Annual Report 2022

we provide confidence

King Salman
bin Abdulaziz Al-Saud

Custodian of The Two Holy Mosques

HRH Prince Mohammad
bin Salman bin Abdulaziz Al-Saud

Crown Prince, Prime Minister, Chairman of
the Council of Economic and Development Affairs

OVERVIEW

About Tawuniya

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, travel, and property and casualty 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.

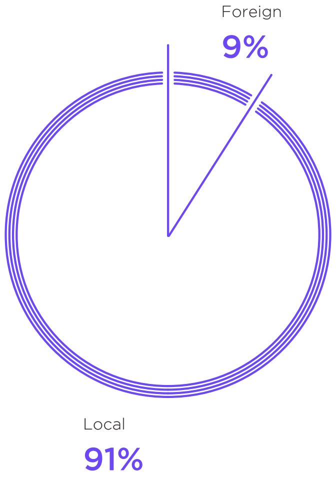
The Company's Head Office is located in Riyadh, Kingdom of Saudi Arabia.

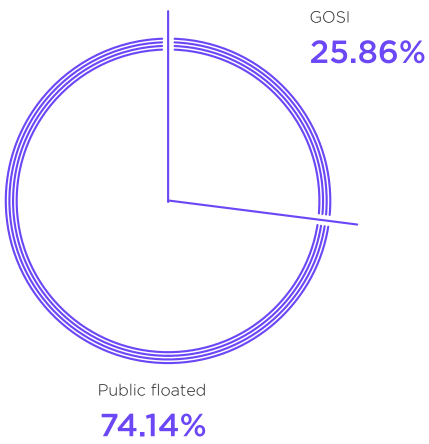
About Tawuniya

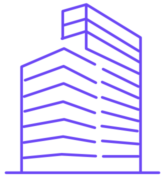
Shareholder Structure

The authorized, issued and paid-up capital of the Company amounts to SAR 1,250 Mn., the highest paid-up capital among insurance companies operating in the Kingdom of Saudi Arabia. This capital is divided into 125 million nominal shares of SAR 10 each, with the ownership of shares as at 31 December 2022 illustrated below:

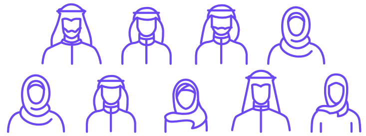
Ownership of shares







The General Organization for Social Insurance (GOSI)
25.86%



Held by the Public
74.14%

-30%

45,974,491 Number of shares as at 1 January 2022

32,323,269 Number of shares as at 31 December 2022

+17%

79,025,509 Number of shares as at 1 January 2022

92,676,731 Number of Shares as at 31 December 2022

Subsidiaries and Associates

tawuniya

Subsidiary

Tijan Al-Khaleej
100% Ownership

Tree Digital Insurance Company
100% Ownership

Associate Company

United Insurance
50% Ownership

Waseel ASP
45% Ownership

2022 Highlights

Total assets - 2022
SAR 18.9 Bn.
2021: SAR 14.7 Bn.
28.6%

Total equity - 2022
SAR 3.4 Bn.
2021: SAR 3.0 Bn.
13.3%

Gross Written Premiums (GWP) - 2022
SAR 14.3 Bn.
2021: SAR 10.2 Bn.
40.2%

Paid-up capital - 2022
SAR 1.25 Bn.

Net earned premiums - 2022
SAR 10.6 Bn.
2021: SAR 7.9 Bn.
34.2%

Net incurred claims - 2022
SAR 8.5 Bn.
2021: SAR 6.7 Bn.
26.9%

Net profit before Zakat - 2022
SAR 480 Mn.
2021: SAR 350 Mn.
37.1%

Net income of policyholders investments - 2022
SAR 208.6 Mn.
2021: SAR 145.7 Mn.
43.2%

30.01% Share
of total Saudi insurance market niglhlia, SABB, ATC, and WAFA

Earnings per share - 2022
SAR 3.12
2021: SAR 2.13
46.5%

Successfully launched 1st insurtech company
in KSA market – the Digital Tree Company

Fitch Rating - 2022
A- with positive outlook
2021: A- with stable outlook

S&P Rating - 2022
2022: A- with stable outlook
2021: BBB+ with positive outlook

84%
Saudization rate

Growing team - 2022
1,767
2021: 1,712
3.2%

Female employees - 2022
41%
2021: 39.5%
150bps

100%
Paper waste recycled

ZERO complaints
From regulators concerning customer privacy breaches

Awards/recognition received during 2022

Tawuniya's commitment to continuously raise the benchmark of the Kingdom's insurance landscape during the reporting period was duly recognized and lauded by local, regional and global peers, publications, as well as industry regulators. Some of the major accolades won by Tawuniya during 2022 includes:

- Health Insurance Company of the Year
- NPHIES Health Insurance Services Award (National Platform for Health and Insurance Exchange Services)
- Best Health Initiative
  For Tawuniya Vitality

Awarded by the Council of Health Insurance (CHI)

- Domestic General Insurer of the Year - Saudi Arabia
- Digital Insurance Initiative of the Year - Saudi Arabia

Awarded at the Insurance Asia Awards 2022 organized by the Insurance Asia Publication

- The Market Leadership Award 2022

Awarded at the Global Islamic Finance Awards (GIFA)

- Best Customer Centric Insurance Products Provider Saudi Arabia 2022

Awarded by the International Business Magazine

- Best Shared Value Insurance Concept – Saudi Arabia 2022
  For Tawuniya Drive
- Most Innovative Insurance Solutions Provider – Saudi Arabia 2022

Awarded at the International Finance Awards 2022 organized by International Finance - the Premium Finance and Business Magazine

- Bronze Award of the Data Insights for National Day Campaign
- Bronze Award of Consumer Promotion for National Day Campaign

Awarded at the MMA SMARTIES Awards organized by the Mobile Marketing Association (MMA) MENA Region

- Best Health Insurance Brand, Saudi Arabia- 2022

Awarded by the Global Brands Magazine

Chairman's Message

Tawuniya has delivered remarkably strong results in 2022, underpinned by healthy and steadfast growth in all business lines, enabling the company to consolidate its position as the top insurance company in the Kingdom.

Dear Shareholders,

The year 2022 was characterized by rapid changes and dynamic developments in the national economy of the Kingdom with strong growth in our national GDP and our fiscal policies yielding robust resilience in the face of growing global inflationary pressures and geopolitical events. This economic environment resulted in organic and continuous demand for insurance services that have become ever-more relevant in de-risking our economic growth, helping our beloved Kingdom realize its economic vision and aspirations under the Vision 2030 program.

Against this backdrop, Tawuniya has delivered remarkably strong results in 2022, underpinned by healthy and steadfast growth in all business lines, enabling the company to consolidate its position as the top insurance company in the Kingdom and the most trusted business partner for risk management insurance solutions. The results of 2022 culminated in Tawuniya achieving a 40% growth in our Gross Written Premium reaching a historical record for the company of more than SAR 14 Bn. Such growth was readily translated into solid profitability with our earnings growing by 37% year-on-year driven by business excellence across all lines of business.

