all national and international requirements regarding investment disclosures.

Due diligence process

When assessing an investment opportunity, Tawuniya adheres to a comprehensive due diligence process.



2023 Highlights

During the year in review, Tawuniya's asset management business line recorded a strong growth of 17.04% that exceeded expectations, and surpassed its targeted income by reaching SAR 8,600 Mn. in total investment value at the close of 2023, contributing 60% of Tawuniya's total revenue.

With 2023 being a year of high interest rates compared to 2022, Tawuniya addressed the extreme volatility in fixed income investments by limiting exposure during heightened volatility, and reinvesting when volatility was at its lowest. Tawuniya followed the same strategy with equities, entering the market when it was more attractive and realizing greater gains. Backed by this foolproof strategy, the Company's investment book largely benefited from enhanced yield deposits, attractive fixed income returns, and a great performance in the equities market, which reached 36.6% in 2023, against a benchmark of 13.5%.

Digital First

DIGITAL FIRST

In its commitment to become the Kingdom's digital-first partner of choice under Strategy 2025, Tawuniya continued to navigate Saudi Arabia's insurance industry in its transformation into a comprehensive ecosystem of digital services in 2023, digitizing client journeys in their entirety to meet the demands of an evolving customer-base.

Having established a cutting-edge digital factory to drive innovation and expedite new solutions development, Tawuniya witnessed a 20x increase in digital revenue and digital-native customer base within a short period of time, strengthening its reputation as a trailblazer in Insurtech in the Kingdom. Together, Tawuniya's digital channels and mobile super app continued to not only revolutionize the delivery of insurance services in the Kingdom, but also provide substantial benefits to all stakeholders involved.

In 2023, the Company launched a number of significant digital initiatives, showing remarkable progress across all business lines by completing 70% of Tawuniya's Digital Strategy objectives for 2025 at the close of 2023.

Digital Highlights for 2023

Insurance and Policy Management

- App downloads surged from less than 90K to 1.6+ million, a growth of nearly 18x
- App rating increased from 1.2 to a strong 4.4, indicating improved customer satisfaction
- Online insurance sales revenue saw a 20x increase, closing 2023 with SAR 620 Mn. in GWP
- Transaction success rate reached an impressive 99.5%
- Digital product and service offerings expanded from fewer than 30 to over 300

Health and Wellness

- Full integration of Vitality program to the Super App, resulting in user base growing tremendously
- The health of Vitality program members have improved notably
- Achieving remarkable reduction in treatment costs for customers

Safety and Mobility

- The Tawuniya Drive Program resulted in a meaningful decrease in road accidents involving Tawuniya policyholders. Driving habits improved by 23% during the initial 6-weeks of membership for new members
- Industry-first end-to-end claims solution for Motor Insurance implemented
- IoT and Telematics enabled deeper Drive integration with Tawuniya super app

Societal Impact

Over 5 million customers contributed to charitable causes through the charity integration on the Super app

Transforming the digital landscape of the industry

The Digital Team's most ambitious objective during 2023 was the transformation and migration of existing digital channels and platforms, as well as the creation of new services and products on to a new, lean and scalable technology stack. Tawuniya strategically onboarded exceptional digital talent and invested in the best-in-class emerging technologies that enabled the Digital Team to successfully implement the transition, resulting in new functionalities, greater productivity, and heightened efficiencies.

During 2023, Tawuniya introduced a diverse array of new insurance products across all business verticals; these included Domestic Worker Health Cover and Parents Insurance under Health & Life, Motor SME and Mechanical Breakdown Insurance under Mobility, and new variations of the Home Insurance Cover and Domestic Worker Contract Cover under the General business line, all simultaneously made available on digital platforms.

Overall Efficiencies Achieved through Digitization

- 65% reduction in fields required from the customer across services
- 49% reduction in documents uploads required for all core services (claims and other value-added services)
- 4x reduction in time required to complete online insurance sales purchases across products

Tawuniya Mobile App

- 294 service delivered to Retail Customers
- 85 services delivered to Corporate Users and Brokers

Robotic Process Automation (RPA)

- 6 bots completed in less than 2 months at record-setting pace
- over 15 bots were deployed during the year in review

Addressing Evolving Customer Needs

Always customer-centric in its approach to creating a truly-distinctive digital experience, Tawuniya enhanced a number of processes and customer touchpoints in order to meet new customer needs and ensure customer satisfaction through exceptional service. In claims, the full claim solution for Mobility was successfully digitized end-to-end in 2023, greatly increasing efficiencies and turnaround times in claims processing.

Yet another groundbreaking achievement was the introduction of the world's first end-to-end conversational claim experience by Tawuniya. The Tawuniya mobile super app also introduced a unique Accident and Claim support service, utilizing digital tools to assist customers in better handling the claims process seamlessly from the accident scene through towing, fixing, and delivering their vehicles back to their homes.

While focusing on accelerating digital sales and fostering customer adoption of digital channels, Tawuniya continued to prioritize maintaining Customer Satisfaction (CSAT) and NPA scores across all business verticals during the year in review.

Digital channels and platforms were also utilized for targeted marketing in a highly competitive, customer-focused market. Tawuniya established several embedded insurance and lead generation partnerships with key collaborators across the Kingdom such as Saudi Telecom Company (STC), National Housing Company (NHC), and Elm – the national provider of secure digital services and solutions. With deep market and customer insight gained over the years, Tawuniya leveraged these strategic partnerships to reach a broader customer base during 2023.

The rebuilding of Services and Value-Added Services Platforms from the ground up included the transformation of Health and Mobility services ecosystems platforms such as Vitality, Refill Medication, Telemedicine and Home Child Vaccination services. More than 4,000 telemedicine consultations, over 3,000 medications and vaccinations were delivered using the new service partners app.

Industry and Peer Recognition for our Commitment

This continued commitment to digitally advance the Saudi insurance sector while also enriching the policyholder experience has won Tawuniya a number of prestigious global recognitions from among strong industry competition. The awards include:

- Digital Experience of the year 2023 at the Asian Experience Awards - presented by Asian Business Review Magazine
- General insurer of the year / Customer Experience Award at Insureteck
- Outstanding Organization Award at Internet 2.0



Pioneers in Insurtech

Tree Digital Insurance Company, a 100% owned subsidiary of Tawuniya launched in 2022 was the Kingdom's first 100% digital insurer, setting the benchmark and direction for the future of insurtech in Saudi Arabia. The result of a digital attacker strategy program within Tawuniya, Tree Digital went on to offer a unique digital experience with a broader range of features to appeal to the growing digital-native consumer demographic in the Kingdom. Within its inaugural year of full operations, Tree achieved SAR 50 Mn. in digital sales revenue, projective promising future growth.

Future Outlook

Aligned with Strategy 2025, Tawuniya's Digital Team will continue to advance the Company's digital revolution with a number of key targets and objectives identified and lined up for 2024, and a key target among them is the creation of innovative digital insurance products, and the ambitious core systems transformation that will be concurrently undertaken.

Robotic Process Automation across the Company will continue with the deployment of over 100 bots during the next financial year, aiming to yield substantial returns. Additionally, Tawuniya plans to forge new strategic partnerships, contributing to the expansion of its digital ecosystem. Ensuring efficiency, the target is to achieve a 95% or higher service transaction success rate for the various services offered in 2024.

Human Capital

HUMAN CAPITAL

Aligned with the overarching objectives of Strategy 2025, Tawuniya continued to build upon its strong reputation as a highly sought-after employer by the top talent in the Kingdom during the year in review. 2023 saw Tawuniya continuing to strengthen its employee value proposition, placing great emphasis on the health, equality, inclusion, diversity, and professional development of its growing team.

In early 2023, Tawuniya underwent significant leadership changes, with new promotions to the Executive Team carried out successfully, guided by a robust succession planning framework. This ensured that the newly appointed positions included Chief Executive Officer, Chief Financial Officer, and Chief Strategy Officer of the Company saw a smooth transition in power occurring during the implementation of a Strategy cycle.

Tawuniya Workforce Profile

Workforce analysis

| | 2023 | 2022 | 2021 |
|------------------------------------|-------|-------|-------|
| Total number of employees | 1,735 | 1,592 | 1,715 |
| Percentage of female employees (%) | 39% | 41% | 40% |
| Percentage of Saudi employees (%) | 82% | 84% | 85% |
| No. of employees departed | 380 | 455 | 304 |
| Turnover ratio (%) | 23% | 27% | 19% |
| Total Training Hours | 8,718 | 7,352 | 3,872 |

Employees by grade and gender

| Grade | Male | | Female | |
|-------------|------|------|--------|------|
| | 2023 | 2022 | 2023 | 2022 |
| A-D | 873 | 797 | 653 | 637 |
| E-F | 147 | 106 | 24 | 17 |
| G and above | 36 | 34 | 2 | 1 |

Employees by age group and gender

| Age group | Male | | Female | |
|-------------|------|------|--------|------|
| | 2023 | 2022 | 2023 | 2022 |
| 18-30 years | 227 | 272 | 292 | 362 |
| 31-40 years | 498 | 426 | 351 | 268 |
| 41-50 years | 280 | 188 | 34 | 24 |
| Over 51 | 51 | 51 | 2 | 1 |

Service analysis of workforce

| Number of years of service | Male | | Female | |
|----------------------------|------|------|--------|------|
| | 2023 | 2022 | 2023 | 2022 |
| 0-5 years | 710 | 583 | 607 | 589 |
| 6-10 years | 142 | 172 | 52 | 53 |
| 11-15 years | 131 | 119 | 17 | 10 |
| 16-20 years | 46 | 30 | 1 | 2 |
| Over 20 years | 27 | 33 | 2 | 1 |

Employees by category

| Category | 2023 | 2022 | 2021 |
|------------|-------|-------|-------|
| Permanent | | | |
| Contract | 1735 | 1592 | 1715 |
| Outsourced | 165 | 175 | 193 |
| Total | 1,900 | 1,767 | 1,908 |

Employees by region

| | Head Office | WRO | ERO | Total |
|---------------------|-------------|-----|-----|-------|
| Number of employees | 1,379 | 224 | 135 | 1,735 |

Talent Recruitment

While the attraction and recruitment of niche, industry-and-expertise-specific talent continued to be a challenge in the Kingdom during the year in review due to the continuous war for talent, Tawuniya recruited over 500 qualified employees in 2023, securing its place in a highly competitive job market. This was strongly supported by a seamless on-boarding experience that was enhanced during the year, resulting in a 35% year-on-year increase in new recruits. Tawuniya's headhunting and recruitment activities and increased the follower count on its LinkedIn professional network during the year, strengthening the Company's employer brand by 71%, compared to a peer median of 34%, as published by LinkedIn

Tawuniya follows a tried and tested process to recruit new employees to the company; the vacancy is first announced internally to offer existing employees an opportunity for a career path change or advancement. If there are no internal prospects, Tawuniya actively recruits from the job market, until the vacant position is filled successfully, to the satisfaction of the team or business line that filed the official recruitment requisition.

For talent retention, Tawuniya wished to commit to and invest in the long-term development of its employees, launching the well-received Talent+ and Performance+ initiatives in 2023:

| Talent+ | Performance+ |
|---|---|
| Investing in the long-term growth and continuous learning and development of Tawuniya employees, with strategically mapped career paths for each individual employee based on their skill sets, future aspirations, and job demand. | Introducing a mid-year performance review mandated for all employees, to understand their strengths and areas that require improvement through training and development, covering 90% of all employees during its first roll-out in 2023. |

Additionally, a new Sales Incentive Scheme was also introduced to Sales Teams across all Business Lines, to nurture their loyalty to Tawuniya and encourage stronger performances.

Total new hires by age group and gender

| Year | 18 to 30 years | | | Over 30 years | | |
|------|----------------|--------|-------|---------------|--------|-------|
| | Male | Female | Total | Male | Female | Total |
| 2023 | 115 | 113 | 228 | 213 | 86 | 299 |
| 2022 | 80 | 106 | 186 | 92 | 63 | 155 |

Employee Turnover

| Year | 18 to 30 years | | | Over 30 years | | |
|------|----------------|--------|-------|---------------|--------|-------|
| | Male | Female | Total | Male | Female | Total |
| 2023 | 58 | 77 | 135 | 149 | 96 | 245 |

Employee Attrition

| Year | 18 to 30 years | | | Over 30 years | | |
|------|----------------|--------|-------|---------------|--------|-------|
| | Male | Female | Total | Male | Female | Total |
| 2023 | 18 | 36 | 54 | 61 | 43 | 104 |

Diversity and Inclusion

During the period under review, Tawuniya continued to acknowledge and value individual differences, building a fair, diverse and inclusive workplace in which people of all ages, genders, cultural backgrounds and physical abilities feel welcomed, empowered and respected. The Company also promoted equity, ensuring fairness and impartiality towards employees in processes, policies, and opportunities. Tawuniya has zero- tolerance regarding discrimination, bullying, and harassment.

- Female empowerment

While Tawuniya is committed to fostering a culture of inclusion where all employees, regardless of gender, feel valued and empowered to contribute their unique perspectives, improving female representation and balancing the ratio of female to male employees continues to be a key priority. Following the success of a number of initiatives to achieve this goal, Tawuniya was able to record a 39% in female representation for the year. The Company's continued encouragement and empowerment of women resulted in Ms. Hanouf Al-Shammari, Tawuniya's Senior Manager - Medical Claims , being recognized as a Woman Leader of the Year in 2023 by Council of Health Insurance

- People of determination

Tawuniya hires employees with varying levels of disabilities, to develop their skills and talent, contributing to the Vision 2030 goal of providing them with job opportunities that will ensure their independence and integration as effective members of the expanding and progressing Saudi society.

Remuneration and Benefits

Tawuniya provides employees with market and performance-driven remunerations and allowances to strengthen its employee value proposition. Other employee benefits include, but are not limited to: An attractive savings plan

- An attractive savings plan
- A dedicated travel assistant
- A children's education assistant Parental leave
- Flexible working hours allowing flexibility around starting and finishing times
- In-house daycare feature to encourage female employees to return to work after childbirth

HR Governance / Policies

Tawuniya has a comprehensive HR Policy in place, to further augment the sense of security for its employees, and strengthen the regulatory aspect of people management. The Tawuniya HR Policy clearly sets out the approach that the Company and its HR management will take in HR matters, and provide employees with details of their rights, responsibilities and obligations. The Policy covers a wide range of employee concerns from recruitment principles and multiple types of leave, to health and safety, promotions and demotions, performance management, as well as health and life insurance covers made available for employees by Tawuniya.

Tawuniya conducts periodical reviews of its HR Policy and internal regulations and ensures their complete conformity with all articles of Saudi Labour Law, and its executive regulations. The Company also provides the opportunity for employees who have been subject to any penalties as a result of a stipulated to appeal and object to any employee who has been subjected to any penalties as a result of any type of violations stipulated.

Employee engagement and communication is continuously encouraged across all levels of the Company, by facilitating multiple avenues for employees to share their opinions and thoughts, including an open-door policy that empowers employees to freely share concerns or constructive feedback with their managers and senior leadership. To avoid the escalation of issues, Tawuniya encourages employees to communicate directly with the Employee Relations Department through the unified e-mail and telephone, and communicate any difficulties or challenges they may face.

Beyond the direct methods of communication, Tawuniya has also facilitated anonymous channels for engagement, nurturing a highly ethical workplace where employees can share their concerns without the fear of retaliation.

- Whistleblower Policy

Tawuniya has established safe channels for reporting violations—both internal policy violations and regulatory or legal violations through its Whistleblower Policy, safely connecting the party reporting a violation to the unit responsible for investigating and addressing it. This unit receives and processes all violation notification reports in areas involving embezzlement, corruption, and illegal, immoral, or unprofessional conduct. All complaints are investigated thoroughly. The Whistleblower Policy contributes towards developing a culture of accountability, integrity, and responsibility at Tawuniya, and applies to all Tawuniya employees and stakeholders.

- Grievance Policy

Tawuniya applies its Grievance Policy to address the grievances and complaints of employees, and to resolve any disputes in a conciliatory, cordial, effective, and efficient manner. While the Company aims to resolve all grievances at operational level, a dedicated grievance committee is activated for issues that cannot be simply resolved. The committee has full authority to investigate grievances through interviews with employees, as well as other forms of research. If necessary, the committee can also make a recommendation to the CEO. While Tawuniya encourages individuals to disclose their identity along with the complaints they make, the option to anonymously activate the grievance process is also provided.

- Minimum notice period regarding operational changes

Employees are given a sufficient period to be notified of any developments that could affect them operationally, and this period is determined based on the actual impact of the decision and the resulting requirements, whether operational or organizational, pertaining to Tawuniya itself or even pertaining to the situations of the employees themselves.

Learning and Development (L&D)

In order to foster cohesive team building while contributing towards nurturing a more attractive company culture and Employer brand, Tawuniya continued to invest in its L&D function during the year in review.

L&D Achievements for 2023:

- 2,000+ training participants
- 80+ training courses
- 650+ days of training
- 4,500+ hours of training
- 22 Leadership Executives attending Executive Educational Programs from top-tier global universities

Employee Training Statistics

| | 2023 | 2022 |
|----------------------------------|--------|--------|
| No. of training programs/batches | 90/147 | 40/119 |
| Total no. of participants | 2047 | 1787 |
| Training days | 653 | 390 |
| Hours spent on training | 4,592 | 2,730 |

Tawuniya continued to expand employee skill sets and aspire their professional goals through a number of learning and development initiatives, which also greatly contributed towards attracting and retaining talent in a highly competitive job market. Employee training programs at Tawuniya follow a six-pillar framework, aligned with Strategy 2025 for more well-rounded, practical, and theoretical development:

Tawuniya Employee Training Six-Pillar Framework

1. Organizational Programs: These are programs designed to onboard and train employees for their roles at Tawuniya
2. Specialized Development Programs: Highly specialized programs designed to develop targeted groups
3. Regulatory Programs: Mandatory programs for groups specified by regulatory bodies
4. Personal Effectiveness Programs: Programs designed to develop junior to middle-level employees across Tawuniya
5. Functional Capabilities Programs: Programs designed to develop junior to mid-level employees based on function-specific requirements (e.g., the Sales Academy targets employees in sales roles)
6. Leadership Programs: Professional development programs designed to develop and advance individuals who exhibit exceptional leadership qualities

Training based on Tawuniya's Six-Pillar Framework

| Six-Pillars | New courses added in 2023 | No. of persons trained | Hours training |
|----------------------------------|---------------------------|------------------------|----------------|
| Organizational Programs | 6 | 614 | 490 |
| Specialized Development Programs | 7 | 16 | 147 |
| Regulatory Programs | 13 | 1316 | 763 |
| Personal Effectiveness Programs | 10 | 650 | 749 |
| Functional Capabilities Programs | 36 | 690 | 1680 |
| Leadership Programs | 18 | 31 | 763 |

A Learning-Needs Analysis was carried out in 2023 through face-to-face discussions; one-on-one meetings were held with Direct Reports and Line Managers, followed by team discussions with the Executive Team of each sector. The L&D Plan was then formulated based on the organizational needs, departmental needs, and individual needs, and mapped onto the six pillars.

In 2023, Tawuniya's main objectives were to provide each employee with at least two learning opportunities, and ensure the learning experience gains a 90% and above average satisfaction rate among participating employees. In order to achieve this objective, Tawuniya launched a new e-Learning Platform 'Marefa', powered by a high-performing Learning Management System for its employees, with a Digital Library that offers over 50,000 courses, further encouraging Tawuniya employees to upskill themselves, enrich their knowledge, and expand capacities at their own pace. At the close of the reporting period, 91% of Tawuniya employees were active on the platform, compared to an average benchmark of 70% active users.

The Learning Management System joins a growing list of training channels utilized by Tawuniya, including on-the-job training, knowledge sharing sessions, coaching, job rotations, and conventional classroom training sessions.

Tawuniya actively engages in providing on-the-job training and internships to deserving, high-caliber fresh graduates from across the Kingdom, developing skill sets and offering valuable experiences in real-life working environments, so that they are empowered and encouraged to explore career opportunities for growth and development in a highly competitive job market.

Specialized Development Programs for 2023

Following the success of the completion of the specialized development program for Property & Casualty (P&C) Insurance in 2022, the L&D Team carried out two similar training programmes in 2023:

General Sector Special Development Program with 45% of the participants from Tawuniya and the balance 55% of the participants comprising external clients / brokers.

LOMA Special Development Program launched in Q4 of 2023, with 40% of the participants from Tawuniya and the remaining 60% of participants comprising health and life brokers.

These specialized development programs are exclusive, industry-leading programs that deliver a range of benefits to participants, Tawuniya, and the Kingdom's insurance sector, including:

- Developing a world-class cadre of insurance leaders at Tawuniya
- Sharing insurance expertise with Tawuniya's clients and partners
- Educating participants about insurance best practices
- Improving technical skills and expanding the knowledge of insurance professionals
- Building stronger relationships with clients and partners via employee development partnerships
- Providing a professional certification via the Chartered Institute of Insurance (CII) to participants with the aim of improving their prospects at Tawuniya and in the insurance sector at large

Technology / Digitalization

Powered by a high performing project management tool, Tawuniya continued to automate and digitalize core operations across the HR function during the year in review, with some of the key digital initiatives being implemented in 2023, apart from the Learning Management System. These included a number of enhancements to the HR Management System, the end-to-end digitalization of a number of manual tasks within HR operations, including the off-boarding workflow for a smoother transition.

Employee health and well-being

As is the nature of Tawuniya's business, the Company remained committed towards protecting its employees from preventable injuries and illness in the workplace by creating a healthy and safe work environment. With the implementation of a dedicated Health and Safety Policy, Tawuniya performs regular assessments, building inspections, and employs marshals who monitor workplace safety and identify potential hazards.

The Company has introduced dedicated workplace safety training programs to prepare employees for a range of workplace risks, resulting in zero complaints on workplace safety over the past few years.

Additionally, Tawuniya also conducts thematic events and campaigns throughout the year to raise awareness on a number of health conditions.

Future Outlook

2024 presents a landscape ripe with opportunities and challenges for Tawuniya's HR function. The Company will continue to progress in the successful implementation of the HR objectives of Strategy 2025, focusing on enriching the employee experience to increase employee satisfaction, and advancing the HR digitization agenda to achieve greater operational efficiencies.

In order to overcome the challenge of an aggressively competitive job market, Tawuniya will continue to create a more impactful, long-term, sustainable talent development program through Talent+. This initiative reflects the Company's ongoing commitment to fostering a culture of continuous learning, growth, and innovation.

Customer Experience & Marketing

CUSTOMER EXPERIENCE & MARKETING

Re-imagining the Insurance Experience

Stepping into the post-pandemic era resulted in the global insurance industry reinventing itself and its fundamental value proposition to meet heightened customer expectations. Customer experience remains a competitive differentiator at Tawuniya, with the company digitizing, automating and streamlining processes and operations in order to ensure customer convenience and satisfaction are continuously augmented.

The Customer Experience Team at Tawuniya observes three main indicators to gauge customer satisfaction; the relationship Net Promoter Score (NPS) to measure customer loyalty, the relative NPS to understand and keep track of market competition, and event-based Customer Satisfaction Scores (CSAT) for journeys and touchpoints that are critical and drive the NPS.

In a company-wide exercise with all stakeholders involved in a series of workshops during the year in review, the Customer Experience team drafted the first ever full taxonomy of the journeys taken by customers across all three business lines at Tawuniya, as well as across the full customer lifecycle. This resulting taxonomy was leveraged to define the key journeys and pain points customers experience when engaging with Tawuniya to avail its insurance services.

The Customer Experience team introduced a multi-layered Voice of Customer (VoC) measurement system; a state-of-the-art VoC platform integrated per-client, per-transaction system data with customer feedback data across 51 identified touchpoints and journeys designed for customers and policyholders across all 3 business lines. With a strong governance model in place, the team was able to implement multiple customer experience improvements driven by data-backed market insight, delivering significant customer satisfaction score (CSAT) improvements in select critical journeys and episodes. The team also refined the NPS methodology in 2023, aligning with well-recognized global standards.

A Hybrid Approach to Marketing

The groundbreaking digital innovations that have revolutionized the Saudi insurance industry remains Tawuniya's unique selling proposition that differentiates its insurance solutions in a highly competitive market. Having introduced the pioneering telematics-based Tawuniya Drive program as well as the Tawuniya Vitality health program for its policyholders and cementing its brand identity as a trailblazer in the industry, Tawuniya continued to utilize both digital and conventional marketing channels to launch innovative insurance solutions, and strengthen its brand equity during the year in review.

In 2023, Tawuniya's Marketing team aligned its annual marketing plan and calendar with the Company's overarching Strategy 2025 objectives, as well as the targets of Tawuniya's three business verticals, setting key performance indicators for each executed marketing initiative, tracking its progress, performance and success to replicate and further build on for future campaigns and marketing initiatives.

The Marketing team implemented a number of campaigns during the year in review across the three business lines, reaching target markets and consumer demographics. Campaign performances were reviewed on a weekly basis, with the Marketing Team assessing the success against a range of key performance indicators including click-through rate (CTR), cost per click (CPC) cost per mille (CPM), conversion rate (CVR) and return on ad spend (ROAS). Some of the key campaigns are tabulated below:



| Campaign | Business Line | Description | Outcomes / Results |
|---|-----------------|---|---|
| Try Before You Buy Campaign | Mobility | Providing potential customers an opportunity to download and try out the Tawuniya Drive App and its value-added services as a free-trial | Surpassing 60K new subscriber target with over 380K+ app downloads and 160k+ registrations, with more impressions and views across social media |
| New Product Awareness Campaigns for Parents Insurance and Domestic Worker Insurance | Health and Life | Creating awareness of new products and augmenting reach across target market with strategic emotional marketing that is relatable to each product | Reaching target market with over 60k users clicking through and viewing the landing page |
| Tawuniya Vitality Value-Added Services | Health and Life | Creating awareness of new value-added services and updates on the Vitality App | Surpassing 700k app download target with 850k+ app downloads and 600k active users, with campaign being extended as a result of its success |
| End-to-End Service Campaign | Mobility | Introducing end-to-end accident to claim processing service to mobility policyholders, with the objective of increasing adoption | Increased utilization by 25% by surpassing 50 million views and 200 million impressions on social media |

Customer Engagement Channels

The Marketing team utilizes multiple channels to engage with customers to identify, understand and address their evolving demands. During the year in review, the Marketing team launched a new online customer community on the messaging service WhatsApp, further expanding the Company's reach among its target consumers.

- Mobile Apps (Vitality and Drive)
- 24/7 Customer Care Service
- Whatsapp Community and Chatbot
- Website

Beyond its digital campaigns, Tawuniya's Marketing team also explored traditional marketing channels, building and nurturing strong strategic partnerships with businesses across other sectors in order to identify growth opportunities in untapped markets. During the year in review, the Marketing Team initiated dialogues with several businesses and launched an embedded travel insurance in partnership with online travel agency Al Matar.

Future Outlook

Tawuniya's Marketing and Customer Experience function will continue to transform alongside the evolving target customers, and leverage emerging technologies and marketing tools to provide more personalized and data-driven marketing promotions and campaigns to further enhance customer loyalty, while improving CSAT and NPS ratings. A total of 48 digital marketing campaigns are scheduled to be launched in 2024, with the Marketing and Customer Experience function looking to contribute towards meeting Tawuniya's business objectives and Strategy 2025 targets.

Board Report



BOARD REPORT

GOVERNANCE

CORPORATE GOVERNANCE

In order to best serve the long-term interests of the Company and its stakeholders, Tawuniya has set out rules and standards to manage all Company's operations to maintain an effective governance, by applying the Corporate Governance mandates, and other relevant best practices, and monitoring the performance of the Company's Corporate Governance activities, thereby ensuring the protection of shareholders' rights as well as the rights of all other stakeholders. With shareholders able to hold the Board of Directors accountable as their representatives, and in turn, the Board can hold the management accountable, the Company balances the interests of all stakeholders while managing risks and achieving strategic goals.

Implemented provisions of Corporate Governance Regulations

In addition to Tawuniya's industry-leading corporate governance practices, its Corporate Governance Policy determines the requirement and compliance with the following Corporate Governance Regulations:

- The Cooperative Insurance Companies Control Law promulgated by Royal Decree No. (M/32) and lately amended in accordance to the Royal Decree No. (M/12) dated 23/1/1443H (corresponding to 01/09/2021), and its Implementing Regulations issued on 4/20/2004
- The Companies Law issued by the Ministry of Commerce lately amended to be effective on 19 January 2023
- The Corporate Governance Regulation in the Kingdom of Saudi Arabia and the Listing Rules issued by the Board of the Capital Market Authority (CMA) 08/05/2023
- The Insurance Corporate Governance Regulations issued by the Insurance Authority on (10/22/2015)

- The Audit Committee Regulation in Insurance and/ or Reinsurance Companies issued by the Insurance Authority on (10/22/2015)
- The Company's Articles of Association
- The Company's By-Laws
- All other applicable and relevant rules and regulations for the Company and its Board

The Company uses a high-level compliance system to continuously screen developments and requirements, to gather information about regulations, news, and messages, and acts on them proactively prevent non-compliance.

Tawuniya remains dedicated to applying the provisions stipulated in Corporate Governance Regulation established by the Capital Market Authority, also to the Insurance Corporate Governance Regulations established by Saudi Central Bank. Tawuniya is steadfast in its commitment to comply with all governance regulations, ensuring ongoing alignment with any advancements in this domain, and updates pertinent policies and procedures in response to the issuance of new regulatory developments as necessitated.

Tawuniya has applied all Articles of the Corporate Governance Regulations issued by Insurance Authority and the CMA except the following provisions:

| Article No or Paragraph | Wording of Article or Paragraph | Reasons for Non-Implementation | Note |
|-------------------------|---|--------------------------------|--------------------------------|
| Article 75 | The internal audit unit or department shall prepare and submit a written report on its activities at least quarterly to the Board and the Audit Committee. Such report shall include an assessment of the Company's internal control system and the final opinion and recommendations of the unit or department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure. | Guiding Article, not binding | It will be implemented in 2024 |

BOARD OF DIRECTORS

Composition of the Board

Tawuniya is guided by a Board of Directors (BOD) consisting of nine (9) members led by the Chairman and Vice Chairman of the Board. The BOD is trusted with full responsibility for managing the company and achieving its objectives. Board members are elected by the Ordinary General Assembly for a period not exceeding three (3) years. The current Board was elected and appointed on April 10th, 2023 for a three (3) year tenure, with three (3) Independent and six (6) non-executive members. Members of the Board choose a non-executive Director as the Chairman of the Board, who ensures a fair representation of independent and non-executive Directors.

Each Board member possesses an adequate level of qualifications, knowledge, experience, skill and integrity to carry out their role and responsibilities effectively. The Board also sets out and ensures clear lines of responsibility and accountability at all levels of the Company, which is led by a Chief Executive Officer, supported by sector and divisional strategy of Chief Executive Officer, following the major organizational structure revision carried out by the Company in 2021, in line with Tawuniya's Strategy 2025.

Effective corporate governance is critical for the realization of Tawuniya's Strategy 2025, and is driven by six well-structured and highly-focused governing committees formed within the Board and Executive Management:

- Executive Committee
- Nominations and Remuneration Committee
- Investment Committee
- Risk Management Committee
- Audit Committee
- Technology Projects Committee

| Member name | Membership (Executive/Non-Executive/Independent) |
|----------------------------|---|
| Mr. Abdulaziz Al-Nowaiser | Non-Executive |
| Mr. Selman Al-Fares | Non-Executive |
| Mr. Abdulaziz A. Al-Khamis | Non-Executive |
| Mr. Abdulaziz Alsedeeas | Independent |
| Mr. Nasser Al-Huqbani | Independent |
| Dr. Khaled A. Al-Ghonaim | Non-Executive |
| Mr. Abdul Salam Abaoud | Independent |
| Dr. Paul Sweeting | Non-Executive |
| Ms. Hessa Al-Sheikh | Non-Executive |

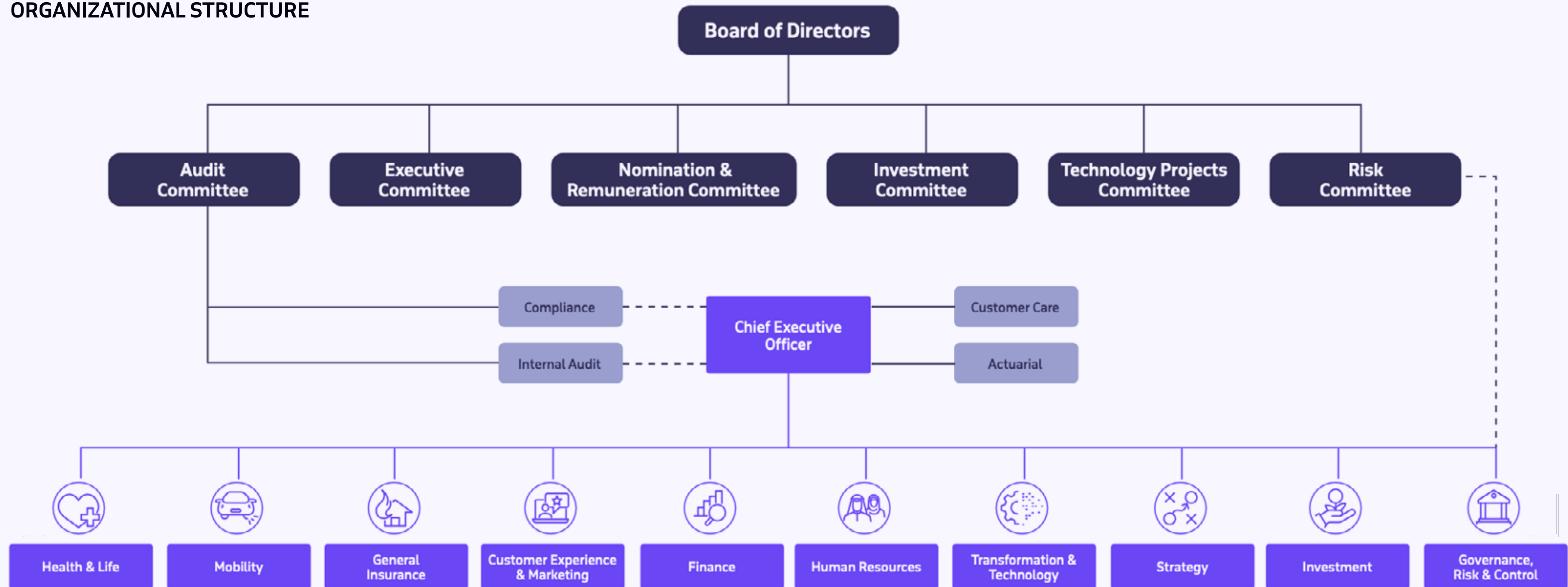
The duties and powers of the Board of Directors

The BOD has full power in managing the Company to achieve its objectives. The Board has the power to represent the Company in its relations with third parties, government and private entities, before all competent Courts, Grievances Lifting Boards, Labour Offices, senior or primary committees for the settlement of labor disputes, commercial papers committee, all other judicial committees and arbitration organizations, the Civil Rights Department, Police Authorities, Chambers of Commerce and Industry, all companies and establishments, banks, commercial houses and government financing institutions of various titles and terms of reference as well as other lenders.

The Board has full powers for ratification, claiming, defending, pleading, filing suits, compromise, conciliation, acceptance, and objecting to of verdicts, arbitration, request the execution of verdicts, raising opposition, receiving the proceeds of verdicts, enforcement, discharge of debtors from their obligations, engage in the bidding, buying, selling and mortgaging of real estate.

The Chairman of the BOD will have full power to enter into contracts, sign on behalf of the Company on all types of contracts, papers and documents, including for instance but without limitation, the Articles of Incorporation of the Companies in which the Company has shares and sign all their amendments, addendums and the decisions, sign agreements and deeds before Notary Publics and officials bodies as well as signing loans, guarantees and warranties agreements and deeds for the sale and purchase of real estate, issuance of legal Power of Attorney on behalf of the Company, buying, selling, discharge, acceptance of release, handing over and take over, leasing rental, leasing and payment rents and payables, opening of accounts and credits, withdrawal from the deposits at various banks, funds and government funding institutions and sign all papers, bonds, cheques, all commercial papers and documents as well as banking transactions.

ORGANIZATIONAL STRUCTURE



Names, classifications, qualifications, experiences, and current and previous positions of the Board and Committees' members and the Executive Management



Mr. Abdulaziz Al-Nowaiser - Chairman

Mr. Al-Nowaiser is the Chairman of the Board of Directors, and Chairman of the Executive Committee at Tawuniya. He is also the Chairman of the Board of Directors, and Chairman of the Executive Committee at United Insurance Company in Bahrain. Mr. Al-Nowaiser is at present a Member of the Audit Committees of the Saudi

Railways Company, National Water Company, and Flyadeal, and Chairs the Audit Committees of Etihad Etisalat (Mobily). He is a Board Member and the Chairman of the Audit Committee at Maharah Human Resources Company. In addition, he has held the position of Chief Executive Officer and Board Member of Tahakom Investment Company, as well as many other Board and Committee memberships in the past in listed and non-listed companies.

Mr. Al-Nowaiser draws from close to 25 years of experience across several leadership positions in the field of finance and others, having previously held the role of Vice President of Finance at both STC Solutions Company as well as Al-Othaim Investment and Real Estate Development Company. He was also Executive Partner and eventual Chief Executive Officer of the House of National Consulting Company, and was Chief Financial Officer of Elm Information Security Company, among other progressive roles in the sector.

At the outset of his career, Mr. Al-Nowaiser was a lecturer at the Accounting Department of King Saud University, KSA, where he earned his Bachelor's Degree in Accounting. He also holds a Master's Degree in Accounting from Case Western Reserve University in Cleveland, Ohio, USA, studying Finance and Information Systems as his two sub-specialties. Mr. Al-Nowaiser also holds a Diploma in International Financial Reporting Standards (DipIFR), as well as several other professional certifications, including the American Certified Public Accountants (CPA) Exam, American Certification of Management Accountants (CMA), American Certification of Financial Managers (CFM), American Certification of Internal Auditors (CIA), and the American Certification of Financial Services Auditors (CFSA).



Mr. Selmán Al-Fares – Vice Chairman

A **Non-Executive Director** of the Board, Mr. Al-Fares is a Member of the Executive Committee and Investment Committee at Tawuniya. At present, he also Chairs the Boards at Smart Link Company, and Al-Malath Arabian Company.

Mr. Al-Fares has held several management positions in the field of technology across many companies and organizations during his career span of 42 years, and continues to serve on the Boards of Directors and Committees of several companies. He is Vice Chairman of the Board of Directors and Chairman of the Audit Committee at Gulf International Bank, and is also a Member of the Board of Directors, member of the Investment Committee, and Chairman of the Risk Committee of

the Hassana Investment Company. Mr. Al-Fares is also Vice Chairman of the Board of Directors and Member of the Audit Committee at Inaya Medical College, and sits on the Board at both Technical Investments Company and Investments Al-Raedah Company, and is a Member of the Investment Committee and the Nominations and Remuneration Committee of each company respectively.

Mr. Al-Fares holds a Bachelor's degree in Computer Science and Information Systems from the Arizona State University, USA.



Mr. Abdulaziz A. Al-Khamis – Vice Chairman for the previous Board of Directors, Member of the Newly selected Board of Directos

Mr. Al-Khamis is a **Non-Executive Director**, and is a Member of both the Investment Committee and Nominations and Remunerations Committee at Tawuniya. He also presently sits on the Boards of the Saudi Investment Bank and the Tabuk

Cement Co. as Vice Chairman, and is a Board Member of the United Insurance Company in Bahrain. With a distinguished career spanning over two decades at the Saudi Central Bank, Mr. Al-Khamis has also held the role of Deputy Governor of Investment at the Public Pension Agency (PPA), and provided his services as a Consultant to Raidah Investment Company when it was established to manage the PPA's real estate assets.

Mr. Al-Khamis read for his BA in Economics from the Northeastern University of Boston, USA, and also holds a number of professional qualifications and specialized certifications in the field of finance.



Mr. Abdulaziz Alsedeads

An **Independent Director** and Member of both Audit Committee and Board Risk Committee, Mr. Al-Sudais has held many positions in the Banking Sector and draws from a nearly 30-year career. He is also the owner of Al Diyar Al Hadithah Real Estate.

Mr. Al-Sudais holds a Bachelor's degree in English Literature from King Saud University, KSA, and read for his Advanced Postgraduate Diploma in Business Administration at the University of Leicester, UK. He also has a number of other professional qualifications and certifications in insurance that has solidified his position within the sector.



Mr. Nasser Al-Huqbani

Mr. Al-Huqbani is an **Independent Director** and Member of the Executive Committee as well as the Nominations and Remuneration Committee at Tawuniya. In a career spanning over three decades, Mr. Al-Huqbani has held numerous administrative and executive positions in the

healthcare sector, and continues to provide guidance by serving as a member of Boards and committees in a number of organizations and companies. He is a Member of the Executive Committee of the National Health Committee of the Council of Saudi Chambers, a Member of the National Strategic Committee for Health Insurance, a Member of the Saudi-Russian Joint Economic Committee, and a Member of the Advisory Council of the First Health Cluster in the Riyadh Region. Mr. Al-Huqbani sits on the Boards of the Saudi Patient Safety Center,

as well as the Nasma Contracting Company, and is also a Member of the Board of Trustees of the Saudi Commission for Health Specialties, as well as Member of the American College of Healthcare Executives (ACHE).

Mr. Al-Huqbani holds a Bachelor's degree in Public Administration from King Saud University, KSA, and a Master's in Business Administration from the Institute of Public Administration, KSA.



Dr. Khaled A. Al-Ghonaim

Dr. Al-Ghonaim is a **Non-Executive Board Member**, and a Member of the Nominations and Remuneration Committee, and the Technical Projects Committee at Tawuniya. Dr. Al-Ghonaim has held many administrative and executive positions in the technical sector, and continues to draw from his 22 years of experience in the

field to serve on Boards and Committees of a number of organizations. He is the Chairman of the Executive Board at enterprise AI software company Mozn, and specialist IT company Hawaz. He also sits on the Boards of Elm Company, Etihad Etisalat Company (Mobily), the Bayan Credit Information Company, the Obeikan Company, and the Riyadh Second Health Cluster.

Dr. Al-Ghonaim was previously the Chairman of the Executive Board at Takamol Holding Company, and was Chief Executive Officer at both Saudi Telecom Company and Elm Company. He has also held previous Memberships on Boards and Committees including the Executive Committee B20, Mawhiba, King Abdulaziz City for Science and Technology, Takaful Charity, and the Human

Resources Development Fund (HADAF). He holds a PhD in Electrical and Computer Engineering from Carnegie Mellon University, Pennsylvania, USA, and a Bachelor of Electrical and Computer Engineering from King Saud University KSA, among many other professional certifications.



Mr. Abdul Salam Abaoud

One of our three **Independent Directors**, Mr. Abaoud is a Member of the Nominations and Remuneration Committee and Board Risk Committee at Tawuniya. In a career spanning nearly two decades, he has held numerous key positions in the actuarial field in a number of organizations. Mr. Abaoud holds a Bachelor's

degree in Mathematics from King Saud University, KSA, and read for his Master's in Actuarial Science from the University of Waterloo, Ontario, Canada. Mr. Abaoud is also an Associate of the American Society of Actuaries (ASA).



Dr. Paul Sweeting

A **Non-Executive Director**, and Member of both the Board Risk and Investment Committees at Tawuniya, Dr. Sweeting brings in well over two decades of experience in the investment field, where he has held many key positions across multiple organizations. He continues to provide

guidance in the sector, and is currently a Board Member and Member of the Disputes Committee at Atheni Reinsurance Investment Company.

Dr. Sweeting holds a Bachelor's degree in Economics from the University of Bristol, UK, and a Master's in Actuarial Science from City University, UK. He read for his PhD in Economics from the University of Bristol, UK. Dr. Sweeting also holds a number of professional certifications, and is a Chartered Enterprise Risk Actuary, is a Chartered Financial Analysts Charterholder, and is also a Fellow of the Institute of Actuaries.



Ms. Hessa Al-Sheikh

Ms. Al-Sheikh is a **Non-Executive Director**, and Member of the Board Risk Committee and Investment Committee at Tawuniya. She has held numerous key positions in the financial and investment fields in a career spanning over a decade, and continues to now provide guidance in her role as a Board Member at Tawuniya.

Ms. Al-Sheikh holds a Bachelor's degree in Finance from the Al Yamamah University, KSA, and read for her Master's in Business Administration from Columbia University, New York, USA.



Mr. Hamood A. Al-Tuwaijri*

Mr. Al-Tuwaijri is an Independent Board Member at Tawuniya. He also sits on the Board of telecommunications company Etihad Etisalat (Mobily), and is a Member of the Audit Committee of Banque Saudi Fransi.

Mr. Al-Tuwaijri brings years of experience across diverse areas to the Board, having previously served in the capacity of Executive Vice President for legal affairs,

auditing, financial administration, Strategic and planning, Supply chain and Petrochemicals at the global diversified chemicals company the Saudi Arabian Basic Industries (SABIC). He holds a Master of Industrial Engineering from Georgia Institute of Technology, USA, and a Bachelor's degree in both Industrial Engineering and Business Administration from the University of Washington, USA.



Mr. Waleed A. Al-Eisa*

A Non-Executive Board Member, Mr. Al-Eisa currently sits on the Boards of the General Authority for Competition and United Insurance – Bahrain. Mr. Al-Eisa's successful career spans across strategic planning, research, and management of mega real estate projects and real estate assets including property and assets

management, having previously held the position of Chief Executive Officer of Raza Company – the real estate investment and management arm of the Saudi Public Pension Agency. He was also the Chief Operating Office of the Raidah Investment Company, and also held Board Memberships at Raza Company, Riyadh Bank, and Jabal Omar Development Company.

Mr. Al-Eisa has a Masters' in Chemical Engineering from the University of Arizona, USA, following earning his Bachelors' in Chemical Engineering from King Saud University, KSA. He also holds a Masters' in Computer Science from the University of Washington, Saint Louis, USA, as well as, a number of professional qualifications and specialized certifications.



Mr. Ehab M. Al-Dabbagh*

Mr. Al-Dabbagh is an Independent Director of our Board, and is an External Member of the Executive and Investment Board Committees of the Executive Offices Company. At present, he sits on the Boards of Bedaya Home Finance and Mudaraba Financial Company, and is also the Chief Executive Officer of real estate management and development company Ijmal Limited.

Mr. Al Dabbagh has held several administrative positions in the fields of strategy, retail, and corporate banking services, as well as, programs management. He holds a Bachelors' of Marketing from King Fahd University of Petroleum and Minerals, KSA, among many other professional certifications and qualifications.



Mr. Ghassan A. Al-Malki*

One of our Non-Executive Board Members representing the General Organization for Social Insurance (GOSI), Mr. Al-Malki currently also holds the position of Director of the Department of Digital Excellence at GOSI. Over the years, Mr. Al-Malki held several progressive leadership and administrative positions in the field of

information technology at the General Organization for Social Insurance, having previously held the role of Director of Business Development of the Computer Department of GOSI.

Mr. Al-Malki earned his Masters' degree in Computer Science at the University of California, USA, following earning his Bachelors' degree of Computer Science from King Saud University, KSA, and other specialized professional certifications.



Mr. Jasser A. Al-Jasser*

A Non-Executive Board Members representing the General Organization for Social Insurance (GOSI), Mr. Jasser sits presently on the Board of Southern Region Cement Company, and is also the General Manager of Strategy and Transformation at GOSI.

Mr. Al Jasser held several distinguished positions in the fields of planning, development, studies, and actuarial studies at the PPA and GOSI over the years, and was the General Manager of Corporate Excellence at the Public Pension Agency (PPA). Among Mr. Al Jasser's portfolio of professional qualifications is a Masters' in Actuarial Science from the University of Nebraska, USA, and a Bachelor of Operations Research from King Saud University, KSA.


Mr. Abdulrahman M. Al-Odan*

Mr. Al-Odan is an Independent Member of the Board of Directors at Tawuniya, and Board member of SNB Board and serve in the Risk Management Committee and the Executive Committee Additionally, Mr. Al Odan is the Chairman of Komate Industrial Company, Board Member and Audit Committee Member of ELM

CO and the Owner and Manager of Security House EST.

Mr. Al Odan draws from a successful career where he has held several administrative positions in the field of information technology, having previously held the post of Executive Vice President of Information Technology at Riyadh Bank. He was an External Member of the Saudi Tadawul Group Audit Committee.

He earned his Masters' degree in Computer Science from the Florida Institute of Technology, Marlborough, USA, and received his Bachelors' of Computer Science from Jacksonville University, USA, complemented by numerous professional certifications.

**Membership expired by the end of the previous Board's tenure on 09/04/2023*

Names of the companies inside and outside the Kingdom in which a Board member is a manager or a member of their current or previous Board

| Board Member Name | Names of Companies in which a Board member is a member of their current Board or a manager | Inside/ outside the Kingdom | Role or Position | Legal entity |
|---------------------------|--|-----------------------------|---|----------------------------|
| Mr. Abdulaziz Al-Nowaiser | Mahara Human Resources Company | Inside | Board Member & Audit Committee Chairman | Public Joint Stock Company |
| | Mobily | Inside | Audit Committee Chairman | Public Joint Stock Company |
| | Saudi Arabian Railways | Inside | Audit Committee Member | Public Joint Stock Company |
| | National Water Company | Inside | Audit Committee Member | Public Joint Stock Company |
| | FlyAdeal | Inside | Audit Committee Member | Limited Liability Company |
| | United Insurance Company in Bahrain | Outside | Audit Committee Member | Closed Joint Stock Company |

| Board Member Name | Names of Companies in which a Board member is a member of their current Board or a manager | Inside/ outside the Kingdom | Role or Position | Legal entity |
|----------------------------|--|-----------------------------|--|----------------------------|
| Mr. Abdulaziz A. Al-Khamis | Tabuk Cement Co. | Inside | Board Member & Board Vice Chairman | Public Joint Stock Company |
| | United Insurance Company in Bahrain | Outside | Board Member | Closed Joint Stock Company |
| | The Saudi Investment Bank | Inside | Board Member & Board Vice Chairman | Public Joint Stock Company |
| Mr. Selman Al-Faris | Al Majd Arabian Trading Company | Inside | CEO | Limited Liability Company |
| | Al Malath AlArabia Company | Inside | Board Chairman | Limited Liability Company |
| | Smart Link Company | Inside | Board Chairman | Closed Joint Stock Company |
| | Tech Invest Com | Inside | Board Member & Investment Committee Vice Chairman | Closed Joint Stock Company |
| | Hassana Investment Company | Inside | Board Member & Investment Committee Member & Risk Committee Chairman | Closed Joint Stock Company |
| | Gulf International Bank | Inside | Deputy Chairman, Chairman of Audit Committee, Risk Committee Member | Closed Joint Stock Company |
| | Raidah Investment Company | Inside | Deputy Chairman & Audit Committee Member | Closed Joint Stock Company |
| | Inaya Medical Colleges | Inside | Deputy Chairman & Audit Committee Member | Closed Joint Stock Company |

| Board Member Name | Names of Companies in which a Board member is a member of their current Board or a manager | Inside/ outside the Kingdom | Role or Position | Legal entity |
|-----------------------------------|--|---|---------------------------|----------------------------|
| Mr. Nasser Al-Huqbani | Nesma Company | Inside | Board member | Closed Joint Stock Company |
| | Health Holding Company | Inside | CEO | Closed Joint Stock Company |
| | Al Maalem Al Oula Company | Inside | 50% Partnership | Limited Liability Company |
| | Al Maalem Al Raqeyah | Inside | Owner | Limited Liability Company |
| | Health Partners Company | Inside | CEO | Limited Liability Company |
| | Teqanat AlHedab | Inside | Has Less than 5% | |
| | Bayt Al Herafion Company | Inside | Has Less than 5% | Closed Joint Stock Company |
| | Riyadh First health cluster | Inside | Consulting Council Member | |
| | Saudi Commission for health specialties | Inside | Board of Trustees Member | |
| | Saudi Patient Safety center | Inside | Board Member | |
| Health care accreditation council | Inside | Member of the American College of Executive Directors | | |
| Mr. Abdulaziz Al-Sedeas | Al Diyar Al Hadithah Real estate | Inside | Owner | Limited Liability Company |

| Board Member Name | Names of Companies in which a Board member is a member of their current Board or a manager | Inside/ outside the Kingdom | Role or Position | Legal entity |
|--------------------------|--|-----------------------------|---|-------------------------------------|
| Ms. Hessa Al-Sheikh | Bayt Al Herafion Company | Inside | Global Markets Department Director | Closed Joint Stock Company |
| | Al Hammadi Holding | Inside | Has Less than 5% | Public Joint Stock Company |
| | General Organization for Social Insurance | Inside | Employer relationship | |
| Dr. Paul Sweeting | Athene Co-Invest Reinsurance Affiliate | Outside | Board member conflicts committee | |
| | University of Kent | Outside | Honorary professor of actuarial science | |
| Dr. Khaled A. Al-Ghoneim | Elm | Inside | Board Member | Public Joint Stock Company |
| | Mobily | Inside | Board Member | Public Joint Stock Company |
| | Bayan Credit Bureau | Inside | Board Member | Closed Joint Stock Company |
| | Obeikan Company | Outside | Board Member | Limited Liability Company (Outside) |
| | Mozn | Outside | Board of Directors Chairman | Limited Liability Company (Outside) |
| | Hawaz | Inside | Board of Directors Chairman | Limited Liability Company |
| | Riyadh Second Cluster | Inside | Board Member | |

**Membership expired by the end of the previous Board's tenure on 09/04/2023*

Procedures taken by the Board to inform its members, Non-Executive Directors in particular, of shareholders' suggestions and remarks on the Company and its performance

In the event of receiving any opinions, comments or proposals by the Shareholders, the Board of Directors – specifically the Chairman of the Board – together with the Chief Executive Officer of the company as per the Corporate Governance Policy, shall apprise its members, specifically the Non-Executive of such opinions, suggestions and remarks by using any of the following methods:

- Meetings of the Board of Directors
- Meetings of the Board Committees
- Meetings of the General Assembly
- Periodical meetings held by the Company with Shareholders and Investors.

The means used by the Board to assess its performance, performance of its committees and members, and the external body which conducted the assessment and its relation with the Company, if any.

Based on Tawuniya's Corporate Governance Policy, which authorizes the Nominations and Remunerations Committee to determine the annual evaluation mechanism for members of the BOD, its Committees, and the Executive Management, the evaluation mechanism was approved for the fiscal year 2023 according to relevant procedures. Along with the assessment of skills, experience, and effectiveness in performing their duties and responsibilities, key performance indicators for the evaluation were linked to strategic objectives of the Company with the aim of raising the efficiency and accuracy of the evaluation through contracting with a competent third party.

Non-Executive Directors share the responsibility of carrying out a periodic assessment of the performance of the Chairman of the Board without the presence of the Chairman in the discussion on this matter, provided that a solution shall be proposed for any identified weaknesses in the best interests of the Company.



The assessment results for 2023 indicated that the BOD, its committees, and the Executive Management have been conducting their duties and responsibilities efficiently in all material respects.

A Description of Any Punishment, Penalty or Statutory Reserve or Restriction Imposed on Any of the Board Members by Any Judicial, Supervisory, or Regulatory Authority in respect of the Company.

The BOD declares that there is no punishment, penalty, statutory reserve or restriction imposed on any of the Board Members during the year 2023 by any judicial, supervisory, or regulatory authority in respect of The Company.

The General Assembly Meetings dates held during the last fiscal year and names of the Board Members who attended

| Name | Attendance Record | | |
|--|----------------------------------|----------------------------------|-----------------------------------|
| | First Meeting (10 April 2023) | Second Meeting (07 June 2023) | Third Meeting (28 August 2023) |
| Mr. Abdulaziz Al-Nowiaser – Chairman of the Board | Y | Y | Y |
| Mr. Abdulaziz A. Al-Khamis – Vice Chairman of Previously Elected Board | Y | Y | Y |
| Mr. Selman Al-Fares – Vice Chairman of Newly Elected Board | N/A | Y | Y |
| Mr. Waleed A. Al-Eisa* | Y | N/A | N/A |
| Mr. Homood A. Al-Tuwaijri* | Y | N/A | N/A |
| Mr. Ehab M. Al-Dabbagh* | Y | N/A | N/A |
| Mr. Ghassan A. Al-Malki* | Y | N/A | N/A |

| Name | Attendance Record | | |
|--|----------------------------------|----------------------------------|-----------------------------------|
| | First Meeting (10 April 2023) | Second Meeting (07 June 2023) | Third Meeting (28 August 2023) |
| Mr. Jasser A. Al-Jasser* | Y | N/A | N/A |
| Mr. Abdulrahman M. Al-Odan* | Y | N/A | N/A |
| Dr. Khaled A. Al-Ghonaim | Y | Y | Y |
| Mr. Abdulaziz Alsedeeas – Newly Elected Board Member | N/A | Y | Y |
| Mr. Nasser Al-Huqbani – Newly Elected Board Member | N/A | Y | Y |
| Mr. Abdul Salam Abaoud – Newly Elected Board Member | N/A | Y | Y |
| Dr. Paul Sweeting – Newly Elected Board Member | N/A | Y | Y |
| Ms. Hessa Al-Sheikh – Newly Elected Board Member | N/A | Y | Y |

**Membership expired by the end of the previous Board's tenure on 09/04/2023*

** Y Stands for "yes"*

**N Stands for "no"*

**N/A stands for "Not Applicable"*

The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the Attendees

| # | Name | Nature of Membership | Number of Meetings (8) | | | | | | | | Total number of meetings attended |
|----|-----------------------------|----------------------|---------------------------------|------------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | | First Meeting 02 Jan 2023 | Second Meeting 01 March 2023 | Third Meeting 10 April 2023 | Fourth Meeting 07 May 2023 | Fifth Meeting 18 June 2023 | Sixth meeting 03 Sept 2023 | Seventh Meeting 26 Nov 2023 | Eighth Meeting 07 Dec 2023 | |
| 1 | Mr. Abdulaziz Al-Nowaiser | Chairman | Y | Y | Y | Y | Y | Y | Y | Y | 8 |
| 2 | Mr. Abdulaziz Al-sedeas | Member | N/A | N/A | Y | Y | Y | Y | Y | Y | 6 |
| 3 | Mr. Nasser Al-Huqbani | Member | N/A | N/A | Y | Y | Y | Y | Y | Y | 6 |
| 4 | Mr. Abdul Salam Abaoud | Member | N/A | N/A | Y | Y | Y | Y | Y | Y | 6 |
| 5 | Mr. Salman Al-Fares | Member | N/A | N/A | Y | Y | Y | Y | Y | Y | 6 |
| 6 | Mr. Abdulaziz A. Al-Khamis | Member | Y | Y | Y | Y | Y | Y | Y | Y | 8 |
| 7 | Dr. Paul Sweeting | Member | N/A | N/A | Y | Y | Y | Y | Y | Y | 6 |
| 8 | Ms. Hessa Al-Sheikh | Member | N/A | N/A | Y | Y | Y | Y | Y | Y | 6 |
| 9 | Dr. Khaled A. Al-Ghonaim | Member | Y | Y | Y | Y | Y | Y | Y | Y | 8 |
| 10 | Mr. Waleed A. Aleisa* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | 2 |
| 11 | Mr. Ehab M. Al Dabbagh* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | 2 |
| 12 | Mr. Ghassan A. Al-Malki* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | 2 |
| 13 | Mr. Jaser A. Al Jaser* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | 2 |
| 14 | Mr. Abdulrahman M. Al Odan* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | 2 |

| # | Name | Nature of Membership | Number of Meetings (8) | | | | | | | | Total number of meetings attended |
|----|---------------------------|----------------------|---------------------------------|------------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | | First Meeting 02 Jan 2023 | Second Meeting 01 March 2023 | Third Meeting 10 April 2023 | Fourth Meeting 07 May 2023 | Fifth Meeting 18 June 2023 | Sixth meeting 03 Sept 2023 | Seventh Meeting 26 Nov 2023 | Eighth Meeting 07 Dec 2023 | |
| 15 | Mr. Homood A. Altuwaijri* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | 2 |

*Membership expired by the end of the previous Board's tenure on 09/04/2023

* Y Stands for "yes"

*N Stands for "no"

*N/A stands for "Not Applicable"

Date of the last General Assembly meeting: 28/08/2023

Remuneration policy and method adopted to determine the remuneration of Board Members

The BOD proposes the remuneration of Board Members based on recommendation of the Nominations and Remuneration Committee, and in accordance with the relevant laws, regulations and conditions approved by the General Assembly. None of the remuneration and compensation for the Chairman and the Board Members will be approved without approval by the General Assembly. All details pertaining to the proposed remuneration and compensation are published in writing, so that they are available to all Shareholders prior to the General Assembly in which remuneration and compensation will be put to vote.

The remuneration of the Board Members shall be certain among, an attendance allowance for meetings, benefits in kind, or a certain percentage of the net profits and it is permissible to combine two or more of these benefits. In all cases, the total remuneration annually paid to the member of the BOD (with the exception of the members of the Audit Committee) shall not exceed Five Hundred Thousand Saudi Riyal (SAR 500,000), in accordance with the controls set by the Capital Markets Authority (CMA). The BOD determines the special remuneration of the Chairman of the Board, for his work and responsibilities in this capacity, in addition to the remuneration paid to the Members of the Board mentioned above. This special remuneration is not subject to the maximum limit of the annual remuneration of the BOD, and if it exceeds the maximum limit, no objection status should be obtained from Insurance Authority prior to recommending this special remuneration to the Shareholders' General Assembly for approval.

Members of the BOD and/or the subordinate committees are entitled to a medical insurance for themselves and their dependent family members, except for those who enjoy this benefit through another entity with which such family member works or co-operates with. The Company also provides professional liability insurance coverage for the Board Members and/or subordinate committees.

Tawuniya indemnifies a Member of the BOD and/or subordinate committees for any government taxes or fees such as value-added tax arising from his membership in the Company's Board. This compensation is not counted within the remuneration and compensations that fall under the upper limit earlier specified.

The Company's General Assembly held on 03/05/2020 approved the remuneration and compensation policy for the current Board Members and its subordinate committees. Accordingly, the BOD proposed remuneration for Board Members based on recommendation of the Nomination and Remuneration Committee in addition to remuneration for Chairman of the Board of Director for which the Insurance Authority's NOC was obtained in accordance with the relevant laws, regulations and instructions and with the conditions and standards approved by the General Assembly.

| Members of Board of Directors | | Fixed remunerations (SAR) | | | | | | Variable Remunerations | End-of-service Award | Total with Cap (SAR) | Expenses Allowance |
|-------------------------------|-----------------|--|------------------|--|--|---|---------|------------------------|----------------------|----------------------|--------------------|
| Name | Specific amount | Allowance for attending Board meetings | In-kind benefits | Remunerations for technical managerial and consultative work | Total allowance for attending committee meetings | Remunerations of the Chairman Managing Director or Secretary, if a member | Total | | | | |
| Independent | | | | | | | | | | | |
| Mr. Abdulaziz Al-Sedeas | 437,260 | 30,000 | - | - | 55,000 | - | 522,260 | Not-applicable | Not-applicable | 522,260** | |
| Mr. Nasser Al-Huqbani | 327,945 | 30,000 | - | - | 40,000 | - | 397,945 | | | 397,945 | |
| Mr. Abdul Salam Abaaoud | 327,945 | 30,000 | - | - | 25,000 | - | 382,945 | | | 382,945 | |
| Mr. Ehab Al-Dabbagh * | 122,055 | 10,000 | - | - | 5,000 | - | 137,055 | | | 137,055 | |
| Mr. Homood Al-Tuwaijri* | 162,740 | 10,000 | - | - | 20,000 | - | 192,740 | | | 192,740 | |
| Mr. Abdulrahman Al-Odan* | 122,055 | 10,000 | - | - | 45,000 | - | 177,055 | | | 177,055 | |

| Non-Executive | | | | | | | | | | | |
|--|---------|--------|---|---|--------|-----------|------------------|----------------|------------------|-----------|----------------|
| Mr. Abdulaziz Al-Nowaiser (Chairman) | 450,000 | 40,000 | - | - | 35,000 | 1,000,000 | 1,525,000 | Not-applicable | Not-applicable | 1,500,000 | Not-applicable |
| Mr. Salman Al-Fares (Vice Chairman) | 327,945 | 30,000 | - | - | 40,000 | - | 397,945 | | | 397,945 | |
| Mr. Abdulaziz Al-Khamis | 450,000 | 40,000 | - | - | 25,000 | - | 515,000 | | | 500,000 | |
| Dr. Paul Sweeting | 327,945 | 30,000 | - | - | 25,000 | - | 382,945 | | | 382,945 | |
| Ms. Hessa Al-Sheikh | 327,945 | 30,000 | - | - | 25,000 | - | 382,945 | | | 382,945 | |
| Dr. Khaled Al-Ghoneim | 450,000 | 40,000 | - | - | 45,000 | - | 535,000 | | | 500,000 | |
| Mr. Waleed Al-Eisa* | 122,055 | 10,000 | - | - | 10,000 | - | 142,055 | | | 142,055 | |
| Mr. Ghassan A. Al-Malki* | 122,055 | 10,000 | - | - | 20,000 | - | 152,055 | | | 152,055 | |
| Mr. Jaser Al-Jaser * | 122,055 | 10,000 | - | - | 5,000 | - | 137,055 | | | 137,055 | |
| Total Remuneration for Board Members | | | | | | | 5,980,000 | | | | |
| Total Remuneration for Non-Board Committee Members | | | | | | | 773,185 | | 773,185 | | |
| Grand Total | | | | | | | 6,753,185 | | 6,678,185 | | |
| <i>*Membership expired by the end of the previous Board's tenure on 09/April/2023</i> | | | | | | | | | | | |
| <i>**Total Remuneration exceeds SAR 500,000 due to position held as Chairman of the Audit Committee as per Board Remuneration Policy</i> | | | | | | | | | | | |

EXECUTIVE MANAGEMENT

Executive Management of the Company and their Qualification and Experience



Dr. Othman Y. Al-Kassabi, CEO

The Chief Executive Officer at Tawuniya with 15 years of experience in healthcare, Dr. Al-Kassabi is also a Board Member of Tawuniya's Technology Projects Committee. He has held many executive and administrative positions across the healthcare sector prior to his appointment, including Chief Operating Officer,

Medical Advisor, Project Manager, Performance Improvement Consultant, and Rehabilitation Development Consultant at leading healthcare organizations across the Kingdom, including Dallah Hospital, King Faisal Specialist Hospital and Research Center, Sultan bin Abdulaziz Humanitarian Services City (SBAHC), and the Council of Cooperative Health Insurance (CCHI), where he was the Executive Director of Empowerment and Supervision.

With an Executive Master's degree in International Management and Leadership from AlYamamah University, KSA, a Master's in Research in Business Administration from Furtwangen University, Germany, and a Bachelor's in Applied Medical Sciences from King Saud University, KSA, Dr. Al-Kassabi continues to contribute to the advancement of healthcare through scientific research and publications.



Mr. Sultan S. Al-Khomashi, CEO of General Insurance

The Chief Executive Officer of Tawuniya's General Insurance Sector (formerly P&C), Mr. Al-Khomashi has more than 23 years of experience in Tawuniya across the fields of property, casualty, and non-marine insurance claims, as well as human resources and support services.

Prior to his appointment as CEO of the P&C Sector, Mr. Al-Khomashi held a number of administrative and leadership positions in Tawuniya including Senior Vice President of General Insurance, Senior Vice President of Technical Affairs, General Manager of Human Capital and Support Services, and General Manager of Property and Casualty Department.

He is a member of a number of committees in Tawuniya as well as other institutions, and sits on the Board of United Insurance Company (UIC), and is a Technical Committee Member of the Arab War Risks Insurance Syndicate (AWRIS).

Mr. Al-Khomashi has a Master's in Insurance and Risk Management from Case Business School, London, UK, and both a Master's and Bachelor's degree in Chemical Engineering from King Saud University, KSA. He also holds an Advanced Diploma in Insurance (ACII) from the Chartered Insurance Institute, London, UK, among many other professional qualifications and certifications. Mr. Al-Khomashi has also attended many scientific conferences organized by local, regional, and international institutions related to his areas of focus.



Mr. Mansour F. Abuthnain, CEO of Mobility Insurance

The Chief Executive Officer of the Mobility Insurance Sector at Tawuniya, Mr. Abuthnain draws from two decades of experience within the company across the areas of information technology, customer service, and motor insurance. Prior to his current appointment, he

held a number of leadership positions at the Company, including General Manager - Customer Service and Vice President - Motor Insurance.

Mr. Abuthnain holds a Bachelor's degree in Computer Sciences and Information Technology from King Saud University, KSA, among multiple professional certifications and advanced leadership trainings.



Mr. Fahad S. Al-Moammar, CIO

The Chief Investment Officer at Tawuniya, Mr. Al-Moammar draws from a distinguished career spanning well over three decades in investment management, having previously been the Senior Vice President of Investment at Tawuniya, prior to his current appointment. Mr. Al-Moammar

comes with leadership experience in the financial sector including the role of Vice President of Investment as well as Head of Finance at a number of banks and financial institutions including Riyadh Bank, Emirates NBD, Tadawul, and Manafe Holding.

He holds a Bachelor's degree in Insurance and Real Estate, alongside many professional and specialized certificates, including specialized training in market risk management and banking services risk management organized by Citibank and the Saudi Central Bank (SAMA).



Eng. Yaser A. Allaf, Chief GRC Officer

The Chief Governance, Risk, and Control Officer at Tawuniya, Eng. Allaf's career in the financial sector spans over 25 years. Prior to joining Tawuniya he was the Head of Treasury and Market Risk at Saudi National Bank, where he also held memberships of the Assets and Liabilities Committee. Eng. Allaf was also the Executive

Director of Risk Management at Abdul Latif Jameel United Finance Company., and was an independent Member of the Board Risk Committee at Wafa Insurance.

In addition to his extensive experience, Eng. Allaf currently serves as a Member of the Board of Directors at Hala Finance Company and as an Independent Member of the Board Audit Committee at Sustained Infrastructure Holding Co. (SISCO).

He holds a Master's degree in Business Administration from University of Business & Technology, KSA, and a Bachelor's degree in Electrical Engineering from King Abdulaziz University, KSA.



Mr. Abdullah Al-Shargi, CTO

Chief Transformation and Technology Officer at Tawuniya, Mr. Al-Shargi counts over 17 years of experience in setting-up and leading large-scale, multi-billion Riyal transformation programs across both public and private organizations and multiple industries, largely in the digital

space as well as in private health insurance, real estate, housing, education and telecommunication. Prior to joining Tawuniya, Mr. Al Shargi was the Executive Director of Technology and Digital Transformation at the Council of Health Insurance.

Mr. Al-Shargi has demonstrated his proficiency in working with senior government officials, as well as, key private-sector entities, and building successful Public-Private Partnerships to achieve the national agenda and develop business opportunities. He holds a Master's degree in Business Administration from Al Faisal University, KSA, and a Bachelor's degree in Information Systems from King Saud University, KSA.



Mr. Feher Al-Shareif, CSO

The Chief Strategy Officer at Tawuniya, Mr. Al-Shareif has over 20 years of experience in the transformation, delivery and growth of companies, strategically enabling a number of organizations to achieve 4-6 times their growth in less than 5 years under his guidance. Mr. Al-Shareif specializes in strategy, growth models,

programs management delivery as well as business development and technology alignment. Working across multiple sectors including Telecom, e-Government, Financial Services, Consulting, Technology & Logistics, he delivered innovative nation-wide programs such as Hafiz, Taqat, Makkah Hajj Route, Fasah, among others.

Prior to joining Tawuniya, Mr. Al-Shareif was the Chief Strategy Officer of Tabadul, the Logistics Company owned by Elm, where he also held the position of Sector Director for Economic Planning and Government Transformation. Mr. Shareif also sat on the Board of Saudi Arabia Motor Federation as Vice Chairman.

With a Bachelor's degree in Computer Information Systems from American University, Washington D.C., Mr. Shareif read for his Master's degree in Management Information Systems from George Washington University, Washington D.C., and he's now a Qimam Fellowship Partner contributing towards empowering high-potential leaders across the Kingdom.



Mr. Mater Al-Enazi, CFO

The Chief Financial Officer of Tawuniya, Mr. Al-Enazi joined the Company's Executive Leadership during the reporting period, drawing from a near decade of experience in similar leadership roles across multiple sectors including defense, energy, steel as well as investment industries. Prior to joining Tawuniya, Mr. Al-Enazi was Group

Chief Financial Officer at Ajlan Holdings Company, the Saudi Arabian Military Industry (SAMI), the Chief Financial Officer of the Saudi Arabian General Investment Authority (SAGIA), as well as ACWA Power.

Having successfully completed his Bachelor's in Business Administration in Accounting from King Saud University, KSA six months ahead of the program's scheduled completion, Mr. Al-Enazi received his Executive education from the London Business School, UK, and read for his Executive Master's in Business at King Fahad University of Petroleum and Minerals (KFUPM).



Eng. Mohammed Al-Saeed CEO of Health and Life Insurance

Engineer Mohamed Al-Saeed joined Tawuniya as Senior Executive Director of Health Operations, and draws from a decade of experience in Supply Chain Management. Prior to joining Tawuniya, Mr. Al-Saeed held the position of Chief Supply Chain Officer at Al Salem United Group

with Johnson Controls International, having previously worked as a Purchasing Manager, Production Plant Manager, and Supply Chain Manager among other regional positions at Unilever Arabia across a span of 11 years. Mr. Al-Saeed was also Director of Service Provider Relations at Bupa Arabia.

Eng. Al-Saeed completed Bachelor's in Electrical Engineering from Virginia Tech, and read for his Master's in Business Management from Hult International Business School, following up with his Master's in Systems Engineering from George Mason University. He is also a Certificated Professional in Supply Management (CPSM), Certificated Supply Chain Professional (CSCP), and Certificated in Production and Inventory Management (CPIM). He holds a Membership of the Chartered Institute of Purchasing and Supply (MCIPS).



Mr. Thamer S. Al-Harhi* (Resigned 31 December 2023)

The Chief Human Capital Officer at Tawuniya, Mr. Al-Harhi brings over two decades of experience in human resources to the Company. He has held many leadership positions such as Chief Consultant, General Manager of Human Capital Management, as well as, Chief Human Resources

Officer at a number of organizations including Unilever, Fonterra, National Commercial Bank (NCB), and Bupa Arabia. Mr. Al-Harhi was also the founder and Senior Consultant of Enjaz Management Consultants.

He holds a Bachelor's degree in Law from King Abdulaziz University, KSA.



Mr. Abdulaziz H. AlBoug* (Former CEO, Resigned April 2023)

Abdulaziz Al Boug is an accomplished C-suite executive with over 26 years of experience in executing transformational programs, designing company's strategic direction, leading growth and expansion agendas, and building effective

executive teams. He was the CEO of Tawuniya until April 2023, a leading insurance company in the market with more than SAR 14 Bn. in revenues, SAR 6.7 Bn. of investment portfolio and SAR 15 Bn. in assets. During his tenure, he managed to turnaround the company's financial performance accumulating SAR 1.3 Bn. in profits in the last three years. Prior to that, he held the position of Senior Vice-

President of Sales & Marketing in Tawuniya where he managed all commercial aspects of the company and in turn grew the company's revenues by more than 30%. Moreover, he pioneered and executed customer centric marketing strategies increasing the company's brand value and market share, he has a strong insurance technical & underwriting background, he had served as a regional underwriter. He holds an Executive Master of Business Administration from the University of Hull- UK and a Bachelor's degree in International Business Administration from King Abdulaziz University.

in parallel and for the last 5 years, Al Boug has been residing as Chairman and Member of multiple Boards and committees in both public and private sectors. He is the Chairman of Waseel Company, Tree Digital Insurance Company & Teejan Al Khaleej Company, a board member & member in the Nomination and Remuneration Committee of Vision bank and United Insurance Company (Bahrain), also he is a board member of Najem Co., CCHI & Bunyan real estate. In addition, he is the Chairman of Health Insurance Sub-committee and a member of Executives Committee under the Saudi Central Bank sponsorship.



Dr. Ammr K. Kurdi* (Resigned September 2023)

The former Chief Financial Officer at Tawuniya, possessing over 20 years of experience in the field of finance, audit, and executive leadership to the company, drawing from a number of key leadership positions across industry-leading entities, including tenures as Chief Financial

Officer and Chief Business Officer at the Saudi Arabian Industrial Investments Company (DUSSUR), a Public Investment Fund, Saudi Aramco, and SABIC joint venture. He also held other distinguished posts at the Saudi Arabian Amiantit Company, and King Fahd University of Petroleum & Minerals, among others. He holds membership and chairmanship in several committees including the Audit Committees of the Saudi Telecom Company, the Saudi Electricity Company, the Saudi Arabian British Bank, and the General Authority for Military Industries, among others. Dr. Kurdi holds a Ph.D. in Accounting from the University of North Texas, USA, a Masters' degree in Accounting from the University of Arizona, USA, and a Bachelors' of Science in Accounting from King Fahd University of Petroleum and Minerals, KSA. He is also a Certified Management Accountant (CMA).



Marwan A. Al-Ghamdi* (Resigned September 2023)

The former Chief Strategy Officer Tawuniya, Mr. Al-Ghamdi brings over 16 years of experience in the field of planning and strategy. He has held several top administrative positions in Strategic Business Analysis for a number of institutions, including BAE Systems Saudi Arabia, American

Express, and Vinyl Arabia. Prior to his appointment as Chief Strategy Officer, Mr. Al-Ghamdi held the position of General Manager of Strategy Management at Tawuniya. He holds a Bachelors' degree in English Language and Literature from Imam Mohammad Ibn Saud Islamic University (IMSTU), KSA.

Remuneration policy and method adopted to determine the remuneration of Executive Management

The Extraordinary General Assembly of the Company held its meeting on 28/08/2024 and approved the remuneration and compensation policy for members of the Executive Management. The policy is in line with market practice where members of the Executive Management team earn a monthly fixed pay, annual benefits and are also eligible for a company performance bonus plan. These practices have been updated by a global consultancy firm, endorsed by the Nomination and Remuneration Committee and approved by the Board.

Remuneration and Compensation of Senior Executives

| Description | Salaries and Compensation (SAR `000) | Fixed Allowances (SAR `000) | Annual Remuneration (SAR `000) | End of Service indemnities (SAR `000) | Total |
|--|--------------------------------------|-----------------------------|--------------------------------|---------------------------------------|--------|
| Remuneration and compensations received by the Five highest Executive Management members Including the CEO and CFO | 7,720 | 3,812 | 9,363 | 729 | 21,624 |

* *The Company is committed to disclosing the total remuneration of the senior executive management in accordance with the requirements of Article 93(4-b) of the Corporate Governance Rules. In order to protect the interests of the Company, the shareholders, the employees, and to avoid any unfavorable situation that may result from a detailed disclosure as to the job titles and positions, a description of remuneration is not presented pursuant to Appendix (1) of the Remuneration Schedule of Corporate Governance Rules related to Senior Executives which is based on paragraph (B) article (60) of Rules on the offer of Securities and Continuing Obligations.

BOARD COMMITTEES

Executive Committee

The Executive Committee is a committee affiliated to the BOD and nominated by the Board according to the regulations approved for it by the General Assembly of the Company, and submits its reports directly to the Board.

Committee Jurisdictions and Duties

1. Providing recommendations to the Board of Directors on strategic and operating plans, budgets, business plans and the necessary actions required.
2. Taking necessary actions/decisions on the issues delegated to by the Board that are external to the scope of CEO's powers including those issues that relate to capital expenditures and purchases within the limits delegated to the committee from the Board of Directors.

Meetings and Attendance

| EC Committee | | | | | | | | | |
|--------------|-----------------------------|----------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| # | Name | Nature of Membership | First Meeting 21 Feb 2023 | Second Meeting 29 Aug 2023 | Third Meeting 25 Sept 2023 | Fourth Meeting 24 Oct 2023 | Fifth Meeting 29 Nov 2023 | Sixth meeting 07 Dec 2023 | Seventh Meeting 24 Dec 2023 |
| 1 | Mr. Abdulaziz AlNowiaser | Committee Chairman | Y | Y | Y | Y | Y | Y | Y |
| 2 | Mr. Selman Alfares | Member | N | Y | Y | Y | Y | Y | Y |
| 3 | Mr. Nasser Alhuqbani | Member | N | Y | Y | Y | Y | Y | Y |
| 4 | Dr. Othman Alkassabi | Member | N | Y | Y | Y | Y | Y | Y |
| 5 | Mr. Waleed A. Aleisa* | Member | Y | N | N | N | N | N | N |
| 6 | Mr. Abdulrahman M. Al Odan* | Member | Y | N | N | N | N | N | N |
| 7 | Mr. Abdulaziz Al-Bouq* | Member | Y | N | N | N | N | N | N |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

** Y stands for "Yes"*

**N stands for "No"*

**N/A stands for "Not Applicable"*

Remuneration of the Committee Members

| Remuneration of the Executive Committee Members | | | |
|---|--|---|--------------|
| Member | Fixed remuneration (except attending sessions) SAR | Allowances for attending sessions SAR | Total SAR |
| Mr. Abdulaziz Al-Nowaiser | 150,000 | 35,000 | 185,000 |
| Mr. Selman Al-fares | 109,315 | 30,000 | 139,315 |
| Mr. Nasser Al-Huqbani | 109,315 | 30,000 | 139,315 |
| Dr. Othman Al-Kassabi | - | - | - |
| Mr. Waleed Al-Eisa * | 40,685 | 5,000 | 45,685 |
| Mr. Abdulrahman Al-Odan* | 40,685 | 5,000 | 45,685 |
| Mr. Abdulaziz Al-Bouq* | - | - | - |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

Nominations and Remuneration Committee

The Nominations and Remuneration Committee is affiliated to the Board and nominated by the Board in accordance with the rules approved for it by the General Assembly of the Company.