This performance comes as a result of carfully crafted and excuted strategy. In 2020, we embarked on an ambitious strategy for Tawuniya 2025, charting our vision to be partners with our clients and members for a safer future and bigger dreams. Our strategy for Tawuniya is underpinned by four strategic promises of being passionate about our people, customer centric, prioritizing digital first in our operations, and delivering extraordinary results, all of which saw remarkable developments during the year 2022.

Chairman's Message

During 2022, we have reliably executed ambitious operations digitization projects in line with our "digital first" promise, enabling us to streamline our claims management processes and enhance our customer journeys, and introduce sophisticated technologies to underwrite policies for motor insurance. Moreover, staying true to our promise towards customer centricity, we saw remarkable growth in the adoption of telematics in motor insurance through the success of the Tawuniya Drive program, rewarding defensive driving behavior for our clients and enabling them to enjoy remarkable services and loyalty discounts. The adoption of our exclusive Vitality program has also played a key role in differentiating our health insurance offering, and enabling our members and clients keep a closer eye on their health habits and activity while helping employers gain enhanced insights into the wellbeing of their employees. Such programs have significantly strengthened and solidified our customer experience in 2022 and helped us position Tawuniya as a key business partner of choice for all of our clients.

Our general insurance line has also witnessed tremendous growth in premiums written reaching more than SAR 2 Bn. and a healthy increase risk retention levels standing as a testament to our strong solvency and our ability to earn an "A-" credit rating by the S&P global rating agency. Equally important, is our strategic partnerships to be the insurer of choice for key Vision 2030 projects, unlocking the potential for this sector to grow even bigger and enabling us to deliver on our strategy promise of achieving extraordinary results.

Last year also marked an important milestone for the company embarking on a new operating module for our employees that introduced enhanced agility while maintaining business integrity and the resolute governance framework Tawuniya is known for. This organizational evolution of Tawuniya has also played a key role in enabling the company to attract and retain top talent in all relevant fields of specialization in today's competitive labor market. Moreover, we have made excellent progress in our ESG agenda issuing our inaugural ESG report during 2022, highlighting our sustainability strategy, commitments, and key sustainable development goals. These milestones mark important achievements tied to our promise to be passionate about our people.

Finally, 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, and the Tawuniya team for their tremendous and sincere efforts to bring our strategic objectives to life. We look forward towards another year full of successes and prosperity for our company.

Abdulaziz I. Alnowaiser
Chairman of the Board

Chief Executive Officer's Message

Tawnuniya's Gross Written Premiums surpassed SAR 14 Bn. in 2022, growing by more than 40% and marking a record high over our company's history spanning more than 36 years.

Our Dear Shareholders,

It gives me great pleasure to brief you on our performance for 2022. Last year can be summed up as a year of key milestones and landmark achievements for our company. Our Gross Written Premiums reached more than SAR 14 Bn. growing by more than 40% and marking a historical high over our company's history spanning more than 36 years. Such growth of our diverse insurance portfolio stands as a testament to immense efforts and deliberate plans outlined in our 2025 strategy. This milestone in our history also solidifies our position as the largest insurance player in the Kingdom and we continue to be laser-focused on achieving our strategic objectives and promises to realize our vision to become the largest insurance company in the Middle East and North Africa region by 2025.

Our robust growth in 2022 came as a result of planned activities and market strategies across all segments of our three insurance business lines of health and life, mobility, and general insurance. Our health and life portfolio grow by more than 27% reaching SAR 9.9 Bn. driven by capturing new market opportunities arising out of robust economic growth and government privatization programs introducing new clients to the private sector space. We also witnessed a healthy recovery in the total number of insured lives in the Kingdom in the post-pandemic era bringing the total addressable market to more than 11.8 million lives in the private sector. This marks a 25% growth in lives year-over-year and gives us assurances that the insurance market is back on a positive trajectory post-COVID economic challenges in the prior two years. 2022 also saw excellent performance in the Tawuniya-

Chief Executive Officer's Message

led Hajj and Umrah program yielding more than SAR 1 Bn. in premiums as the number of pilgrims to the two Holy Mosques grew steadily back to normal levels after the full lifting of international travel restrictions.

The mobility insurance sector also witnessed remarkable growth reaching more than SAR 1 Bn. in Gross Written Premiums marking a 69% increase compared to last year. This achievement comes on the back of significant investments we have made in building out sophisticated pricing engines that deploy dynamic pricing models and enable much higher levels of efficiency in pricing motor insurance risks. Furthermore, the growth witnessed comes not just as a result of sound pricing, but also healthy increase in the number of insured vehicles by more than 50% compared to last year. Our mobility team also continued to see excellent success in the adoption of Tawuniya Drive program with registrations exceeding 55 thousand clients. As our clients enjoy the benefits of rewards associated with defensive driving behavior, we continue to gather and utilize immensely valuable date that reached in excess of 100 million kilometers of driving information. We continue to navigate the challenging market dynamics in the mobility sector with the utilization of technology-driven pricing tools and staying true to our service excellence with our valued clients, bringing the best in class for Tawuniya insured motorists.

The solid financial standing of Tawuniya backed by remarkable growth in the topline and profitability earned us an "A-" rating from S&P global with a stable outlook. This credit rating further supported the growth in our general insurance business line where we witnessed more than 33% growth in Gross Written Premiums and continued increase in our risk retention levels. Our property and casualty business continues to enjoy great potential to do even more in future years, banking on the enormous potential for growth linked to the national economy and Vision 2030 programs, and companies deploying giga projects around the Kingdom. We are proud to be the insurer of choice for landmark projects of Vision 2030 such as Roshen, Hexagon, and the Line projects in NEOM. Substantial opportunities in this segment are expected as well with insurance programs upcoming for domestic labor and extended warranty and cybersecurity.

The highlighted growth of our insurance portfolio for the year was also coupled with commendable performance in terms of profitability across all business lines. The overall book lose ratio decreased compared to last year reaching 80%. This came as a direct result of sound pricing strategies for our motor and health and life business, as well as significant improvements in our claims management systems, enhancing the revenue cycle with providers and utilizing advanced reconciliation technologies. This, in turn, enabled us to reduce performance predictability and provided more room to focus on client services and experience across all business lines. Our investment book also witnessed favorable performance in the face international markets volatility, inflation, and geopolitical events globally. Our investment strategy remains resolute with a balanced and conservative approach across all asset classes in our portfolio. Such efforts culminated in realized gains in excess of SAR 300 Mn. reflecting an average return on 5.2% on our portfolio holdings for the year.

Our management team remains committed to the strategic objectives and vision for Tawuniya outlined in our strategy for 2025. 2022 saw multiple developments in this regard including our launch of "Tree", the first fully digital insurance company in the Kingdom charting the future of digital insurance in Saudi Arabia. Tree is planned to offer a unique digital insurance experience with unprecedented flexibility and features that appeal to the dynamic and tech-savvy insurance clientele growing in the Kingdom today. In 2022 we also made some strategic investments that complement and accelerate our digital transformation agenda for 2025 including an investment in Vision Bank and "Syarah", an innovative digital vehicle sales platform with a unique insurance integration capability.