Committee Jurisdictions and Duties

1. Making recommendations to the Board on the nomination of Board members and Board committee members in accordance with regulatory requirements and approved policies and standard
2. Reviewing the requirement of suitable skills for membership of the Board and its committees on an annual basis, and preparing descriptions of the required capabilities and qualifications for such memberships, including the time that a member should reserve for the activities of the Board and/or Board committees.
3. Regularly evaluating the structure and composition of the Board and its committees and determining their points of weakness and recommending remedies
4. Assessing and monitoring the independence of Board and Board committee members and ensuring the absence of any conflict of interest, including ensuring the independence of the independent members, at least on an annual basis
5. Drawing up clear policies regarding the compensations and remunerations of members of the Board, the Board committees, and Senior Management
6. Evaluating the performance of the Board and Board committee members on a regular basis
7. Making recommendations to the Board with regards to selecting and dismissing members of Senior Management
8. Establishing a succession policy and procedures for the CEO and other key members of Senior Management and monitoring the implementation of the succession plans and process
9. Reviewing the compensation plans for members of Senior Management
10. Supervising the compensation plans for members of Senior Management
11. Making recommendations to the Board on various issues related to nomination and remuneration

Meetings and Attendance

| Nomination and remuneration committee | | | | |
|---------------------------------------|-----------------------|----------------------|---------------------------------|------------------------------|
| # | Name | Nature of Membership | Number of Meetings (2) meetings | |
| | | | First Meeting (03 Sep 2023) | Second Meeting (05 Nov 2023) |
| 1 | Nasser Alhuqbani | Chairman | Y | Y |
| 2 | Khalid ALGhoneim | Member | Y | Y |
| 3 | Mr. Abdulsalam Abaoud | Member | Y | Y |
| 4 | Abdulaziz Alkhamis | Member | Y | Y |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

** Y stands for "Yes"*

**N stands for "No"*

**N/A stands for "Not Applicable"*

Remuneration of the Committee Members

| Remuneration of the Nomination and remuneration Committee Members | | | |
|---|--|---------------------------------------|-----------|
| Member | Fixed remuneration (except attending sessions) SAR | Allowances for attending sessions SAR | Total SAR |
| Mr. Nasser Al-Huqbani | - | 10,000 | 10,000 |
| Dr. Khaled Al-Ghoneim | 150,000 | 10,000 | 160,000 |
| Mr. Abdul Salam Abaaoud | 109,315 | 10,000 | 119,315 |

| | | | |
|-------------------------|--------|--------|--------|
| Mr. Abdulaziz Al-Khamis | - | 10,000 | 10,000 |
| Mr. Ehab Al-Dabbagh * | - | - | - |
| Mr. Jaser Al-Jaser * | 40,685 | - | 40,685 |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

Investment Committee

The Investment Committee is affiliated to the Board and is nominated by the Board according to the regulations approved by the General Assembly of the Company, and it submits its reports directly to the Board.

Committee Jurisdictions and Duties

1. Review and approve the investment strategy and policies provided by the executive management.
2. Supervise the implementation of investment strategy and policies and ensure strict compliance with them.
3. Review and evaluate the investment proposals that required the approval of the Committee and make decisions about the Company's investments in the limits of powers granted by the BOD.
4. Hiring the investment managers outside the Kingdom and evaluate their services, terminate their duties and determine their fees.
5. Define the investment limits within and outside the Kingdom in accordance with the investment Regulations issued by Insurance Authority.
6. Supervise the observance of investment limits in each investment tool.
7. Review and evaluate the Company's existing investments through the periodic reports on the same.
8. Update the Board on works, findings or decisions taken.

Non-Board Committee Members

Dr. Ammr Kurdi

Mr. Kurdi draws from over 15 years of experience in key leadership positions in the financial and investment fields, and continues to serve as a Member of Boards and Board Committees of a number of companies; Apart from serving as a member of the Investment Committee at Tawuniya, Mr. Kurdi is also serving as a Member of the Audit Committees of the First Saudi Bank (SABB), Saudi Electricity Company, the Saudi Telecom Company, the Saudi Nuclear Energy Company, is a Member of the Audit, Risk and Compliance Committee at the General Authority for Military Industries, and Chairs the Audit Committee at Jabal Al-Shifa Development Company. Mr. Kurdi is also a Member of the Advisory Board at Saudi Society of Internal Auditors, and of the Saudi Agricultural and Livestock Investment Company (SALIC) review committee.

With a Bachelor's degree in Accounting Sciences from King Fahd University of Petroleum and Minerals, KSA, Mr. Kurdi holds a Master's in Accounting from the University of Arizona, USA, and a PhD in Accounting from the University of North Texas, USA, alongside a number of professional certifications including Executive Certifications for Internal Auditing from Harvard Business University and for Mergers and Acquisitions from London Business University.

Meetings and Attendance

| Investment Committee | | | | | |
|----------------------|-------------------------|----------------------|---------------------------------|------------------------------|-----------------------------|
| # | Name | Nature of Membership | Number of Meetings (3) meetings | | |
| | | | First Meeting (12 Feb 2023) | Second Meeting (21 Aug 2023) | Third Meeting (20 Nov 2023) |
| 1 | Selman Alfares | Committee Chairman | N/A | Y | Y |
| 2 | Abdulaziz Alkhamis | Member | Yes(as part of the previous IC) | Y | Y |
| 3 | Paul Sweeting | Member | N/A | Y | Y |
| 4 | Ammr Kurdi | Member | N/A | Y | Y |
| 5 | Hessa Alsheikh | Member | N/A | Y | Y |
| 6 | Mr. Ehab M. Al Dabbagh* | Member | Y | N/A | N/A |

| | | | | | |
|---|---------------------------|--------|---|-----|-----|
| 7 | Mr. Homood A. Altuwaijri* | Member | Y | N/A | N/A |
| 8 | Mr. Ghassan A. Al-Malki* | Member | Y | N/A | N/A |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

** Y stands for "Yes"*

**N stands for "No"*

**N/A stands for "Not Applicable"*

Remuneration of the Committee Members

| Remuneration of the Investment Committee Members | | | |
|--|--|---------------------------------------|---------------|
| Member | Fixed remuneration (except attending sessions) SAR | Allowances for attending sessions SAR | Total SAR |
| Mr. Selman Alfares | - | 10,000 | 10,000 |
| Mr. Abdulaziz Alkhamis | 150,000 | 15,000 | 165,000 |
| Dr. Paul Sweeting | 109,315 | 10,000 | 119,315 |
| Ms. Hessa Alsheikh | 109,315 | 10,000 | 119,315 |
| Mr. Ehab AlDabbagh * | 40,685 | 5,000 | 45,685 |
| Mr. Homood A. Altuwaijri* | 40,685 | 5,000 | 45,685 |
| Mr. Ghassan A. Al-Malki* | 40,685 | 5,000 | 45,685 |
| Dr. Ammr Kurdi | 50,137 | 5,000 | 55,137 |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

Board Risk Committee

The Board Risk Committee, as a designated Board Committee, aims at assisting the Board in fulfilling its corporate governance duties with regard risk management. It also supervises and reviews the Company's Risk Management Plan, its related practices, and how they are executed according to the Board-approved Risk Management Strategy. Towards establishing a suitable operating structure for risk and controlled environment, Tawuniya has adopted a three lines of defense approach with controls at various organizational units, such as the Business and Operational Sectors, Risk and Compliance, Internal Audit.

Committee Jurisdictions and Duties

1. Identifying and categorizing risks that may imperil the Company and maintaining an acceptable risk profile for the Company.
2. Overseeing the risk management system and assessing its effectiveness.
3. Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis by taking into account developments that are internal and external to the Company.
4. Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months.
5. Reviewing risk management policies.
6. Reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board in line with DOA.
7. Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g., through stress testing exercises)
8. Reporting to the Board details of risk exposures and recommending actions to manage them.
9. Advising the Board on issues related to risk management.
10. The committee has the authority to oversee ESG risks (Environmental, Social, and Governance) to the extent that could cause reputation or financial harm and/or adversely impact operating performance.

Non-Board Committee Members

Mr. Yazid Al-Jared

With well over two decades of experience in the field of compliance, governance and risk, Mr. Al-Jared continues to serve as a Board and Committee Member across a number of companies and organizations. Apart from serving Tawuniya as a Member of the Risk Committee, Mr. Al-Jared also serves as a Member of the Risk and Compliance Committee of the Tourism Development Fund, and a Member of the Risk and Sustainability Committee of Saudi Agricultural and Livestock Investment Company (SALIC). Mr. Al-Jared is also a Member of the Audit and Risk Committee for the Privileged Residency Center of the Council of Economic and Development Affairs, KSA.

With a Bachelor's degree in Economics from King Abdulaziz University, KSA, Mr. Al-Jared is also professionally certified in his area of expertise with CMA 1 & 2 Certifications in Securities Business and Compliance respectively

Meetings and Attendance

| Board Risk Committee (BRC) | | | | | | |
|----------------------------|------------------------------|----------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|
| # | Name | Nature of Membership | Number of Meetings (4) meetings | | | |
| | | | First Meeting (13 Mar 2023) | Second Meeting (10 Jul 2023) | Third Meeting (22 Aug 2023) | Forth Meeting (23 Nov 2023) |
| 1 | Mr. Waleed A. Al-Eisa * | Committee Chairman | Y | N/A | N/A | N/A |
| 2 | Mr. Abdulrahman M. Al-Odan * | Member | Y | N/A | N/A | N/A |
| 3 | Mr. Jaser A. Al-Jaser * | Member | Y | N/A | N/A | N/A |
| 4 | Mr. Ghassan A. Al-Malki * | Member | Y | N/A | N/A | N/A |
| 1 | Dr. Paul Sweeting | Committee Chairman | N/A | Y | Y | Y |
| 2 | Mr. Abdulaziz Al- Alsedeeas | Member | N/A | Y | Y | Y |
| 3 | Mr. Abdulsalam Abaoud | Member | N/A | Y | Y | Y |
| 4 | Ms. Hessa Al-Sheikh | Member | N/A | Y | Y | Y |
| 5 | Mr. Yazeed Aljared | Member | N/A | Y | Y | Y |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

** Y stands for "Yes"*

**N stands for "No"*

**N/A stands for "Not Applicable"*

Remuneration of the Committee Members

| Remuneration of the Board Risk Committee (BRC) Members | | | |
|--|--|---------------------------------------|---------------|
| Member | Fixed remuneration (except attending sessions) SAR | Allowances for attending sessions SAR | Total SAR |
| Dr. Paul Sweeting | 0 | 15,000 | 15,000 |
| Mr. Abdulrahman Al-Odan * | 0 | 5,000 | 5,000 |
| Mr. Jaser Al-Jaser * | 0 | 5,000 | 5,000 |
| Mr. Ghassan A. Al-Malki * | 0 | 5,000 | 5,000 |
| Mr. Waleed Al-Eisa * | 0 | 5,000 | 5,000 |
| Mr. Abdulaziz Al-Sedeas | 109,315 | 15,000 | 124,315 |
| Mr. Abdul Salam Abaaoud | 0 | 15,000 | 15,000 |
| Ms. Hessa Al-Sheikh | 0 | 15,000 | 15,000 |
| Mr. Yazeed Al-Jared | 80,548 | 15,000 | 95,548 |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

Audit Committee

An independent committee affiliated to the Board according to the regulations approved by the Company's General Assembly, the Audit Committee consists of at least three members and a maximum of five members, provided that at least one member is independent, and the majority of Members are from outside the Board. The Audit Committee is formed by a decision of the Ordinary General Assembly based on the recommendation of the Board, after obtaining the Insurance Authority's no objection in writing, and the Committee selects from among its members a chairman for a period of three years. The Committee monitors the performance and application of internal controls in the Company, ensures the efficiency and effectiveness of the laws and regulations, verifies the implementation of decisions related to internal control, and ensures strict compliance with the application of relevant laws and regulations.

Non-Board Committee Members

Mr. Khalid S. Al-Solaiman

Mr. Al Sulaiman is a Non-Board Member of the Audit Committee at Tawuniya. He has extensive experience and knowledge in the field of auditing and financial management, having previously held many related leadership positions including his tenure as the Director of Internal and External Audit at the Saudi National Bank. Mr. Al Sulaiman holds the American Fellowship of Certified Public Accountants (CPA), as well as a Bachelor's in Accounting from King Saud University, KSA.

Mr. Ehsan A. Makhdoum

Mr. Makhdoum is a Non-Board Member of the Audit Committee at Tawuniya. With more than 20 years of experience in auditing and accounting including a distinguished post as Partner at Deloitte & Touche, Mr. Makhdoum established the Ehsan Makhdoum Office for Auditing to service his clients. With a Bachelors' Degree in Accounting from King Fahad University of Petroleum and Minerals, KSA, Mr. Makhdoum is also a qualified Chartered Accountant with an American Fellowship of Certified Public Accountants (CPA), and a Fellowship of the Saudi Organization for Certified Public Accountants (SOCPA).

Mr. Khalid S. Al-Ruwais*

Mr. Al-Ruwais is a Non-Board Member of the Audit Committee at Tawuniya. He sits on the Boards of Hassanah Company and Saudi Mining Services Company, where he serves as a Member of the Audit Committees, in addition to his Audit Committee memberships at the Saudi Electricity Company and Taga Company. Mr. Al-Ruwais is also a Board Member, Audit Committee Chairman, and Member of the Risk Management Committee of Saudi Investment Bank.

Drawing from an extensive career in finance across companies operating in the mining, petrochemical, and banking sectors, Mr. Al-Ruwais has held a number of distinguished positions in such industry-leading companies; he was Vice President for Finance and Acting Chief Executive Officer at Maaden, and Vice President for Phosphate, Chief Financial Officer, Advisor and Chairman at the Middle-East's largest multi-commodity mining and metals company "Maaden". He was also the Board Member, Chairman of the Audit Committee, and Member of the Strategic Committee at the Middle East Battery Company (MEBCO), and an Audit Committee Member at Betrokim Company.

Mr. Al-Ruwais holds an American Fellowship of Certified Public Accountants (CPA), and received his Bachelors' of Accounting from King Saud University, KSA.

****Membership expired by the end of the previous Board's tenure on 09/04/2023***

Committee Jurisdictions and Duties

1. Submit recommendations to the BoD to approve the nomination or re-nomination of the external auditors and this includes ensuring the External Auditors have the expertise necessary to perform the audit of the Company's business professionally.
2. Appoint and dismiss the Chief Compliance Officer after obtaining "No Objection" in writing from Insurance Authority .
3. Recommends to the Board for the nomination and dismissal of the Chief Internal Auditor after obtaining "No Objection" in writing from Insurance Authority.
4. Ensure the independence of the External Auditors from the Company, Board Members and the Senior Management.
5. Ensure the independence of the Internal Audit Department or the Internal Auditor in the performance of their duties and verify the absence of any restrictions on their acts or the presence of any matter of negative impact on their acts.
6. Ensure the independence of the Compliance Department or the Chief Compliance Officer in the performance of their duties and verify the absence of any restriction on their acts or the presence of any matter of negative impact on their acts.
7. Discuss the annual and quarterly interim financial statements with the external auditors and senior management of the Company before they are issued.

8. Examine and review the annual and interim financial statements and recommend to the Board thereon.
9. Study the internal and External Auditors' plan.
10. Study, approve and follow-up the implementation of compliance plan.
11. Study the key accounting policies, their procedures and changes that may be carried out on them.
12. Prepare a report on the Committee's opinion on the adequacy of internal controls system in the Company and the other work the Committee has performed within the scope of its jurisdiction. This report must be made available in Head Office of the Company at least ten (10) days before date of the General Assembly.
13. Coordinate between the Internal and External Auditors.
14. Examine the reports of External Auditors and make recommendations thereon to the BoD.
15. Review the reports of the Internal Audit Department or the Internal Auditor and make recommendations thereon to the BoD.
16. Review the reports of the Compliance Department and make recommendations thereon to the BoD.
17. Study the reports issued by the regulatory and supervisory authorities or official regulator and issue recommendations thereon to the BoD.
18. Assess the level of efficiency, effectiveness, and objectivity of the work of External Auditors, Internal Auditors Department or Internal Auditor, the Compliance Department, and the Chief Compliance Officer.
19. Study the observations of Insurance Authority and the relevant supervisory and regulatory authorities on any legal violations or requests for corrective measures and make recommendations thereon to the BoD.
20. Study the evaluation of the Internal and External Auditors on the internal control procedures.
21. Study the process among the entities of the Group and operations with related parties.
22. Study the actuary reports and make recommendations thereon to the BoD.

23. Ensure the Company's compliance with implementation of the proposals and recommendations of the actuary when they are compulsory under the regulations and instructions issued by Insurance Authority and the relevant supervisory or regulatory authorities.
24. Follow up the reports issued by Insurance Authority and the relevant supervisory and regulatory authorities concerned and make recommendations there on to the BoD.
25. Determine the monthly salary, the performance-based bonus and other awards for the Internal Audit Department or the Internal Auditor in accordance with the internal regulations of the Company, which are approved by the Board.
26. Determine the monthly salary, the performance-based bonus and other awards for the Compliance Department or the Chief Compliance Officer in accordance with the internal regulations of the Company which are approved by the Board.
27. Ensure the availability of a written regulation on the rules of professional ethics and conduct after its approval by the Board to ensure that the Company's business activities are transacted in a fair and ethical manner.
28. Follow up the important lawsuits filed by or against the Company with the manager of Compliance Department or the Chief Compliance Officer and submit periodic reports on them to the Board.
29. Ensure the optimal use of information technology and the availability of necessary controls to get accurate, authentic and reliable information and data.

Remuneration of the Committee Members

| Audit Committee | | | | | | | | | | | | | |
|-----------------|---------------------|--------------------------|--|---------------------------------|-------------------------------|---------------------------------|--------------------------------|-------------------------------|----------------------------------|--------------------------------|--------------------------------|-------------------------------|----------------------------------|
| # | Name | Nature of Membership | Number of Audit Committee Meetings (11) meetings | | | | | | | | | | |
| | | | First Meeting (29 Jan 2023) | Second Meeting (14 Feb 2023) | Third Meeting (6 Mar 2023) | Fourth Meeting (29 May 2023) | Fifth Meeting (13 Jun 2023) | Sixth meeting (6 Aug 2023) | Seventh Meeting (30 Aug 2023) | Eighth Meeting (1 Nov 2023) | Ninth Meeting (27 Nov 2023) | Tenth meeting (4 Dec 2023) | Eleventh meeting (7 Dec 2023) |
| 1 | Homood Al-Tuwaijri* | Committee Chairman | Y | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 2 | | | | | | | | | | | | | |
| 3 | Abdulaziz Al-Sedeas | Audit Committee Chairman | N/A | N/A | N/A | Y | Y | Y | Y | Y | Y | Y | Y |
| 4 | | | | | | | | | | | | | |
| 5 | Ehsan Ma-khdoum | Member | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 6 | Khalid Al-Soliman | Member | Y | N | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 7 | Khalid Al-Ruwais* | Member | Y | Y | Y | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 8 | | | | | | | | | | | | | |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

** Y stands for "Yes"*

**N stands for "No"*

**N/A stands for "Not Applicable"*

Remuneration of the Committee Members

| Remuneration of the Audit Committee Members | | | |
|---|--|---------------------------------------|-----------|
| Member | Fixed remuneration (except attending sessions) SAR | Allowances for attending sessions SAR | Total SAR |
| Mr. Abdulaziz Al-Sedeas | 109,315 | 40,000 | 149,315 |
| Mr. Homood Al-Tuwaijri* | 40,685 | 15,000 | 55,685 |
| Mr.Ehsan Makhdoum | 150,000 | 55,000 | 205,000 |
| Mr.Khalid Al-Soliman | 150,000 | 50,000 | 200,000 |
| Mr.Khalid Al-Ruwais* | 40,685 | 15,000 | 55,685 |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

Technology Projects Committee

The Technology Projects Committee is affiliated to the Board and is nominated by the Board according to the regulations approved by the General Assembly of the Company. This Committee is tasked with reviewing, recommending, implementing and following-up on the progress of Tawuniya's Core System Program Project, directly submitting their reports to the Board.

Committee Jurisdictions and Duties

1. Supporting and facilitating the procedures and taking the necessary decisions to implement and finalize the Core System Program Project.
2. Taking decisions within the powers of the Committee stipulated in paragraph 13. (Limits of Powers and Authority) and expedite taking decisions that exceed the powers of the Committee to ensure the progress of the project pursuant to the agreed plan.
3. Conducting direct and indirect intervention to ensure that the Core System Project is not affected by any risks or problems that impede the performance of business.

4. Following up on the progress of the Core System Program Project and review its periodic reports within the scheduled and unscheduled meetings held by the Committee.
5. Submitting reports on the work progress of the Core System Program to the BoD, including the various risks and solutions to deal with them and all recommendations in this regard.
6. Reviewing the project scheduling if necessary and approve all project plans and resources according to the limits of the powers mentioned in paragraph 13 (Limits of Powers and Authority).
7. Raising the recommendations of the Committee's scope of work to include other additional projects on the Core System Program.

Remuneration of the Committee Members

| Audit Committee | | | | | | | | | |
|-----------------|----------------------------------|----------------------|--|---------------------------------|--------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
| # | Name | Nature of Membership | Number of Audit Committee Meetings (11) meetings | | | | | | |
| | | | First Meeting (30 Jan 2023) | Second Meeting (07 Mar 2023) | Third Meeting (10 Jul 2023) | Fourth Meeting (26 Aug 2023) | Fifth Meeting (18 Sep 2023) | Sixth Meeting (22 Oct 2023) | Seventh Meeting (5 Dec 2023) |
| | Dr. Khaled Al-Ghonaim | Committee Chairman | Y | Y | Y | Y | Y | Y | Y |
| | Mr. Abdulrahman Al-Odan* | Member | Y | Y | Y | Y | Y | Y | Y |
| | Mr. Ghassan Al-Malki* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A |
| | Mr. Abdulaziz Al-Boug* | Member | Y | Y | N/A | N/A | N/A | N/A | N/A |
| | Dr. Mohammad Al-Shaibi (Advisor) | Advisor | Y | Y | Y | Y | Y | Y | Y |
| | Dr. Othman Yousef Al-Kassabi | Member | N/A | N/A | Y | Y | Y | Y | Y |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

** Y stands for "Yes"*

**N stands for "No"*

**N/A stands for "Not Applicable"*

Remuneration of the Committee Members

| Remuneration of the Technology Projects Committee Members | | | |
|---|---|---------------------------------------|-----------|
| Member | Fixed remuneration (except attending sessions) SAR | Allowances for attending sessions SAR | Total SAR |
| Dr. Khaled Al-Ghoneim | - | 35,000 | 35,000 |
| Mr. Abdulrahman Al-Odan* | 0 | 35,000 | 35,000 |
| Mr. Ghassan A. Al-Malki* | 0 | 10,000 | 10,000 |
| Mr. Abdulaziz Al-Bouq* | 0 | 0 | - |
| Dr. Mohammad Al-Shaibi** | 109,315 | 25,000 | 134,315 |
| Dr. Othman Al-Kassabi | 0 | 0 | - |

**Membership expired by the end of the previous Board's tenure on 09 April 2023*

Results of the annual audit of the effectiveness of the internal control procedures of the Company and the opinion of the audit committee with respect to adequacy of Company's internal control system. Include Board's conclusions on such annual review together with remarks rendered by the Audit Committee on the adequacy of the Company's internal control system.

As the Company management is the concerned party responsible for preparing a comprehensive and effective control system that takes into account the nature of the Company's business and the risks related to it; The Audit Committee was briefed on the improvements made by the executive management to the internal control system, the results of the internal audit activity, and the systems of risk management and cybersecurity. Moreover, the Committee also:

- Reviewed the quarterly performance reports related to filed customer complaints.
- Was briefed on all major lawsuits filed by or versus the Company.
- Reviewed the presentation of the Cybersecurity Department on a quarterly basis, which included the status of maturity according to the framework provided by SAMA, and followed up the status of implementation of the observations issued by SAMA and the National Cybersecurity Authority.

- Supervised various reports prepared by the Internal Audit Department (IAD) and the external auditors on the effectiveness of the internal controls related to the financial reporting system, where the Committee concluded that none of them caused any material weaknesses in the financial reporting system.

Accordingly, no fundamental weakness in the company's internal control systems was revealed to the Committee. In addition, the Committee believes that the internal control system needs further improvements to keep pace with the Company's growth and strategic direction, and the Committee will follow up such improvements.

Recommendation of the Audit Committee on the need to appointing an internal auditor for the Company, if there is no internal auditor.

There is a fully operational Internal Audit Division established within Tawuniya.

The Audit Committee's recommendations that are in conflict with the Board's resolutions or those which the Board disregarded, relating to appointment, dismissal, performance assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them.

Not Applicable.

If the external auditor's report contains reservations on the annual financial statements, the Board's report must highlight them mentioning their reasons and any relevant information.

The Company's External Auditors issued an unqualified audit opinion on the Financial Statements of the Company for the year 2023 attesting with reasonable assurance that it presents fairly in all material respects the financial position of the Company.

If the Board recommends replacing the external auditor before the end of the term for which it is appointed, the report shall indicate this, mentioning the reasons for the replacement recommendation.

There are no recommendations by the Board to replace the external auditors before the end of the term.

Nominations of the Company's external auditors for year 2023

Based on the recommendation of the Audit Committee, the Ordinary General Assembly held on 07/06/2023 approved the nomination of KPMG and Dr. Mohamed Al-Amari & Co. "BDO" to audit the Company's annual financial statements for the year 2023, as well as for the second and third quarters of year 2023 and the first quarter of year 2023. No recommendation was issued by the Board of Directors to change the external auditors before the end of the period for which they were appointed.

Description of the main types of activities of the Company and its subsidiary, and each activity's effect on the size of the Company's businesses and contributions to the result.

Description of the Company's main activities:

Tawuniya - the Company for Cooperative Insurance, is the first licensed Saudi insurance company. The principal lines of business of Tawuniya include medical, motor, marine, fire, engineering, energy, aviation, Takaful and casualty insurance as well as many other types of insurance out of more than 60 insurance classes.

The Company consists of business units, according to its products and services, and it has segments for which reports are submitted as follows:

- **Medical Insurance Segment** - coverage of general accident insurance for pilgrims
- **Medical Umrah Segment** - coverage for health insurance for pilgrims
- **Motor insurance Segment** - coverage for motor insurance and for Manafeth third party liability insurance for foreign vehicles
- **Property and Casualty insurance Segment** - coverage for property, engineering, marine, aviation, energy and general accidents insurance
- **General Accident- Umrah Segment** - coverage of general accident insurance for pilgrims
- **Travel and Covid-19 insurance Segment** - coverage of compulsory travel insurance in addition to other coverages related to COVID-19 for citizens travelling abroad
- **Protection and Saving Segment** - coverage of life insurance
- **Tijan Al-Khaleej Segment** - reporting of Tijan Al-Khaleej operations as well as its income earned from consulting services extended to the insurance and healthcare businesses.

- **Shareholders' Segment** - reporting of the Company's shareholder operations, and the balances of its subsidiary "Tree Digital Company". Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriation basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriation basis.

The contribution of these main activities to Tawuniya's business results for the year under review are as follows:

(SAR '000)

| Operating Segments | Activity Revenues SAR '000 | Percentages |
|--------------------------|-------------------------------|-------------|
| Medical | 11,254,531 | 74% |
| Medical Umrah | 22,972 | 0% |
| Motor including Manafeth | 1,855,140 | 12% |
| Property and casualty | 2,062,001 | 14% |
| General & Accident Umrah | 12,810 | 0% |
| Travel and Covid19 | - | 0% |
| Protection and Savings | 57,970 | 0% |
| Total | 15,265,424 | 100% |

Description of affiliate (1)'s main activities: Insurance for all motor vehicles which travel through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law.

Activity (1): Motor Insurance

Description of affiliate (2)'s main activities: Internet based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market.

Activity (1): Information Technology services for Healthcare Insurance

Effect of such main activities on the size of the affiliate's business and its contributions to the results as follows:

| Nature of business | Activity Revenues SAR '000 | Percentages |
|--|-------------------------------|-------------|
| Motor Insurance | 31,733 | 82% |
| Information Technology services for Healthcare Insurance | 6,977 | 18% |
| Total | 38,710 | 100% |

Name of each affiliate company, its capital, the Company's ownership percentage, main scope of business, country of operation and country of incorporation

| Affiliate name | Capital | Company's Ownership Percentage | Main Scope of Business | Country of Operation | Country of Incorporation |
|----------------------|-----------|--------------------------------------|--|-------------------------|-----------------------------|
| Teejan Al- Khaleej | 7,500,000 | 100% | Developing technology-based solutions and extending consultancy services for the insurance and healthcare businesses. | Saudi Arabia | Saudi Arabia |
| Tree Digital Company | 7,500,000 | 100% | Introducing innovative products and services with an end-to-end digital journey to drive insurance penetration in the Kingdom of Saudi Arabia (e.g. convenience of choice, behavior change based products, rewards program), while building an ecosystem of partnerships to fulfil growing customer needs and provide a differentiating proposition versus local and regional competitors. | Saudi Arabia | Saudi Arabia |

| | | | | | |
|---|-----------------|------|---|--------------------|--------------------|
| Meena healthcare Company | 500,000 | 100% | Extending health care services for medical line of business. | Saudi Arabia | Saudi Arabia |
| United Insurance Company B.S.C. | 5,000,000 (BHD) | 50% | Insurance for all motor vehicles which travel through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law. | Kingdom of Bahrain | Kingdom of Bahrain |
| Waseel Application Service Provider Limited | 24,000,000 | 45% | Internet based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market. | Saudi Arabia | Saudi Arabia |

The contribution of subsidiaries / affiliates to Tawuniya's business results during the year under review are as follows:

| Subsidiary / Affiliate | Activity Revenues SAR '000 | Percentages |
|--------------------------------------|-------------------------------|-------------|
| United Insurance Company | 103,201 | 65.23% |
| Waseel Application Services Provider | 54,999 | 34.77% |
| Total Revenues | 158,200 | 100% |

**The business of the subsidiaries Tijan Al-Khaleej and Tree Digital Company directly contribute to the main business income*

A description of the Company's significant plans and decisions (including changes to the structure, expanding company's operations or halting them) and future expectations

Today, the entire world is witnessing rapid and pivotal changes in the business sector and aspects of life, as the needs of customers, perceptions of society, and the introduction of modern technologies to the market made it more competitive and dynamic, which has raised the expectations and increased the challenges, so it was very important for Tawuniya to be proactive and developed an ambitious Strategy in 2021 to keep pace with these fundamental and influential changes locally and globally, and also to play a major role in supporting the national economy and serving our Saudi society.

Tawuniya continues to implement its ambitious Strategy, which contributed to achieving a remarkable growth. Our Strategy focuses on growing each line of business independently that gives greater focus on developing innovative products and improving the quality of services provided to our customers. In addition, Tawuniya was able to achieve in 2023 a growth rate of 29% Gross Written Premium (GWP), leading to a strong bottom line with a net income of SAR 616 Mn. Furthermore, Tawuniya was able to plant seeds for a diversified income, including investing in healthcare, mobility ecosystem partnerships, and launching digital attackers, among other strategic initiatives.

By the end of 2022, Tawuniya realized its vision and became the largest insurer in the MENA region with SAR 14,350 Bn. GWP and is well placed to continue its growth trajectory in line with kingdom's ambitious economic growth agenda.

Over the last two years, Tawuniya has made notable progress on its strategic agenda with a strong emphasis on driving innovation:

Partnerships:

- Integrated Syarah marketplace into our app, leading to a strategic investment
- Launched travel embedded insurance in collaboration with Almatar App
- Offer SME products and launch awareness drives with MISK community
- Collaborating with PIF Clubs for health & general coverage
- Penetrating new customer base by partnering with Ikea, NHC, VFS, MoD, Lucid
- Partnered with Sela to provide event cancelation insurance

Technology:

- Introduced Tree, the first fully digital insurer in KSA – launched with retail motor, planning to launch SME in 2024
- Strengthening strategic partnerships with Google Cloud to develop cybersecurity insurance.

Value chain integration

- 300,000 customers registered with Tawuniya Drive.
- Working on healthcare vertical integration project with plan to open first primary care center at the beginning of 2024.

Distribution & Payments

- Engaged with STC to start selling insurance products on STC app (motor, home insurance bundles)
- Working with Tabby to introduce BNPL solutions for mobility products.
- Collaborated with STC Pay to introduce instant claims payouts.
- Working with SNB on Motor, life & travel insurance.

Product innovation

- Launched 'Tawuniya drive', a new driver behavior program, to give Saudis weekly rewards and discounts on their car insurance
- Engaged with Lean to launch medical malpractice product offering

Tawuniya plans to maintain its current market share in 2024, ensuring profitability and a balanced portfolio mix. This strong performance is primarily driven by the optimization of SG&A costs, strong underwriting results, and overall growth in the market and Tawuniya's market share.

Below are the Key changes and achievements:

Overall:

- Tawuniya's rollout its new org structure (Product Focused) to better align with the strategy and enable faster and more streamlined execution.
- Launch of Medallia Voice of Customer measurement platform with 51 journey, touchpoint, and relationship surveys across three lines of business.
- Completion of 30+ CX journeys enhancement projects across the line of business.
- Increase Tawuniya's paid-up capital to SAR 1500 Mn.
- Got an upgrade of Tawuniya's credit rating from both S & P "From A-to A with stable outlook" and Fitch "From A- to A with stable outlook", which reflects its strong financial performance.
- Developing the governance of the implementation of transformation projects, building internal capabilities, and attracting distinguished competencies and expertise, which contributes to raising the quality of work and the speed of completion.
- Launch and activate Tawuniya's Brand uplift.
- Maintain Strong Growth with new products and value propositions.
- Enhance claims controls and optimize expenses.
- Launch Tawuniya's values and engage all employees. Also, integrate the values in senior management practices and employee's evaluation.

Health & Life:

- Fully integrated Vitality program increasing registered member base by over 750%
- Relaunch of fully digitized Value-Added Services (VAS)
- Introduction of Value-Added Benefits (VAB) e.g. Jisr partnership



- Crystalized and well-articulated value proposition cascaded to 400+ sales teams
- Designed a differentiated value proposition for Protection and Savings Life insurance products, driven by customer needs insights research

Mobility:

1. Striking partnerships and penetrating new markets as well as revamping Online & Offline Sales processes to increase market reach
2. Optimized Pricing with more than 100 pricing factors
3. Capitalizing on Tawuniya Drive program in retention as well as the huge leads generated from Try Before You Buy insurance (TBYB) campaign

General Insurance:

- Mega account share: Top 10 clients include new MEGA account like NEOM, ROSHAN, PETRO RABGUH in addition to the current client like SABIC, SAUDIA, SEC ... etc which is more than 42% of General overall portfolio
- Intensified efforts on retail products like Domestic Helper, Medical Malpractice (Domestic Helper 50% market share which is approximately SAR 50 Mn., achieved 200% over 2022 in Medical Malpractice which is approximately more than SAR 60 Mn.)
- Made the ground for innovative product and partnership which will get realize in upcoming years like AMAZON, STC, ALMATAR, Event Cancelation for sport / entertainment activities.
- Capacity enhancement in reinsurance which help to accept more business which resulted in an increase in retention over 2023.



Technology and Digital (T&D):

Tawuniya aims to harness state-of-the-art technology to deliver exceptional service and to anticipate future trends. The investments in our IT infrastructure will not only optimize our operations but will also establish a resilient foundation for sustainable growth and continuous innovation. In addition, T&D have developed digital, data and technology strategy which carried out key initiatives and achievements as follows:

Digital:

- Revamp all digital channels with more than 380 services (295 retails services, 85 corporate and SME services)
- Released new SME portal that serves all line of businesses.
- Released value add services: Vitality, Refill Medication, Telemedicine, Home Child Vaccination. End to End full claim solutions for Mobility
- Develop and release RPA (Robotic Process Automation) that includes handling underwriting services, claims processing, with a total of 15 bots in 2023

Data:

- Utilizing AI to intelligently process health insurance claims can result in substantial cost benefits, estimated to be around 181 million Riyal.

Technology:

- The launch of the Command-and-Control Center.
- Modernization of data center.
- Enhancing and upgrading our network and core systems.
- Enhance performance with Nphies, najm which led Tawuniya to be the winner to CHI Nphies prize.
- Life system release.

Details of the Company's social contributions, if any

Motor

- Try Before you Buy: we opened a one-month free subscriptions in Tawuniya Drive for everyone and gave free giveaways for good drivers
- Tabuk: Participated and sponsored through Drive an initiative made by Tabuk region that encourage safe driving behavior
- Free Home Insurance: for a specific period of time we offered free Home insurance coverage for 50k Mobility policyholders
- E2E: Free End to End claims service to all Shamel clients were introduced this year which will ensure the client have a full-service post-accident from the accident scene.

RISK

The Current and Potential Risks facing the Company

To effectively navigate the diverse landscape of Tawuniya's business model, a comprehensive approach to risk management is imperative. The Company is committed to identifying, assessing, measuring, aggregating, and managing risks in a holistic manner.

Aligned with the guidelines set forth by the Insurance Authority, now Insurance Authority (IA), the insurance industry is required to implement a risk appetite framework based on the guidelines issued by Financial Stability Board (FSB). Tawuniya has diligently established a robust Risk Appetite Framework (RAF) that encompasses all business activities through meticulously designed Key Risk Indicators (KRIs). Under the framework, risk appetite statements and threshold limits are carefully designed and implemented every year, keeping in view business objectives, budget and annual business plan along with Tawuniya's refreshed Strategy. This framework, reviewed annually, aligns with

the company's business objectives, budget, and annual business plan, in tandem with the refreshed corporate strategy. Additionally, considerations encompass industry and peer analysis, future outlook, and both foreseen and unforeseen challenges.

At a macro level, the Company considers the following as material risks to the business.

- a. **Insurance Risk:** The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim.
- b. **Reinsurance Risk:** In order to minimize financial exposure arising from large claims, the Company, in the ordinary course of business, enters into agreements with other parties for reinsurance purposes. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.
- c. **Financial Market Risk:** Market risk is the risk that the value of the financial instrument may fluctuate due to changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.
- d. **Credit Risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
- e. **Liquidity Risk:** Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities.
- f. **Operational Risk:** Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, people and technology and infrastructure resulting either from an internal or external event.
- g. **Cybersecurity Risk:** Amid ever-increasing frequency of Cyber-attacks in the region, cyber security is considered as one of the key risks faced by the financial sector.
- h. **Strategy Execution Risk:** As Tawuniya is embarking on a 5-year strategy with many initiatives, programs and projects, failure of timely and effective execution of the strategy is considered a risk.
- i. **Competition in the Market Resulting in Price Fluctuations:** Pricing is one of the vital factors for capturing the market along with customer centric services, and so retaining existing clients. The products need to be competitively priced, effectively managed and closely monitored to contain the loss ratios.
- j. **Maintaining Solvency and Capital Requirements:** Failure to meet these requirements may attract regulatory sanctions and result in rating downgrades, tarnishing the brand image of the Company.
- k. **Decline in the Local Economic Environment:** Leading to delays in collection of receivables.