During 2022 we also saw the full deployment of our new operating model creating semi-independent verticals for our three main business lines, that resulted in enhanced decision-making processes, increased operating efficiency, and a modern organizational and rewards structure that attracts and retains top talent for Tawuniya. We also solidified our commitment towards sustainability with the issuance of our first sustainability report highlighting our ESG strategy and showcasing our targets for improving our environmental footprint, social impact, and 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.

We are committed to continuing on our journey towards performance excellence, innovation, and shareholder value creation in the insurance industry. Finally, I would like to thank our employees and management team for their industrious efforts and commitments that culminated in the achievements of 2022, and our shareholders for the trust they put in us. We look forward to another great year of performance in 2023.

Abdulziz H. Al Boug
Chief Executive Officer

STRATEGIC & BUSINESS REVIEW

Strategy 2025

PURPOSE

Together for a safer life & bigger dreams

AMBITION

Largest insurer in the MENA Region

MISSION

Exceed expectations through superior customer experience and service excellence

PROMISES

Passionate people | Operational Excellence | Customer Excellence | Extraordinary results

Over the past few years, the insurance industry continued to evolve and meet the demands of a rapidly changing operating environment impacted by a range of factors; from a global pandemic and expedited digital advancement, to ESG trends and transformative economic and social reform. Change was abundant, and as a result, new risks were emerging. Tawuniya, as the insurance pioneer of the Kingdom of Saudi Arabia, grew and evolved to identify these risks, and explore the new opportunities they presented; opportunities that would benefit both the Company and its stakeholders mutually.

Driven by its overarching purpose to empower people to live safer, plan bolder and dream bigger, Tawuniya meticulously planned, set goals, determined roles and responsibilities, and implemented Strategy 2025 during the 2021 fiscal year, targeting and committing to six key strategic objectives:

1 Lead the prevention, wellness and care agenda of Saudi Arabia

Today, healthcare is focused on treatment and some societal needs are not properly addressed. Tawuniya will enable a personalized approach to care, protection, and prevention for its clients and the society by integrating vertically and digitally across the health value chain and introducing new supplementary health insurance products focusing on promoting and rewarding healthy lifestyles across the society while providing seamless and adequate care when needed.

2 Be the integrated value add & innovative insurer for individual mobility

Tawuniya is transforming into a lifestyle partner covering the entire client journey of owning a vehicle with the ultimate goal of promoting safe driving and enriching its Customer Value Proposition (CVP). The Company is reshaping its clients' mobility experience through innovative solutions, allowing a personalized approach in offering seamless end-to-end services from buying, to using, to servicing, to selling their automobiles.

3 Protect and de-risk the growth of the Saudi economy

Tawuniya is introducing new and innovative products and services to cover and protect customers from new risks emerging as a result from Saudi Arabia's growing economy and transforming society, supporting emerging businesses/industries and contributing to the sustainable growth of the Saudi economy and society.

4 Pioneer financial independence for a better future

The Company aims to become the trusted partner to support individuals along their life journey, and pioneer financial independence and security within the Saudi society. Tawuniya will extend

Strategy 2025

protection (e.g. term-life, disability and credit life insurance) and savings (e.g. endowment, annuity/pensions...) insurance solutions to underserved segments, giving them the financial stability and confidence to pursue their dreams.

5 Be the digital-first partner of choice for priority segments across all their risks

Tawuniya will cater to millennials, start-ups, and the digitally-savvy population by introducing insurtech solutions to provide customized insurance products with end-to-end digital journeys.

Beyond these five key objectives, Strategy 2025 is unified by Tawuniya's overarching goal—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 management is aligned in their commitment to this mission, and have outlined four guiding promises to stakeholders.

Tawuniya's promise is to listen to its clients and stakeholders with the goal of understanding their evolving needs. Tawuniya also promises to meet these needs through constant innovation and by offering affordable, accessible, high-quality solutions ranging from prevention to protection. The Company will provide digital first solutions to clients across the entirety of their journeys, inclusive of access to a full ecosystem of digital services, fully embracing and endorsing the digital revolution across the Saudi Arabian insurance industry.

The Company also promises to strengthen its relationship with its employees, nurturing a culture of collaboration, accountability, recognition and most importantly the support and encouragement that allows for personal development, innovative ideas, and visionary leadership.

In 2022, Tawuniya successfully met target objectives and recorded a number of major achievements in its Strategy 2025 realization journey:

- As part of building a Mobility ecosystem, Tawuniya launched "Tawuniya Drive" to promote and reward safe driving as part of our mobility ecosystem build-up. More than 50K clients joined the program so far and are enjoying safe driving rewards while Tawuniya is witnessing higher retention ratios with lower loss ratios.
- Implemented Artificial Intelligence (AI) models in its Mobility underwriting practice, allowing the Company to provide the right price and right products to the market, increasing channel penetration and attracting more clients. The success of these initiatives were clearly reflected in Tawuniya's growth witnessed in its mobility line of business.
- Capitalized on Tawuniya's exclusive wellness program, Tawuniya Vitality. The program helps users understand their health status, and works together to elevate it and adopt a healthier, more active, and rewarding lifestyle. 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 General innovative products such as:
  - Cyber Security for Individuals: The digital advancement witnessed locally and globally gave rise to cyber risks in the market and Tawuniya responded by introducing a tailor-made insurance product to cover individuals from such risks.
  - Travel COVID: Tawuniya introduced this product at a national scale to protect travelers during the pandemic.
  - Home Insurance: The KSA Government's direction to promote home ownership of the Saudi population created new demand for home coverage. Tawuniya addressed this demand by introducing customizable Home Insurance products.
- Successfully launched the first insurtech company in the market – the Tree Digital Insurance Company. Tree is providing a new digital experience in insurance while increasing insurance penetration and accessibility in the market.
- Invested in expanding distribution channels and offerings through new partnerships across the insurance value chain for all lines of business (e.g. bancassurance with multiple banks for leasing accounts, embedded insurance, etc.)
- Evaluated its position in ESG and committed to a set of goals for 2023 and beyond aligned with the Kingdom's Vision and global attention.
- Revamped the operating model to complement Tawuniya's new purpose and strategy by implementing multiple initiatives related to organizational structure, corporate values, brand uplift, and customer experience.
- Strengthened our balance position, Regained our "A-" credit rating with S&P demonstrating the solidity and sustainability of the Company in the market.

Tawuniya takes great pride in both its financial and non-financial achievements during the reporting period, and looks forward to continuing on its ambitious journey of realizing Strategy 2025, and its goals for 2023.

Alignment to Vision 2030

The insurance sector is one of the most important financial services sectors highlighted in the Kingdom's Vision 2030, under its Financial Sector Development Program. Tawuniya's Strategy 2025 remains in alignment with Vision 2030 objectives to develop a sustainable and thriving insurance sector in the Kingdom that contributes to the development of the economy, to the growth of the private sector, and the overall growth of the non-oil sector GDP.

While Vision 2030 focuses on strengthening the existing regulatory environment to encourage and increase the ability of the private sector to take risks, 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.

Tawuniya's Five key strategic objectives of Strategy 2025 (elaborated on pages 12 and 13 above) 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% to 45%, and motor insurance schemes from 39.6% to 77% by 2025, thereby contributing towards the overarching Vision 2030 goal of increasing gross written premiums as a percentage of non-oil GDP from a 1.9% baseline value in 2019, to 2.4% by 2025.

With sustainability being at the heart of Vision 2030, Tawuniya also remains committed to the Kingdom's ambitious 2060 net zero target, and plans on announcing its own net zero target that aligns with the Kingdom's objectives in future sustainability reports.

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

Tawuniya's commitment to the SDGs

The value of insurance stems from the human need for protection— protection of self, of family, of livelihood, and of the environment. Tawuniya considers the protection of people and their assets a critical component to a more sustainable, resilient, and inclusive world.

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 which enables the Company to make the most positive impact on its stakeholders and the environment through its business operations, underwriting activities, investments, and community programs.

We are prioritizing the following seven United Nations Sustainable Development Goals (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 most recently launched and well received programs—Tawuniya Drive and Tawuniya Vitality—both 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.

Tawuniya's commitment to the SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG 9: Industry, Innovation and Infrastructure

As a risk manager, risk carrier, and investor, Tawuniya fully supports the goal of prioritizing socially inclusive and environmentally friendly economic development. 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.

11 SUSTAINABLE CITIES AND COMMUNITIES

SDG 11: Sustainable Cities and Communities

Tawuniya's goal is to make cities inclusive, safe, and sustainable. 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.

13 CLIMATE ACTION

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. In the future, the Company plans to extend its scope 1, 2, and 3 emissions.

17 PARTNERSHIPS FOR THE GOALS

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 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

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.

2022 Highlights

Drawing from nearly four decades of unrivalled technical expertise in the Saudi insurance market, Tawuniya enjoyed a total insurance market share of 30% for the reporting period.

Market share - Overall

2022
30.0%

2021
25.0%

2020
23.9%

2019
22.5%

2018
22.3%

Notes:
*All market figures are excluding Saudi Re.
*Tawuniya "overall" includes programs.

Over 3 million
policyholders served, including (Hajj & Umrah pilgrims), as at 31 December 2022

SAR 14.3 Bn.
gross written premiums in 2022

Largest portfolio
with 60+ insurance products and services offered

Largest sales network in the Kingdom with
45 branches Kingdom-wide

Largest network of claims management centres, offices and departments handling
more than 12 million
claims during the year

Chief Financial Officer's Review

As the insurance market in the Kingdom continued to perform against a backdrop of volatility which was visible during the first half of the year, Tawuniya successfully continued its growth momentum in 2022, recording one of our strongest performances to date.

In 2022, Tawuniya's Gross Written Premium (GWP) reached SAR 14.3 Bn., a remarkable 40% growth year-on-year from 2021, and a record-setting achievement in the Company's 36-year operating history. This accomplishment also cemented our position as the largest insurance company in the Kingdom in terms of GWP. More importantly, this performance resulted in strong profitability with earnings before taxes reaching SAR 480 Mn., a 37% growth compared to 2021.

All business lines showed impressive growth during the year under review, backed by market growth, increase in premium values, and value-added services differentiating our product offerings to our members, mainly in our health and mobility insurance lines. Tawuniya's Health and Life GWP grew by 27% to SAR 9.9 Bn. with the recent expansion in the health insurance sector and its resulting market competition and pricing. The success of this business vertical attributed to 68% of our total GWP.

Our winning combination of utilizing emerging technologies and smart sales strategies contributed greatly towards an exceptional 68% growth in the Mobility business to surpass SAR 1 Bn. in 2022; where we deployed a dynamic pricing technologies, and launched a multitude of value-added services to enhance customer experience, which also led to a 50% increase in insured vehicles compared to 2021. Our General line of business recorded remarkable growth of 33% year-on-year, reflecting the market's growing confidence in Tawuniya's capabilities in underwriting complex and large policies. The Hajj and Umrah vertical regained its growth momentum by reaching SAR 1 Bn. in GWP, with the Kingdom fully opening up to pilgrims during the year.

In terms of assets, our total assets increased by 29% reaching SAR 18.4 Bn. driven by growth in our investment portfolio and written premiums for insurance. Furthermore, cash flow from operating activities during the year was recorded at a healthy inflow of SAR 1.2 Bn., while SAR 724 Mn. were directed towards investing activities. Our investment team maintained a robust return realization of SAR 304 Mn. despite the economic challenges, market fluctuation, and inflationary pressures witnessed during the year.

While the growth of the overall business also resulted in a 27% year-on-year jump in incurred claims to SAR 8.5 Bn. In 2022, we focused on effective claims management and underwriting practices, fraud reduction, and enhanced governance, which reduced our loss ratio by 4 percentage points to reach a healthy 80% in 2022. This commendable effort allowed us to grow our operating surplus by a 191% to reach SAR 226 Mn.

Our spending efficiencies reduced our General and Administrative expenses ratio from 9.4% in 2021 to 8.9% in 2022, further supporting the bottom-line.

The strong underwriting performance throughout the reporting period and growth in investment income allowed us to secure SAR 480 Mn. in earnings before taxes and zakat in 2022, recording a growth of 37% from last year.

As a result of this remarkable performance, net income reached SAR 391 Mn., with the earnings per share (EPS) reaching at SAR 3.13 as of 31 December 2022, compared to SAR 2.13 from the previous reporting period.

Chief Financial Officer's Review

Five-year Summary of Business Results

Description	2022 SAR'000	2021 SAR'000	2020 SAR'000	2019 SAR'000	2018 SAR'000
Gross Written Premiums (GWP)	**14,349,620**	10,218,606	9,061,768	8,375,860	7,641,245
Net Earned Premiums (NEP)	**10,561,448**	7,929,662	7,042,385	6,877,318	7,065,754
Net Incurred Claims	**8,455,329**	6,660,276	5,487,973	5,812,986	6,571,667
Net Profit (Loss) before Zakat	**480,389**	350,138	514,459	402,165	(213,339)
Total Comprehensive Income	**326,078**	329,702	309,673	691,468	(318,160)
Total equity	**3,365,142**	3,039,064	2,809,362	2,499,689	1,808,221
Profit per share (SAR)	**3.13**	2.13	3.15	2.62	(2.23)

Income Statement for 2022

Description	Actual	LY	Actual vs LY
Gross Written Premiums (GWP)	14,350	10,219	40%
Net Written Premiums (NWP)	12,165	8,608	41%
Net Earned Premiums (NEP)	10,561	7,930	33%
Net Incurred Claims (NIC)	-8,455	-6,660	27%
Contribution	2,106	1,269	66%
Reinsurance commission	136	132	3%
Policy Acquisition Cost (PAC)	-496	-350	42%
Underwriting expense	-251	-137	83%
Underwriting income	12	6	89%
Insurance companies share	-441	-63	–
Underwriting profit	1,067	857	24%
General and administrative expense	-867	-737	18%
Bad Debt Provision (BDP)	-34	-40	–
Programs indirect cost	-27	-1	–
Other income/Expense	88	-2	–
Operating Surplus	226	78	191%
Net investment income	304	303	1%
Shareholders expense and others	-7	-8	-16%
Policyholders surplus	-43	-22	95%
Net income (before Zakat)	480	350	37%

Future Outlook

As per the regulations of the Saudi Central Bank, Tawuniya will adopt the IFRS 17 and IFRS 9 accounting standards, which will be applied from 01 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments. Reporting under such standards will enhance the transparency and comparability of insurance financial statements globally.