- l. **Global Economic Conditions:** Affecting company's Investment portfolio and thereby impacting financial health.
- m. **Power of Suppliers:** Insurance companies may be affected if the medical providers' network is dominated by few services providers (oligopoly).
- n. **Company's Business Portfolio Skewed towards Health & Life Business Vertical:** Though it is in line with the industry, considering the lion's share of Health & Life portfolio, a small change in the portfolio may have impact on the Company's performance.
- o. **Risk Accumulation:** The accumulation of risks at a location, region will expose the Company to a high magnitude of claim payments resulting in losses, should insured events center on those locations. Therefore, the Company monitors coverage concentration risks primarily by class of insurance.
- p. **Leakage of Sensitive Information:** Leakage of business sensitive information may position the Company to reputational loss.
- q. **Frauds and Financial Crimes:** Frauds/Abuse in financial operations claims operations; sales etc. may strain the Company's balance sheet.
- r. **Breaching of Regulations of CMA, SAMSA, CCHI, etc.:** Breaching the regulations may attract imposition of penalties that may in turn affect the reputation of the Company.
- s. **Technology Obsolescence:** Tawuniya is pursuing strategies that include IT legacy systems transformation and digitalization. Until the newly implemented systems are available, company may be exposed to technology obsolescence risk.
- t. **Business Continuity:** Business may be disrupted due to factors beyond the control of the Company and affect the smooth flow of the business activities.
- u. **Collapse of Financial Markets Impacting Investment Portfolio:** Global and domestic inflation, geo-political crises, natural disasters and their ripple effects may give rise to stagflation which may negatively affect financial markets and Tawuniya's investment portfolio.
- v. **Sustaining Customer Loyalty and Retention:** Latent or emergency customer preferences, and evolving customer demographics may have an adverse cascading impact on Tawuniya's existing customer base.

The Company considers the following to be the potential risks that could adversely impact its business

- IFRS 17/9 Impacts: Insurance Industry is still in the process of adopting with the various required provisions of these newly implemented financial standards and the related methodology for calculating various performance measures. As this is a major change that will extend beyond finance and actuarial teams and its impacts will need to be communicated to a broad range of internal and external stakeholders.
- Services Outage due to Potential Attacks: The availability of systems and services may be at risk due cyber-attacks, virus and malware attacks.

- Maintaining the Operating Standards in Light of Business Expansion: When the business expands, it is a challenge to maintain the operating standards to differentiate in the market and to retain the clientele.
- Geopolitical Situations Impacting the Company's Insurance Contracts and Investments: Uncertain geopolitical situations may affect the insurance contracts more particularly of P&C lines, reinsurance arrangements and also the investments.
- Changing Regulatory, Legal, and Behavioral Environment Affecting the Company Performance: This will require non-budgeted funding to implement the required changes.
- Natural Disaster and Extreme Weather: Natural disasters which are beyond human control may cause damage to properties and vehicles which eventually would have impact on the Company's performance as it meets its claim commitments.

The Company Policy in Managing and Controlling Risks

Tawuniya is proactively engaged in implementing and maintaining robust control environment to mitigate the potential risks. Formulating a viable and sustainable governance policy and a strong organizational structure. The Company has established a fit for purpose Governance, Risk and Control (GRC) Sector, reporting to Board Risk Committee under the leadership of a dedicated Chief Governance, Risk and Control Officer. In addition, there is also a robust mechanism in place to manage Anti-Fraud activities

Employees were introduced and familiarized with the newly implemented GRC System through training, to effectively use the portal for risk logging and eliciting data reports for analysis and entity risk status. Further training was provided to the Risk Management team to upskill their knowledge and competencies in recognizing and managing risk.

The Company continued to monitor its regulatory solvency position and capital position as per rating agency capital model, and continued updating risk profiles of critical entities as part of Risk and Control Self-Assessment, monitoring the adequacy of technical reserves and assessing its underwriting practices. Policies and procedures were periodically updated to be in line with the regulatory, legal and compliance landscape.

Key Risk Management Activities Carried out in 2023

Tawuniya's Risk Management Division (RMD) carried out a number of risk control activities during the reporting period:

- Regular reporting to Board Risk Committee on the status of various risks the Company was exposed to, based on the approved Risk Appetite Statements and other risk management tools including Risk and Control Self-Assessment and the Risk Register
- Periodical reviews and assessments carried out to stress test the resilience of Regulatory Solvency and Capital Adequacy Ratios of the Company.

- Quarterly reviews and assessments of various Investments risks along with risk management observations and recommendations were shared with the Investment Committee.
- Product Committee meetings were held periodically to assess and review the risk exposure of Tawuniya's existing product portfolio on a regular basis, while assessing the risk of new product offerings.
- Automating, updating, and enhancing the current Risk and Control Self-Assessment process, including full revision of six business entities profiles.
- Master risk register was updated regularly with the feedback received from various business units including agreed action plans to mitigate the identified risks.
- Conducting comprehensive Third-Party Risk Assessments for outsourcing activities
- Defining and analyzing operational risks events, and losses arising from them
- Implementing programs to raise awareness of operational risks, and promoting a culture of mitigating risks
- Statutory reporting to Insurance Authority and Insurance Authority's Risk Based Supervision (RBS) activity were carried out on a timely basis.
- The Business Continuity Management Committee (BCMC) gets its authority from BoD to manage and provide oversight the Business Continuity Management activities
- Tawuniya maintains business continuity program to align with regulator business continuity Framework
- Conducted Comprehensive Disaster Recovery & Business Continuity test to validate all pre-defined critical applications within Tawuniya.
- Enhanced Business Continuity Management (BCM) culture through general & awareness and training.
- The Anti-Fraud Review Unit (AFU) and Anti-Fraud Risk Committee are in place to further enhance the ongoing anti-fraud activities and processes within Tawuniya.
- All reported risk incidents were logged on the reporting tool leading to identification of root cause and, where possible, with corrective action to alleviate repetition of the breach.
- Prepared and reviewed risk assessment reports for outsourced agreements (material impact) with third parties, as required, to obtain Insurance Authority's "no objection" status.
- Conducted Risk awareness sessions for Tawuniya employees to inculcate a risk identification culture, and create awareness on the methodology of identifying and mitigating risks in their respective areas.

Penalties and punishments imposed on the Company

For 2023:

| Sanction/ Penalty/ Precautionary Procedure / Preventive Measure | Reasons for violation | No. of Executive Decisions | Imposing Authority | Total Amount (SAR) | Measures undertaken to remedy and avoid such non-compliance in the future |
|---|--|----------------------------------|-----------------------|--------------------------|--|
| Penalty | Violating the Insurance Authority's instructions for Supervisory and Control | 2 | IA | 380,000 | The Company has developed a corrective plan to address and implement all requirements and to ensure avoiding recurrence. |
| Penalty | Violating the Insurance Authority's instructions regarding exercising due diligence in combating AML/CTF | 1 | IA | 160,000 | The Company has developed a corrective plan to address and implement all requirements and to ensure avoiding recurrence. |
| Penalty | Violating the Council of Health Insurance's instructions for Supervisory and Control | 1 | CHI | 922,800 | The Company has developed a corrective plan to address and implement all requirements and to ensure avoiding recurrence. |

For 2022:

| Sanction/ Penalty/ Precautionary Procedure / Preventive Measure | Reasons for violation | No. of Executive Decisions | Imposing Authority | Total Amount (SAR) | Measures undertaken to remedy and avoid such non-compliance in the future |
|---|--|----------------------------------|-----------------------|--------------------------|--|
| Penalty | Violating the Saudi Central Bank's instructions for Supervisory and Control | 1 | SAMA | 500,000 | The company has developed a corrective plan to address and implement all requirements and to ensure avoiding its occurrence in the future. |
| Penalty | Violating the Council of Health Insurance's instructions for Supervisory and Control | 2 | CHI | 81,200 | The company has developed a corrective plan to address and implement all requirements and to ensure avoiding its occurrence in the future. |

Summary of the Company's assets, liabilities and business results of the last five fiscal years

a. Comparison of business results in a table:

(SAR'000)

- Comparison of company's business results or assets and liabilities in the form of a graph:

- Comparison of business results in a table:

(SAR'000)

IFRS 17 (SAR'000)

| Description | FY23 | FY22 |
|---|---------|---------|
| Insurance revenue | 15,265 | 11,408 |
| Insurance service expenses | -14,067 | -10,485 |
| Insurance Service Result | 1,198 | 923 |
| Reinsurance Service Result | -517 | -606 |
| Net Insurance Service Result | 681 | 317 |
| Net income on financial assets | 413 | 198 |
| Net Insurance Finance Expense | -68 | -6 |
| Net income (before zakat) | 718 | 392 |
| Net income (after zakat) | 616 | 302 |
| Total Equity | 3,622 | 3132.56 |
| Basic and diluted earnings per share (in SAR) | 4.11 | 2.01 |

IFRS 4 (SAR'000)

| Description | 2021 | 2020 | 2019 |
|--------------------------------|------------|-----------|-----------|
| Gross Written Premium (GWP) | 10,218,606 | 9,061,768 | 8,375,860 |
| Net Earned Premiums (NEP) | 7,929,662 | 7,042,385 | 6,877,318 |
| Net Incurred Claims | 6,660,276 | 5,487,973 | 5,812,986 |
| Net profit (loss) before Zakat | 350,138 | 514,459 | 402,165 |
| Total Comprehensive income | 329,702 | 309,673 | 691,468 |
| Total Equity | 3,039,064 | 2,809,362 | 2,499,689 |
| Profit per share | 2.13 | 3.15 | 2.62 |

(SAR'000)

| Income Statement for 2023 | | | |
|--|------------------|--------------------|-------------|
| Description | 2023 | 2022 (Restated) | % |
| Insurance revenue | 15,265,424 | 11,408,348 | 34% |
| Insurance service expenses | (14,067,493) | (10,485,303) | 34% |
| Insurance service result before reinsurance contracts held | 1,197,931 | 923,045 | 30% |
| Allocation of reinsurance premiums | (1,889,590) | (1,618,800) | 17% |
| Amounts recoverable from reinsurers for incurred claims | 1,372,831 | 1,012,888 | 36% |
| Net expense from reinsurance contracts held | (516,759) | (605,912) | -15% |
| Insurance service result | 681,172 | 317,133 | 115% |
| Commission income | 450,430 | 260,002 | 73% |
| Dividend income | 2,576 | 3,452 | -25% |
| Gain on disposal of available-for-sale investments | - | 36,488 | - |
| Net fair value (losses) / gains on financial assets at fair value through profit or loss | (56,176) | 39,967 | -241% |
| Share of profit from equity accounted investments | 38,710 | 32,207 | 20% |
| Net investment income | 435,540 | 372,116 | 17% |

| Income Statement for 2023 | | | |
|--|------------------|--------------------|--------------|
| Description | 2023 | 2022 (Restated) | % |
| Reversal of / (allowance for) expected credit losses on financial assets | 16,234 | (141,502) | -111% |
| Finance (expense) / income from insurance contracts issued | (142,152) | 2,347 | -6157% |
| Finance income / (expense) from reinsurance contracts held | 73,838 | (8,098) | -1012% |
| Net insurance finance expense | (68,314) | (5,751) | 1088% |
| Net insurance financial result | 1,064,632 | 541,996 | 96% |
| Other operating expenses | (427,394) | (178,003) | 140% |
| Other income | 80,568 | 27,586 | 192% |
| Net profit for the period before zakat | 717,806 | 391,579 | 83% |
| Zakat charge for the year | (101,380) | (89,386) | 13% |
| Net profit for the period after zakat | 616,426 | 302,193 | 104% |
| Basic and diluted earnings per share (in SAR) | 4.11 | 2.01 | |
| Weighted average number of shares in issue | 150,000,000 | 150,000,000 | |

(SAR'000)

| Summary of Financial Position 2023 | | | | | |
|------------------------------------|------------|------------|------------|------------|------------|
| Description | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total Assets | 18,416,726 | 15,260,390 | 12,524,616 | 14,257,426 | 14,114,485 |
| Total Liabilities | 14,794,909 | 12,127,830 | 9,588,419 | 11,448,064 | 11,614,796 |
| Total Equities | 3,621,817 | 3,132,560 | 2,936,197 | 2,809,362 | 2,499,689 |

**2020 and 2019 numbers were taken from IFRS 4 2020 statutory financial statements.*

Geographical analysis of revenues of the Company and its affiliates

(SAR'000)

| Year | Geographic Analysis of Company's Total Revenues | | | |
|------|---|---------------------|---------------------|------------|
| | Total Revenues | Geographic Area (1) | Geographic Area (2) | Total |
| 2023 | Insurance revenue | Saudi Arabia | None | 15,265,424 |
| 2022 | Insurance revenue | Saudi Arabia | None | 11,408,348 |

(SAR'000)

| Year | Geographic Analysis of Affiliate (Associates) (1)'s Total Revenues | | | |
|------|--|---------------------|---------------------|--------|
| | Share of profit from equity accounted investments | Geographic Area (1) | Geographic Area (2) | Total |
| 2023 | Waseel Application services Provider Limited | Saudi Arabia | Kingdom of Bahrain | 38,710 |
| 2022 | United Insurance Company | Saudi Arabia | Kingdom of Bahrain | 32,207 |

Material differences in the operational results compared to the previous year's results or expectations announced by the Company

(SAR'000)

| Description | 2023 (SAR '000) | 2022 (SAR '000) | Changes (+) (-) | Change Rate |
|---|-----------------|-----------------|-----------------|-------------|
| Insurance revenue | 15,265,424 | 11,408,348 | 3,857,076 | 34% |
| Insurance service expenses | (14,067,493) | (10,485,303) | (3,582,190) | 34% |
| Insurance service result before reinsurance con-tracts held | 1,197,931 | 923,045 | 274,886 | 30% |
| Allocation of reinsurance premiums | (1,889,590) | (1,618,800) | (270,790) | 17% |
| Amounts recoverable from reinsurers for in-curred claims | 1,372,831 | 1,012,888 | 359,943 | 36% |
| Net income from reinsurance contracts held | (516,759) | (605,912) | 89,153 | -15% |
| Insurance service result - net | 681,172 | 317,133 | 364,039 | 115% |

Approved accounting standards

The consolidated financial statements are prepared in accordance with ("International Accounting Standard No. 34") approved in the Kingdom of Saudi Arabia and other versions issued by the Saudi Organization for Auditors and Accountants ("International Financial Reporting Standards approved in the Kingdom of Saudi Arabia"), and in accordance with the Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association.

Details of shares and debt instruments issued for each subsidiary

There are no shares or debt instruments issued to the subsidiaries.

A description of the Company's policy for distributing dividends

The proposed distribution is recommended to the General Assembly by the BOD based on several factors. Among others, these include maintaining an average of not less than 110% of the solvency required by insurance law, a credit rating of not less than A, and an acceptable level of liquidity to meet operational and expansion costs.

The profit distribution mechanism is determined by Articles (45) and (46) of the Article of Associations of the Company, regulations issued by Insurance Authority, and in accordance with the rules applicable to distribution, whereby 10% of the net surplus is shared with the policyholders, either by direct distribution or by reducing their premia for the following year. A 90% of the surplus is transferred to the shareholder accounts.

Shareholders' profits consist of the return on investment of shareholders' funds in compliance with the rules set by the BOD and the aforementioned 90% of the net surplus, having set aside the required Zakat and the mandatory 20% as statutory reserves. The Ordinary General Assembly is empowered to veto the statutory reserve component, should the reserve reach a 100% of the paid-up capital.

When determining the share of shares in the net profits, the Ordinary General Assembly may decide to create other reserves, weighing in the interests of the company or guarantees the distribution of fixed profits to the shareholders.

After deducting all general expenses and other costs, and leaving a buffer for any losses and contingent liabilities that the BOD may deem necessary, the net annual profits of the Company shall be distributed as per the Law on the Supervision of Cooperative Insurance Companies and the provisions issued by Insurance Authority.

A percentage not less than 5% of the paid-up capital shall be allocated from the remainder of the profits for distribution to the Shareholders as proposed by the BOD and decided by the General Assembly. If the remainder of the profits is not sufficient to meet the required percentage payment to the shareholders, the General Assembly may not decide to distribute a percentage of profits in excess of that which was proposed by the BOD. If this occurs, the shareholders will have no right to demand that such excess payment be made in the ensuing years.

The shareholder is entitled to his share of the profits as decided by the General Assembly. The decision also specifies the due date and the distribution date. Eligibility for payment of dividends shall be the requirement for the shareholders to be registered in the shareholders' records by the end of the day specified for maturity. The CMA will be informed without delay of decisions to recommend or distribute profits.

The profits, approved and agreed to be distributed to the shareholders are paid at the place and time determined by the Board of Directors, in compliance with the instructions issued by the competent authority, subject to prior written approval of Insurance Authority.

| Dividends ratio distributed over the years | | | | Ratio of dividends proposed to be distributed at the end of the year | Total Dividends |
|--|------|-------------|------|--|-----------------|
| Year | 2021 | 2022 | 2023 | | |
| Ratio | N/A | 10% | N/A | 10% | SAR 125 Mn. |
| Total | N/A | SAR 125 Mn. | N/A | | |

A description of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the Company of their holdings pursuant to Article (45) of the Listing Rules, along with any change to such rights during the last fiscal year.

| Name of the person of interest | Number of shares at the beginning of the year | Number of shares at the end of the year | Net change | Change Ratio |
|--------------------------------|---|---|------------|--------------|
| Dr. Othman Y. Al-Kassabi | 111 | 133 | 22 | 20% |
| Mr. Mansour F. Abuth-nain | N/A | N/A | N/A | N/A |
| Mr. Fahad S. Al-Moammar | N/A | N/A | N/A | N/A |
| Mr. Feher Al-Shareif | N/A | N/A | N/A | N/A |
| Mr. Sultan S. Al-Khomashi | N/A | N/A | N/A | N/A |
| Mr. Yasir A. Allaf | N/A | N/A | N/A | N/A |
| Mr. Abdullah Al-Shargi | N/A | N/A | N/A | N/A |
| Mr. Mater Alenazi | N/A | N/A | N/A | N/A |

A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on the shares or debt instruments of the Company or its affiliates, and any change on such interest or rights during the last fiscal year.

| | Names of Board Members | Beginning of the year | | End of the year | | Net change | Change Ratio |
|---|----------------------------|-----------------------|------------------|------------------|------------------|------------|--------------|
| | | Number of Shares | Debt Instruments | Number of Shares | Debt Instruments | | |
| 1 | Mr. Abdulaziz Al-Nowaiser | 250 | N/A | 300 | N/A | 50 | 20% |
| 2 | Dr. Khaled A. Al-Ghoneim | 1000 | N/A | 1200 | N/A | 200 | 20% |
| 3 | Ms. Hessa Al-Sheikh | N/A | N/A | N/A | N/A | N/A | N/A |
| 4 | Dr. Paul Sweeting | N/A | N/A | N/A | N/A | N/A | N/A |
| 5 | Mr. Selman Al-Fares | 1000 | N/A | 1200 | N/A | 200 | 20% |
| 6 | Mr. Nasser Al-Huqbani | 1000 | N/A | 1200 | N/A | 200 | 20% |
| 7 | Mr. Abdulaziz Alsedeeas | 200 | N/A | 240 | N/A | 40 | 20% |
| 8 | Mr. Abdul Salam Abaoud | 1000 | N/A | 1200 | N/A | 200 | 20% |
| 9 | Mr. Abdulaziz A. Al-Khamis | 1250 | N/A | 1500 | N/A | 250 | 20% |

Description of any interest, contractual securities or rights issue of the Board Members, Senior Executives and their relatives on the shares or debt instruments of the Company's subsidiary

There are no interest contractual papers and subscription rights belonging to the members of the company's Board of Directors and their relatives in the subsidiary company.

Information relating to any loans, repayment of loans, and the total indebtedness of the Company and its affiliates

The Company for Cooperative Insurance declares that there are no loans or indebtedness on the Company or its subsidiaries during the year 2023 (whether due on demand or otherwise).

Convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by the Company

Tawuniya declares that there are no convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by the Company during 2023.

Conversion or subscription rights under any convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by the Company

Tawuniya declares that there are no conversion or subscription rights under any convertible debt instruments, contractual securities, options, warrants or similar rights issued or granted by the Company during 2023.

Redemption, purchase or cancellation by the Company of any redeemable debt instruments and the amount of such securities outstanding

Tawuniya declares that it has not made no redemption, purchase, or cancellation by the Company of any redeemable debt instruments or the amount of such securities outstanding, whether bought by the Company or its subsidiaries during the year 2023.

The number of the Company's requests of shareholders registry, dates and reasons thereof

| Number of the Company's requests of shareholders registry | Request Date | Request Reasons |
|---|--------------|-----------------|
| (1) | 18/02/2023 | Others |
| (2) | 19/02/2023 | Others |
| (3) | 30/03/2023 | AGM |
| (4) | 10/04/2023 | AGM |
| (5) | 30/04/2023 | Others |
| (6) | 18/05/2023 | Others |
| (7) | 11/05/2023 | Others |
| (8) | 31/05/2023 | Others |
| (9) | 07/06/2023 | AGM |
| (10) | 11/06/2023 | AGM |
| (11) | 30/06/2023 | Other |
| (12) | 31/07/2023 | Others |
| (13) | 28/08/2023 | AGM |

| Number of the Company's requests of shareholders registry | Request Date | Request Reasons |
|---|--------------|-----------------|
| (14) | 31/08/2023 | AGM |
| (15) | 30/08/2023 | Others |
| (16) | 04/09/2023 | Others |
| (17) | 06/09/2023 | Others |
| (18) | 10/09/2023 | AGM |
| (19) | 30/09/2023 | Others |
| (20) | 29/10/2023 | Others |
| (21) | 30/10/2023 | Others |
| (22) | 30/11/2023 | Others |
| (23) | 31/12/2023 | Others |
| (24) | 01/01/2023 | Others |
| (25) | 01/12/2023 | Others |

Description of transactions between the Company and any related party during 2023.

Contracts to which the Company is a party, in which a Director of the Company, a Senior Executive or any person related to them is, or was, interested, including names of the person in relation with such business and contract, in addition to the nature, conditions, durations and amount for the business or contract.

| Name of Company | Name of Director | Insurance Premium | Claims | Others | Premium Fees | Contract Period |
|---|----------------------------------|-------------------|------------|--------|--------------|-----------------|
| Abdullah Nasser Al-Oudan and Brothers Company | Abdul Rehman Al Oudan | (6,539) | - | - | - | Annual |
| Elm | Khalid Al Ghunaim | 78,795,663 | 1,230,707 | - | - | Annual |
| Almajd Alarabiah Trading Company Ltd | Salman Al Fares | 570,204 | (7,675) | - | - | Annual |
| AlMalath Alarabia Ltd | Salman Al Fares | 453,392 | 717 | - | - | Annual |
| Alpha Star Services Company | Abdul Aziz Al Nowaiser | 918,279 | 34,295 | - | - | Annual |
| Bayan Credit | Khalid Al Ghunaim | 1,309,245 | 7,488 | - | - | Annual |
| Bunean Co | Abdul Aziz Al Boug Ammr Kurdi | 244,278 | 7,536 | - | - | Annual |
| Dear Alamn | Abdul Aziz Al Nowaiser | 109,522 | 9,232 | - | - | Annual |
| GOSI / PPA | Hessa Al Sheikh | 37,536,055 | 25,648,516 | - | - | Annual |

| Name of Company | Name of Director | Insurance Premium | Claims | Others | Premium Fees | Contract Period |
|--|------------------------|-------------------|---------|-------------|--------------|-----------------|
| Hassana Investment Company | Hessa Al Sheikh | 8,230,590 | 53,677 | - | - | Annual |
| | Paul Sweeting | | | | | |
| | Salman Al Fares | | | | | |
| Hawaz Co for Communication and Info Tech | Khalid Al Ghunaim | (51,074) | 336 | - | - | Annual |
| Health Holding Company | Nasser Al Haqbani | 7,531,160 | 515 | - | - | Annual |
| Infinity Group | Abdul Aziz Al Nowaiser | 94,847 | 2,350 | - | - | Annual |
| Kafaat Solutions | Abdul Aziz Al Nowaiser | 80,008,755 | 236,189 | - | - | Annual |
| Meena | Othman Al Kassabi | 229,334 | - | - | - | Annual |
| Mobily | Abdul Aziz Al Nowaiser | 64,024,677 | 565,283 | - | - | Annual |
| | Khalid Al Ghunaim | | | | | |
| Najm | Abdul Aziz Al Boug | - | - | 110,788,399 | - | Annual |
| National Water Company | Abdul Aziz Al Nowaiser | 202,266 | 376,253 | - | - | Annual |
| Obeikan | Khalid Al Ghunaim | 3,484,341 | - | - | - | Annual |

| Name of Company | Name of Director | Insurance Premium | Claims | Others | Premium Fees | Contract Period |
|--|------------------------|-------------------|-----------|-----------|--------------|-----------------|
| Raidah Investment Company | Salman Al Fares | 3,400,171 | - | - | - | Annual |
| Saudi Automobile and Motorcycle Federation | Feher Al Sharif | 14,110 | - | - | - | Annual |
| Saudi Entertainment Ventures | Abdul Aziz Al Nowaiser | 26,587,039 | 146,464 | - | - | Annual |
| Saudi Fransi Financing and Leasing | Hamoud Al Tuwaijri | 501,681 | 4,036,096 | - | - | Annual |
| Saudi Investment Bank | Abdul Aziz Al Khamis | 49,498,677 | 562,631 | - | - | Annual |
| Saudi Railways Company | Abdul Aziz Al Nowaiser | 24,187,695 | - | - | - | Annual |
| Saudi Stock Exchange (Tadawul) | Abdul Rehman Al Oudan | 10,920,737 | 2,253,083 | 1,436,155 | - | Annual |
| Saudi Telecom Co | Ammr Kurdi | 257,032,686 | 2,408,073 | - | - | Annual |
| Saudi VTS | Abdul Aziz Al Nowaiser | 184,365 | 27,224 | - | - | Annual |
| Sky Prime | Abdul Aziz Al Nowaiser | (420,512) | 111,897 | - | - | Annual |
| SNB | Abdul Rehman Al Oudan | (161,469) | 153,759 | - | - | Annual |

| Name of Company | Name of Director | Insurance Premium | Claims | Others | Premium Fees | Contract Period |
|----------------------------|---|--------------------|-------------------|--------------------|------------------|-----------------|
| Tahakom Investment Company | Abdul Aziz Al Nowaiser | 107,466 | - | - | - | Annual |
| Tahakom TCC | Abdul Aziz Al Nowaiser | 11,223,583 | 592,403 | - | - | Annual |
| Tree | Othman Al Kassabi | 723,118 | - | - | - | Annual |
| UIC | Abdul Aziz Al Nowaiser Abdul Aziz Al Khamis Sultan Al Khamshi Abdul Aziz Al Boug | - | 3,200,972 | - | 1,556,497 | Annual |
| Vision Bank | Othman Al Kassabi | 81,496 | - | - | - | Annual |
| Waseel | Abdul Aziz Al Boug Ammr Kurdi Othman Al Kassabi | 1,496,697 | 1,521,287 | 9,682,963 | - | Annual |
| Grand Total | | 669,062,535 | 43,179,308 | 121,907,517 | 1,556,497 | |

Information related to any business that competes with the company or any of the branches of the activity it is engaged in and which any member of the Board of Directors is or was engaged in

The Company for Cooperative Insurance declares that there are no competing businesses for the company or for any of the branches of the activity is engaged in and it is practiced or was practiced by any member of the Board of Directors, noting that the United Insurance Company, whose dealings and which some members of the Board of Directors and Executive Management have disclosed, is a Bahraini subsidiary owned by 50% for the Cooperative Insurance Company, according to what was disclosed in page 173

A description of any arrangement or agreement, under which a member of the Board of Directors or a senior executive has waived any remuneration

Tawuniya declares that there are no arrangements or agreements, under which any member of the BOD or a senior executive has waived any salary or remuneration.

A description of any arrangement or agreement, under which any shareholder has waived his rights to profits

Tawuniya declares that there is no arrangement or agreement, under which any shareholder has waived his rights to profits.

Statement of statutory payments (paid and outstanding) for the year 2023

| Statutory Payment | 2023 | | Brief Description | Reasons |
|-------------------|-----------------|------------------------|-------------------|--|
| | Paid (SAR '000) | Outstanding (SAR '000) | | |
| Zakat | 13,704 | 359,844 | Zakat provision | Regulation of the General Authority of Zakat and Tax |

Investments made or any reserves set up for the benefit of the employees of the company

The Company has a savings plan under which a definite percentage of the employees' salary is periodically deducted, with Tawuniya investing this amount through one of the investment funds compliant with the rules of Islamic Shariah. The total number of subscribers at the end of 2023 reached 286 employees with a subscription amounting to 19,727,343.90.

The company continued its work at home loan program for employees, with 18 employees participating in the program by the end of 2023, and the total subscription amount reaching 18 M.

Declarations/ Statements

01. The Company for Cooperative Insurance (Tawuniya) states that the proper books of accounts and principles have been maintained.
02. Tawuniya states that the system of internal control is sound in design and effectively implemented.
03. Tawuniya states that there are no significant doubts concerning the Company's ability to continue as an ongoing concern.

Reservations on the annual financial statements, if any

None

Disclosure of treasury shares held by the Company and details of their use

Tawuniya declares that there are no treasury shares held by the Company.

Conclusion

In conclusion, the Board of Directors expresses their sincere gratitude and appreciation for the confidence the customers continued to place in Tawuniya through 2023. The Board is immensely thankful to the Company's stakeholders for their enthusiastic engagement with the activities of the Company and assures them of the diligence and dedication of the Senior Management and the employees of the Company to ensure the distinguished position Tawuniya holds in the insurance sector of the Kingdom will continue to enhance in the following years

Financial Report



THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

| | | December 31, 2023 | December 31, 2022 (Restated)* | January 1, 2022 (Restated)* |
|---|-------|----------------------|----------------------------------|--------------------------------|
| | Notes | SAR'000 | | |
| ASSETS | | | | |
| Cash and cash equivalents | 4 | 2,081,707 | 1,659,193 | 1,188,136 |
| Term deposits | 5 | 7,368,373 | 5,980,827 | 3,787,578 |
| Investments including accrued investment income | 6 | 1,019,969 | 1,062,977 | 2,374,986 |
| Receivable from brokers / agents | 7 | 2,893,877 | 2,705,472 | 1,454,205 |
| Reinsurance contract assets | 8 | 3,534,941 | 2,754,454 | 2,648,206 |
| Prepaid expenses and other assets | 9 | 792,181 | 533,468 | 537,880 |
| Investments in equity accounted investments | 10 | 116,653 | 105,028 | 91,136 |
| Investment properties | 11 | 134,310 | 59,562 | 60,850 |
| Intangible assets | 12 | 10,027 | 13,441 | 16,627 |
| Property, equipment, and right-of-use assets | 13 | 310,858 | 255,565 | 236,970 |
| Accrued income on statutory deposit | | 3,853 | 5,420 | 3,050 |
| Statutory deposit | 14 | 149,977 | 124,983 | 124,992 |
| TOTAL ASSETS | | 18,416,726 | 15,260,390 | 12,524,616 |

| | | December 31, 2023 | December 31, 2022 (Restated)* | January 1, 2022 (Restated)* |
|---|-----------|----------------------|----------------------------------|--------------------------------|
| | Notes | SAR'000 | | |
| LIABILITIES | | | | |
| Accrued expenses and other liabilities | 15 | 858,365 | 615,314 | 573,057 |
| Zakat payable | 23 | 359,844 | 272,168 | 415,023 |
| Dividends payable | | 8,751 | 8,602 | 8,630 |
| Insurance contract liabilities | 8 | 13,436,157 | 11,101,029 | 8,445,180 |
| Reinsurance contract liabilities | 8 | - | - | 1,369 |
| Accrued income payable on statutory deposit | | 3,853 | 5,420 | 3,050 |
| Defined benefits obligation | 16 | 127,939 | 125,297 | 142,110 |
| TOTAL LIABILITIES | | 14,794,909 | 12,127,830 | 9,588,419 |
| EQUITY | | | | |
| Share capital | 17 | 1,500,000 | 1,250,000 | 1,250,000 |
| Statutory reserve | 18 | 1,373,285 | 1,250,000 | 1,197,495 |
| Re-measurement of defined benefit obligations | | (13,199) | (7,674) | (20,096) |
| Fair value reserve for investments | 19 | 20,489 | 17,133 | 135,385 |
| Retained earnings | | 741,242 | 623,101 | 373,413 |
| TOTAL EQUITY | | 3,621,817 | 3,132,560 | 2,936,197 |
| TOTAL LIABILITIES AND EQUITY | | 18,416,726 | 15,260,390 | 12,524,616 |
| CONTINGENT LIABILITIES | 31 | | | |

* Comparative information has been restated (refer note 3).



Abdulaziz M. AlSedeas
Board Director



Mater S. Alenazi
Chief Financial Officer



Othman Y. Alkassabi
Chief Executive Officer

THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

| | | December 31, 2023 | December 31, 2022 (Restated)* |
|--|-----------|-------------------|----------------------------------|
| | Notes | SAR'000 | |
| Insurance revenue | | 15,265,424 | 11,408,348 |
| Insurance service expenses | 20 | (14,067,493) | (10,485,303) |
| Insurance service result before reinsurance contracts held | | 1,197,931 | 923,045 |
| Allocation of reinsurance premiums | | (1,889,590) | (1,618,800) |
| Amounts recoverable from reinsurers for incurred claims | | 1,372,831 | 1,012,888 |
| Net expense from reinsurance contracts held | 21 | (516,759) | (605,912) |
| Insurance service result | | 681,172 | 317,133 |
| Commission income | | 450,430 | 260,002 |
| Dividend income | | 2,576 | 3,452 |
| Gain on disposal of available-for-sale investments | | - | 36,488 |
| Net fair value (losses) / gains on financial assets at fair value through profit or loss | | (56,176) | 39,967 |
| Share of profit from equity accounted investments | 10 | 38,710 | 32,207 |
| Net investment income | | 435,540 | 372,116 |

| | | December 31, 2023 | December 31, 2022 (Restated)* |
|--|-------|-------------------|----------------------------------|
| | Notes | SAR'000 | |
| Reversal of / (allowance for) expected credit losses on financial assets | | 16,234 | (141,502) |
| Finance (expense) / income from insurance contracts issued | | (142,152) | 2,347 |
| Finance income / (expense) from reinsurance contracts held | | 73,838 | (8,098) |
| Net insurance finance expense | | (68,314) | (5,751) |
| Net insurance financial result | | 1,064,632 | 541,996 |
| Other operating expenses | 22 | (427,394) | (178,003) |
| Other income | | 80,568 | 27,586 |
| Net profit for the period before zakat | | 717,806 | 391,579 |
| Zakat charge for the year | 23 | (101,380) | (89,386) |
| Net profit for the period after zakat | | 616,426 | 302,193 |
| Basic and diluted earnings per share (in SAR) | 25 | 4.11 | 2.01 |
| Weighted average number of shares in issue (December 31, 2022: Restated) | | 150,000,000 | 150,000,000 |

* Comparative information has been restated (refer note 3).



Abdulaziz M. AlSedeas
Board Director



Mater S. Alenazi
Chief Financial Officer



Othman Y. Alkassabi
Chief Executive Officer

THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

| | Notes | December 31, 2023 | December 31, 2022 (Restated)* |
|--|-------|-------------------|----------------------------------|
| SAR'000 | | | |
| Net profit for the period after zakat | | 616,426 | 302,193 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to consolidated statement of income subsequently: | | | |
| Re-measurement of defined benefits obligation | 16 | (5,525) | 12,422 |
| Net movement in fair value of investments carried at FVOCI | | 6,456 | 20,924 |
| | | 931 | 33,346 |
| Items that are or may be reclassified to consolidated statement of income subsequently: | | | |
| Net movement in fair value of available-for-sale investments | | - | (134,122) |
| Share of other comprehensive loss of investment in equity accounted investments | 10 | (3,100) | (5,054) |
| | | (3,100) | (139,176) |
| Total comprehensive income for the year | | 614,257 | 196,363 |

* Comparative information has been restated (refer note 3).



Abdulaziz M. AlSedeas
Board Director



Mater S. Alenazi
Chief Financial Officer



Othman Y. Alkassabi
Chief Executive Officer

THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

| | Notes | Share capital | Statutory reserve | Remeasurement of defined benefit obligation | Fair value reserve for investments | Retained earnings | Total |
|---|-------|---------------|-------------------|---|------------------------------------|-------------------|-----------|
| SAR'000 | | | | | | | |
| Balance as at January 1, 2022 – reported | | 1,250,000 | 1,197,495 | (20,096) | 152,513 | 459,152 | 3,039,064 |
| Adjustment on initial application of IFRS 17 | | - | - | - | - | (102,693) | (102,693) |
| Adjustment on initial application of IFRS 9 | | - | - | - | (17,128) | 16,954 | (174) |
| Restated balance as at January 1, 2022 | | 1,250,000 | 1,197,495 | (20,096) | 135,385 | 373,413 | 2,936,197 |
| Net profit for the year after zakat - restated | | - | - | - | - | 302,193 | 302,193 |
| Re-measurement gain on defined benefits obligation | | - | - | 12,422 | - | - | 12,422 |
| Transfer to statutory reserve | | - | 52,505 | - | - | (52,505) | - |
| Other comprehensive income for the year -- restated | | - | - | - | (118,252) | - | (118,252) |
| Total comprehensive income for the year | | - | 52,505 | 12,422 | (118,252) | 249,688 | 196,363 |

| | Notes | Share capital | Statutory reserve | Remeasurement of defined benefit obligation | Fair value reserve for investments | Retained earnings | Total |
|--|-------|------------------|-------------------|---|------------------------------------|-------------------|------------------|
| SAR'000 | | | | | | | |
| Restated balance as at December 31, 2022 | | 1,250,000 | 1,250,000 | (7,674) | 17,133 | 623,101 | 3,132,560 |
| Net profit for the year after zakat | | - | - | - | - | 616,426 | 616,426 |
| Re-measurement loss on defined benefits obligation | | - | - | (5,525) | - | - | (5,525) |
| Transfer to statutory reserve | | - | 123,285 | - | - | (123,285) | - |
| Other comprehensive income for the year | | - | - | - | 3,356 | - | 3,356 |
| Total comprehensive income for the period | | - | 123,285 | (5,525) | 3,356 | 493,141 | 614,257 |
| Increase in share capital | 17 | 250,000 | - | - | - | (250,000) | - |
| Dividends | 17 | - | - | - | - | (125,000) | (125,000) |
| Balance as at December 31, 2023 | | 1,500,000 | 1,373,285 | (13,199) | 20,489 | 741,242 | 3,621,817 |

* Comparative information has been restated (refer note 3).



Abdulaziz M. AlSedeas
Board Director



Mater S. Alenazi
Chief Financial Officer



Othman Y. Alkassabi
Chief Executive Officer

THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

| | Notes | December 31, 2023 | December 31, 2022 (Restated) | | Notes | December 31, 2023 | December 31, 2022 (Restated) |
|---|-------|-------------------|---------------------------------|--|-------|--------------------|---------------------------------|
| SAR'000 | | | | SAR'000 | | | |
| Operating activities: | | | | Investing activities: | | | |
| Net income before zakat | | 717,806 | 391,579 | Placement in statutory deposit | | (25,000) | - |
| <u>Adjustments for non-cash items:</u> | | | | Proceeds from sale of investments | | 332,922 | 3,363,365 |
| Depreciation | 11,13 | 27,796 | 28,108 | Purchase of investments at FVPL | | (323,956) | (2,087,506) |
| Amortisation of intangible assets | 12 | 23,350 | 18,836 | Proceeds from term deposits | 5 | 12,323,222 | 10,350,370 |
| Share of profit from investments in equity accounted investments, net | 9 | (38,710) | (32,207) | Placement in term deposits | 5 | (13,696,959) | (12,473,524) |
| Impairment of investment property | 10 | 7,000 | - | Commission income received | | 420,923 | 190,083 |
| Commission income | | (450,430) | (260,002) | Dividends income received | | 2,576 | 3,452 |
| Dividend income | | (2,576) | (3,452) | Dividends received from investments in equity accounted investments | | 23,985 | 13,261 |
| (Reversal) / allowance for expected credit loss | | (16,234) | 141,502 | Purchase of property, equipment and right-of-use assets, net | 13 | (81,801) | (46,211) |
| Net fair value loss / (gain) on available for sale and FVPL investments | | 56,176 | (76,455) | Purchase of intangible assets | 12 | (19,936) | (15,650) |
| Finance cost | 16.3 | 5,892 | 5,453 | Net cash used in investing activities | | (1,044,024) | (702,360) |
| Provision for defined benefits obligation | 16.3 | 18,143 | 13,431 | Financing activities: | | | |
| | | 348,213 | 226,793 | Dividends paid | | (124,851) | (28) |
| <u>Changes in operating assets and liabilities:</u> | | | | Net cash flows used in financing activities | | (124,851) | (28) |
| Receivable from brokers / agents | | (172,145) | (1,392,733) | | | | |
| Reinsurance contract assets | | (780,487) | (106,248) | Net change in cash and cash equivalents during the period | | 422,514 | 471,057 |
| Prepaid expenses and other assets | | (341,749) | 4,412 | Cash and cash equivalents, beginning of the period | | 1,659,193 | 1,188,136 |
| Accrued expenses and other liabilities | | 243,051 | 42,257 | Cash and cash equivalents, end of the period | | 2,081,707 | 1,659,193 |
| Reinsurance contract liabilities | | - | (1,369) | Non-cash supplemental information: | | | |
| Insurance contract liabilities | | 2,335,128 | 2,655,849 | Share of other comprehensive loss of investments in equity accounted investments | 9 | (3,100) | (5,054) |
| | | 1,632,011 | 1,428,961 | Reclassification from prepaid expenses and other assets to investment property | | 83,036 | - |
| Zakat paid during the year | 23 | (13,704) | (232,241) | Net fair value gain on investments in OCI | 6 | 6,456 | (113,198) |
| Defined benefits obligation paid | 15 | (26,918) | (23,275) | | | | |
| Net cash generated from operating activities | | 1,591,389 | 1,173,445 | | | | |

* Comparative information has been restated (refer note 3)



Abdulaziz M. AlSedeas
Board Director



Mater S. Alenazi
Chief Financial Officer



Othman Y. Alkassabi
Chief Executive Officer

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumada Al-Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on Thumamah Road (At Takhassusi) Ar Rabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and property and casualty insurance.