We are excited about the continued economic development creating new insurable assets and new lines of mandatory coverage across the Kingdom, and 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.

Dr. Ammr K. Kurdi
Chief Financial Officer

Chief Financial Officer's Review

Statement of Financial Position for 2022

Description (SR '000)	Dec-22	Dec-21	% of change
Investment	7,118	6,302	13
Receivables	5,422	3,222	68
Reinsurance Provisions & Others	3,467	2,944	18
Other assets	1,249	1,062	18
Cash	1,659	1,188	40
Total Assets	18,915	14,718	29
Reserves	12,320	9,278	33
Accrued Expenses & Others	3,230	2,401	35
Total Liabilities	15,550	11,679	33
Others equities	2,567	2,580	0
Retained earnings	798	459	74
Total Equity	3,365	3,039	11
Total Liabilities and Equity	18,915	14,718	29

Health and Life Insurance

Named "Best Health Insurance Brand in Saudi Arabia" by Global Brands Magazine in 2022

Tawuniya health and takaful insurance plans are attentively and considerately designed to ensure any risks of financial hardship due to medical expenses are eliminated.

During the reporting period, Tawuniya's health insurance division continued to successfully improve its efficiencies, speed, and quality of its claim processing by increasing the percentage of claims that are handled electronically, while encouraging customers to utilize electronic channels further.

In December 2020, Tawuniya partnered with SAS – the leader in analytics – to enhance fraud analysis and control for Tawuniya's health insurance business line, by implementing an end-to-end Fraud Management system. Since its implementation, the system has helped in identifying, documenting, and responding to suspicious claims as well as fraud patterns and behavior, significantly speeding up the medical claim settlement process at Tawuniya.

2022 Highlights

A total of 324,805 new health insurance policies were purchased during the reporting period, resulting in a 27% sales growth across the business vertical. Of the total medical claims received in 2022, 97% were made electronically, a successful 8% year-on-year growth.

The total gross written premiums for Tawuniya's health insurance business totaled SAR 9.9 Bn. for the year under review, with the business line contributing 69% of Tawuniya's total revenue in 2022.

Tawuniya Vitality Program

Tawuniya pioneered a new era in the Saudi insurance industry by launching the industry's first unique wellness program, Tawuniya Vitality in October 2020. The program helps policyholders understand their health status, and assists in adopting a healthier, more active, and rewarding lifestyle. It is the integration of smart technology, data, incentives, and behavioral science, with a highly engaging app that creates a customized wellness program which fit each customer's needs. The program was launched in partnership with the Vitality Group, the global leader in wellness-based insurance with over 20 million members globally.

The Tawuniya Vitality program unlocks the power of positive reinforcement and active goal setting for customers, so that they can enjoy extended health benefits, as well as, incentives by cultivating healthier lifestyle habits such as good nutrition and exercise.

Health and Life Insurance

2022 Highlights

For the reporting period, data derived from the Tawuniya Vitality program recorded new highs; Vitality Members reaching the higher tiers of the program recorded an 18% reduction in claims per client, relative to members who did not participate in the Vitality program. The Company's continuous promotion of the program to benefit members health during the year saw an 83% increase in Vitality memberships.

Personal/Individual Insurance Covers

My Family Medical Insurance Program

The program provides healthcare coverage to the nucleus of the Kingdom's society, the family unit. In compliance with the provisions of Islamic Shariah, this cover consists of multiple categories to ensure inclusivity for all family members, extending across all levels of the community.

The family insurance covers a majority of medical services provided by outpatient, as well as, inpatient services, including the expenses for medical examination, diagnosis, medical treatment, medicine, vaccination, pre-existing diseases, pregnancy and maternity, with accessibility to the largest approved network of medical service providers in the Kingdom, which includes hospitals, medical centers, dispensaries, clinics, pharmacies, and optics shops.

Visit Visa Insurance

A product specifically designed to eliminate any sudden medical and financial risks for visitors to KSA, with a possible extension of the policy.

Tourist Insurance

In line with the decision of KSA to allow citizens of a number of countries to obtain Tourist Visa as of September 2019, Tawuniya launched the Tourist Insurance Program, to provide the highest standards of healthcare for emergency medical cases and accidents for tourists.

COVID-19 Risks Coverage Program

All visitors/tourists entering the Kingdom are required to purchase COVID-19 Risk Coverage, to cover all potential risks and medical / financial liabilities resulting from the infection of the Coronavirus while traveling in KSA.

Insurance Programs for Hajj and Umrah pilgrims

Tawuniya collaborates with participating insurance companies to provide Hajj and Umrah pilgrims with insurance covers, including Hajj general accident cover, Umrah medical cover and Umrah general accident cover, granting pilgrims safety and peace of mind during their holy journey.

Exclusive Value-Adding Services

In addition to all benefits provided by the policy, Tawuniya also offers a number of exclusive and value-adding services, including but not limited to:

- Medical reimbursement for treatment outside Tawuniya's approved medical care network
- Chronic disease management
- Refill of chronic disease medication
- Eligibility letter confirming right to receive necessary treatment
- Home vaccination services for children aged between 0-7 years
- Embassy letter confirming the Saudi National holder has a valid insurance certificate while traveling outside the Kingdom
- Pregnancy follow-up program during all phases of pregnancy

Corporate Health Insurance Covers

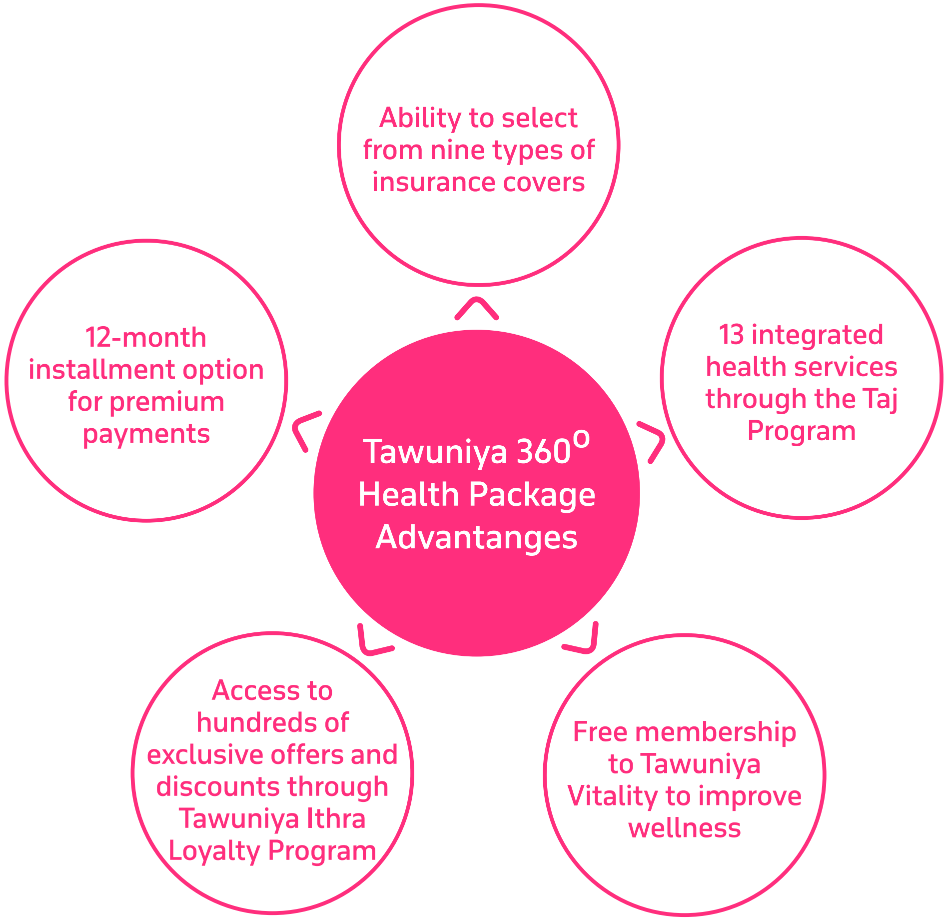
Tawuniya offers distinctively designed medical insurance options for companies based on the number of employees and resulting number of coverages required. Tawuniya provides a number of benefits to Corporates through health insurance packages, including:

- 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

Small and Medium Enterprises (SMEs) – 360° Health Insurance

For corporates with less than 250 employees, Tawuniya offers a comprehensive, 360° insurance program that combines the benefits of the medical insurance policy for employees and their families, with a number of value-adding features including integrated health care and wellness monitoring, compatible with the requirements of the Kingdom's Council of Health Insurance (CHI).

Health and Life Insurance



Mid-to-large corporates

For corporates 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 Kingdom's Council of Health Insurance (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.

Mobility Insurance

Tawuniya offers a wide array of insurance solutions for Mobility clients ranging from full comprehensive insurance to basic third-party mandatory coverage for motor accidents. Tawuniya's Motor Insurance business continued to introduce novel, innovative motor insurance products and services to the Saudi market, to ensure policyholders are better covered and best benefited. The unique product offering is complemented by a multitude of value-adding services for our clients that provide real peace of mind with the highest levels of service excellence on the road and beyond it.

Comprehensive plan

Comprehensive insurance "AlShammel" is considered to be the crown jewel of insurance coverage for motorists. Providing full coverage for loss or damage to an insured vehicle including personal accidents for drivers and passengers, natural perils, road side-assistance, emergency medical expenses, and end-to-end claim services, among other benefits and features. More importantly, AlShammel policyholders enjoy a host of services provided by Tawuniya Drive and Droob program, which offer unique accident assistance service and rewards for defensive driving that unveils unique discounts and benefits for our clients.

Third party liability

Third-party liability insurance "Sanad" is a mandatory policy, designed to cover the cost of damage caused to motor vehicles due to unforeseen events such as theft and collision etc. It is designed to provide dependable coverage in case accidents where the client is not at fault, with benefits that include coverage against theft, no claims discount, and loyalty discounts for insured drivers.

Third party plus liability

Third-party plus liability "Sanad Plus" is a unique insurance product offering where clients are able to buy mandatory "Sanad" coverage and complement it with additional optional features and coverages that include coverage against loss or damage, personal accidents, road-side assistance, among others. Retail motor insurance policyholders were also offered the option of paying their policy premium in 3-6 monthly installments without interest or additional fees. This program is the first of its kind in the Saudi Arabian insurance market.

One of Tawuniya's most unique contributions to the Motor Insurance market however, was the introduction of the behavior-centered driver program - Tawuniya Drive.

2022 Highlights

A total of 378,922 new motor insurance policies were purchased during the reporting period, resulting in a 68% sales growth across the business vertical, buoyed by the benefits and appeal of Tawuniya Drive. Of the total motor claims received in 2022, 63% were made online, a successful 274% year-on-year growth.

The total gross written premiums for Tawuniya's motor insurance business totaled SAR 1.04 Bn. for the year under review. Motor Insurance contributed 7.26% of Tawuniya's total revenue in 2022.

Tawuniya Drive

In March 2021, Tawuniya introduced the pioneering telematics program Tawuniya Drive to the Saudi Market. The program incentivizes safer, more sustainable driving by rewarding safe drivers through the Drive mobile app. It has been shown to significantly improve the driving behaviors of users, leading to fewer accidents, less cell-phone usage, and ultimately, safer roads and communities.

At the center of the Tawuniya Drive program is an app that collects and analyses driving data through a sensor that is attached to the user's vehicle. The sensor is able to pick up data relating to acceleration, braking, mobile phone usage, speed and speed limit violations among other driving behaviors.

Drivers earn up to 100 redeemable points per week by practicing safe driving behavior mapped by this data, and an additional 75 points per month. The scores are represented by a star rating, which the driver can view in the Drive app.

Drivers can access a range of rewards from Tawuniya Drive's success partners using their weekly point balance. The rewards range from fuel and car maintenance discounts to food and beverage vouchers.

Mobility Insurance

The program provided exclusively to AlShammel policyholders giving them the opportunity to earn weekly rewards and premiums discounts of up to 20%. It aims to improve road traffic safety for clients and communities—a goal that aligns with the National Transformation Program (NTP) and the Kingdom of Saudi Arabia's Vision 2030.

The loss ratio for Tawuniya Drive participants is 5% lower than that of their non-participant counterparts—a fact which suggests that Tawuniya Drive participants are involved in far fewer accidents. The data also shows that participants get an average of 10% more Drive points due to behavioral changes within eight weeks of joining the program. Since its successful launch in 2021, Tawuniya has gathered more that 100 million kilometers of driving data from this program, providing a unique insight into driving behavior and trends for our underwriting team.

2022 Highlights

Tawuniya Drive has significantly improved Tawuniya's motor insurance portfolio and financial performance by decreasing loss ratios and increasing retention rates. The program has also been successful in increasing client acquisition rates through its status as a market leading product. By the end of 2022, over 42,000 individual clients and 11,000 non-retail clients had registered for the program. Today, the program has more than 60% active engagement ratio on the phone and sensor program.

Personal/Individual Motor Insurance plans

Mechanical Breakdown Insurance

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 Insurance offers an outstanding level of repair services through a wide network of approved workshops across the Kingdom.