On July 31, 2003, corresponding to Jumada Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Insurance Authority (formerly Saudi Central Bank "SAMA") as the principal authority responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia. During the year, the Insurance Authority has been established by a royal decree as the insurance regulator. Previously issued regulations by SAMA will be upheld until the Insurance Authority issued updated regulations.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by Insurance Authority, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The Company has the following subsidiaries and associates.

THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2023

| Name of the Subsidiary / Associate | Registration No. | Registration date | Ownership interest | Financial year end | Principal Activities |
|---|------------------|-------------------|--------------------|--------------------|---|
| Subsidiary | | | | | |
| Teejan Al- Khaleej | 1010644057 | July 21, 2020 | 100% | December 31 | Developing technology based solutions and extending consultancy services for the insurance and healthcare businesses. |
| Tree Digital Company | 1010816901 | August 4, 2022 | 100% | December 31 | Introducing innovative products and services with an end-to-end digital journey to drive insurance penetration in the Kingdom of Saudi Arabia (e.g. convenience of choice, behaviour change based products, rewards program), while building an ecosystem of partnerships to fulfil growing customer needs and provide a differentiating proposition versus local and regional competitors. |
| Meena healthcare Company | 1010887256 | June 8, 2023 | 100% | December 31 | Extending health care services for Medical line of business. |
| Associates | | | | | |
| United Insurance Company B.S.C. | 17337-1 | May 12, 1986 | 50% | December 31 | Insurance for all motor vehicles which travel through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law. |
| Waseel Application Service Provider Limited | 1010186558 | April 15, 2003 | 45% | December 31 | Internet based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market. |

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRSs) Accounting Standards ("IFRS Accounting Standards") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and in compliance with Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Company.

The Group's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, Property, equipment and right-of-use assets, net, intangible assets, return payable on statutory deposit, investment properties, investments in equity accounted investments, defined benefits obligation and those balances of insurance & reinsurance contracts liabilities and reinsurance contract assets that would not settle within next twelve months. All other financial statement line items would generally be classified as current.

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

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

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention, except for the measurement of investments carried at fair value through profit or loss (FVPL) and investments carried at fair value through other comprehensive income (FVOCI), investment in equity accounted investments which is accounted for under the equity method, defined benefits obligation recorded at the present value using the projected unit credit method and liability of incurred claims (LIC) and assets for incurred claims (AIC) recorded at the present value at the current discount rates.

Functional and presentation currency

These consolidated financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest thousands, except where otherwise indicated.

Fiscal year

The Group follows a fiscal year ending December 31.

Seasonality of operations

Other than normal seasonality in Medical and Motor Insurance Business in the Kingdom of Saudi Arabia, there are no seasonal changes that may affect insurance operations of the Company.

2. BASIS OF PREPARATION (continued)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company, using consistent accounting policies.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The Group's voting rights and potential voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. All subsidiaries of the Company is fully owned and therefore NCI share is zero.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses and cash flows relating to transactions arising from intra group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2. BASIS OF PREPARATION (continued)

2.4 Critical accounting judgments, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

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

Key accounting judgements, estimates and assumptions related to adoption of IFRS 17 and IFRS 9

a) PAA eligibility assessment

The Group has calculated a Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for those groups of insurance contracts written and reinsurance contracts held respectively where the coverage period was more than one year. The calculation was performed under both simplified approach i.e., Premium Allocation Approach (PAA) and General Measurement Model (GMM). Situations, which may cause the LRC and / or ARC under the PAA to differ from the LRC and / or ARC under the GMM:

- When the expectation of the profitability for the remaining coverage changes at a particular valuation date during the coverage period of a group of contracts;
- If yield curves change significantly from those in place at the group's initial recognition;
- When the incidence of claims occurrence differs from the coverage units; and
- The effect of discounting under the GMM creates an inherent difference; this difference compounds over longer contract durations.

Upon analysis of the possible differences between LRC and / or ARC applying the PAA and GMM approach, respectively, the Group did not note any material difference for contracts with coverage period of more than one year. Hence, it has opted to report all such contracts using the PAA approach maintaining a consistent accounting treatment to the rest of the portfolio of insurance contracts issued and reinsurance contracts held that have a coverage period of up to one year. The Group assesses materiality at each respective group of contracts level (GoCs) and at an aggregate insurance contract liabilities / re-insurance contract assets level using pre-determined quantitative threshold for differences at the GoCs.

b) Insurance acquisition cash flows

Commissions and other acquisition related expenses are deferred and amortized over the term of the insurance contracts to which these relate, similar to premiums earned. The Group uses a systematic and rational method to allocate such expenses. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

c) Expense attribution

The Group identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling / maintaining (other attributable

expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses). Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the consolidated statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. The Group has determined costs directly identified to the groups of contracts, as well as, costs where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses, overheads and one-off exceptional expenses is recognized in the consolidated statement of income immediately when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

2. BASIS OF PREPARATION (continued)

2.4 Critical accounting judgments, estimates and assumptions (continued)

d) Discounting methodology

Insurance contract liabilities and Reinsurance contracts assets are calculated by discounting expected future cash flows at a discount rate that reflects the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. The Group applied a bottom-up approach to derive the applicable yield curve when determining the discount rate, where the curve is based on the European Insurance and Occupational Pensions Authority (EIOPA) volatility adjusted risk-free curve denominated in United States Dollars while applying certain adjustments for factors under IFRS 17.

Discount rates applied for discounting of future cash flows are listed below:

Risk free rates

| Evaluation date | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year |
|------------------|--------|--------|--------|--------|--------|
| 31 December 2023 | 6.30% | 5.56% | 5.21% | 5.05% | 4.97% |
| 31 December 2022 | 6.61% | 6.17% | 5.75% | 5.53% | 5.43% |
| 31 December 2021 | 1.42% | 1.83% | 2.09% | 2.20% | 2.30% |

e) Risk adjustment methodology, including correlations, and confidence level selected

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value of claims.

The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines, as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows.

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims. From the diverse methods available to estimate the volatility of future cash flows and, thus, the applicable confidence interval for each line of business, the Group relied on the following three methods depending on the nature of each portfolio:

- Mack Model
- Bootstrap – over dispersed Poisson model
- Stochastic Bornhuetter-Ferguson

f) Liability for incurred claims

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported. Both of these estimates are recorded under the liability for incurred claims ("LIC"). Moreover, the Company includes claims payable and advance payment made to or on behalf of policyholders under LIC.

Events not in data ("ENID") represents an additional amount that needs to be included in the best estimate claim liability to ensure that the best estimate is a true best estimate of all possible outcomes. The methodology used by the Group to derive the ENID is based on Lloyd's Technical Provisions Guidance issued in March 2011, which suggests several approaches to allow for Binary events / Events Not in Data. In this guidance, Lloyd's details an approach that offers uplifting reserve best estimates to allow for a limited range of historical (observable) data. This approach is also called the Truncated Statistical Distribution approach and defines the uplift factor of reserve best estimate as: "the ratio of the 'true mean' to the 'mean only including realistically foreseeable events". The distribution is adjusted to add to the tail and a new mean is estimated from the new distribution which represents a "true" distribution of claims. The ENID uplift factor applied to the claims is then the ratio of the new mean to the old mean.

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

2. BASIS OF PREPARATION (continued)

2.4 Critical accounting judgments, estimates and assumptions (continued)

f) Liability for incurred claims (continued)

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary had also used a segmentation approach including analysing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Some insurance contracts permit the Group to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the LIC. The allowance is the amount that can reasonably be recovered from the disposal of the asset. Subrogation reimbursements are also considered as an allowance in the measurement of the LIC. The allowance is the assessment of the amount that can be recovered from the third party.

g) Significant financing component

The Group has assessed its Liability for Remaining Coverage (LRC) and Assets for remaining coverage (ARC) and concluded that no significant financing component exists within LRC and ARC respectively. Therefore, the Group has not adjusted the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates.

h) Onerosity determination

The profitability of groups of insurance contracts is assessed by actuarial valuation models that take into consideration existing and new business. Profitability is measured through the expected risk-adjusted combined ratio (including premiums, expenses, discounted risk adjusted claims and an allowance for ENID). The expected risk adjusted combined ratio approximates the fulfilment cash flows as defined in IFRS 17. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. The Group also considers facts and circumstances to identify whether a group of contracts are onerous based on the following key inputs:

- Pricing information: Underwriting combined ratios and price adequacy ratio. This input is most relevant for the Medical insurance portfolio;
- Historical combined ratio of similar and comparable sets of contracts for Motor and P&C portfolios in particular;
- Any relevant inputs from underwriters;
- Other external factors such as inflation and change in market claims experience or change in regulations; and
- For subsequent measurement, the Group also relies on the same group of contracts' weighted actual emerging experience.

The actuarial profitability valuation and results are then discussed with the Profitability Assessment Committee (the "Committee") which is chaired by Group's CFO and includes other relevant stakeholders as members. The objective of the Committee is to formulate management's view of the profitability of new and in-force contracts. The Committee, based on aforementioned inputs, classifies all new contracts into either onerous or profitable and produce the estimated combined loss ratio. For existing contracts, the Committee also produces a view of the combined ratio for such contracts. The expected combined loss ratio is then fed into the loss component calculation. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held, if any.

2. BASIS OF PREPARATION (continued)

2.4 Critical accounting judgments, estimates and assumptions (continued)

i) Expected premium receipts adjustment

Insurance revenue will be adjusted with the amounts of expected premium receipts adjustment calculated on premiums not yet collected as at date of the statement of financial position. The computation is performed using IFRS 9 simplified approach to calculate Expected Credit Loss (ECL) allowance. The corresponding impact of this adjustment is recorded to LRC.

j) Non-performance risk

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized under Amounts recoverable from reinsurers for incurred claims in the consolidated statement of income. The computation is performed using IFRS 9 simplified approach to calculate ECL allowance.

k) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled Expected Credit Losses ("ECL") scenarios and the relevant inputs used.

Other accounting judgements, estimates and assumptions

l) Fair value of financial instruments

Fair values of financial instruments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based

on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Refer fair value of financial instruments disclosure in note 25.

m) Impairment of available-for-sale financial assets (for financial assets derecognised before January 1, 2023)

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost. The determination of what is significant or prolonged requires judgment. For equity and mutual funds, a period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Group policy. In making this judgment, the Group also evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The Group reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

2. CHANGES IN MATERIAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022 except as mentioned in notes below:

a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Group

| Standard, interpretation, amendments | Description | Effective date |
|--|--|--|
| Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | Annual periods beginning on or after January 1, 2023 |
| Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction | These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. | Annual periods beginning on or after January 1, 2023 |
| IFRS 17 | Insurance Contracts | Annual periods beginning on or after January 1, 2023 |
| IFRS 9 | Financial Instruments | Annual periods beginning on or after January 1, 2023 |

3. CHANGE IN MATERIAL ACCOUNTING POLICIES (continued)

b. Standards issued but not yet effective

The Group has chosen not to early adopt the following new standards, which have been issued but not yet effective for the Group's accounting year beginning on or after January 1, 2024, and is currently assessing their impact:

| Standard, interpretation, amendments | Description | Effective date |
|--|---|--|
| Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non-current | These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. | January 1, 2024 |
| Amendments to IFRS 10 and IAS 28 | Amendments to IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. | The effective date of the amendments has yet to be set by The IASB. |
| Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | It requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. | Annual periods beginning on or after January 1, 2024 |
| Amendments to IAS 21 - Lack of Exchangeability | An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. No material impact is expected for the Group. | Annual periods beginning on or after January 1, 2025 (early adoption is available) |
| Amendment to IAS 7 and IFRS 7 Supplier finance | These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. No material impact is expected for the Group | Annual periods beginning on or after January 1, 2024 (with transitional reliefs in the first year) |

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.1 Insurance and reinsurance contracts

Transition

On transition date, January 1, 2022, the Group:

- has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always been applied
- derecognized any existing balances that would not exist had IFRS 17 always been applied
- recognized any resulting net difference in equity.

The statement of financial position for January 1, 2022, has been restated due to adoption of IFRS 17 and IFRS 9. Consequently, the third balance sheet as at January 1, 2022 has also been presented under the requirements of IAS 1.

Full Retrospective Approach

On transition to IFRS 17, the Group has applied the full retrospective approach unless impracticable.

Modified retrospective approach

The Group has applied the modified retrospective approach for certain groups of contracts, as prior to transition (before January 1, 2022), it grouped its contracts from multiple cohorts and years into a single unit for accounting purposes. The application of the full retrospective approach on transition for these portfolios was determined to be impracticable for the Group, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Group has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach. The Group has applied fully retrospective approach to groups of insurance contracts issued / reinsurance contracts held after January 1, 2022.

The Group has aggregated contracts issued more than one year apart for groups of contracts applying the modified retrospective approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

At the date of initial recognition of a group of insurance contracts originating before the transition date, groups are discounted using an observable yield curve that, based on discount rates for 2019-2021, approximate the yield curve, had discount rate principles for fully retrospective approach been applied.

The Group estimated the risk adjustment for non-financial risk at the date of initial recognition by adjusting the risk adjustment at the transition date by the expected release of risk in the periods before transition. The expected release of risk was determined with reference to the release of risk for similar contracts that the Group has issued subsequent to the transition date.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.1 Insurance and reinsurance contracts (continued)

Classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include medical, motor, marine, fire, engineering, energy, aviation and casualty insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: (a) onerous contracts, (b) contracts with no significant risk of becoming onerous, and (c) the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). Further, no group for level of aggregation purposes contains contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each quarter of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

The Group does not issue any insurance contracts and reinsurance contracts held which qualify for contract combination / unbundling.

Length of Cohorts

The Group has adopted quarterly cohorts to measure groups of insurance contracts issued and reinsurance contracts held. This means that the groups of contracts are identified at a more granular level. The Group has elected to use quarterly cohorts that aligns with external quarterly reporting periods as well.

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.1 Insurance and reinsurance contracts (continued)

Premium received in advance represents premiums received by the Company before initial recognition of the group of insurance contracts. These are excluded from liability for remaining coverage and recognised as other liabilities (refer above policy for conditions relevant to initial recognition of the group of contracts).

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Measurement model

The Group applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds. The Group applies the PAA as the coverage period of these contracts is one year or less. In case of contracts with more than one-year of coverage period, the Group had carried out the PAA

eligibility test (refer note 2.4(a)) to confirm that PAA may be applied. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk as well as provision for ENID.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the General Measurement Model ("GMM").

3. CHANGE IN MATERIAL ACCOUNTING POLICIES (continued)

3.1 Insurance and reinsurance contracts (continued)

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition,
- Minus any insurance acquisition cash flows at that date,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows, and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

For all insurance contracts, there is no allowance for time value of money in the calculation of LRC. The Group expects that the time between providing each part of the services and the related premium due date is no more than a year.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in consolidated statement of income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

VAT treatment

Transaction-based taxes (such as premium taxes, value added taxes and goods & services taxes) and levies that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis are included within insurance contract liabilities as part of fulfilment cash flows within the boundary of insurance contracts.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However,

they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period,
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- Plus any adjustment to the financing component, where applicable,
- Minus the amount recognised as insurance revenue for the services provided in the period, and
- Minus any investment component paid or transferred to the liability for incurred claims, where applicable.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment).

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.1 Insurance and reinsurance contracts (continued)

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in consolidated statement of income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Company presents separately, in the consolidated statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the consolidated statement of income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

The Group has chosen not to disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion. Hence, the total charge for both financial and insurance portions are included as part of the insurance service result in the consolidated statement of income.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period (excluding any investment component). The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Fee income from takaful is calculated in accordance with the terms of agreement and is accounted for on an accrual basis and are recognised in insurance revenue.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.1 Insurance and reinsurance contracts (continued)

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Loss-recovery components

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance finance income and expense / reinsurance finance income and expenses

Insurance / reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts issued / reinsurance contracts held arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group presents insurance / reinsurance finance income or expenses on group of insurance contracts issued / reinsurance contracts held in the consolidated statement of income.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the consolidated statement of income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the consolidated statement of income.

Accounting for Shared pools

Insurance Contract Liability for Hajj & Umrah and Travel and Covid-19 pool is measured as follows:

- At initial recognition, the premium received by the Company is recorded in full in LRC
- Subsequent to initial recognition
 - commissions paid and claims paid by the Company are recorded in full in LRC and LIC respectively
 - Share of Insurance Revenue for the Company is reduced from LRC while the Company's share of acquisition costs incurred increase the LRC.
 - The Company's share of incurred claims and related expenses, risk adjustment on LIC and discounting of LIC are included in the measurement of LIC.

In calculating the reinsurance contract assets, the Group includes its share of allocation of reinsurance premium, amounts recoverable from reinsurers, risk adjustment and discounting impacts AIC. Gross cash flows for RI premiums paid and Reinsurance claims recovered are included within measurement of ARC and AIC respectively with a corresponding effect recorded in other liabilities / other assets.

The Company measures its share in groups of insurance contracts issued and reinsurance contracts held relating to Inherent Defect Insurance (IDI) within property and casualty line of business.

Policyholder surplus accounting

Policyholder surplus as described in note 1 to these consolidated financial statements are recognized under liability for incurred claims within insurance contract liabilities with the corresponding effect recorded under insurance service expenses.

The Group writes back surplus to 'other income' in the consolidated statement of income that remains unclaimed for more than 10 years.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before January 1, 2023. For transition to IFRS 9, the Group applied a retrospective approach to be in line with transition option adopted under IFRS 17.

IFRS 9 has not been applied to financial instruments that have already been derecognized at the date of initial application i.e., 1 January 2023. IAS 39 has been applied to such transaction / items.

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at Fair value through profit or loss, transaction costs are added to this amount.

3.2.1 Financial assets held on or recognised after January 1, 2023

Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit or loss ("FVPL")

Debt instrument measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below:

a) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

3.2.1 Financial assets held on or recognised after January 1, 2023 (continued)

b) The solely payments of principal and interest (SPPI) test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial instruments at fair value through other comprehensive income

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

The Group elects to present changes in the fair value of certain equity investments that are not held for trading in other comprehensive income. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These instruments largely comprise debt instruments that had previously been classified as available-for-sale.

This investment portfolio has been designated at fair value through profit or loss since the Group has provided an unconditional mandate to the Investment Manager to make purchases and sales decisions without referring to the Group for each transaction. Hence, the Group does not carry the capacity to hold these Investments to realize contractual cash flows on these Investments, either partly or wholly.

Cash and cash equivalents

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

Subsequent measurement

Debt instrument at amortised cost

After initial measurement, financial assets are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the consolidated statement of income and deducted from the gross carrying amount of an asset.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

3.2.1 Financial assets held on or recognised after January 1, 2023 (continued)

Financial assets at fair value through other comprehensive income

Equity instruments that are measured at FVOCI category are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of income when the Group's right to receive payment is established, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in the consolidated statement of comprehensive income and are never reclassified to the consolidated statement of income. Cumulative gains and losses recognised in the consolidated statement of comprehensive income are transferred to retained earnings on disposal of an investment.

Financial assets at fair value through profit or loss

Financial assets that are measured at FVPL category are subsequently measured at fair value. Changes in fair value are recorded in the consolidated statement of income. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

Dividend income is recorded in consolidated statement of income when the right to the payment has been established.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the consolidated statement of income or consolidated statement of comprehensive income as the case may be.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortised cost and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

3.2.1 Financial assets held on or recognised after 1 January 2023 (continued)

The receivable from broker / agents to be in default when it is due more than 365 while the Company considers other financial asset to be in default (credit impaired) when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Group allocates its assets subject to ECL calculations to one of these categories, determined as follows:

Stage 1 12-month ECL (12mECL):

The 12mECL is calculated as the portion of life time ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR.

Stage 2 LTECL:

When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.

Stage 3 Credit impaired:

For debt instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTE-CL assets, with the PD set at 100%.

Receivable from brokers / agents

Insurance contracts sold via brokers where brokers have collected the premiums from the insured and not yet paid to the Group are classified as "receivable from brokers / agents". The balances are outside the contract boundary of insurance contracts issued and are subject to impairment assessment based on simplified approach of IFRS 9. Under IFRS 9 simplified approach, the Group measures the loss allowance at an amount equal to lifetime expected credit losses for broker receivables.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

3.2.1 Financial assets held on or recognised after 1 January 2023 (continued)

Forward looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to expected credit loss expense. There were no write-offs over the period reported in these consolidated financial statements.

All potential write-offs are reviewed for recoverability before it is submitted to the Board for their approval as per Group's standard operating procedures.

3.2.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Recognition of commission income

Under IFRS 9, commission income is recorded using the effective interest rate (EIR) method for all debt instruments measured at amortised cost.

If expectations of a fixed rate financial asset's cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the consolidated statement of financial position with a corresponding increase or decrease in commission income.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application

a) Classification and measurement of financial assets *

| Particulars | Classification | IAS 39 | | Classification | IFRS 9 | |
|--|--------------------------------------|-------------------|-----------------|----------------|-------------------|-----------------|
| | | December 31, 2022 | January 1, 2022 | | December 31, 2022 | January 1, 2022 |
| | | SAR '000 | | | | |
| Cash and cash equivalents | Loans and receivables | 1,659,343 | 1,188,266 | Amortised cost | 1,659,193 | 1,188,136 |
| Statutory deposit | Loans and receivables | 125,000 | 125,000 | Amortised cost | 124,983 | 124,992 |
| Mudaraba / murabaha deposits (Term deposits) | Loans and receivables | 5,903,752 | 3,780,598 | Amortised cost | 5,903,739 | 3,780,592 |
| Investments in Shariah Notes | Available for sale investments – AFS | 946,703 | 2,364,736 | FVPL | 946,703 | 58,599 |
| Investments in unquoted equities | Available for sale investments | 111,638 | 10,250 | FVOCI | 111,638 | 10,250 |
| | | 8,746,436 | 7,468,850 | | 8,746,256 | 5,162,569 |

* The change between the carrying value of cash and cash equivalents, statutory deposits and term deposits under IAS 39 and IFRS 9 is mainly represents expected credit loss allowance.

b) Impact on retained earnings on transition to IFRS 17 at January 1, 2022

| Particulars of drivers | SAR '000 |
|---|------------------|
| Explicit risk adjustment, net of reinsurance | (161,827) |
| Increase in deferred part of insurance acquisition cash flows | 125,471 |
| Expected premium receipts adjustment | 56,861 |
| ENID, net of reinsurance | (27,327) |
| Loss components, net of PDR and loss recovery | (69,588) |
| Discounting of liability for incurred claims (LIC), net of reinsurance | 13,885 |
| Impact of non-performance risk provision | (16,799) |
| Impact of exclusion of self-insurance policy | (26,000) |
| Impact of share of profit of our share in UIC due to adoption of IFRS 17 | 1,610 |
| Other impacts | 1,021 |
| | (102,693) |
| Impact on retained earnings on transition to IFRS 9 at January 1, 2022 | |
| Expected credit loss allowance on financial instruments | (144) |
| Impact of share of profit of our share in UIC due to adoption of IFRS 9 | 5,885 |
| Reclassification of unrealised gain on investments at FVPL (previously classified as AFS) | 11,213 |
| | 16,954 |

3. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)
3.3 Effect of initial application (continued)
c) Reconciliation of consolidated statement of financial position as at January 1, 2022:

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adop- tion IFRS 17 and IFRS 9 |
|---|---------------------------------------|----------------|--------------------|---------------|------------------|--|
| | | Remeasurement | Reclassification | Remeasurement | Reclassification | |
| SAR '000 | | | | | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | 1,188,266 | - | - | (130) | - | 1,188,136 |
| Term deposits | 3,780,598 | - | - | (6) | 6,986 | 3,787,578 |
| Available for sale investments | 2,370,943 | - | - | - | (64,806) | 2,306,137 |
| Investments including accrued investment income | - | - | - | - | 68,849 | 68,849 |
| Receivable from brokers / agents | - | - | 1,454,205 | - | - | 1,454,205 |
| Reinsurance contract assets | - | 333,739 | 2,314,467 | - | - | 2,648,206 |
| Prepaid expenses and other assets | 668,962 | (26,000) | (105,082) | - | - | 537,880 |
| Investments in equity accounted investments | 89,556 | 1,610 | - | (30) | - | 91,136 |
| Investment properties | 60,850 | - | - | - | - | 60,850 |
| Intangible assets | 16,627 | - | - | - | - | 16,627 |
| Property, equipment and right-of-use assets, net | 236,970 | - | - | - | - | 236,970 |
| Accrued income on statutory deposit | 3,050 | - | - | - | - | 3,050 |
| Statutory deposit | 125,000 | - | - | (8) | - | 124,992 |
| Accrued investment income | 11,029 | - | - | - | (11,029) | - |
| Deferred excess of loss premiums | 7,501 | - | (7,501) | - | - | - |
| Deferred policy acquisition costs | 127,951 | - | (127,951) | - | - | - |
| Reinsurers' share of gross outstanding claims | 1,762,324 | - | (1,762,324) | - | - | - |
| Reinsurers' share of incurred but not reported claims | 329,243 | - | (329,243) | - | - | - |
| Reinsurers' share of gross unearned premiums | 717,382 | - | (717,382) | - | - | - |
| Receivables, net | 3,222,001 | - | (3,222,001) | - | - | - |
| TOTAL ASSETS | 14,718,253 | 309,349 | (2,502,812) | (174) | - | 12,524,616 |

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application (continued)

d) Reconciliation of consolidated statement of financial position as at January 1, 2022:

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adoption IFRS 17 and IFRS 9 |
|--|---------------------------------------|----------------|--------------------|---------------|------------------|--|
| | | Remeasurement | Reclassification | Remeasurement | Reclassification | |
| SAR '000 | | | | | | |
| LIABILITIES | | | | | | |
| Claims payable, accrued expenses and other liabilities | 1,070,631 | - | (497,574) | - | - | 573,057 |
| Zakat payable | 415,023 | - | - | - | - | 415,023 |
| Dividends payable | 8,630 | - | - | - | - | 8,630 |
| Insurance contract liabilities | - | 412,042 | 8,033,138 | - | - | 8,445,180 |
| Reinsurance contract liabilities | - | - | 1,369 | - | - | 1,369 |
| Return payable on statutory deposit | 3,050 | - | - | - | - | 3,050 |
| Defined benefits obligation | 142,110 | - | - | - | - | 142,110 |
| Reserve for takaful activities | 3,372 | - | (3,372) | - | - | - |
| Incurred but not reported claims reserve | 1,770,241 | - | (1,770,241) | - | - | - |
| Gross outstanding claims | 2,400,729 | - | (2,400,729) | - | - | - |
| Premium deficiency reserve | 30,277 | - | (30,277) | - | - | - |
| Unearned commission income | 42,289 | - | (42,289) | - | - | - |
| Surplus distribution payable | 258,163 | - | (258,163) | - | - | - |
| Gross unearned premiums | 5,031,265 | - | (5,031,265) | - | - | - |
| Reinsurers' balances payable | 503,409 | - | (503,409) | - | - | - |
| TOTAL LIABILITIES | 11,679,189 | 412,042 | (2,502,812) | - | - | 9,588,419 |
| EQUITY | | | | | | |

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adoption IFRS 17 and IFRS 9 |
|--|---------------------------------------|------------------|--------------------|---------------|------------------|--|
| | | Remeasurement | Reclassification | Remeasurement | Reclassification | |
| SAR '000 | | | | | | |
| Share capital | 1,250,000 | - | - | - | - | 1,250,000 |
| Statutory reserve | 1,197,495 | - | - | - | - | 1,197,495 |
| Remeasurement of defined benefits obligation | (20,096) | - | - | - | - | (20,096) |
| Fair value reserve for investments | 152,513 | - | - | (5,915) | (11,213) | 135,385 |
| Retained earnings | 459,152 | (102,693) | - | 5,741 | 11,213 | 373,413 |
| TOTAL EQUITY | 3,039,064 | (102,693) | - | (174) | - | 2,936,197 |
| TOTAL LIABILITIES AND EQUITIES | 14,718,253 | 309,349 | (2,502,812) | (174) | - | 12,524,616 |

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application (continued)

e) Reconciliation of consolidated statement of financial position as at December 31, 2022:

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adoption IFRS 17 and IFRS 9 |
|---|---------------------------------------|----------------|--------------------|------------------|------------------|--|
| | | Remeasurement | Reclassification | Remeasurement | Reclassification | |
| SAR '000 | | | | | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | 1,659,343 | - | - | (150) | - | 1,659,193 |
| Term deposits | 5,903,752 | - | - | (13) | 77,088 | 5,980,827 |
| Available for sale investments | 1,058,341 | - | - | (1,058,341) | - | - |
| Investment including accrued investment income | | | | 1,058,341 | 4,636 | 1,062,977 |
| Receivable from brokers / agents | - | (57,400) | 2,904,374 | (141,502) | - | 2,705,472 |
| Reinsurance contract assets | - | 421,947 | 2,332,507 | - | - | 2,754,454 |
| Prepaid expenses and other assets | 767,968 | (30,000) | (204,500) | - | - | 533,468 |
| Investments in equity accounted investments | 95,948 | - | - | 9,080 | - | 105,028 |
| Investment properties | 59,562 | - | - | - | - | 59,562 |
| Intangible assets | 13,441 | - | - | - | - | 13,441 |
| Property, equipment and right-of-use assets, net | 255,565 | - | - | - | - | 255,565 |
| Accrued income on statutory deposit | 5,420 | - | - | - | - | 5,420 |
| Statutory deposit | 125,000 | - | - | (17) | - | 124,983 |
| Accrued investment income | 81,724 | - | - | - | (81,724) | - |
| Deferred excess of loss premiums | 7,088 | - | (7,088) | - | - | - |
| Deferred policy acquisition costs | 187,314 | - | (187,314) | - | - | - |
| Reinsurers' share of gross outstanding claims | 1,782,371 | - | (1,782,371) | - | - | - |
| Reinsurers' share of incurred but not reported claims | 392,894 | - | (392,894) | - | - | - |
| Reinsurers' share of gross unearned premiums | 1,097,752 | - | (1,097,752) | - | - | - |
| Receivables, net | 5,421,514 | - | (5,421,514) | - | - | - |
| TOTAL ASSETS | 18,914,997 | 334,547 | (3,856,552) | (132,602) | - | 15,260,390 |

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application (continued)

f) Reconciliation of consolidated statement of financial position as at December 31, 2022:

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adoption IFRS 17 and IFRS 9 |
|--|---------------------------------|----------------|--------------------|----------------|-------------------|----------------------------------|
| | | Re-measurement | Re-classification | Re-measurement | Re-classification | |
| SAR '000 | | | | | | |
| LIABILITIES | | | | | | |
| Claims payable, accrued expenses and other liabilities | 1,591,463 | - | (976,149) | - | - | 615,314 |
| Zakat payable | 272,168 | - | - | - | - | 272,168 |
| Dividends payable | 8,602 | - | - | - | - | 8,602 |
| Insurance contract liabilities | - | 436,418 | 10,664,611 | - | - | 11,101,029 |
| Return payable on statutory deposit | 5,420 | - | - | - | - | 5,420 |
| Defined benefits obligation | 125,297 | - | - | - | - | 125,297 |
| Reserve for takaful activities | 2,861 | - | (2,861) | - | - | - |
| Incurred but not reported claims reserve | 2,400,908 | - | (2,400,908) | - | - | - |
| Gross outstanding claims | 2,826,056 | - | (2,826,056) | - | - | - |
| Premium deficiency reserve | 13,591 | - | (13,591) | - | - | - |
| Unearned commission income | 61,183 | - | (61,183) | - | - | - |
| Surplus distribution payable | 265,167 | - | (265,167) | - | - | - |
| Gross unearned premiums | 7,014,914 | - | (7,014,914) | - | - | - |
| Reinsurers' balances payable | 962,225 | - | (962,225) | - | - | - |
| TOTAL LIABILITIES | 15,549,855 | 436,418 | (3,858,443) | - | - | 12,127,830 |

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adoption IFRS 17 and IFRS 9 |
|--|---------------------------------|------------------|--------------------|------------------|-------------------|----------------------------------|
| | | Re-measurement | Re-classification | Re-measurement | Re-classification | |
| SAR '000 | | | | | | |
| EQUITY | | | | | | |
| Share capital | 1,250,000 | - | - | - | - | 1,250,000 |
| Statutory reserve | 1,250,000 | - | - | - | - | 1,250,000 |
| Remeasurement of defined benefits obligation | (7,674) | - | - | - | - | (7,674) |
| Fair value reserve for investments | 75,166 | - | - | (6,853) | (51,180) | 17,133 |
| Retained earnings | 797,650 | (101,871) | 1,891 | (125,749) | 51,180 | 623,101 |
| TOTAL EQUITY | 3,365,142 | (101,871) | 1,891 | (132,602) | - | 3,132,560 |
| TOTAL LIABILITIES AND EQUITIES | 18,914,997 | 334,547 | (3,856,552) | (132,602) | - | 15,260,390 |

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application (continued)

g) Reclassification impact on consolidated statement of income on adoption of IFRS 17

The line-item descriptions in the consolidated statement of income have been changed significantly compared with prior year. Previously, the Group reported the following line items:

- Gross premiums written
- Reinsurance premiums ceded – Local
- Reinsurance premiums ceded – International
- Changes in unearned premiums – net
- Gross claims paid

- Reinsurers' share of claims paid
- Changes in outstanding claims
- Changes in claims incurred but not reported
- Changes in premium deficiency reserve
- Reinsurance share of changes in outstanding claims
- Reinsurance share of changes in claims incurred but not reported
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses
- Fee income from takaful
- Income attributed to the insurance operations

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Net expenses from reinsurance contracts held
- Other operating expenses

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application (continued)

h) Reconciliation of consolidated statement of income for the year ended December 31, 2022

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adoption IFRS 17 and IFRS 9 |
|---|------------------------------------|------------------------|---------------------|------------------------|---------------------|--|
| | | Re-classifica- tion | Re-measure- ment | Re-classifica- tion | Re-measure- ment | |
| | | SAR '000 | | | | |
| Insurance revenue | - | 11,433,534 | (25,186) | - | - | 11,408,348 |
| Insurance service expenses | - | (10,423,933) | (61,370) | - | - | (10,485,303) |
| Allocation of reinsurance premiums | - | (1,618,800) | - | - | - | (1,618,800) |
| Amounts recoverable from reinsurers for incurred claims | - | 916,294 | 96,594 | - | - | 1,012,888 |
| Insurance service result | - | 307,095 | 10,038 | - | - | 317,133 |
| Gross premiums written | 14,355,406 | (14,355,406) | - | - | - | - |
| Reinsurance ceded | (2,143,509) | 2,143,509 | - | - | - | - |
| Excess of loss premiums | (47,168) | 47,168 | - | - | - | - |
| Net premiums written | 12,164,729 | (11,857,634) | 10,038 | - | - | 317,133 |
| Changes in gross unearned premiums | (1,983,649) | 1,983,649 | - | - | - | - |
| Changes in reinsurers' share of gross unearned premiums | 380,368 | (380,368) | - | - | - | - |
| Net premiums earned | 10,561,448 | (10,254,353) | 10,038 | - | - | 317,133 |
| Reinsurance commissions | 136,464 | (136,464) | - | - | - | - |
| Other underwriting income | 11,867 | (11,867) | - | - | - | - |
| TOTAL REVENUES | 10,709,779 | (10,402,684) | 10,038 | - | - | 317,133 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (8,336,582) | 8,336,582 | - | - | - | - |
| Expenses incurred related to claims | - | - | - | - | - | - |
| Reinsurers' share of claims paid | 836,863 | (836,863) | - | - | - | - |

| | Pre-adoption IFRS 17 and IFRS 9 | IFRS 17 | | IFRS 9 | | Post-adoption IFRS 17 and IFRS 9 |
|--|---------------------------------|-------------------|----------------|-------------------|----------------|----------------------------------|
| | | Re-classification | Re-measurement | Re-classification | Re-measurement | |
| SAR '000 | | | | | | |
| Net claims and other benefits paid | (7,499,719) | 7,499,719 | - | - | - | - |
| Changes in gross outstanding claims | (425,327) | 425,327 | - | - | - | - |
| Changes in reinsurance share of gross outstanding claims | 20,047 | (20,047) | - | - | - | - |
| Changes in incurred but not reported claims reserve | (630,667) | 630,667 | - | - | - | - |
| Changes in reinsurance share of incurred but not reported claims | 63,651 | (63,651) | - | - | - | - |
| Changes in premium deficiency reserve | 16,686 | (16,686) | - | - | - | - |
| Net claims and other benefits incurred | (8,455,329) | 8,455,329 | - | - | - | - |
| Changes in reserves for takaful activities | 511 | (511) | - | - | - | - |
| Policy acquisition costs | (495,742) | 495,742 | - | - | - | - |
| Other underwriting expenses | (251,269) | 251,269 | - | - | - | - |
| Insurance share distribution | (441,137) | 441,137 | - | - | - | - |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (9,642,966) | 9,642,966 | - | - | - | - |

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application (continued)

h) Reconciliation of consolidated statement of income for the year ended December 31, 2022 (continued)

| | Pre-adoption | IFRS 17 | | IFRS 9 | | Post-adoption |
|--|--------------------|-------------------|----------------|-------------------|----------------|--------------------|
| | IFRS 17 and IFRS 9 | Re-classification | Re-measurement | Re-classification | Re-measurement | IFRS 17 and IFRS 9 |
| | SAR '000 | | | | | |
| Commission income | - | - | - | 260,002 | - | 260,002 |
| Dividend income | - | - | - | 3,452 | - | 3,452 |
| Gain on disposal of AFS investments | - | - | - | 36,488 | - | 36,488 |
| Net fair value gains / (losses) on financial assets at fair value through profit or loss | - | - | - | - | 39,967 | 39,967 |
| Share of profit from equity accounted investments | - | - | - | 23,769 | 8,438 | 32,207 |
| Net income on financial assets | - | - | - | 323,711 | 48,405 | 372,116 |
| Expected credit loss allowance on financial assets | - | - | - | - | (141,502) | (141,502) |
| Finance (expense) / income from insurance contracts issued | - | - | 2,347 | - | - | 2,347 |
| Finance expenses from reinsurance contracts held | - | - | (8,098) | - | - | (8,098) |
| | - | - | (5,751) | - | - | (5,751) |
| Net underwriting income / Net insurance and investment results | 1,066,813 | (759,718) | 4,287 | 323,711 | (93,097) | 541,996 |
| OTHER OPERATING (EXPENSES) / INCOME | | | | | | |
| General and administrative expenses | (901,229) | 716,255 | - | 6,971 | - | (178,003) |
| Allowance for doubtful debts | (33,830) | - | - | 33,830 | - | - |
| Investment income, net | 280,712 | - | - | (280,712) | - | - |
| Other income, net | 87,617 | - | - | (60,031) | - | 27,586 |
| TOTAL OTHER OPERATING EXPENSES | (566,730) | 716,255 | - | (299,942) | - | (150,417) |
| Net operating income | 500,083 | (43,463) | 4,287 | 23,769 | (93,097) | 391,579 |
| Share of profit from equity accounted investments, net | 23,769 | - | - | (23,769) | - | - |
| Net income before attribution and zakat | 523,852 | (43,463) | 4,287 | - | (93,097) | 391,579 |
| Net income attributed to the insurance operations | (43,463) | 43,463 | - | - | - | - |
| Net income attributable to the shareholders before zakat | 480,389 | - | 4,287 | - | (93,097) | 391,579 |
| Zakat charge for the period | (89,386) | - | - | - | - | (89,386) |
| Net income attributable to the shareholders after zakat | 391,003 | - | 4,287 | - | (93,097) | 302,193 |

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Effect of initial application (continued)

Sensitivity analysis

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

| December 31, 2023 | | | | | |
|---------------------------------------|------------------------|--|--|---------------------------------------|-------------------------------------|
| SAR '000 | | | | | |
| | Changes in assumptions | Impact on profit before zakat gross of reinsurance | Impact on profit before zakat net of reinsurance | Impact on equity gross of reinsurance | Impact on equity net of reinsurance |
| Risk adjustment changes | +/-10% | 55,567 | 21,531 | 55,567 | 21,531 |
| Liability for incurred claims changes | +/-5% | 317,564 | 165,988 | 317,564 | 165,988 |
| Discounting impact changes | +/-50% | 96,970 | 40,441 | 96,970 | 40,441 |

| December 31, 2022 | | | | | |
|---------------------------------------|------------------------|--|--|---------------------------------------|-------------------------------------|
| SAR '000 | | | | | |
| | Changes in assumptions | Impact on profit before zakat gross of reinsurance | Impact on profit before zakat net of reinsurance | Impact on equity gross of reinsurance | Impact on equity net of reinsurance |
| Risk adjustment changes | +/-10% | 72,585 | 24,713 | 72,585 | 24,713 |
| Liability for incurred claims changes | +/-5% | 292,622 | 164,008 | 292,622 | 164,008 |
| Discounting impact changes | +/-50% | 83,689 | 37,428 | 83,689 | 37,428 |

| January 1, 2022 | | | | | |
|---------------------------------------|------------------------|--|--|---------------------------------------|-------------------------------------|
| SAR '000 | | | | | |
| | Changes in assumptions | Impact on profit before zakat gross of reinsurance | Impact on profit before zakat net of reinsurance | Impact on equity gross of reinsurance | Impact on equity net of reinsurance |
| Risk adjustment changes | +/-10% | 53,038 | 16,183 | 53,038 | 16,183 |
| Liability for incurred claims changes | +/-5% | 234,788 | 113,525 | 234,788 | 113,525 |
| Discounting impact changes | +/-50% | 23,546 | 7,103 | 23,546 | 7,103 |

The sensitivities relating to risk adjustment on LIC and impact of discounting have been disclosed in addition to overall LIC sensitivity. These above base LIC amounts is inclusive of risk adjustment and impact of discounting.