Corporate Motor Insurance plans

For corporates with more than 250 employees, Tawuniya offers motor insurance packages based on each company's needs, with a combination of comprehensive AlShamel covers complemented by Sanad third-party liability covers.

Motor Insurance additional extensions:

- Geographical extension
- Hire care facility
- Agency repairs
- Personal accident
- Waiver of depreciation clause

Value-added services

Roadside assistance – Doroob Program

Roadside assistance refers to a combination of services that help drivers with various mechanical and towing solutions. The issues roadside services can resolve ranges from flat tire and dead battery to minor repair and vehicle recovery. This unique service offering o our AlShammel insured drivers offers a high level of convenience and service excellence that deals with road unpredictability and inconveniences:

- Vehicle towing service
- Battery charge or change
- Emergency fuel supply or tire change services

Doroob program also provides, free of charge, the service of transporting the vehicle to the periodic inspection station for inspecting the vehicle and then returning it and submitting the final report. As well as, regular car service pickup and delivery to provide our working and busy clients the convenience of getting their car serviced seamlessly.

General Insurance (Property and Casualty)

Tawuniya's General insurance business 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 corporates covered by our comprehensive general insurance policies.

General risks are assessed in detail based on their potential impacts on Tawuniya. In the evaluation of such risks, are continually assessed, with a plan to introduce additional environmental assessment criteria in the future. Tawuniya is developing insurance products to insure solar panels, to support the Kingdom's transition to more renewable energy sources, while also working to integrate sustainability into the claims process by encouraging the use of sustainably sourced materials for repairs over replacement wherever possible. Furthermore, Tawuniya works with experienced engineers to perform comprehensive assessments of the potential risks of underwriting.

Tawuniya is insuring General clients across all major Saudi industries, and the customer journey across a majority of our General line products for retail clients – from application to claims – have been fully digitized. Tawuniya continuously aims to educate clients regarding accident prevention across all General insurance industries and sectors. The company conducts regular surveys to better understand its clients and the issues they face in their respective industries.

2022 Highlights

During the year under review, a total of 489,513 new General insurance policies were issued, recording a 98% sales growth across the business vertical. Of the total General insurance claims received in 2022, 25% were made online, a successful 100% year-on-year growth.

The total gross written premiums for Tawuniya's General business line totaled SAR 2.13 Bn. for the year under review, with the business line contributing 19% of Tawuniya's total revenue in 2022.

Personal/Individual General Insurance products

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.

International Travel Insurance

Designed to eliminate risks and uncertainties for Saudi nationals for traveling across the GCC, Schengen countries, and other worldwide destinations.

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.

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.

Small and Medium Enterprises (SMEs) – 360° Property & Causality Program

Tawuniya offers a 360° insurance plan for all insurance needs for growing businesses with less than 250 employees, including programs tailored to suit four key SME sectors in the Kingdom; hospitality, trading, contractors, and manufacturing.

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 asset. 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.

General Insurance (Property and Casualty)

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 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.

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.

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.

Asset management

All of Tawuniya's investments are Sharia compliant, organically excluding certain sectors 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:

- Deposits with banks
- Fixed income investments
- Equities
- Alternative assets (private credit, private equity, real estate)

Saudi/GCC equities both are managed internally and through external fund manger, emerging and global equities are managed externally. 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.

1. Filtering out all investments that are not Sharia compliant
2. Assessment of the Investment's potential impacts on governance and economic stability, conducted by the Risk Management Committee
3. Operations of the Company in question are evaluated for their stability and growth potential
4. Legal due diligence
5. Final review by Tawuniya's Investments Committee

2022 Highlights

During the year under review the asset management business line contributed SAR 300 Mn. to Tawuniya's total earnings before taxes and Zakat in 2022.

OUR ESG STRATEGY AND PERFORMANCE

ESG Strategy

Tawuniya's commitment to ESG is one of the key promises to stakeholders in the Company's Strategy 2025, which also remains in complete alignment with the Kingdom's Vision 2030. Tawuniya continues to support the core promise of Vision 2030 by contributing towards building a "strong, thriving, and stable Saudi Arabia that provides opportunity for all".

The Company's approach to ESG also supports several United Nations Sustainable Development Goals (SDGs), thereby making the most impact on stakeholders and the environment through its business operations, underwriting activities, investments, and community programs.

Insurance and Investment

Develop sustainable products	Integrate ESG into investment policies	Evaluate and integrate ESG into operations	Digitize operations and ecosystems	Expand market reach and partnerships

Environmental

- Measure emissions and carbon footprint
- Reduce waste, water and energy comsumption
- Set a net zero target for scope 1/2/3 emissions

Social

- Establish a decent workplace
- Promote diversity and equal opportunity
- Enhance human capital development
- Improve date privacy and security
- Improve customer satisfaction and loyalty
- Further expand community engagement
- Assure health and safety of clients

Governance

- Secure ethical behaviour
- Maintain highlevel of corporate governance
- Further strengthen local content
- Foster the relationship with governmental bodies

Sustainability

Evaluate membership of the UN PSI	Establish ESG integration framework	Establish with ralevant stakeholders

While Tawuniya's ESG initiatives are briefly narrated below, a more detailed account of the Company's progress along its ESG Strategy will be disclosed in the Tawuniya ESG Report 2022.

Environmental

As a pioneer in the Saudi Arabian insurance market, Tawuniya recognizes its responsibility to help secure the future of the planet, and remains fully compliant with all environmental regulations in Saudi Arabia.

Resource consumption

Since 2020, Tawuniya has significantly improved its resource consumption and the sentiment towards resource conservation across its rapidly growing team. An ESG-focused corporate culture has been nurtured, supported and strengthened by comprehensive awareness campaigns.

In line with its ESG Strategy, one of the key areas of focus in optimizing resource consumption has been through facility and layout improvements. The Company worked with leading architects to create greener, open office space to promote well-being and collaboration. The number of office plants was doubled, the layout was designed to maximize natural light, while rooms were opened up by limiting walls and barriers.

Tawuniya also invested in an intelligent environmental system across its newly renovated headquarters and Strategic Business Units (SBUs), to monitor, track and evaluate energy and water consumption, while an automatically regulated lighting system contributed towards further reducing the consumption of electricity. Ongoing virtualization efforts at Tawuniya also support the Company's environmental agenda, contributing towards reducing energy consumption.

The Company also continued to contain its water consumption per employee, despite the increase in number of employees. Tawuniya has over the last few years, successfully maintained a ratio of discharging 90% wastewater while utilizing the remaining 10% for a variety of purposes such as watering plants, cleaning buildings, and washing the Company's fleet of cars.

Additionally, having predominantly sourced locally to reduce its carbon footprint, Tawuniya plans to integrate ESG requirements into its procurement process to screen suppliers, and update supplier contracts on the same.