3 MATERIAL ACCOOUNTING POLICIES (continued)

3.4 Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. The Group has following reportable segments.

- Medical - coverage for health insurance.
- Medical Umrah - coverage for health insurance for pilgrims.
- Motor - coverage for motor insurance and for Manafeth third party liability insurance for foreign vehicles.
- Property and casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- General accidents – Hajj & Umrah insurance - coverage for pilgrims
- Travel and COVID-19 – coverage of compulsory travel insurance in addition to some coverages related to COVID-19 for citizens travelling abroad.
- Protection and savings

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

3.5 Insurance shared agreement

The shared agreements are an insurance pooling arrangement related to medical and general accidents in KSA. This is an arrangement between different number of insurance companies in KSA where the Company leads in providing insurance coverages for medical and general accidents for the pilgrims entering KSA (for Hajj and Umrah) and travel COVID 19 (Travel and COVID-19). In principle, the Company manages the shared pool arrangement on behalf of the other insurers and accordingly accounts for only its share under IFRS 17.

The Company also recognised its share in groups of insurance contracts issued and reinsurance contracts held relating to Inherent Defect Insurance (IDI) and the same is presented within property and casualty line of business.

3.6 Investment in equity accounted investments

An associate is an entity in which the Group has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Although the Group holds 50% ownership in UIC, however, the Group does not exercise power over the financial and operating policies of UIC and therefore classified as investment in associate.

Investments in equity accounted investments are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments.

The consolidated statement of income reflects the Group's share of the results of operations of the associate, while the Group share of other comprehensive income / loss is included in the consolidated statement of other comprehensive income. Dividend from such investments is recognized when received and is credited to the investment account. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any such changes and presents, when applicable, in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income, as the case may be.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.7 Available-for-sale investments - for financial assets derecognised before 1 January 2023

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the consolidated statement of comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of income.

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income as part of the net investment income / loss.

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

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. The Group also considers appropriate assumptions for credit spread.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active

markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

For transfers financial assets are recognized if, and only if, it either:

- (a) transfers the contractual rights to receive the cash flows of the financial asset; or
- (b) retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

When an entity transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- (a) if the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
- (b) if the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset.
- (c) if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset. In this case:
 - (i) if the entity has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
 - (ii) if the entity has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial Asset.

3.8 Investments at held to maturity - for financial assets derecognised before 1 January 2023

Mudaraba / murabaha deposits, with original maturity of more than three months, having fixed or determinable payments are classified as loans and receivables. Loans

and receivables are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at Amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognized in the consolidated statement of income when the investment is derecognized or impaired.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.9 Impairment of financial assets - for financial assets derecognised before 1 January 2023

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

Evidence of impairment may include:

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

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

- For equities and fund carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For debt securities and sukuks carried at amortised cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

In the case of debt instruments classified as available for sale, the Group assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

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

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

3.10 Offsetting

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

3 MATERIAL ACCOUNTING POLICIES (continued)

3.11 Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the Group commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

3.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows:

| | Years |
|------------------------|-------|
| Buildings | 40-48 |
| Furniture and fixtures | 10 |
| Computer equipment | 4 |
| Vehicles | 4 |

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

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

3.13 Investment property

Investment property include property (land or a building or part of a building or both) that is held by the Group to earn rentals or for capital appreciation purposes or both. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated based on the depreciable amount, which is the cost of an asset or other amount substitute for cost, less its residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The cost is depreciated on a straight-line basis over the estimated useful lives of the assets. When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

The cost of replacing a part of an item of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of investment property are recognized in consolidated statement of income and other comprehensive income as incurred.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in consolidated statement of income and other comprehensive income. The estimated useful lives of the investment property for the calculation of depreciation are as follows:

| | Years |
|-----------|-------|
| Buildings | 38-40 |

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required. Transfers are made from investment properties to other operating assets categories only when there is a change in use evidenced by commencement of related activity such as development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

3 MATERIAL ACCOOUNTING POLICIES (continued)

3.14 Impairment of non-financial assets

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

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

3.15 Employees' benefits

Defined benefits obligation

The Group operates an end of service benefits plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period (as more fully defined in note 15). The benefits payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in consolidated statement of comprehensive income.

Short term employee benefits

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or any other benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.16 Provisions, accrued expenses and other liabilities

Provisions are recognized when the Group has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.17 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charge to the consolidated statement of income.

3.18 Withholding tax

The Group withholds taxes on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law.

3.19 Value Added Tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of:

- (a) Collection of receivables from customers or
- (b) Delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis.

VAT related to sales/services and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

VAT that is not recoverable is charged to consolidated statement of income as expense.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.20 Dividend distribution

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

3.21 Cash flow statement

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

3.22 Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on investments are recognized in "Other income, net" in the consolidated statement of income. As the Group's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

3.23 Contingencies and commitments

Contingent liability is:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognized because:
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are not recognized in the consolidated financial statements. Contingent assets are not disclosed unless an inflow of economic benefits is probable.

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties.

3.24 Statutory reserve

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

3.25 Surplus distribution payable

The Group shall write-back surplus to 'other income' in the consolidated statement of income that remains unclaimed for more than 10 years.

3.26 Management fee income

Management fee income is calculated in accordance with the terms of shared pool agreements and is accounted for on an accrual basis.

3.27 Leases

Right of Use Asset / Lease Liabilities

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3 MATERIAL ACCOOUNTING POLICIES (continued)

Right of Use Assets

Group applies cost model, and measure right of use (RoU) asset at cost;

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment in addition to the consideration for lease term.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- Increasing the carrying amount to reflect interest on the lease liability; and
- Reducing the carrying amount to reflect the lease payments made

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at Amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.28 Intangible assets

Separately acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortisation and impairment losses. The Group amortises intangible assets with a limited useful life using straight-line method over the following period:

| | Years |
|-------------------|-------|
| Software licenses | 1 - 4 |

4. CASH AND CASH EQUIVALENTS

| | December 31, 2023 | December 31, 2022 (Restated) | January 1, 2022 (Restated) |
|--|-------------------|---------------------------------|-------------------------------|
| | SAR'000 | | |
| Short term deposits (note 4.1) | 750,000 | 750,000 | - |
| Banks balances and cash (note 4.2) | 1,324,129 | 909,343 | 1,188,266 |
| Accrued income on short term deposits | 7,745 | - | - |
| | 2,081,874 | 1,659,343 | 1,188,266 |
| Expected credit loss allowance * | (167) | (150) | (130) |
| Total cash and cash equivalents | 2,081,707 | 1,659,193 | 1,188,136 |

4.1 The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in mudaraba structures. These deposits are denominated in Saudi riyals and have an original maturity of less than three months. The average yield on these deposits is 6.04% (December 31, 2022: 5.31%) per annum.

4.2 These balance include cash placed with custodian amounting to SAR 436 million (31 December 2022: SAR 33 million & 1 January 2022: SAR 7 million). Bank balances are placed with counterparties with sound credit ratings of AA to BBB- (as per S&P and Fitch) and/or Aaa to Baa3 (as per Moody's).

5. TERM DEPOSITS

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in mudaraba structures. These deposits are denominated in Saudi riyals and have an original maturity of more than three months. The average yield on these deposits is 6.25% (December 31, 2022: 5.86% and January 1, 2022: 2.86%) per annum.

The movements in deposits during the year is as follows:

| | December 31, 2023 | | December 31, 2022 (Restated) |
|--------------------------------------|-------------------|--|---------------------------------|
| | SAR'000 | | |
| Balance at the beginning of the year | 5,903,752 | | 3,780,598 |
| Placed during the year | 13,696,959 | | 12,473,524 |
| Matured during the year | (12,323,222) | | (10,350,370) |
| Balance at the end of the year | 7,277,489 | | 5,903,752 |
| Accrued investment income | 90,900 | | 77,088 |
| | 7,368,389 | | 5,980,840 |
| Expected credit loss allowance | (16) | | (13) |
| Total | 7,368,373 | | 5,980,827 |

6. INVESTMENTS INCLUDING ACCRUED INVESTMENT INCOME

Investments including accrued investment income comprise the following:

| | December 31, 2023 | December 31, 2022 (Restated) | January 1, 2022 (Restated) |
|--|-------------------|---------------------------------|-------------------------------|
| | SAR'000 | | |
| Available-for-sale investments | | | |
| Mutual funds | - | - | 681,976 |
| Fixed income investments | - | - | 1,156,137 |
| Equity securities | - | - | 275,414 |
| Funds with portfolio manager | - | - | 188,567 |
| Accrued investment income | - | - | 4,043 |
| | - | - | 2,306,137 |
| Financial instruments measured at FVPL* | | | |
| Mutual funds | 349,506 | 17,588 | 7,500 |
| Fixed income investments | 276,284 | 472,309 | - |
| Equity securities | 262,687 | 335,238 | 51,099 |
| Funds with portfolio manager | 73,548 | 121,568 | - |
| Accrued investment income | 20,314 | 4,636 | - |
| | 982,339 | 951,339 | 58,599 |
| Equity instrument measured at FVOCI | | | |
| Unquoted private equities ** | 37,630 | 111,638 | 10,250 |
| Total investments | 1,019,969 | 1,062,977 | 2,374,986 |

6.1 The Group has invested in Shariah Notes including accrued investment income having fair value amounting to SAR 982 million (December 31, 2022: SAR 951 million and January 1, 2022: SAR 2,364 million). The Shariah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Mauritius. The underlying investments of Shariah Notes include funds, discretionary portfolio management - equity shares and fixed income portfolios. The legal ownership of these underlying investments is not with the Group; however, the Group is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes but not over the underlying investments. The Shariah Notes are issued within a ring-fenced cell / structure and the underlying assets are ring-fenced as well for that structure managed by the SPV. The custody of the underlying investments is in the custody account of the SPV, or its nominee entity opened with fund and portfolio managers. The Group does not exercise any control over SPV and / or fund and portfolio managers.

* Financial Instruments measured at FVPL are those which are mandatorily classified as fair value through profit or loss.

** These represent unquoted private equities, which are designated at FVOCI, comprise of the following:

| | December 31, 2023 | December 31, 2022 (Restated) | January 1, 2022 (Restated) |
|-----------------------------|-------------------|---------------------------------|-------------------------------|
| | SAR'000 | | |
| Najm for insurance services | 37,630 | 31,174 | 10,250 |
| Saudi digital bank | - | 80,464 | - |
| | 37,630 | 111,638 | 10,250 |

The movement of these investments are as follows:

| | December 31, 2023 | December 31, 2022 (Restated) |
|--------------------------------------|-------------------|---------------------------------|
| | SAR'000 | |
| Opening balance | 111,638 | 10,250 |
| Purchases | 15,000 | 80,464 |
| Disposals | (95,464) | - |
| Changes in fair value of investments | 6,456 | 20,924 |
| Closing balance | 37,630 | 111,638 |

6. INVESTMENTS INCLUDING ACCRUED INVESTMENT INCOME (continued)

The movement of changes in fair value of investments at FVOCI is as follows:

| | December 31, 2023 | December 31, 2022 (Restated) |
|---------------------|-------------------|---------------------------------|
| | SAR'000 | |
| Opening balance | 20,924 | - |
| Change for the year | 6,456 | 20,924 |
| Closing balance | 27,380 | 20,924 |

7. RECEIVABLE FROM BROKERS / AGENTS

These comprise balances receivable from brokers / agents on account of sale of insurance policies by the broker / agent on behalf of the Group.

| | December 31, 2023 | December 31, 2022 | January 1, 2022 (Restated) |
|--------------------------------------|-------------------|-------------------|-------------------------------|
| | SAR '000 | | |
| Receivable from brokers / agents | 3,076,518 | 2,904,374 | 1,511,605 |
| Less: expected credit loss allowance | (182,641) | (198,902) | (57,400) |
| | 2,893,877 | 2,705,472 | 1,454,205 |

Movement of receivables from brokers / agents during the year was as follows:

| | December 31, 2023 | December 31, 2022 (Restated) |
|----------------------------|-------------------|---------------------------------|
| | SAR '000 | |
| Opening balance | 2,904,374 | 1,511,605 |
| Recognised during the year | 8,659,782 | 6,364,279 |
| Received during the year | (8,487,638) | (4,971,510) |
| Closing balance | 3,076,518 | 2,904,374 |

Movement in expected credit loss allowance during the year was as follows:

| | December 31, 2023 | December 31, 2022 (Restated) |
|----------------------------------|-------------------|---------------------------------|
| | SAR '000 | |
| Opening balance | 198,902 | 57,400 |
| (Reversal) / charge for the year | (16,261) | 141,502 |
| Closing balance | 182,641 | 198,902 |

8. INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

| | December 31, 2023 | | December 31, 2022 (Restated) | | January 1, 2022 (Restated) | |
|---|-------------------|---------------|---------------------------------|---------------|-------------------------------|--------------|
| | SAR '000 | | | | | |
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| Insurance contracts issued | | | | | | |
| Medical | - | 5,746,264 | - | 5,476,773 | - | 4,496,489 |
| Medical - Umrah | - | 345,748 | - | 267,455 | - | 2,182 |
| Motor | - | 2,145,087 | - | 1,017,471 | - | 751,279 |
| Property and Casualty | - | 4,422,970 | - | 3,761,886 | - | 3,161,662 |
| General accidents - Hajj & Umrah | - | 656,315 | - | 459,016 | - | 1,797 |
| Travel & COVID-19 | - | 76,335 | - | 84,838 | - | 9,974 |
| Protection and Savings | - | 43,438 | - | 33,590 | - | 21,797 |
| Total insurance contracts issued | - | 13,436,157(a) | - | 11,101,029(b) | - | 8,445,180(c) |

(a) represents LIC of SAR 6,372 million and LRC of SAR 7,064 million

(b) represents LIC of SAR 5,117 million and LRC of SAR 5,984 million

(c) represents LIC of SAR 5,281 million and LRC of SAR 3,164 million

| Reinsurance contracts held | | | | | | |
|---|-----------------------|----------|-----------------------|----------|-----------------------|--------------|
| Medical | (87,468) | - | (106,861) | - | (103,270) | - |
| Medical - Umrah | - | - | - | - | - | - |
| Motor | (13,167) | - | (28,490) | - | (28,846) | - |
| Property and Casualty | (3,293,992) | - | (2,549,865) | - | (2,489,482) | - |
| General accidents - Hajj & Umrah | (102,332) | - | (35,566) | - | - | 461 |
| Travel & COVID-19 | (1,718) | - | (1,117) | - | - | 908 |
| Protection and Savings | (36,264) | - | (32,555) | - | (26,608) | - |
| Total reinsurance contracts held | (3,534,941)(d) | - | (2,754,454)(e) | - | (2,648,206)(f) | 1,369 |

(d) represents AIC of SAR 3,348 million and ARC of SAR 187 million

(e) represents AIC of SAR 2,900 million and ARC of SAR (146) million

(f) represents AIC of SAR 2,703 million and ARC of SAR (56) million

Movements in insurance and reinsurance contract balances

The Group disaggregates information to provide disclosure in respect of major product lines separately: Medical, Medical - Umrah, Motor, Property and Casualty, General accidents - Hajj & Umrah, Travel & COVID-19 and Protection and Savings. The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognised in the consolidated statement of income. For each segment, the Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of income.

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.1 Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

a. Medical

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|--------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Opening liabilities | 2,565,359 | 23,971 | 2,695,942 | 191,501 | 5,476,773 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 11,254,531 | - | - | - | 11,254,531 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 10,160,895 | 154,292 | 10,287,201 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (82,107) | (175,778) | (257,885) |
| Losses on onerous contracts and reversal of those losses | - | 109,967 | - | - | 109,967 |
| Insurance acquisition cash flows amortisation | 684,708 | - | - | - | 684,708 |
| | 684,708 | 109,967 | 10,050,802 | (21,486) | 10,823,991 |
| Insurance service result | 10,569,823 | (109,967) | (10,050,802) | 21,486 | 430,540 |
| Net finance expenses from insurance contracts | - | - | (53,329) | (3,699) | (57,028) |
| Total changes in the consolidated statement of income | 10,569,823 | (109,967) | (10,104,131) | 17,787 | 373,512 |
| Cash flows | | | | | |
| Premiums received | 11,661,233 | - | - | - | 11,661,233 |
| Claims and other directly attributable expenses paid | - | - | (10,235,868) | - | (10,235,868) |
| Insurance acquisition cash flows | (782,362) | - | - | - | (782,362) |
| | 10,878,871 | - | (10,235,868) | - | 643,003 |
| Net closing liabilities | 2,874,407 | 133,938 | 2,564,205 | 173,714 | 5,746,264 |

* There are no opening / closing groups of assets in this line item.

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

b. Medical Umrah

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|-----------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Opening liabilities | 471,492 | - | (204,072) | 35 | 267,455 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 22,972 | - | - | - | 22,972 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 9,071 | 1,347 | 10,418 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (7,883) | (893) | (8,776) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | 15,946 | - | - | - | 15,946 |
| | 15,946 | - | 1,188 | 454 | 17,588 |
| Insurance service result | 7,026 | - | (1,188) | (454) | 5,384 |
| Net finance expenses from insurance contracts | - | - | (378) | (23) | (401) |
| Total changes in the consolidated statement of income | 7,026 | - | (1,566) | (477) | 4,983 |
| Cash flows | | | | | |
| Premiums received | 550,073 | - | - | - | 550,073 |
| Claims and other directly attributable expenses paid | - | - | (64,814) | - | (64,814) |
| Insurance acquisition cash flows | (401,983) | - | - | - | (401,983) |
| | 148,090 | - | (64,814) | - | 83,276 |
| Net closing liabilities | 612,556 | - | (267,320) | 512 | 345,748 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

c. Motor

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Opening liabilities | 534,437 | 27,201 | 434,318 | 21,515 | 1,017,471 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 1,855,140 | - | - | - | 1,855,140 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 1,449,085 | 16,732 | 1,465,817 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (40,922) | (14,705) | (55,627) |
| Losses on onerous contracts and reversal of those losses | - | (9,983) | - | - | (9,983) |
| Insurance acquisition cash flows amortisation | 333,984 | - | - | - | 333,984 |
| | 333,984 | (9,983) | 1,408,163 | 2,027 | 1,734,191 |
| Insurance service result | 1,521,156 | 9,983 | (1,408,163) | (2,027) | 120,949 |
| Net finance expenses from insurance contracts | - | - | (7,792) | (433) | (8,225) |
| Total changes in the consolidated statement of income | 1,521,156 | 9,983 | (1,415,955) | (2,460) | 112,724 |
| Cash flows | | | | | |
| Premiums received | 2,841,334 | - | - | - | 2,841,334 |
| Claims and other directly attributable expenses paid | - | - | (1,226,925) | - | (1,226,925) |
| Insurance acquisition cash flows | (374,069) | - | - | - | (374,069) |
| | 2,467,265 | - | (1,226,925) | - | 1,240,340 |
| Net closing liabilities | 1,480,546 | 17,218 | 623,348 | 23,975 | 2,145,087 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

d. Property and casualty

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Opening liabilities | 912,617 | 36,608 | 2,317,653 | 495,008 | 3,761,886 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 2,062,001 | - | - | - | 2,062,001 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 1,276,860 | 98,396 | 1,375,256 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | 243,215 | (255,001) | (11,786) |
| Losses on onerous contracts and reversal of those losses | - | (29,364) | - | - | (29,364) |
| Insurance acquisition cash flows amortisation | 130,946 | - | - | - | 130,946 |
| | 130,946 | (29,364) | 1,520,075 | (156,605) | 1,465,052 |
| Insurance service result | 1,931,055 | 29,364 | (1,516,930) | 156,605 | 596,949 |
| Net finance expenses from insurance contracts | - | - | (64,356) | (10,197) | (74,553) |
| Total changes in the consolidated statement of income | 1,931,055 | 29,364 | (1,584,431) | 146,408 | 522,396 |
| Cash flows | | | | | |
| Premiums received | 2,361,339 | - | - | - | 2,361,339 |
| Claims and other directly attributable expenses paid | - | - | (1,017,773) | - | (1,017,773) |
| Insurance acquisition cash flows | (160,086) | - | - | - | (160,086) |
| | 2,201,253 | - | (1,017,773) | - | 1,183,480 |
| Net closing liabilities | 1,182,815 | 7,244 | 2,884,311 | 348,600 | 4,422,970 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

e. General accidents - Hajj & Umrah

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|---------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Opening liabilities | 476,518 | - | (17,763) | 261 | 459,016 |
| Net opening balance | 476,518 | - | (17,763) | 261 | 459,016 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 12,810 | - | - | - | 12,810 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 17,447 | 1,132 | 18,579 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (34,356) | (6,984) | (41,340) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | 961 | - | - | - | 961 |
| | 961 | - | (16,909) | (5,852) | (21,800) |
| Insurance service result | 11,849 | - | 16,909 | 5,852 | 34,610 |
| Net finance expenses from insurance contracts | - | - | (559) | (71) | (630) |
| Total changes in the consolidated statement of income | 11,849 | - | 16,350 | 5,781 | 33,980 |
| Cash flows | | | | | |
| Premiums received | 260,842 | - | - | - | 260,842 |
| Claims and other directly attributable expenses paid | - | - | (4,775) | - | (4,775) |
| Insurance acquisition cash flows | (24,788) | - | - | - | (24,788) |
| | 236,054 | - | (4,775) | - | 231,279 |
| Net closing liabilities | 700,723 | - | (38,888) | (5,520) | 656,315 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

f. Travel & COVID-19

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|---------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Opening liabilities | 83,121 | - | 1,041 | 676 | 84,838 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | - | - | - | - | - |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | - | - | - |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (2,452) | (2,249) | (4,701) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | - | - | - | - | - |
| | - | - | (2,452) | (2,249) | (4,701) |
| Insurance service result | - | - | 2,452 | 2,249 | 4,701 |
| Net finance expenses from insurance contracts | - | - | (204) | (43) | (247) |
| Total changes in the consolidated statement of income | | | 2,248 | 2,206 | 4,454 |
| Cash flows | | | | | |
| Premiums received | - | - | - | - | - |
| Claims and other directly attributable expenses paid | - | - | (3,257) | - | (3,257) |
| Insurance acquisition cash flows | (792) | - | - | - | (792) |
| | (792) | - | (3,257) | - | (4,049) |
| Net closing liabilities | 82,329 | - | (4,464) | (1,530) | 76,335 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

g. Protection and savings

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|---------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Opening liabilities | (17,501) | 3,662 | 42,356 | 5,073 | 33,590 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 57,970 | - | - | - | 57,970 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 63,724 | 2,999 | 66,723 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (10,929) | (3,955) | (14,884) |
| Losses on onerous contracts and reversal of those losses | - | (1,160) | - | - | (1,160) |
| Insurance acquisition cash flows amortisation | 2,493 | - | - | - | 2,493 |
| | 2,493 | (1,160) | 52,795 | (956) | 53,172 |
| Insurance service result | 55,477 | 1,160 | (52,795) | 956 | 4,798 |
| Net finance expenses from insurance contracts | - | - | (1,003) | (65) | (1,068) |
| Total changes in the consolidated statement of income | 55,477 | 1,160 | (53,798) | 891 | 3,730 |
| Cash flows | | | | | |
| Premiums received | 45,681 | - | - | - | 45,681 |
| Claims and other directly attributable expenses paid | - | - | (29,712) | - | (29,712) |
| Insurance acquisition cash flows | (2,391) | - | - | - | (2,391) |
| | 43,290 | - | (29,712) | - | 13,578 |
| Net closing balance | (29,688) | 2,502 | 66,442 | 4,182 | 43,438 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

a. Medical

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|-------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 2,282,282 | 76,735 | 2,032,093 | 105,379 | 4,496,489 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 8,749,835 | - | - | - | 8,749,835 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 8,002,437 | 177,519 | 8,179,956 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (70,607) | (91,806) | (162,413) |
| Losses on onerous contracts and reversal of those losses | - | (52,764) | - | - | (52,764) |
| Insurance acquisition cash flows amortisation | 547,773 | - | - | - | 547,773 |
| | 547,773 | (52,764) | 7,931,830 | 85,713 | 8,512,552 |
| Insurance service result | 8,202,062 | 52,764 | (7,931,830) | (85,713) | 237,283 |
| Net finance expenses from insurance contracts | - | - | (5,435) | (409) | (5,844) |
| Total changes in the consolidated statement of income | 8,202,062 | 52,764 | (7,937,265) | (86,122) | 231,439 |
| Cash flows | | | | | |
| Premiums received | 9,028,028 | - | - | - | 9,028,028 |
| Claims and other directly attributable expenses paid | - | - | (7,273,416) | - | (7,273,416) |
| Insurance acquisition cash flows | (542,889) | - | - | - | (542,889) |
| | 8,485,139 | - | (7,273,416) | - | 1,211,723 |
| Net closing balance | 2,565,359 | 23,971 | 2,695,942 | 191,501 | 5,476,773 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

b. Medical Umrah

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|-----------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 203 | - | 1,974 | 5 | 2,182 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 15,955 | - | - | - | 15,955 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 15,348 | 34 | 15,382 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (1,342) | (4) | (1,346) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | (643) | - | - | - | (643) |
| | (643) | - | 14,006 | 30 | 13,393 |
| Insurance service result | 16,598 | - | (14,006) | (30) | 2,562 |
| Net finance expenses from insurance contracts | - | - | - | - | - |
| Total changes in the consolidated statement of income | 16,598 | - | (14,006) | (30) | 2,562 |
| Cash flows | | | | | |
| Premiums received | 543,203 | - | - | - | 543,203 |
| Claims and other directly attributable expenses paid | - | - | (220,052) | - | (220,052) |
| Insurance acquisition cash flows | (55,316) | - | - | - | (55,316) |
| | 487,887 | - | (220,052) | - | 267,835 |
| Net closing balance | 471,492 | - | (204,072) | 35 | 267,455 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

c.Motor

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|-----------------|---|-----------------|-----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 287,118 | 12,527 | 427,110 | 24,524 | 751,279 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 784,401 | - | - | - | 784,401 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 755,607 | 10,507 | 766,114 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (87,849) | (13,467) | (101,316) |
| Losses on onerous contracts and reversal of those losses | - | 14,674 | - | - | 14,674 |
| Insurance acquisition cash flows amortisation | 120,255 | - | - | - | 120,255 |
| | 120,255 | 14,674 | 667,758 | (2,960) | 799,727 |
| Insurance service result | 664,146 | (14,674) | (667,758) | 2,960 | (15,326) |
| Net finance expenses from insurance contracts | - | - | 669 | 49 | 718 |
| Total changes in the consolidated statement of income | 664,146 | (14,674) | (667,089) | 3,009 | (14,608) |
| Cash flows | | | | | |
| Premiums received | 1,046,784 | - | - | - | 1,046,784 |
| Claims and other directly attributable expenses paid | - | - | (659,881) | - | (659,881) |
| Insurance acquisition cash flows | (135,319) | - | - | - | (135,319) |
| | 911,465 | - | (659,881) | - | 251,584 |
| Net closing balance | 534,437 | 27,201 | 434,318 | 21,515 | 1,017,471 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

d. Property and casualty

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|-----------------|---|------------------|----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 515,849 | 10,658 | 2,249,622 | 385,533 | 3,161,662 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 1,756,114 | - | - | - | 1,756,114 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 1,022,773 | 175,658 | 1,198,431 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (138,329) | (64,676) | (203,005) |
| Losses on onerous contracts and reversal of those losses | - | 25,950 | - | - | 25,950 |
| Insurance acquisition cash flows amortisation | 96,340 | - | - | - | 96,340 |
| | 96,340 | 25,950 | 884,444 | 110,982 | 1,117,716 |
| Insurance service result | 1,659,774 | (25,950) | (884,444) | (110,982) | 638,398 |
| Net finance expenses from insurance contracts | - | - | 6,066 | 1,507 | 7,573 |
| Total changes in the consolidated statement of income | 1,659,774 | (25,950) | (878,378) | (109,475) | 645,971 |
| Cash flows | | | | | |
| Premiums received | 2,144,768 | - | - | - | 2,144,768 |
| Claims and other directly attributable expenses paid | - | - | (810,347) | - | (810,347) |
| Insurance acquisition cash flows | (88,226) | - | - | - | (88,226) |
| | 2,056,542 | - | (810,347) | - | 1,246,195 |
| Net closing balance | 912,617 | 36,608 | 2,317,653 | 495,008 | 3,761,886 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

e.General accidents - Hajj & Umrah

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|--------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 267 | - | 1,510 | 20 | 1,797 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 15,998 | - | - | - | 15,998 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 8,900 | 253 | 9,153 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (1,771) | (12) | (1,783) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | 1,200 | - | - | - | 1,200 |
| | 1,200 | - | 7,129 | 241 | 8,570 |
| Insurance service result | 14,798 | - | (7,129) | (241) | 7,428 |
| Net finance expenses from insurance contracts | - | - | - | - | - |
| Total changes in the consolidated statement of income | 14,798 | - | (7,129) | (241) | 7,428 |
| Cash flows | | | | | |
| Premiums received | 543,198 | - | - | - | 543,198 |
| Claims and other directly attributable expenses paid | - | - | (26,402) | - | (26,402) |
| Insurance acquisition cash flows | (52,149) | - | - | - | (52,149) |
| | 491,049 | - | (26,402) | - | 464,647 |
| Net closing balance | 476,518 | - | (17,763) | 261 | 459,016 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

f. Travel & COVID-19

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|---------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 1,654 | - | 6,958 | 1,362 | 9,974 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 40,129 | - | - | - | 40,129 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 16,900 | 485 | 17,385 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (16,293) | (1,175) | (17,468) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | 1,570 | - | - | - | 1,570 |
| | 1,570 | - | 607 | (690) | 1,487 |
| Insurance service result | 38,559 | - | (607) | 690 | 38,642 |
| Net finance expenses from insurance contracts | - | - | (21) | (4) | (25) |
| Total changes in the consolidated statement of income | 38,559 | - | (628) | 686 | 38,617 |
| Cash flows | | | | | |
| Premiums received | 125,362 | - | - | - | 125,362 |
| Claims and other directly attributable expenses paid | - | - | (6,545) | - | (6,545) |
| Insurance acquisition cash flows | (5,336) | - | - | - | (5,336) |
| | 120,026 | - | (6,545) | - | 113,481 |
| Net closing balance | 83,121 | - | 1,041 | 676 | 84,838 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

g. Protection and savings

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|--|------------------------------------|----------------|---|-----------------|---------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | (23,376) | - | 38,596 | 6,577 | 21,797 |
| Changes in the consolidated statement of income | | | | | |
| Insurance revenue | 45,916 | - | - | - | 45,916 |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 44,821 | 3,825 | 48,646 |
| Changes that relate to past service - changes in fulfilment cash flows ("FCF") relating to LIC | - | - | (17,271) | (5,337) | (22,608) |
| Losses on onerous contracts and reversal of those losses | - | 3,662 | - | - | 3,662 |
| Insurance acquisition cash flows amortisation | 2,158 | - | - | - | 2,158 |
| | 2,158 | 3,662 | 27,550 | (1,512) | 31,858 |
| Insurance service result | 43,758 | (3,662) | (27,550) | 1,512 | 14,058 |
| Net finance expenses from insurance contracts | - | - | (67) | (8) | (75) |
| Total changes in the consolidated statement of income | 43,758 | (3,662) | (27,617) | 1,504 | 13,983 |
| Cash flows | | | | | |
| Premiums received | 51,144 | - | - | - | 51,144 |
| Claims and other directly attributable expenses paid | - | - | (23,857) | - | (23,857) |
| Insurance acquisition cash flows | (1,511) | - | - | - | (1,511) |
| | 49,633 | - | (23,857) | - | 25,776 |
| Net closing balance | (17,501) | 3,662 | 42,356 | 5,073 | 33,590 |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

a. Medical

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|-----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2023 | | | | | |
| Opening assets | 42,261 | - | (147,650) | (1,472) | (106,861) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (153,782) | - | - | - | (153,782) |
| Incurred claims recovery | - | - | 141,282 | 4,738 | 146,020 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (7,502) | (618) | (8,120) |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | 759 | - | 759 |
| | (153,782) | - | 134,539 | 4,120 | (15,123) |
| Finance income from reinsurance contracts held | - | - | 1,414 | 98 | 1,512 |
| Total changes in the consolidated statement of income | (153,782) | - | 135,953 | 4,218 | (13,611) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (48,248) | - | - | - | (48,248) |
| Recoveries from reinsurance | - | - | 54,030 | - | 54,030 |
| | (48,248) | - | 54,030 | - | 5,782 |
| Net closing balance | 147,795 | - | (229,573) | (5,690) | (87,468) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

b. Medical Umrah

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|----------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2023 | | | | | |
| Net opening balance | - | - | - | - | - |
| Changes in the consolidated statement of income | | | | | |
| <i>Income (expenses) from reinsurance contracts held</i> | | | | | |
| Reinsurance expenses | - | - | - | - | - |
| Incurred claims recovery | - | - | - | - | - |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | - | - | - |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | - | - | - |
| Finance income from reinsurance contracts held | - | - | - | - | - |
| Total changes in the consolidated statement of income | - | - | - | - | - |
| Cash flows | | | | | |
| Investment components | - | - | - | - | - |
| Premiums paid net of ceding commissions and other directly attributable expenses | - | - | - | - | - |
| Recoveries from reinsurance | - | - | - | - | - |
| Net closing balance | - | - | - | - | - |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

c. Motor

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|-----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2023 | | | | | |
| Opening assets | (1,835) | - | (24,877) | (1,778) | (28,490) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (12,360) | - | - | - | (12,360) |
| Incurred claims recovery | - | - | 6,223 | 326 | 6,549 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (5,190) | (535) | (5,725) |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | 142 | - | 142 |
| | (12,360) | - | 1,175 | (209) | (11,394) |
| Finance income from reinsurance contracts held | - | - | 650 | 54 | 704 |
| Total changes in the consolidated statement of income | (12,360) | - | 1,825 | (155) | (10,690) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | 392 | - | - | - | 392 |
| Recoveries from reinsurance | - | - | 4,241 | - | 4,241 |
| | 392 | - | 4,241 | - | 4,633 |
| Net closing balance | 10,917 | - | (22,461) | (1,623) | (13,167) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

d. Property & Casualty

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|-----------------|---|------------------|------------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2023 | | | | | |
| Opening assets | 154,697 | (22,422) | (2,212,709) | (469,431) | (2,549,865) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (1,674,424) | - | - | - | (1,674,424) |
| Incurred claims recovery | - | - | 1,093,000 | 91,471 | 1,184,471 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | 258,798 | (242,345) | 16,453 |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | (17,097) | - | - | (17,097) |
| Effect of changes in risk of reinsurers' non performance | - | - | 9,061 | - | 9,061 |
| | (1,674,424) | (17,097) | 1,360,859 | (150,874) | (481,536) |
| Finance income from reinsurance contracts held | - | - | 60,632 | 9,942 | 70,574 |
| Total changes in the consolidated statement of income | (1,674,424) | (17,097) | 1,421,491 | (140,932) | (410,962) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (2,088,837) | - | - | - | (2,088,837) |
| Recoveries from reinsurance | - | - | 933,748 | - | 933,748 |
| | (2,088,837) | - | 933,748 | - | (1,155,089) |
| Net closing balance | (259,716) | (5,325) | (2,700,452) | (328,499) | (3,293,992) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

e. General Accident - Hajj & Umrah

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|------------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2023 | | | | | |
| Opening assets | (35,738) | - | 189 | (17) | (35,566) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (2,640) | - | - | - | (2,640) |
| Incurred claims recovery | - | - | 871 | 154 | 1,025 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (1,975) | (475) | (2,450) |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | 17 | - | 17 |
| | (2,640) | - | (1,087) | (321) | (4,048) |
| Finance income from reinsurance contracts held | - | - | 38 | 5 | 43 |
| Total changes in the consolidated statement of income | (2,640) | - | (1,049) | (316) | (4,005) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (71,121) | - | - | - | (71,121) |
| Recoveries from reinsurance | - | - | 350 | - | 350 |
| | (71,121) | - | 350 | - | (70,771) |
| Net closing balance | (104,219) | - | 1,588 | 299 | (102,332) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

f. Travel & COVID 19

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|---------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2023 | | | | | |
| Opening assets | (773) | - | (318) | (26) | (1,117) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | - | - | - | - | - |
| Incurred claims recovery | - | - | - | - | - |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (176) | (85) | (261) |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | 5 | - | 5 |
| | - | - | (171) | (85) | (256) |
| Finance income from reinsurance contracts held | - | - | 10 | 2 | 12 |
| Total changes in the consolidated statement of income | | | | | |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (2,239) | - | - | - | (2,239) |
| Recoveries from reinsurance | - | - | 277 | - | 277 |
| | (2,239) | - | 277 | - | (1,962) |
| Net closing balance | (2,239) | - | 438 | 83 | (1,718) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

g. Protection & Savings

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2023 | | | | | |
| Opening assets | 12,719 | (3,198) | (37,413) | (4,663) | (32,555) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (46,384) | - | - | - | (46,384) |
| Incurred claims recovery | - | - | 54,095 | 2,720 | 56,815 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (10,375) | (3,649) | (14,024) |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | (1,018) | - | - | (1,018) |
| Effect of changes in risk of reinsurers' non-performance | - | - | 209 | - | 209 |
| | (46,384) | (1,018) | 43,929 | (929) | (4,402) |
| Finance income from reinsurance contracts held | - | - | 932 | 61 | 993 |
| Total changes in the consolidated statement of income | (46,384) | (1,018) | 44,861 | (868) | (3,409) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (31,108) | - | - | - | (31,108) |
| Recoveries from reinsurance | - | - | 23,990 | - | 23,990 |
| | (31,108) | - | 23,990 | - | (7,118) |
| Net closing balance | 27,995 | (2,180) | (58,284) | (3,795) | (36,264) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

a. Medical

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|-----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening assets | 39,524 | - | (141,235) | (1,559) | (103,270) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (96,659) | - | - | - | (96,659) |
| Incurred claims recovery | - | - | 55,149 | 1,537 | 56,686 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (9,720) | (1,614) | (11,334) |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | 38 | - | 38 |
| | (96,659) | - | 45,467 | (77) | (51,269) |
| Finance income from reinsurance contracts held | - | - | (131) | (10) | (141) |
| Total changes in the consolidated statement of income | (96,659) | - | 45,336 | (87) | (51,410) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (93,922) | - | - | - | (93,922) |
| Recoveries from reinsurance | - | - | 38,921 | - | 38,921 |
| | (93,922) | - | 38,921 | - | (55,001) |
| Net closing balance | 42,261 | - | (147,650) | (1,472) | (106,861) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

b. Medical Umrah

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|----------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Net opening balance | - | - | - | - | - |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | - | - | - | - | - |
| Incurred claims recovery | - | - | - | - | - |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | - | - | - |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | - | - | - |
| Finance income from reinsurance contracts held | - | - | - | - | - |
| Total changes in the consolidated statement of income | - | - | - | - | - |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | - | - | - | - | - |
| Recoveries from reinsurance | - | - | - | - | - |
| Net closing balance | - | - | - | - | - |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

c. Motor

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|--------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening assets | (2,514) | - | (24,402) | (1,930) | (28,846) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (2,870) | - | - | - | (2,870) |
| Incurred claims recovery | - | - | 1,365 | 206 | 1,571 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | 6,876 | (347) | 6,529 |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | 5 | - | 5 |
| | (2,870) | - | 8,246 | (141) | 5,235 |
| Finance income from reinsurance contracts held | - | - | (128) | (11) | (139) |
| Total changes in the consolidated statement of income | (2,870) | - | 8,118 | (152) | 5,096 |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (2,191) | - | - | - | (2,191) |
| Recoveries from reinsurance | - | - | 7,643 | - | 7,643 |
| | (2,191) | - | 7,643 | - | 5,452 |
| Net closing balance | (1,835) | - | (24,877) | (1,778) | (28,490) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

d. Property & Casualty

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|------------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening assets | 4,404 | (55) | (2,135,628) | (358,203) | (2,489,482) |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (1,478,824) | - | - | - | (1,478,824) |
| Incurred claims recovery | - | - | 902,810 | 167,152 | 1,069,962 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (105,048) | (54,336) | (159,384) |
| Income on initial recognition of onerous underlying contracts | - | 22,367 | - | - | 22,367 |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | 590 | - | 590 |
| | (1,478,824) | 22,367 | 798,352 | 112,816 | (545,289) |
| Finance income from reinsurance contracts held | - | - | (6,301) | (1,588) | (7,889) |
| Total changes in the consolidated statement of income | (1,478,824) | 22,367 | 792,051 | 111,228 | (553,178) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (1,328,531) | - | - | - | (1,328,531) |
| Recoveries from reinsurance | - | - | 714,970 | - | 714,970 |
| | (1,328,531) | - | 714,970 | - | (613,561) |
| Net closing balance | 154,697 | (22,422) | (2,212,709) | (469,431) | (2,549,865) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

e. General Accident - Hajj & Umrah

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|-----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| | SAR '000 | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 464 | - | (2) | (1) | 461 |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (1,998) | - | - | - | (1,998) |
| Incurred claims recovery | - | - | 73 | 17 | 90 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (9) | (1) | (10) |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | (16) | - | (16) |
| | (1,998) | - | 48 | 16 | (1,934) |
| Finance income from reinsurance contracts held | - | - | - | - | - |
| Total changes in the consolidated statement of income | (1,998) | - | 48 | 16 | (1,934) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (38,200) | - | - | - | (38,200) |
| Recoveries from reinsurance | - | - | 239 | - | 239 |
| | (38,200) | - | 239 | - | (37,961) |
| Net closing balance | (35,738) | - | 189 | (17) | (35,566) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

f. Travel & COVID 19

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening liabilities | 1,134 | - | (185) | (41) | 908 |
| Changes in the consolidated statement of income | | | | | |
| Income (expenses) from reinsurance contracts held | | | | | |
| Reinsurance expenses | (1,387) | - | - | - | (1,387) |
| Incurred claims recovery | - | - | 416 | 20 | 436 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (453) | (35) | (488) |
| Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | - | - | - |
| | (1,387) | - | (37) | (15) | (1,439) |
| Finance income from reinsurance contracts held | - | - | 1 | - | 1 |
| Total changes in the consolidated statement of income | (1,387) | - | (36) | (15) | (1,438) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (3,294) | - | - | - | (3,294) |
| Recoveries from reinsurance | - | - | (169) | - | (169) |
| | (3,294) | - | (169) | - | (3,463) |
| Net closing balance | (773) | - | (318) | (26) | (1,117) |

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

g. Protection & Savings

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | Total |
|---|-------------------------------|----------------|---|-----------------|-----------------|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk Adjustment | |
| SAR '000 | | | | | |
| December 31, 2022 | | | | | |
| Opening assets | 13,419 | - | (33,973) | (6,054) | (26,608) |
| Changes in the consolidated statement of income | | | | | |
| <i>Income (expenses) from reinsurance contracts held</i> | | | | | |
| Reinsurance expenses | (37,062) | - | - | - | (37,062) |
| Incurred claims recovery | - | - | 40,006 | 3,545 | 43,551 |
| Changes that relate to past service - changes in the FCF relating to incurred claims recovery | - | - | (15,955) | (4,944) | (20,899) |
| Income on initial recognition of onerous underlying contracts | - | 3,198 | - | - | 3,198 |
| Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held | - | - | - | - | - |
| Effect of changes in risk of reinsurers' non-performance | - | - | (4) | - | (4) |
| | (37,062) | 3,198 | 24,047 | (1,399) | (11,216) |
| Finance income from reinsurance contracts held | - | - | 62 | 8 | 70 |
| Total changes in the consolidated statement of income | (37,062) | 3,198 | 24,109 | (1,391) | (11,146) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses | (37,762) | - | - | - | (37,762) |
| Recoveries from reinsurance | - | - | 20,669 | - | 20,669 |
| | (37,762) | - | 20,669 | - | (17,093) |
| Net closing balance | 12,719 | (3,198) | (37,413) | (4,663) | (32,555) |

9. PREPAID EXPENSES AND OTHER ASSETS

| | December 31, 2023 | December 31, 2022 (Restated) | January 1, 2022 (Restated) |
|---|-------------------|---------------------------------|-------------------------------|
| | SAR '000 | | |
| Receivable from shared pool participants and others | 792,181 | 251,596 | 194,838 |
| Other assets (refer note 9.1) | - | 281,872 | 343,042 |
| | 792,181 | 533,468 | 537,880 |

9.1 Other assets included an amount of SAR 101.6 million receivable from a financial institution as of 31 December 2022. The said receivable is recognized since the Group has entered into an agreement dated December 28, 2022, whereby the Group exchanged its investment in Mudaraba deposits amounting to SR 101.6 million for a land amounting to SR 83 million. Remaining balance of SR 18.6 million was due on April 01, 2023 which has been received during the year.

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS

| | 2023 | 2022 (Restated) |
|-----------------------------------|-----------------|--------------------|
| | SAR'000 | |
| Shareholders Operations | | |
| Balance, January 1 (Restated) | 105,028 | 91,136 |
| Share of profit | 38,710 | 32,207 |
| Dividends received | (23,985) | (13,261) |
| Share of other comprehensive loss | (3,100) | (5,054) |
| Balance, December 31 | 116,653 | 105,028 |

The Group's interest in equity accounted investments, which are unquoted, is as follows along with summarized financial information:

a) United Insurance Company

| As of | Country of Incorporation | Assets | Liabilities | Revenue | Profit after tax | % Interest Held | Carrying amount |
|------------------------------|--------------------------|---------|-------------|---------|------------------|-----------------|-----------------|
| SAR'000 | | | | | | | |
| December 31, 2023 | Bahrain | 318,417 | 150,672 | 103,201 | 47,649 | 50% | 80,509 |
| December 31, 2022 (Restated) | Bahrain | 288,388 | 133,541 | 85,274 | 30,558 | 50% | 77,400 |

b) Waseel Application Services Provider

| As of | Country of Incorporation | Assets | Liabilities | Revenue | Profit after tax | % Interest Held | Carrying amount |
|-------------------|--------------------------|--------|-------------|---------|------------------|-----------------|-----------------|
| SAR'000 | | | | | | | |
| December 31, 2023 | Saudi Arabia | 69,953 | 24,195 | 54,999 | 15,504 | 45% | 20,591 |
| December 31, 2022 | Saudi Arabia | 62,381 | 16,166 | 45,662 | 16,058 | 45% | 20,797 |

11. INVESTMENT PROPERTIES

| | Land | Building | Total 2023 | Total 2022 |
|-----------------------------------|---------------|---------------|----------------|---------------|
| SAR'000 | | | | |
| January 1 | 104,517 | 51,027 | 155,544 | 72,507 |
| December 31 | 104,517 | 51,027 | 155,544 | 72,507 |
| Accumulated depreciation: | | | | |
| January 1 | - | 12,946 | 12,946 | 11,657 |
| Charge for the year | - | 1,288 | 1,288 | 1,288 |
| Impairment charge during the year | 7,000 | - | 7,000 | - |
| December 31 | 7,000 | 14,234 | 21,234 | 12,945 |
| Net book value | 97,517 | 36,793 | 134,310 | 59,562 |

a) Measurement of fair values:

For the purpose of the disclosure requirements in accordance with IAS 40 "Investment properties", the Company has appointed Ejadah Saudia for Valuation, professionally qualified independent valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem), with License No. (1210000003) for the purpose of estimating the land and buildings fair value as at December 31, 2023, which amounted to SAR 167 million (2022: SAR 90 million and 2021: SAR 89 million). Investment properties are held for earning rental income and / or capital appreciation.

11. INVESTMENT PROPERTIES (continued)

The fair value has been determined using the market value of the property. Market value of the property has been determined in accordance with the Practice Statements and relevant Guidance notes of the Royal Institution of Chartered Surveyors (RICS) and approved by the International Valuation Standards Committee (IVSC) as follows: Market value is the estimated amount for which an asset or liability could exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Market value of the property has been assessed using a combination of Discounted Cash flow ('DCF') approach and Cost approach. The fair value measurement for all the investment properties has been categorized under Level 3 of the fair value hierarchy. The Group has recognized rental income in other income amounting to SAR 8.3 million (31 December 2022: 7.4 million).

12. INTANGIBLE ASSETS

| | 2023 | 2022 |
|----------------------------------|---------------|---------------|
| | SAR'000 | |
| Cost: | | |
| January 1 | 56,799 | 41,149 |
| Additions | 19,936 | 15,650 |
| December 31 | 76,735 | 56,799 |
| Accumulated amortisation: | | |
| January 1 | 43,358 | 24,522 |
| Charge for the year | 23,350 | 18,836 |
| December 31 | 66,708 | 43,358 |
| Net book value | 10,027 | 13,441 |

12.1 Amortisation is charged to other operating expenses in the consolidated statement of income.

13. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

| | Land | Buildings | Furniture and fixtures | Computer equipment | Vehicles | Work in progress | Right of use asset | Total 2023 |
|----------------------------------|--------|-----------|------------------------|--------------------|----------|------------------|--------------------|------------|
| SAR'000 | | | | | | | | |
| Cost: | | | | | | | | |
| January 1 | 41,417 | 148,899 | 87,218 | 171,793 | 426 | 32,422 | 56,350 | 538,525 |
| Additions | - | - | 3,868 | 6,733 | 756 | 47,551 | 22,893 | 81,801 |
| Transfers | - | 33,031 | - | - | - | (33,031) | - | - |
| December 31 | 41,417 | 181,930 | 91,086 | 178,526 | 1,182 | 46,942 | 79,243 | 620,326 |
| Accumulated Depreciation: | | | | | | | | |
| January 1 | - | 31,284 | 80,512 | 154,018 | 426 | - | 16,720 | 282,960 |
| Charge for the year | - | 4,398 | 3,462 | 9,310 | 63 | - | 9,275 | 26,508 |
| Disposals | - | - | - | - | - | - | - | - |
| December 31 | - | 31,284 | 80,512 | 154,018 | 426 | - | 16,720 | 282,960 |
| Net book value | | | | | | | | |
| December 31, 2023 | 41,417 | 146,248 | 7,112 | 15,198 | 693 | 46,942 | 53,248 | 310,858 |

| | Land | Buildings | Furniture and fixtures | Computer equipment | Vehicles | Work in progress | Right of use asset | Total 2022 |
|----------------------------------|--------|-----------|------------------------|--------------------|----------|------------------|--------------------|------------|
| SAR'000 | | | | | | | | |
| Cost: | | | | | | | | |
| January 1 | 41,417 | 148,899 | 86,246 | 162,470 | 456 | - | 56,350 | 495,838 |
| Additions | - | - | 3,045 | 10,384 | - | 32,422 | - | 46,211 |
| Disposals | - | - | (2,433) | (1,061) | (30) | - | - | (3,524) |
| December 31 | 41,417 | 148,899 | 87,218 | 171,793 | 426 | 32,422 | 56,350 | 538,525 |
| Accumulated Depreciation: | | | | | | | | |
| January 1 | - | 27,723 | 76,153 | 147,167 | 456 | - | 7,369 | 258,868 |

| | Land | Buildings | Furniture and fixtures | Computer equipment | Vehicles | Work in progress | Right of use asset | Total 2022 |
|--------------------------|--------|-----------|------------------------|--------------------|----------|------------------|--------------------|------------|
| SAR'000 | | | | | | | | |
| Charge for the year | - | 3,561 | 6,133 | 7,775 | - | - | 9,351 | 26,820 |
| Disposals | - | - | (1,774) | (924) | (30) | - | - | (2,728) |
| December 31 | - | 31,284 | 80,512 | 154,018 | 426 | - | 16,720 | 282,960 |
| Net book value | | | | | | | | |
| December 31, 2022 | 41,417 | 117,615 | 6,706 | 17,775 | - | 32,422 | 39,630 | 255,565 |

13.1 Right-of-use assets pertain to lease of premises of the Group's branches.

13.2 Depreciation is charged to insurance service expense and other operating expenses in the consolidated statement of income based on expense attribution model as mentioned in note 2.4(c).

14. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of Insurance Authority, the Company has deposited 10 percent of its share capital, amounting to SAR 150 million (December 31, 2022: SAR 125 million and January 1, 2022: SAR 125 million). During the year 2022, the Company transferred the said deposit from Saudi National Bank to Riyadh Bank after obtaining approval from Insurance Authority. The statutory deposits can only be withdrawn after Insurance Authority's consent.

| | December 31, 2023 | December 31, 2022 (Restated) | January 1, 2022 (Restated) |
|--------------------------------------|-------------------|---------------------------------|-------------------------------|
| SAR '000 | | | |
| Statutory deposit | 150,000 | 125,000 | 125,000 |
| Less: expected credit loss allowance | (23) | (17) | (8) |
| | 149,977 | 124,983 | 124,992 |

15. ACCRUED EXPENSES AND OTHER LIABILITIES

| | 31 December 2023 | 31 December 2022 (Restated) | 1 January 2022 (Restated) |
|---|------------------|--------------------------------|------------------------------|
| | SAR'000 | | |
| Payable - Zakat, Tax and Custom Authority | 498,879 | 345,400 | 270,717 |
| Accrued expenses | 152,736 | 98,863 | 63,119 |
| Payable - Ministry of Hajj and Umrah | 36,524 | 55,970 | 14,851 |
| Share of profit distribution payable | - | - | 42,800 |
| Provision for leave encashment | 27,857 | 21,203 | 21,221 |
| Employees' savings plan (15.1) | 29,883 | 29,910 | 37,100 |
| Lease liability (15.2) | 50,955 | 38,644 | 47,149 |
| Other liabilities | 61,531 | 25,324 | 76,100 |
| | 858,365 | 615,314 | 573,057 |

15.1 The Group has a savings plan for its Saudi employees under which a percentage of the employees' salary is periodically deducted, with the Company investing this amount through one of the investment funds compatible with the rules of Islamic Shariah. The total number of subscribers at the end of 2023 reached 286 employees (December 31, 2022: 226 employees and January 1, 2022: 267 employees) with a subscription amounting to SAR 20 million (December 31, 2022: SAR 19 million and January 1, 2022: SAR 22 million).

15.2 Movement of lease liability are as follows:

| | 2023 | 2022 (Restated) |
|--------------|---------------|--------------------|
| | SAR'000 | |
| January 1 | 38,644 | 47,149 |
| Additions | 17,370 | - |
| Finance cost | 726 | 875 |
| Repayment | (5,785) | (9,380) |
| December 31 | 50,955 | 38,644 |

16. DEFINED BENEFITS OBLIGATION

The Company operates an end of service benefits plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefits payments obligation is discharged as and when it falls due. The expected cost of end of service benefits charge for the year 2024 is not expected to be materially different than the cost charge to statement of income for the year 2023.

16.1 The amounts recognised in the consolidated statement of financial position based on its present value are as follows:

| | 2023 | 2022 |
|--|---------|---------|
| | SAR'000 | |
| Present value of defined benefits obligation | 127,939 | 125,297 |

16 DEFINED BENEFITS OBLIGATION (continued)

16.2 Movement of defined benefits obligation:

| | 2023 | 2022 |
|--|----------|----------|
| | SAR'000 | |
| Opening balance | 125,297 | 142,110 |
| Charge to the consolidated statement of income | 24,035 | 18,884 |
| Charge to the consolidated statement of comprehensive income | 5,525 | (12,422) |
| Payment of benefits during the year | (26,918) | (23,275) |
| Closing balance | 127,939 | 125,297 |

16.3 Reconciliation of present value of defined benefits obligation

| | 2023 | 2022 |
|--|----------|----------|
| | SAR '000 | |
| Present value of defined benefits obligation as at January 1 | 125,297 | 142,110 |
| Current service costs | 18,143 | 13,431 |
| Financial costs | 5,892 | 5,453 |
| Actuarial loss / (gain) from experience adjustments | 5,525 | (12,422) |
| Benefits paid during the year | (26,918) | (23,275) |
| Present value of defined benefits obligation as at December 31 | 127,939 | 125,297 |

16.4 Principal actuarial assumptions

In the absence of a deep market for "High Quality" local currency corporate bonds, the valuation discount rate was set based on the yields offered by USD-denominated bond yields as published by the European Insurance and Occupational Pensions Authority "EIOPA" and then adjusted for the Kingdom of Saudi Arabia's country risk (versus the US).

16.5 Sensitivity analysis of actuarial assumptions

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

| | 2023 | 2022 |
|--|---------------------------------------|---------|
| | SAR '000 | |
| | Impact on defined benefits obligation | |
| Valuation discount rate | | |
| Increase by 0.5% | (4,683) | (3,866) |
| Decrease by 0.5% | 4,906 | 4,102 |
| Expected rate of increase in salary level across different age bands | | |
| Increase by 0.5% | 4,706 | 3,946 |
| Decrease by 0.5% | (4,530) | (3,760) |

17. SHARE CAPITAL

The authorized, issued and paid-up capital of the Company is SAR 1.5 billion as at December 31, 2023 (December 31, 2022: SAR 1.25 billion and January 1, 2022: SAR 1.25 billion) consisting of 150 million shares (December 31, 2022: 125 million shares and January 1, 2022: 125 million shares) of SAR 10 each.

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

| December 31, 2023 | | | |
|---|-----------------------|-----------|-----------|
| | Authorized and issued | | Paid up |
| | No. of Shares | SAR'000 | SAR'000 |
| Held by the public | 111,212,078 | 1,112,121 | 1,112,121 |
| General Organization for Social Insurance | 38,787,922 | 387,879 | 387,879 |
| | 150,000,000 | 1,500,000 | 1,500,000 |

| December 31, 2022 | | | |
|---|-----------------------|-----------|-----------|
| | Authorized and issued | | Paid up |
| | No. of Shares | SAR'000 | SAR'000 |
| Held by the public | 92,676,731 | 926,767 | 926,767 |
| General Organization for Social Insurance | 32,323,269 | 323,233 | 323,233 |
| | 125,000,000 | 1,250,000 | 1,250,000 |

| January 1, 2022 | | | |
|---|-----------------------|-----------|-----------|
| | Authorized and issued | | Paid up |
| | No. of Shares | SAR'000 | SAR'000 |
| Held by the public | 79,025,509 | 790,255 | 790,255 |
| General Organization for Social Insurance | 45,974,491 | 459,745 | 459,745 |
| | 125,000,000 | 1,250,000 | 1,250,000 |

During the year, the board of directors recommended to the extraordinary General Assembly to increase Company's share capital by 20% by granting bonus shares via capitalizing SAR 250 million from the retained earnings which has been duly approved by the shareholders. Each shareholder was granted 1 bonus share for every 5 existing shares owned by the shareholders at the eligibility date.

During the year, the Company has paid cash dividend of SAR 125 million which constitute SAR 1.0 per share as per the recommendation and approval of Board of Directors and shareholders of the Company.

Further during the year, the board of directors approved to purchase a maximum of SAR 250 thousand shares with the aim of allocating it to the company's employee long term incentive plan.

During the year 2022, General Organization for Social Insurance (GOSI), as part of its restructuring process, transferred part of its holdings in various Tadawul listed companies to its subsidiaries. Consequently, the direct holding percentage of GOSI as at December 31, 2023 is 25.86% (December 31, 2022: 25.86% and 1 January 2022: 36.78%)

18. STATUTORY RESERVE

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

19. FAIR VALUE RESERVE FOR INVESTMENTS

The fair value reserve for investments comprises the cumulative net change in the fair value of equity securities measured at FVOCI and share of other comprehensive income / loss of investment in equity accounted investments.

20. INSURANCE SERVICE EXPENSES

| For the year ended December 31, 2023 | | | | | | | | |
|---|------------|-----------------|-----------|---------------------|----------------------------------|-------------------|----------------------|------------|
| | Medical | Medical – Umrah | Motor | Property & Casualty | General accidents – Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total |
| SAR '000 | | | | | | | | |
| Incurring claims and other directly attributable expenses – Estimates of the present value of future cash flows * | 10,132,909 | 9,071 | 1,449,085 | 1,276,860 | 17,447 | - | 63,724 | 12,949,096 |
| Incurring claims and other directly attributable expenses – Risk adjustment (RA) | 154,292 | 1,347 | 16,732 | 98,396 | 1,132 | - | 2,999 | 274,898 |
| Changes that relate to past service – changes in fulfilment cash flows ("FCF") relating to LIC | (257,885) | (8,776) | (55,627) | (11,786) | (41,340) | (4,701) | (14,884) | (394,999) |
| Losses on onerous contracts and reversal of those losses | 109,967 | - | (9,983) | (29,364) | - | - | (1,160) | 69,460 |
| Amortisation of insurance acquisition cash flows | 684,708 | 15,946 | 333,984 | 130,946 | 961 | - | 2,493 | 1,169,038 |
| | 10,823,991 | 17,588 | 1,734,191 | 1,465,052 | (21,800) | (4,701) | 53,172 | 14,067,493 |

* These include other attributable expenses amounting to SAR 617 million.

For the year ended December 31, 2022

| | Medical | Medical – Umrah | Motor | Property & Casualty | General accidents – Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total |
|--|-----------|--------------------|-----------|------------------------|-------------------------------------|----------------------|-------------------------|------------|
| SAR '000 | | | | | | | | |
| Incurring claims and other directly attributable expenses – Estimates of the present value of future cash flows ** | 8,002,437 | 15,348 | 755,607 | 1,022,773 | 8,900 | 16,900 | 44,821 | 9,866,786 |
| Incurring claims and other directly attributable expenses – Risk adjustment (RA) | 177,519 | 34 | 10,507 | 175,658 | 253 | 485 | 3,825 | 368,281 |
| Changes that relate to past service – changes in fulfilment cash flows (“FCF”) relating to LIC | (162,413) | (1,346) | (101,316) | (203,005) | (1,783) | (17,468) | (22,608) | (509,939) |
| Losses on onerous contracts and reversal of those losses | (52,764) | - | 14,674 | 25,950 | - | - | 3,662 | (8,478) |
| Amortisation of insurance acquisition cash flows | 547,773 | (643) | 120,255 | 96,340 | 1,200 | 1,570 | 2,158 | 768,653 |
| | 8,512,552 | 13,393 | 799,727 | 1,117,716 | 8,570 | 1,487 | 31,858 | 10,485,303 |

** These include other attributable expenses amounting to SAR 498 million.

21. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

| For the year ended December 31, 2023 | | | | | | | | |
|---|-----------|--------------------|----------|------------------------|-------------------------------------|----------------------|-------------------------|-------------|
| | Medical | Medical - Umrah | Motor | Property & Casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total |
| SAR '000 | | | | | | | | |
| Allocation of reinsurance premiums | (153,782) | - | (12,360) | (1,674,424) | (2,640) | - | (46,384) | (1,889,590) |
| Amounts recoverable from reinsurers for incurred claims | 138,659 | - | 966 | 1,192,888 | (1,408) | (256) | 41,982 | 1,372,831 |
| | (15,123) | - | (11,394) | (481,536) | (4,048) | (256) | (4,402) | (516,759) |

21. NET EXPENSES FROM REINSURANCE CONTRACTS HELD (continued)

| For the year ended December 31, 2022 (Restated) | | | | | | | | |
|---|----------|--------------------|---------|------------------------|-------------------------------------|----------------------|-------------------------|-------------|
| | Medical | Medical - Umrah | Motor | Property & Casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total |
| SAR '000 | | | | | | | | |
| Allocation of reinsurance premiums | (96,659) | - | (2,870) | (1,478,824) | (1,998) | (1,387) | (37,062) | (1,618,800) |
| Amounts recoverable from reinsurers for incurred claims | 45,390 | - | 8,105 | 933,535 | 64 | (52) | 25,846 | 1,012,888 |
| | (51,269) | - | 5,235 | (545,289) | (1,934) | (1,439) | (11,216) | (605,912) |

22. OTHER OPERATING EXPENSES

| | 2023 | 2022 (Restated) |
|---------------------------------------|----------------|--------------------|
| | SAR'000 | |
| Salaries and benefits | 122,611 | 60,243 |
| Advertising | 30,237 | 19,133 |
| Insurance, utilities, and maintenance | 8,230 | 5,335 |
| License and other charges | 10,457 | 8,857 |
| Utilities | 6,058 | 503 |
| Office supplies and printing | 2,957 | 2,038 |
| Training and education | 15,817 | 7,599 |
| Professional fees | 35,727 | 14,450 |
| Unrecoverable VAT | 57,930 | 13,059 |
| Strategy expenses | 62,466 | 23,529 |
| Others | 74,904 | 23,257 |
| | 427,394 | 178,003 |

22.1 Auditors' remuneration for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiary for the year ended 31 December 2023 amounts to SR 3.05 million (2022: SR 1.9 million). Auditors' remuneration for the review of the Group's interim financial information during the year ended 31 December 2023 amounts to SR 1.9 million (2022: SR 0.9 million). Fee for other related services provided by the auditors to the Group amounts to SR 0.3 million (2022: SR 0.5 million).

23. ZAKAT

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

| | 2023 | 2022 |
|--|-----------|-----------|
| | SAR'000 | |
| Share capital | 1,250,000 | 1,250,000 |
| Reserves, opening provisions and other adjustments | 2,567,606 | 2,254,373 |
| Book value of long-term assets | (434,556) | (570,564) |
| | 3,125,440 | 2,933,809 |
| Adjusted net income | 832,647 | 542,177 |
| Zakat @ 2.578% on Zakat base | 80,564 | 75,832 |
| Zakat @ 2.5% on adjusted net income | 20,816 | 13,554 |
| | 101,380 | 89,386 |

As the zakat base for the year is higher than the zakatable income, the zakat for the year is calculated at 2.578 % on the zakat base and 2.5% on adjusted net income for the year.

b) The movement in the zakat provision for the year was as follows:

| | 2023 | 2022 |
|--------------------------|----------|-----------|
| | SAR'000 | |
| Balance, January 1 | 272,168 | 415,023 |
| Provided during the year | 101,380 | 89,386 |
| Payments during the year | (13,704) | (232,241) |
| Balance, December 31 | 359,844 | 272,168 |

23. ZAKAT (CONTINUED)

c) Status of Assessments:

The Company has filed Zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2019 to 2022. Furthermore, ZATCA has started its review procedures for years 2019 through 2022 but has not raised any final assessment related to these years.

Management believes that appropriate and adequate provisions have been created and that the finalization of the above-mentioned assessments is not expected to have a material impact on the consolidated financial statements for the period ending December 31, 2023.

24. INSURANCE SHARED POOL ARRANGEMENTS

a) Hajj and Umrah shared agreement:

On January 1, 2020 the Company, together with 28 other insurance companies, signed the Umrah shared agreement relating to medical and general accidents insurance which is effective from January 1, 2020. Effective from March 30, 2022, the Company has also signed an Appendix "3" to an existing Umrah shared agreement with Ministry of Hajj and Umrah to include Hajj insurance product relating to general accidents insurance including Covid-19 coverage. The agreement relates to insurance of pilgrims who enter the Kingdom of Saudi Arabia.

During the year, the Company, together with 28 other insurance companies, signed an Appendix. The main terms of appendix was to amend the fees related to indirect expenses of 2.5% to be calculated as fixed amount of SAR 7 for each insurance certificate.

The main terms of the amended agreement are as follows:

- The Company obtains 2% management fee of the net result of the Hajj and Umrah portfolio;
- The Company obtains fixed amount of SAR 7 for each insurance certificate written to cover the related indirect expenses;
- The Company obtains 0.3% of investing portfolio funds;
- The Company pays 7.5% brokerage commission of Hajj and Umrah's gross premiums written through broker;
- The Company pays 10% of Hajj and Umrah's portfolio surplus to Ministry of Hajj and Umrah; and
- The net result of the Hajj and Umrah portfolio after deducting all the above-mentioned items is shared equally by the Company and other insurers.

b) Travel and COVID-19 shared agreement:

On April 6, 2021 the Company, together with 12 other insurance companies, signed the Travel and COVID-19 shared agreement relating to compulsory travel insurance in addition to coverages related to COVID-19 which is effective from April 6, 2021. The agreement relates to insurance of citizens traveling abroad.

The main terms of the agreement are as follows:

The Company obtains 2.5% management fee of Travel and COVID-19 gross premiums written; and

The Company obtains 30% of net result of Travel & COVID-19 portfolio after deducting the above-mentioned item and the remaining is shared equally with other insurers..

Effective from September 01, 2022, in accordance with the announcement of General Directorate of Passports (Jawazat), the Company has ceased to write Travel and COVID-19 insurance policies for the citizens traveling abroad. Consequently, Travel and COVID-19 portfolio will be continued as run-off portfolio until all premiums are earned and all claims and related reserves are settled.

c) Travel and COVID-19 shared agreement:

On January 1, 2023 the Company, together with 13 other insurance companies, signed the Inherent Defects Insurance (IDI) (the Pool) shared agreement relating to compulsory Inherent Defects Insurance, mandated by Council of Ministers requiring all contractors involved in private sector construction project to obtain an IDI policy.

The main terms of the agreement are as follows:

The Company's share of IDI portfolio is 25.63% of total share excluding share of Saudi Reinsurance Company (participant for reinsurance contract);

The pool is being led by Malath Cooperative Insurance Company on behalf of the participating insurance companies and will exclusively be entitled to management fees of managing the portfolio.

The Group measured insurance contract liabilities for IDI using General Measurement Model (GMM) of IFRS 17. The Impact of Group's share of insurance contract liability of the Pool is not considered material and hence GMM disclosures have not been included in the consolidated financial statements.

25. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended December 31, 2023 and 2022 have been calculated by dividing the net income for the year by the weighted average number of ordinary shares issued and outstanding at the end of the period.

The weighted average number of ordinary shares issued and outstanding for comparative periods have been adjusted for the bonus shares issued during the year ending December 31, 2023 (refer note 16).

26. RELATED PARTY TRANSACTIONS AND BALANCES

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

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. The Group's majority shareholder, GOSI, is fully owned by the government of the Kingdom of Saudi Arabia. GOSI exercises significant influence over the Group. The shareholding of GOSI is disclosed in note 17 to the consolidated financial statements. The Group has claimed exemption from the requirements of para 18 of IAS 24 ("Related Party Disclosure")

Transactions and balances with related parties and government related entities are listed below

| | Amount of transactions for the year ended | | Balance receivable / (payable) as at | |
|---|---|-----------|--------------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | SAR'000 | | | |
| Shareholder with significant influence | | | | |
| Insurance premium written | 37,536 | 52,923 | 22,435 | 857 |
| Claims paid to medical services provider | 25,649 | 396 | - | - |
| General Organization for Social Insurance – other services | - | 778 | - | - |
| Government related entities | | | | |
| Insurance premium written | 4,379,623 | 4,371,965 | 1,968,751 | 1,962,575 |
| Claims paid to medical services provider | 3,548,320 | 2,635,525 | 166,266 | 585,736 |
| Associates | | | | |
| Insurance premium written | 1,497 | 1,007 | 1,459 | 30 |
| Claims paid | 4,722 | - | - | - |
| Waseel fees paid | 9,683 | 10,146 | - | (1,016) |
| United Insurance Company fees and claims | 1,556 | 7,894 | - | 646 |
| Entities controlled, jointly controlled by related parties | | | | |
| Insurance premium written | 630,030 | 2,461,655 | 497,211 | 1,796,913 |
| Claims paid to medical services provider | 12,809 | 26,671 | - | (7,030) |
| Najm fees paid | 112,225 | 55,990 | (22,436) | (10,107) |
| Other services | - | 1,184 | - | (456) |

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

26. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Remuneration and compensation of BOD Members and Top Executives

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and key executives for the year ended December 31, 2023 and 2022:

| 2023 | BOD members (Executives) | BOD members (non-Executive) | Key Executives including the CEO and CFO |
|----------------------------|--------------------------|-----------------------------|--|
| | SAR'000 | | |
| Salaries and compensation | - | - | 17,083 |
| Other allowances | - | 890 | 3,812 |
| Annual remuneration | - | 4,200 | - |
| End of service indemnities | - | - | 729 |
| Total | - | 5,090 | 21,624 |

| 2022 | BOD members (Executives) | BOD members (non-Executive) | Top Executives including the CEO and CFO |
|----------------------------|--------------------------|-----------------------------|--|
| | SAR'000 | | |
| Salaries and compensation | - | - | 17,752 |
| Other allowances | - | 970 | 3,698 |
| Annual remuneration | - | 4,920 | - |
| End of service indemnities | - | - | 1,004 |
| Total | - | 5,890 | 22,454 |

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Determination of fair value and fair value hierarchy

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

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

| SAR'000 | | | | |
|----------------------------|---------|---------|---------|-----------|
| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
| Investments at FVPL | - | 982,339 | - | 982,339 |
| Unquoted equities at FVOCI | - | - | 37,630 | 37,630 |
| | - | 982,339 | 37,630 | 1,019,969 |

| SAR'000 | | | | |
|----------------------------|---------|---------|---------|-----------|
| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
| Investments at FVPL | - | 951,339 | - | 951,339 |
| Unquoted equities at FVOCI | - | - | 111,638 | 111,638 |
| | - | 951,339 | 111,638 | 1,062,977 |

The fair value used for valuation of Level 2 investments are based on prices quoted on reliable and third-party sources including Reuters, Bloomberg, etc. Fair value of unquoted equities at FVOCI classified in Level 3 are determined based on the blended valuation technique (i.e., DCF and P/E multiple with equal weightage). There were no transfers in between levels during the year ended December 31, 2023 and 2022.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of statutory deposits, accrued investment income on statutory deposit, term deposits, bank balances and other financial assets in the consolidated statement of financial position which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements due to the short term nature of balances or they are repayable on demand.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

| SAR'000 | | | | | | |
|----------------------------------|-------------------|-----------|-----------|---------------------|----------------------------|---------------------|
| Total gain or loss recognised in | | | | | | |
| December 31, 2023 | Balance January 1 | Purchases | Disposals | Statement of income | Other comprehensive income | Balance December 31 |
| Private equity investment | 111,638 | 15,000 | (95,464) | - | 6,456 | 37,630 |

| SAR'000 | | | | | | |
|----------------------------------|-------------------|-----------|-----------|---------------------|----------------------------|---------------------|
| Total gain or loss recognised in | | | | | | |
| December 31, 2022 | Balance January 1 | Purchases | Disposals | Statement of income | Other comprehensive income | Balance December 31 |
| Private equity investment | 10,250 | 80,464 | - | - | 20,924 | 111,638 |

| SAR'000 | | | | | | |
|----------------------------------|-------------------|-----------|-----------|---------------------|----------------------------|---------------------|
| Total gain or loss recognised in | | | | | | |
| January 1, 2022 | Balance January 1 | Purchases | Disposals | Statement of income | Other comprehensive income | Balance December 31 |
| Private equity investment | 10,250 | - | - | - | - | 10,250 |

The below table shows significant unobservable inputs used in the valuation of level 3 investments.

| Description | Fair value | | Unobservable inputs | | | Range of inputs | | Relationship of unobservable inputs to FV | |
|---------------------------|-------------------|-------------------|---------------------|--|-------------------|-----------------|--------------------------------|---|--|
| | December 31, 2023 | December 31, 2022 | January 1, 2022 | December 31, 2023 | December 31, 2022 | January 1, 2022 | December 31, 2023 | December 31, 2022 | January 1, 2022 |
| Private equity investment | 37,630 | 111,638 | 10,250 | - Annual growth rate 6.4% (Years from 2023 to 2027) (2022 & 2021: 7%) - Terminal Growth rate 2.5% (2022 & 2021: 2.5%) - WACC 9.25% (2022 & 2021: 10.23%) | | | +/- 30% (illiquidity discount) | | Annual growth rate is directly proportional - Discount rate is inversely proportional |

Sensitivity analysis of Level 3 investments

| December 31, 2023 | Sensitivity factor | Impact on fair value due to increase in sensitivity factor | Impact on fair value due to increase in sensitivity factor |
|---------------------------|-------------------------|--|--|
| Private equity investment | +/- 10% change in price | 3,763 | (3,763) |
| December 31, 2022 | Sensitivity factor | Impact on fair value due to increase in sensitivity factor | Impact on fair value due to increase in sensitivity factor |
| Private equity investment | +/- 10% change in price | 11,164 | (11,164) |
| January 1, 2022 | Sensitivity factor | Impact on fair value due to increase in sensitivity factor | Impact on fair value due to increase in sensitivity factor |
| Private equity investment | +/- 10% change in price | 1,025 | (1,025) |

28. RISK MANAGEMENT

Insurance risk

Insurance risk is the risk transferred from the policyholder to the company, other than financial risk. Definition of insurance risk is not changed due to adoption of IFRS 17. The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims. The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks, together with limits on geographic and industry exposures. The aim is to ensure that a diversified book is maintained, with no over-exposure in any one geographic region.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly settling claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

Significant portion of reinsurance business ceded is placed on treaty and facultative basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the consolidated statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligation to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligation assumed under such reinsurance arrangements.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risks through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

Concentration of insurance risk

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

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

Since the Company operates majorly in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

28. RISK MANAGEMENT (continued)

The following tables show the concentration of net insurance contract liabilities by type of contract:

| | 31 December 2023 | | | 31 December 2022 | | |
|--------------------------------------|-------------------|--------------------|------------------|-------------------|--------------------|------------------|
| | Insurance | Reinsurance held | Net | Insurance | Reinsurance held | Net |
| Medical | 5,746,264 | (87,468) | 5,658,796 | 5,476,773 | (106,861) | 5,369,912 |
| Medical Umrah | 345,748 | - | 345,748 | 267,455 | - | 267,455 |
| Motor | 2,145,087 | (13,167) | 2,131,920 | 1,017,471 | (28,490) | 988,981 |
| Property and casualty | 4,422,970 | (3,293,992) | 1,128,978 | 3,761,886 | (2,549,865) | 1,212,021 |
| Property and casualty - Hajj & Umrah | 656,315 | (102,332) | 553,983 | 459,016 | (35,566) | 423,450 |
| Travel and Covid-19 | 76,335 | (1,718) | 74,617 | 84,838 | (1,117) | 83,721 |
| Protection and Savings | 43,438 | (36,264) | 7,174 | 33,590 | (32,555) | 1,035 |
| | 13,436,157 | (3,534,941) | 9,901,216 | 11,101,029 | (2,754,454) | 8,346,575 |

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the consolidated statement of financial position date relates to valuation of liability for incurred claims and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company considers the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

Gross undiscounted liabilities for incurred claims

| 31 December 2023 | | | | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| SAR'000 | | | | | | | |
| Accident Year | 2018 & earlier | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| At the end of the Accident Year | 42,688,896 | 5,946,043 | 4,554,241 | 6,020,436 | 7,558,455 | 9,825,188 | |
| One Year Later | 49,895,218 | 7,129,338 | 5,521,225 | 7,502,578 | 9,778,798 | | • |
| Two Year Later | 49,922,296 | 7,052,371 | 5,601,323 | 7,579,134 | | | |
| Three Year Later | 49,668,610 | 6,986,996 | 5,613,320 | | | | |
| Four Year Later | 49,408,423 | 6,959,781 | | | | | |
| Five Year Later | 49,327,491 | | | | | | |
| Gross estimates of the undiscounted amount of the claims reported | 49,327,491 | 6,959,781 | 5,613,320 | 7,579,134 | 9,778,798 | 9,825,188 | 89,083,712 |
| Cumulative payments to date | (49,047,251) | (6,742,732) | (5,508,553) | (7,117,145) | (8,690,313) | (8,900,545) | (86,006,538) |
| Gross undiscounted liabilities for incurred claims | 280,241 | 217,049 | 104,767 | 461,989 | 1,088,485 | 924,643 | 3,077,174 |
| Salvage and subrogation | | | | | | | (169,551) |
| IBNR | 10,163 | 4,517 | 1,311 | 14,763 | 259,635 | 2,726,707 | 3,017,095 |
| Risk adjustment | 39,034 | 28,154 | 11,547 | 78,449 | 120,679 | 277,833 | 555,696 |
| Payables | | | | | | | (2,407) |
| Effect of discounting | | | | | | | (176,972) |

28. RISK MANAGEMENT (continued)

Net undiscounted liabilities for incurred claims

| | 31 December 2023 | | | | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|--|
| | SAR'000 | | | | | | | |
| Accident Year | 2018 & earlier | 2019 | 2020 | 2021 | 2022 | 2023 | Total | |
| At the end of the Accident Year | 38,954,653 | 4,773,693 | 4,370,006 | 5,764,220 | 6,897,968 | 8,986,407 | | |
| One Year Later | 39,866,239 | 5,824,840 | 5,143,894 | 6,727,233 | 8,319,484 | | | |
| Two Year Later | 40,220,196 | 5,840,405 | 5,261,332 | 6,836,701 | | | | |
| Three Year Later | 40,176,139 | 5,858,104 | 5,271,753 | | | | | |
| Four Year Later | 40,118,245 | 5,859,926 | | | | | | |
| Five Year Later | 40,101,928 | | | | | | | |
| Gross estimates of the undiscounted amount of the claims reported | 40,101,928 | 5,859,926 | 5,271,753 | 6,836,701 | 8,319,484 | 8,986,407 | 75,376,199 | |
| Cumulative payments to date | (40,023,762) | (5,849,119) | (5,241,616) | (6,803,209) | (8,240,805) | (8,431,010) | (74,589,522) | |
| Gross undiscounted liabilities for incurred claims | 78,166 | 10,807 | 30,137 | 33,492 | 78,679 | 555,397 | 786,677 | |
| Salvage and subrogation | | | | | | | (169,551) | |
| IBNR | 6,168 | 4,465 | 1,324 | 14,035 | 236,217 | 2,258,242 | 2,520,451 | |
| Risk adjustment | 5,148 | 719 | 2,803 | 3,641 | 23,948 | 179,055 | 215,315 | |
| Payables | | | | | | | (331,552) | |
| Effect of discounting | | | | | | | (76,608) | |

Gross undiscounted liabilities for incurred claims

| 31 December 2022 | | | | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| SAR'000 | | | | | | | |
| Accident Year | 2017 & earlier | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| At the end of the Accident Year | 39,812,081 | 7,423,498 | 5,946,043 | 4,554,241 | 6,020,436 | 7,558,455 | |
| One Year Later | 35,265,398 | 8,583,529 | 7,129,338 | 5,521,225 | 7,502,578 | | |
| Two Year Later | 41,311,689 | 8,587,813 | 7,052,371 | 5,601,323 | | | |
| Three Year Later | 41,334,483 | 8,427,517 | 6,986,996 | | | | |
| Four Year Later | 41,241,093 | 8,373,047 | | | | | |
| Five Year Later | 41,035,376 | | | | | | |
| Gross estimates of the undiscounted amount of the claims reported | 41,035,376 | 8,373,047 | 6,986,996 | 5,601,323 | 7,502,578 | 7,558,455 | 77,057,775 |
| Cumulative payments to date | (40,758,037) | (8,166,583) | (6,722,632) | (5,486,659) | (6,815,060) | (6,211,834) | (74,160,806) |
| Gross undiscounted liabilities for incurred claims | 277,338 | 206,464 | 264,364 | 114,664 | 687,518 | 1,346,621 | 2,896,969 |
| Salvage and subrogation | | | | | | | (70,914) |
| IBNR | 19,807 | 8,803 | 3,453 | 10,961 | 165,579 | 2,192,306 | 2,400,909 |
| Risk adjustment | 44,831 | 45,832 | 56,936 | 21,677 | 176,543 | 380,012 | 725,831 |
| Payables | | | | | | | 154,113 |
| Effect of discounting | | | | | | | (146,823) |

28. RISK MANAGEMENT (continued)

Net undiscounted liabilities for incurred claims

| 31 December 2022 | | | | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| SAR'000 | | | | | | | |
| Accident Year | 2017 & earlier | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| At the end of the Accident Year | 32,485,293 | 5,219,686 | 4,773,693 | 4,370,006 | 5,764,220 | 6,897,968 | |
| One Year Later | 33,734,967 | 5,952,086 | 5,824,840 | 5,143,894 | 6,727,233 | | |
| Two Year Later | 33,914,153 | 6,302,817 | 5,840,405 | 5,261,332 | | | |
| Three Year Later | 33,917,379 | 6,297,516 | 5,858,104 | | | | |
| Four Year Later | 33,878,623 | 6,297,337 | | | | | |
| Five Year Later | 33,820,908 | | | | | | |
| Gross estimates of the undiscounted amount of the claims reported | 33,820,908 | 6,297,337 | 5,858,104 | 5,261,332 | 6,727,233 | 6,897,968 | 64,862,881 |
| Cumulative payments to date | (33,737,716) | (6,280,357) | (5,837,631) | (5,224,152) | (6,674,897) | (5,993,531) | (63,748,283) |
| Gross undiscounted liabilities for incurred claims | 83,192 | 16,980 | 20,473 | 37,180 | 52,336 | 904,437 | 1,114,598 |
| Salvage and subrogation | | | | | | | (70,914) |
| IBNR | 16,082 | 8,551 | 3,416 | 10,937 | 160,714 | 1,808,315 | 2,008,015 |
| Risk adjustment | 9,012 | 2,219 | 2,599 | 5,362 | 19,497 | 208,624 | 247,313 |
| Payables | | | | | | | (187,241) |
| Effect of discounting | | | | | | | (71,166) |

Gross undiscounted liabilities for incurred claims

| 1 January 2022 | | | | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| SAR'000 | | | | | | | |
| Accident Year | 2016 & earlier | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| At the end of the Accident Year | 33,073,839 | 5,842,642 | 7,423,498 | 5,946,043 | 4,554,241 | 6,020,436 | |
| One Year Later | 33,969,439 | 7,065,784 | 8,583,529 | 7,129,338 | 5,521,225 | | |
| Two Year Later | 28,199,614 | 7,263,141 | 8,587,813 | 7,052,371 | | | |
| Three Year Later | 34,048,547 | 7,303,280 | 8,427,517 | | | | |
| Four Year Later | 34,031,203 | 7,284,187 | | | | | |
| Five Year Later | 33,956,906 | | | | | | |
| Gross estimates of the undiscounted amount of the claims reported | 33,956,906 | 7,284,187 | 8,427,517 | 7,052,371 | 5,521,225 | 6,020,436 | 68,262,642 |
| Cumulative payments to date | (33,632,067) | (7,108,392) | (8,107,618) | (6,359,779) | (5,209,984) | (5,403,972) | (65,821,812) |
| Gross undiscounted liabilities for incurred claims | 324,840 | 175,795 | 319,899 | 692,593 | 311,241 | 616,464 | 2,440,830 |
| Salvage and subrogation | | | | | | | (40,101) |
| IBNR | 27,267 | 12,114 | 6,372 | 5,388 | 103,581 | 1,615,517 | 1,770,240 |
| Risk adjustment | 52,179 | 25,607 | 57,098 | 117,030 | 59,251 | 210,385 | 521,550 |
| Payables | | | | | | | 450,680 |
| Effect of discounting | | | | | | | (30,591) |

28. RISK MANAGEMENT (continued)
Net undiscounted liabilities for incurred claims

| 1 January 2022 | | | | | | | |
|--|----------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SAR'000 | | | | | | | |
| Accident Year | 2016 & earlier | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| At the end of the Accident Year | 26,043,900 | 5,444,158 | 5,219,686 | 4,773,693 | 4,370,006 | 5,764,220 | |
| One Year Later | 27,041,135 | 6,521,216 | 5,952,086 | 5,824,840 | 5,143,894 | | |
| Two Year Later | 27,213,751 | 6,693,505 | 6,302,817 | 5,840,405 | | | |
| Three Year Later | 27,220,648 | 6,713,412 | 6,297,516 | | | | |
| Four Year Later | 27,203,967 | 6,702,493 | | | | | |
| Five Year Later | 27,176,131 | | | | | | |
| Gross estimates of the undiscounted amount of the claims reported | 27,176,131 | 6,702,493 | 6,297,516 | 5,840,405 | 5,143,894 | 5,764,220 | 56,924,658 |
| Cumulative payments to date | (27,066,295) | (6,665,283) | (6,266,416) | (5,810,428) | (5,103,877) | (5,333,852) | (56,246,152) |
| Gross undiscounted liabilities for incurred claims | 109,835 | 37,209 | 31,100 | 29,977 | 40,017 | 430,368 | 678,506 |
| Salvage and subrogation | | | | | | | (40,101) |
| IBNR | 33,029 | 5,921 | 2,951 | 4,992 | 97,459 | 1,296,646 | 1,440,997 |
| Risk adjustment | 14,227 | 4,684 | 4,706 | 4,599 | 11,917 | 117,871 | 158,005 |
| Payables | | | | | | | 414,889 |
| Effect of discounting | | | | | | | (526) |

Reinsurance risk

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

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

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

- a. Minimum acceptable credit rating by recognised rating agencies (e.g. S&P) that is not lower than BBB or equivalent
- b. Reputation of particular reinsurance companies
- c. Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2023, December 31, 2022 and January 1, 2022 there is no significant concentration of reinsurance balances.

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

Financial risk

Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market. Market risk will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Market risk comprises of three types of risk: currency risk, commission rate risk and equity price risk.

28. RISK MANAGEMENT (continued)

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of investment management team supported by risk management team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. The Company maintains diversified portfolio and performs regular monitoring of developments in related markets. The nature of the Company's exposure to market risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates. Tawuniya is exposed to foreign currency transaction risk to the extent that the currencies in which insurance and reinsurance contracts and financial instruments are denominated differ from the functional currencies of the Company.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities to the extent that it is deemed by local management to be both practical and appropriate. The company policy is to ensure that its net exposure is kept to an acceptable level. The Company also mitigates some of the foreign currency risk associated with insurance contracts by holding reinsurance contracts denominated in the same currencies as its insurance contract liabilities.

The Company's principal transactions are predominantly conducted in USD and SAR. The Company is not exposed to its dealing in USD since SAR is pegged with USD. The transactions in currencies other than SAR and USD are not significant and accordingly the Company is not exposed to currency risk. The Company mitigates some of the foreign currency risk associated with insurance contracts by holding reinsurance contracts denominated in the same currencies as its insurance contract liabilities.

Commission Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments. The company manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are reviewed every six months. The Company has no significant concentration of interest rate risk. The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2023 and 2022 are as follows:

| | Less than 1 year | More than 1 year | Non-commission bearing | Total |
|---------------------------|------------------|------------------|------------------------|-------------------|
| SAR '000 | | | | |
| December 31, 2023 | | | | |
| Term deposits | 7,376,118 | - | - | 7,376,118 |
| Investments at FVPL | - | - | 982,339 | 982,339 |
| Investments at FVOCI | - | - | 37,630 | 37,630 |
| Cash and cash equivalents | 750,000 | - | 1,323,962 | 2,073,962 |
| Total | 8,126,118 | - | 2,343,931 | 10,470,049 |
| December 31, 2022 | | | | |
| Term deposits | 5,980,827 | - | - | 5,980,827 |
| Investments at FVPL | - | - | 951,339 | 951,339 |
| Investments at FVOCI | - | - | 111,638 | 111,638 |
| Cash and cash equivalents | 750,000 | - | 909,193 | 1,659,193 |
| Total | 6,730,827 | - | 1,972,170 | 8,702,997 |

28. RISK MANAGEMENT (continued)

Equity Price Risk

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market. The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on individual and total equity instruments. Tawuniya's risk committee regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentrations to geographies and industries. The Group does not have a significant concentration of equity price risk.

The Company has no significant concentration of price risk.

The Group's investments in underlying mutual funds amounting to SAR 17.5 million (2021: SAR 689 million) and underlying equities amounting to SAR 499 million (2021: SAR 336 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Group fund manager limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

This analysis was performed for reasonably possible movements in the market index with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments on the Group's income and other comprehensive would be as follows:

| | Fair value change | Effect on consolidate statement of income | Effect on Group's total equity |
|--------------------------|-------------------|---|--------------------------------|
| December 31, 2023 | | | |
| Underlying mutual funds | 34,950 | 34,950 | 34,950 |
| Underlying equities | 26,268 | 26,268 | 26,268 |

| | Fair value change | Effect on consolidate statement of income | Effect on Group's total equity |
|--------------------------|-------------------|---|--------------------------------|
| December 31, 2022 | | | |
| Underlying mutual funds | 1,758 | 1,758 | 1,758 |
| Underlying equities | 33,524 | 33,524 | 33,524 |

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

The Company cannot expect to eliminate all operational risks, company's objective in managing operational risk is to balance the avoidance of financial losses and damage to its reputation with overall cost-effectiveness and innovation. In all cases, company policy requires compliance with all applicable legal and regulatory requirements.

28. RISK MANAGEMENT (continued)

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

Requirements for appropriate segregation of duties between various functions, roles and responsibilities;

Requirements for the reconciliation and monitoring of transactions;

Compliance with regulatory and other legal requirements;

- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

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

Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

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

The Company have approved credit policies in consultation with business units, covering, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. The Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to doubtful debts. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits and investments with reputable financial institutions. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated A or above).

Credit risk relating to financial instruments is monitored by the Company's finance team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy.

The nature of the Company's exposure to credit risk and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

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

| | 31-Dec-23 | 31-Dec-22 | 1-Jan-22 |
|----------------------------------|------------|------------|-----------|
| | SAR '000 | | |
| Statutory deposits | 149,977 | 124,983 | 124,992 |
| Reinsurance contract assets | 3,534,941 | 2,754,454 | 2,648,206 |
| Term deposits | 7,376,118 | 5,980,827 | 3,787,578 |
| Receivable from brokers / agents | 2,893,877 | 2,705,472 | 1,454,205 |
| Cash and cash equivalents | 2,073,962 | 1,659,193 | 1,188,136 |
| | 16,028,875 | 13,224,929 | 9,203,117 |

28. RISK MANAGEMENT (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 99% (2020: approximately 99%) of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. The Company has significant exposure amounting to SAR 982 billion (2022: SAR 2951 billion) classified as debt instruments in Shariah Notes issued by Castle Investments Limited. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

| December 31, 2023 | Investment grade | Non-investment Grade | Not rated | Total |
|---|------------------|----------------------|-----------|------------|
| Statutory deposits | 149,977 | - | - | 149,977 |
| Reinsurance contract assets | 3,534,941 | - | - | 3,534,941 |
| Term deposits | 7,376,118 | - | - | 7,376,118 |
| Receivable from brokers / agents | - | - | 2,893,877 | 2,893,877 |
| Investments (including accrued investment income) | - | - | 1,019,969 | 1,019,969 |
| Cash and cash equivalents | 2,073,962 | - | - | 2,073,962 |
| | 13,134,998 | - | 3,913,846 | 17,048,844 |

| December 31, 2022 | Investment grade | Non-investment Grade | Not rated | Total |
|---|------------------|----------------------|-----------|------------|
| Statutory deposits | 124,983 | - | - | 124,983 |
| Reinsurance contract assets | 2,754,454 | - | - | 2,754,454 |
| Term deposits | 5,980,827 | - | - | 5,980,827 |
| Receivable from brokers / agents | - | - | 2,705,472 | 2,705,472 |
| Investments (including accrued investment income) | - | - | 1,062,977 | 1,062,977 |
| Cash and cash equivalents | 1,659,193 | - | - | 1,659,193 |
| | 10,519,457 | - | 3,768,449 | 14,287,906 |

Impairment assessment

The Company's ECL assessment and measurement method is set out below:

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

There has been no significant increase in credit risk or default for financial assets during the year.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

28. RISK MANAGEMENT (continued)

Impairment losses on financial investments subject to impairment assessment

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

| | 31-Dec-23 | | | 31-Dec-22 | | |
|------------|-----------|-----------|------------|-----------|-----------|------------|
| | SAR '000 | | | | | |
| | 12mECL | LTECL | Total | 12mECL | LTECL | Total |
| High grade | 9,600,057 | - | 9,600,057 | 7,765,003 | - | 7,765,003 |
| Not rated | - | 3,076,518 | 3,076,518 | - | 2,904,374 | 2,904,374 |
| ECL | (434) | (182,641) | (183,075) | (171) | (198,902) | (199,073) |
| | 9,599,623 | 2,893,877 | 12,493,500 | 7,764,832 | 2,705,472 | 10,470,304 |

* The above exposure doesn't include investment including accrued investment income which is measured at fair value and reinsurance contract assets under IFRS 17.

The Group uses the provision matrix to measure the ECL of receivable from brokers / agents. The following table provides information about the exposure to credit risk and ECL for receivable from brokers / agents.

| | 31-Dec-23 | | | 31-Dec-22 | | |
|--------------------|-----------------------|----------------------------|----------------|-----------------------|----------------------------|----------------|
| | SAR'000 | | | | | |
| | Gross carrying amount | Weighted average loss rate | Loss allowance | Gross carrying amount | Weighted average loss rate | Loss allowance |
| Current | 1,827,952 | 0% | 424 | 1,606,908 | 0% | 4,738 |
| 1 to 30 days | 440,766 | 0% | 1,730 | 389,971 | 1% | 2,825 |
| 31 to 60 days | 146,323 | 1% | 901 | 188,998 | 2% | 3,514 |
| 61 to 90 days | 247,096 | 2% | 5,344 | 316,805 | 2% | 6,823 |
| 91 to 365 days | 332,712 | 6% | 18,408 | 212,319 | 30% | 63,321 |
| More than 365 days | 81,669 | 64% | 51,883 | 189,373 | 62% | 117,681 |
| | 3,076,518 | | 78,690 | 2,904,374 | | 198,902 |
| Specific provision | | | 103,951 | | | - |
| Total ECL | | | 182,641 | | | 198,902 |

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers of credit risk include GDP growth and interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk.

The Company's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Further, the Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on a regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

28. RISK MANAGEMENT (continued)

The following table set out the remaining contractual maturities of the Group's financial assets and liabilities:

Maturity profiles

Maturity analysis for insurance & reinsurance contract liabilities and reinsurance contracts assets (present value of future cash flows basis) (discounted cashflows)

The following table summarises the maturity profile of insurance & reinsurance contracts liabilities and reinsurance contract assets of the Company based on remaining discounted cash flows. Portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company are based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

| 31-Dec-23 | | | | | | | | |
|---------------------------------------|--------------|----------|----------|----------|----------|-----------|-------------|------------|
| SAR '000 | | | | | | | | |
| | Up to 1 Year | 1-2 year | 2-3 year | 3-4 year | 4-5 year | > 5 years | No maturity | Total |
| Insurance contract liabilities | | | | | | | | |
| Medical | 5,417,781 | 306,526 | 20,634 | 1,323 | - | - | - | 5,746,264 |
| Medical - Umrah | 345,710 | 38 | - | - | - | - | - | 345,748 |
| Motor | 2,071,409 | 65,933 | 6,495 | 1,250 | - | - | - | 2,145,087 |
| Property and casualty | 3,581,310 | 560,734 | 260,323 | 10,137 | 10,458 | 8 | - | 4,422,970 |
| General & Accident – Umrah | 656,315 | - | - | - | - | - | - | 656,315 |
| Travel & Covid | 76,335 | - | - | - | - | - | - | 76,335 |
| Protection & savings | 39,223 | 4,162 | 53 | - | - | - | - | 43,438 |
| | 12,188,083 | 937,393 | 287,505 | 12,710 | 10,458 | 8 | - | 13,436,157 |
| Reinsurance contract assets | | | | | | | | |
| Medical | 62,760 | 24,694 | 12 | 2 | - | - | - | 87,468 |
| Medical - Umrah | - | - | - | - | - | - | - | - |
| Motor | 12,978 | 144 | 36 | 9 | - | - | - | 13,167 |
| Property and casualty | 2,577,297 | 487,641 | 219,991 | 5,390 | 3,673 | - | - | 3,293,992 |
| General & Accident – Umrah | 102,332 | - | - | - | - | - | - | 102,332 |
| Travel & Covid | 1,718 | - | - | - | - | - | - | 1,718 |
| Protection & savings | 32,427 | 3,789 | 48 | - | - | - | - | 36,264 |
| | 2,789,512 | 516,268 | 220,087 | 5,401 | 3,673 | - | - | 3,534,941 |

28. RISK MANAGEMENT (continued)

| 31-Dec-22 | | | | | | | | |
|---------------------------------------|--------------|----------|----------|----------|----------|-----------|-------------|------------|
| SAR '000 | | | | | | | | |
| | Up to 1 Year | 1-2 year | 2-3 year | 3-4 year | 4-5 year | > 5 years | No maturity | Total |
| Insurance contract liabilities | | | | | | | | |
| Medical | 5,282,329 | 182,265 | 12,035 | 144 | - | - | - | 5,476,773 |
| Medical - Umrah | 267,455 | - | - | - | - | - | - | 267,455 |
| Motor | 962,502 | 49,513 | 4,717 | 739 | - | - | - | 1,017,471 |
| Property and casualty | 3,061,081 | 601,442 | 87,229 | 5,464 | 2,875 | 3,795 | - | 3,761,886 |
| General & Accident – Umrah | 459,016 | - | - | - | - | - | - | 459,016 |
| Travel & Covid | 84,838 | - | - | - | - | - | - | 84,838 |
| Protection & savings | 31,574 | 2,016 | - | - | - | - | - | 33,590 |
| | 10,148,795 | 835,236 | 103,981 | 6,347 | 2,875 | 3,795 | - | 11,101,029 |
| Reinsurance contract assets | | | | | | | | |
| Medical | 106,225 | 635 | 1 | - | - | - | - | 106,861 |
| Medical - Umrah | - | - | - | - | - | - | - | - |
| Motor | 28,399 | 68 | 17 | 6 | - | - | - | 28,490 |
| Property and casualty | 2,236,148 | 270,322 | 40,849 | 2,522 | 16 | 8 | - | 2,549,865 |
| General & Accident – Umrah | 35,566 | - | - | - | - | - | - | 35,566 |
| Travel & Covid | 1,117 | - | - | - | - | - | - | 1,117 |
| Protection & savings | 30,681 | 1,874 | - | - | - | - | - | 32,555 |
| | 2,438,136 | 272,898 | 40,866 | 2,528 | 16 | 8 | - | 2,754,454 |

29. OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' Property, equipment and right-of-use assets, net, intangible assets, investment properties, investments, term deposits, prepaid expenses and other assets, accrued investment income and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include insurance operations' defined benefits obligation, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including depreciation on the Property, equipment and right-of-use assets, net) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

29. OPERATING SEGMENTS (continued)
a) Statement of income

| For the year ended December 31, 2023 | | | | | | | | |
|--|-----------------|---------------|-----------------|---------------------|----------------------------------|-------------------|----------------------|------------------------------|
| Operating Segments | Medical* | Medical-Umrah | Motor | Property & casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total - Insurance operations |
| SAR'000 | | | | | | | | |
| Insurance revenue | 11,254,531 | 22,972 | 1,855,140 | 2,062,001 | 12,810 | - | 57,970 | 15,265,424 |
| Insurance service expenses | (10,823,991) | (17,588) | (1,734,191) | (1,465,052) | 21,800 | 4,701 | (53,172) | (14,067,493) |
| Insurance service result before reinsurance contracts held | 430,540 | 5,384 | 120,949 | 596,949 | 34,610 | 4,701 | 4,798 | 1,197,931 |
| Allocation of reinsurance premiums | (153,782) | - | (12,360) | (1,674,424) | (2,640) | - | (46,384) | (1,889,590) |
| Amounts recoverable from reinsurers for incurred claims | 138,659 | - | 966 | 1,192,888 | (1,408) | (256) | 41,982 | 1,372,831 |
| Net expenses / (income) from reinsurance contracts held | (15,123) | - | (11,394) | (481,536) | (4,048) | (256) | (4,402) | (516,759) |
| Insurance service result | 415,417 | 5,384 | 109,555 | 115,413 | 30,562 | 4,445 | 396 | 681,172 |
| Net finance expenses from insurance contracts issued | (57,028) | (401) | (8,225) | (74,553) | (630) | (247) | (1,068) | (142,152) |
| Net finance income from reinsurance contracts held | 1,512 | - | 704 | 70,574 | 43 | 12 | 993 | 73,838 |
| Net insurance finance (expenses) / income | (55,516) | (401) | (7,521) | (3,979) | (587) | (235) | (75) | (68,314) |
| Other non-insurance items | | | | | | | | |
| Commission income | | | | | | | | 450,430 |
| Dividend income | | | | | | | | 2,576 |
| Net fair value losses on financial assets at fair value through profit or loss | | | | | | | | (56,176) |

For the year ended December 31, 2023

| Operating Segments | Medical* | Medical-Umrah | Motor | Property & casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total - Insurance operations |
|--|------------|---------------|-----------|---------------------|----------------------------------|-------------------|----------------------|------------------------------|
| SAR'000 | | | | | | | | |
| Share of profit from equity accounted investments, net | | | | | | | | 38,710 |
| Expected credit loss allowance on financial assets | | | | | | | | 16,234 |
| Other operating expenses | | | | | | | | (427,394) |
| Other income, net | | | | | | | | 80,568 |
| Net profit for the period before zakat | | | | | | | | 717,806 |
| The details of gross written premiums are as follows: | | | | | | | | |
| - Retail | 45,246 | 550,073 | 2,411,194 | 117,926 | 260,842 | - | - | 3,385,281 |
| - Micro Enterprises | 457,680 | - | 60,573 | 54,581 | - | - | - | 572,834 |
| - Small Enterprises | 1,273,629 | - | 53,827 | 83,576 | - | - | 925 | 1,411,957 |
| - Medium Enterprises | 934,343 | - | 75,981 | 63,432 | - | - | 2,028 | 1,075,784 |
| - Corporates | 9,804,995 | - | 268,281 | 1,890,044 | - | - | 61,174 | 12,024,494 |
| | 12,515,893 | 550,073 | 2,869,856 | 2,209,559 | 260,842 | - | 64,127 | 18,470,350 |

* Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 10,686 million.

Gross written premiums should comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting period, regardless of whether these are wholly due for payment in the accounting period, together with any adjustments arising in the accounting period to such premiums receivable in respect of business written in prior accounting periods.

Gross written premiums is not defined in International Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia.

29. OPERATING SEGMENTS (continued)
a) Statement of income (continued)

| For the year ended December 31, 2022 (Restated) | | | | | | | | |
|---|-------------|-------------------|-----------|------------------------|-------------------------------------|----------------------|-------------------------|---|
| Operating Segments | Medical* | Medical -Umrah | Motor | Property & casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total - Insurance & Shareholders' operations |
| SAR'000 | | | | | | | | |
| Insurance revenue | 8,749,835 | 15,955 | 784,401 | 1,756,114 | 15,998 | 40,129 | 45,916 | 11,408,348 |
| Insurance service expenses | (8,512,552) | (13,393) | (799,727) | (1,117,716) | (8,570) | (1,487) | (31,858) | (10,485,303) |
| Insurance service result before reinsurance contracts held | 237,283 | 2,562 | (15,326) | 638,398 | 7,428 | 38,642 | 14,058 | 923,045 |
| Allocation of reinsurance premiums | (96,659) | - | (2,870) | (1,478,824) | (1,998) | (1,387) | (37,062) | (1,618,800) |
| Amounts recoverable from reinsurers for incurred claims | 45,390 | - | 8,105 | 933,535 | 64 | (52) | 25,846 | 1,012,888 |
| Net expenses / (income) from reinsurance contracts held | (51,269) | - | 5,235 | (545,289) | (1,934) | (1,439) | (11,216) | (605,912) |
| Insurance service result | 186,014 | 2,562 | (10,091) | 93,109 | 5,494 | 37,203 | 2,842 | 317,133 |
| Net finance expenses / (income) from insurance contracts issued | (5,844) | - | 718 | 7,573 | - | (25) | (75) | 2,347 |
| Net finance (income) / from reinsurance contracts held | (141) | - | (139) | (7,889) | - | 1 | 70 | (8,098) |
| Net insurance finance (expenses) / income | (5,985) | - | 579 | (316) | - | (24) | (5) | (5,751) |

| For the year ended December 31, 2022 (Restated) | | | | | | | | |
|--|-----------|----------------|-----------|---------------------|----------------------------------|-------------------|----------------------|--|
| Operating Segments | Medical* | Medical -Umrah | Motor | Property & casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total - Insurance & Shareholders' operations |
| SAR'000 | | | | | | | | |
| Other non-insurance items | | | | | | | | |
| Commission income | | | | | | | | 260,002 |
| Dividend income | | | | | | | | 3,452 |
| Gain on disposal of available-for-sale investments | | | | | | | | 36,488 |
| Net fair value losses on financial assets at fair value through profit or loss | | | | | | | | 39,967 |
| Share of profit from equity accounted investments | | | | | | | | 32,207 |
| Expected credit loss allowance on financial assets | | | | | | | | (141,502) |
| Other operating expenses | | | | | | | | (178,003) |
| Other income, net | | | | | | | | 27,586 |
| Net profit for the period before zakat | | | | | | | | 391,579 |
| The details of gross written premiums are as follows: | | | | | | | | |
| - Retail | 37,088 | 543,203 | 794,631 | 25,544 | 543,198 | 125,358 | - | 2,069,022 |
| - Micro Enterprises | 465,560 | - | 67,455 | 55,561 | - | - | - | 588,576 |
| - Small Enterprises | 385,371 | - | 29,785 | 28,039 | - | - | 316 | 443,511 |
| - Medium Enterprises | 385,719 | - | 65,540 | 38,952 | - | - | 1,375 | 491,586 |
| - Corporates | 8,644,492 | - | 84,445 | 1,985,392 | - | - | 48,489 | 10,762,818 |
| | 9,918,230 | 543,203 | 1,041,856 | 2,133,488 | 543,198 | 125,358 | 50,180 | 14,355,513 |

* Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 8,167 million.

29. OPERATING SEGMENTS (continued)

b) Statement of financial position

| As at December 31, 2023 | | | | | | | | |
|---|-----------|-----------------|-----------|---------------------|----------------------------------|-------------------|----------------------|--|
| Operating Segments | Medical* | Medical - Umrah | Motor | Property & casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total - Insurance & Shareholders' operations |
| SAR'000 | | | | | | | | |
| Assets | | | | | | | | |
| Reinsurance contract assets | 87,468 | - | 13,167 | 3,293,992 | 102,332 | 1,718 | 36,264 | 3,534,941 |
| Cash and cash equivalents | | | | | | | | 2,081,707 |
| Term deposits | | | | | | | | 7,368,373 |
| Investments including accrued investment income | | | | | | | | 1,019,969 |
| Total unallocated assets | | | | | | | | 4,411,736 |
| Total assets | | | | | | | | 18,416,726 |
| Liabilities | | | | | | | | |
| Insurance contract liabilities | 5,746,264 | 345,748 | 2,145,087 | 4,422,970 | 656,315 | 76,335 | 43,438 | 13,436,157 |
| Unallocated liabilities | | | | | | | | 1,358,752 |
| Total liabilities | | | | | | | | 14,794,909 |

| As at December 31, 2022 (Restated) | | | | | | | | |
|---|-----------|-----------------|-----------|---------------------|----------------------------------|-------------------|----------------------|--|
| Operating Segments | Medical* | Medical - Umrah | Motor | Property & casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total Insurance & Shareholders' operations |
| SAR'000 | | | | | | | | |
| Assets | | | | | | | | |
| Reinsurance contract assets | 106,861 | - | 28,490 | 2,549,865 | 35,566 | 1,117 | 32,555 | 2,754,454 |
| Cash and cash equivalents | | | | | | | | 1,659,193 |
| Term deposits | | | | | | | | 5,980,827 |
| Investments including accrued investment income | | | | | | | | 1,062,977 |
| Total unallocated assets | | | | | | | | 3,802,939 |
| Total assets | | | | | | | | 15,255,138 |
| Liabilities | | | | | | | | |
| Insurance contract liabilities | 5,476,773 | 267,455 | 1,017,471 | 3,761,886 | 459,016 | 84,838 | 33,590 | 11,101,029 |
| Unallocated liabilities | | | | | | | | 1,026,801 |
| Total liabilities | | | | | | | | 12,127,830 |

29. OPERATING SEGMENTS (continued)
b) Statement of financial position (continued)

| As of January 1, 2022 (Restated) | | | | | | | | |
|--|-----------|--------------------|---------|------------------------|-------------------------------------|----------------------|-------------------------|---------------------------------|
| Operating Segments | Medical* | Medical - Umrah | Motor | Property & casualty | General accidents - Hajj & Umrah | Travel & COVID-19 | Protection & Savings | Total - Insurance operations |
| SAR'000 | | | | | | | | |
| Assets | | | | | | | | |
| Reinsurance contract assets | 103,270 | - | 28,846 | 2,489,482 | - | - | 26,608 | 2,648,206 |
| Cash and cash equivalents | | | | | | | | 1,188,136 |
| Term deposits | | | | | | | | 3,787,578 |
| Investments including accrued in- vestment income | | | | | | | | 2,374,986 |
| Total unallocated assets | | | | | | | | 2,525,710 |
| Total assets | | | | | | | | 12,524,616 |
| Liabilities | | | | | | | | |
| Insurance contract liabilities | 4,496,489 | 2,182 | 751,279 | 3,161,662 | 1,797 | 9,974 | 21,797 | 8,445,180 |
| Reinsurance contract liabilities | - | - | - | - | 461 | 908 | - | 1,369 |
| Unallocated liabilities | | | | | | | | 1,141,870 |
| Total liabilities | | | | | | | | 9,588,419 |

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND APPROACH

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

1. To maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
2. To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders;
3. To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
4. To align the profile of assets and liabilities, taking account of risks inherent in the business;
5. To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
6. To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital to ensure that it is able to continue as a going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to shareholders comprising paid share capital, reserves and retained earnings.

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

- a) Minimum Capital Requirement of SAR 200 million.
- b) Premium Solvency Margin.
- c) Claims Solvency Margin

The Group has complied with above requirement at each reporting date presented.

Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

31. CONTINGENT LIABILITIES

As at December 31, 2023, the Group was contingently liable for letters of guarantees, issued on its behalf by the banks, amounting to SAR 457 million (December 31, 2022: SAR 276 million and January 1, 2022: SAR 258 million) occurring in the normal course of business.

The Company, in common with other insurers, is subject to litigation in the normal course of its business. Appropriate provisions have been made in relation to pending cases and management believes that finalization of these court cases is not expected to have a material impact on the consolidated financial statements.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors, on xx, 1445H, corresponding to March 3, 2024G.

1. SUPPLEMENTARY INFORMATION

a. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

| | 31 December 2023 | | | 31 December 2022 | | |
|-------------------|----------------------|-------------------------|------------|----------------------|-------------------------|------------|
| | Insurance operations | Shareholders' operation | Total | Insurance operations | Shareholders' operation | Total |
| | SAR'000 | | | | | |
| Total Assets | 14,357,194 | 4,172,174 | 18,529,368 | 11,824,687 | 3,536,295 | 15,360,982 |
| Total Liabilities | 14,350,205 | 557,346 | 14,907,551 | 11,818,290 | 410,132 | 12,228,422 |
| Total Equities | 6,989 | 3,614,828 | 3,621,817 | 6,397 | 3,126,163 | 3,132,560 |

b. CONSOLIDATED STATEMENT OF INCOME

| | 31 December 2023 | | | 31 December 2022 | | |
|---|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | Insurance operations | Shareholders' operation | Total | Insurance operations | Shareholders' operation | Total |
| Insurance revenue | 15,265,424 | - | 15,265,424 | 11,408,348 | - | 11,408,348 |
| Insurance service expenses | (14,067,493) | - | (14,067,493) | (10,485,303) | - | (10,485,303) |
| Insurance service result before reinsurance contracts held | 1,197,931 | - | 1,197,931 | 923,045 | - | 923,045 |
| Allocation of reinsurance premiums | (1,889,590) | - | (1,889,590) | (1,618,800) | - | (1,618,800) |
| Amounts recoverable from reinsurers for incurred claims | 1,372,831 | - | 1,372,831 | 1,012,888 | - | 1,012,888 |
| Net income from reinsurance contracts held | (516,759) | - | (516,759) | (605,912) | - | (605,912) |
| Insurance service result - net | 681,172 | - | 681,172 | 317,133 | - | 317,133 |
| Commission & dividend income | 313,002 | 137,428 | 450,430 | 187,945 | 72,057 | 260,002 |
| Dividend income | 2,576 | - | 2,576 | 3,452 | - | 3,452 |

| | 31 December 2023 | | | 31 December 2022 | | |
|--|----------------------|-------------------------|------------------|----------------------|-------------------------|----------------|
| | Insurance operations | Shareholders' operation | Total | Insurance operations | Shareholders' operation | Total |
| Gain on disposal of AFS investments | - | - | - | 55,304 | (18,816) | 36,488 |
| Net fair value gains / (losses) on investments at FVPL | 23,526 | (79,702) | (56,176) | 32,931 | 7,036 | 39,967 |
| Share of profit from equity accounted investments, net | - | 38,710 | 38,710 | - | 32,207 | 32,207 |
| Net profits on investments | 339,104 | 96,436 | 435,540 | 279,632 | 92,484 | 372,116 |
| Expected credit loss allowance on financial assets | 16,234 | - | 16,234 | (141,502) | - | (141,502) |
| Finance (expense) / income from insurance contracts issued | (142,152) | - | (142,152) | 2,347 | - | 2,347 |
| Finance income / (expense) from reinsurance contracts held | 73,838 | - | 73,838 | (8,098) | - | (8,098) |
| Net insurance finance (expense) / income | (68,314) | - | (68,314) | (5,751) | - | (5,751) |
| Net insurance financial result | 968,196 | 96,436 | 1,064,632 | 449,512 | 92,484 | 541,996 |
| Other operating expenses | (365,136) | (62,258) | (427,394) | (170,464) | (7,539) | (178,003) |
| Other income, net | 73,846 | 6,722 | 80,568 | 26,655 | 931 | 27,586 |
| Net profit for the year before zakat | 676,906 | 40,900 | 717,806 | 305,703 | 85,876 | 391,579 |
| Zakat charge for the period | - | (101,380) | (101,380) | - | (89,386) | (89,386) |
| Net profit for the year after zakat | 676,906 | (60,480) | 616,426 | 305,703 | (3,510) | 302,193 |

c. CONSOLIDATED STATEMENT OF CASH FLOWS

| | 31 December 2023 | | | 31 December 2022 | | |
|--|----------------------|-------------------------|-------------|----------------------|-------------------------|-----------|
| | Insurance operations | Shareholders' operation | Total | Insurance operations | Shareholders' operation | Total |
| SAR'000 | | | | | | |
| Net income for the year before zakat | 676,906 | 40,900 | 717,806 | 305,703 | 85,876 | 391,579 |
| Net cash generated from operating activities | 750,301 | 123,282 | 873,583 | 693,214 | 88,652 | 781,866 |
| Net cash used in investing activities | (951,457) | (92,567) | (1,044,024) | (242,617) | (459,743) | (702,360) |
| Net cash used in financing activities | - | (124,851) | (124,851) | - | (28) | (28) |
| Net change in cash and cash equivalents | 475,750 | (53,236) | 422,514 | 756,300 | (285,243) | 471,057 |
| Cash and cash equivalents at the beginning of the year | 1,606,212 | 52,981 | 1,659,193 | 1,160,972 | 27,164 | 1,188,136 |
| Cash and cash equivalents at the end of the year | 2,081,962 | (255) | 2,081,707 | 1,917,272 | (258,079) | 1,659,193 |