Waste management

The vast majority of paper waste generated across Tawuniya offices are recycled, with the revenues generated through such recycling efforts directed towards charitable organizations. The Company has reduced printouts with the end-to-end digitalization of its claims process, and also by centralizing its printing system to track individual consumption and incentivize responsible usage. Furthermore, Tawuniya also made significant progress in reducing paper waste along its value chain by generating digital versions of insurance brochures used for sales activities.

All other general waste is disposed of professionally with the use of hydraulic presses, reducing the number of vehicles needed to transport waste to disposal facilities. Old IT equipment in operating condition, are donated instead of being sent to landfills.

Environmental

GHG emissions

Tawuniya codified its Company policy on travelling only when required (following the success of the operating model utilized during COVID-19 pandemic), investing in reliable and high-performing virtual meeting infrastructure.

The Company plans to begin analyzing Scope 1 emissions across its main business activities in 2023. These efforts will expand to cover investing and underwriting activities in subsequent years such as insuring solar panels, electric and hybrid vehicles, along with the measuring of Scope 2 and Scope 3 emissions. The Company is currently laying the foundation for this assessment by collecting the relevant data and seeking out experts.

To further contribute to the Kingdom's net zero journey, Tawuniya has announced plans to build a park next to its headquarters with 200+ trees and 600+ bushes, in line with Vision 2030's Green Riyadh Initiative that promotes urban greening, and Saudi Green Initiative, which is working towards the rehabilitation of 40 million hectares of degraded land.

Environmental risk

Tawuniya's Business Continuity Management (BCM) assessment analyses and integrates environmental risks to ensure the Company can continue to serve its clients despite any such uncontrollable incident. The Company is constantly expanding the list of environmental factors to keep pace with changes to the environment, incorporating many key environmental risk factors, including sandstorms, windstorms, heatwaves, fires, floods and flash floods, heavy rains, earthquakes as well as epidemics and pandemics.

The Company is also working to incorporate these environmental risk factors into its financial and operational risk management strategies, with updates on these efforts planned for the coming years.

Social

At Tawuniya, our operations center around the long-term, mutually beneficial and sustainable relationships we build and nurture with our employees, our customers, and the communities in which we operate.

Social

Employees

Tawuniya places great emphasis on the health, equality, inclusion, diversity, and professional development of its growing team.

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 and concerns or constructive feedback with their managers and senior leadership. The grievance mechanism along with the Company's Whistleblower Policy is discussed under Governance (pages 41-43) in this chapter.

Tawuniya is fully compliant with all articles of Saudi Labor Law, and goes beyond minimum requirements to ensure employee needs are met.

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 exclusive home loan program
- A dedicated travel assistant
- A children's education assistant
- Parental leave

During the period under review, Tawuniya continued to build a fair, diverse, inclusive and equitable workplace in which people of all ages, genders, cultural backgrounds and abilities feel safe, nurtured and respected. Tawuniya has zero-tolerance regarding discrimination, bullying, and harassment.

Female empowerment

The Company is committed to balancing the ratio of female to male employees and ensuring a fair representation of females employed in management positions. To this end, Tawuniya has set realistic, measurable, department-specific goals to balance this ratio, holding each division accountable to achieve set targets. Both women and men are evaluated on the basis of their abilities and achievements, rather than their gender or background.

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.

Saudization

Aligned with the Saudi Nationalization Scheme of Vision 2030, Tawuniya focuses its hiring and recruitment efforts on Saudi Arabian nationals in an effort to increase its Saudization rate.

Learning and Development

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 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

Employees can access training programs through multiple channels including the Tawuniya portal for e-learning programs, classroom training sessions or even one-on-one trainings for employees that show high promise or express interest in their development.

P&C Special Development Program

A special, 24-month development program based on Property and Casualty (P&C) insurance open for both Tawuniya Employees that show great potential as well as Tawuniya's valued clients and partners. It is an exclusive, industry-leading program that delivers a range of benefits to participants, Tawuniya, and the insurance sector in general, including:

- Developing a world-class cadre of insurance leaders at Tawuniya
- Spreading insurance expertise to Tawuniya's clients and partners
- Educating participants about P&C insurance best practices
- Improving the technical skills and expanding the knowledge of P&C 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

Employee health and well-being

As is the nature of Tawuniya's business, the Company is 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. In 2022, Tawuniya launched a breast cancer awareness campaign under the slogan "Stop your life a moment", promoting early checkups with a checkup station for its employees.

Social

Customers

Tawuniya's continued the digitalization of its customer journeys has resulted in a more enriched and interactive customer experience, engaging with customers through multiple channels, to better understand customer needs, and to meet those needs through innovation and by offering affordable, accessible, high-quality insurance solutions.

Customer Satisfaction

Tawuniya has maintained its repute for exceeding customer expectations with superior customer experiences and a commitment to service, key drivers of Strategy 2025, and of Tawuniya's growing customer loyalty. Tawuniya regularly assesses customer satisfaction using two measures:

- Net Promoter Score (NPS)
- Customer Satisfaction Score (CSAT)

Tawuniya Ithra

Ithra
prime

The first loyalty program of its kind in the Saudi insurance sector, Ithra is designed to enrich the lives of Tawuniya policyholders with numerous benefits and discounts across a growing partner network that includes family entertainment providers, sports clubs, vehicle maintenance and delivery services, among others.

Ithra loyalty benefits

All Tawuniya insured drivers are offered the opportunity to take advantage of special discounts on a wide range of vehicle services and products that are supplied by distinguished partners and can be availed by motor insurance customers who are registered under the Tawuniya Ithra loyalty program.

The Company's operational role as an insurer also results in the claims process being one of Tawuniya's metrics in improving customer satisfaction. Tawuniya prides itself for its automated and digitized claim resolution process with one of the lowest average settlement times in the local insurance sector.

Additionally, the Company launched Tawuniya Vitality (page 23) and Tawuniya Drive (page 26), two programs that support the health and well-being of customers through the integration of behavioral science, smart tech, data and incentives. During the year under review, Tawuniya Vitality promoted female fitness, rewarding those who engaged in workout sessions regularly. One of Tuwaniya Vitality's highly demanded incentives during 2022 were the World Cup Tickets to Saudi National Team games at the 2022 FIFA World Cup. To mark the second anniversary of the launch and success of Tawuniya Vitality, the Company rewarded each of its Platinum members with 10,000 Al-Fursan miles.

Social

Tawuniya Vitality and Tawuniya Drive play an important role in helping customers adopt healthier, more sustainable habits, which will benefit society for years to come.

Tawuniya Health Zone also conducted 101 events and 27 Healthy Eating Workshops. Other health and well-being initiatives held in 2022 include a life coaching workshop, CPR and Yoga sessions and 30 TAJ activation promotions.

Community

Tawuniya's Corporate Social Responsibility (CSR) Strategy is built on four pillars:

- Health
- Safety
- Productivity
- Environment

Tawuniya evaluates and analyzes its social responsibility programs, from selection phase to completion and follow-up, and adjusts its approach to CSR projects accordingly, carrying out multiple CSR initiatives each year to create the most impact across target groups and communities. These include annual events such as Ramadan contribution. In 2022, Tawuniya and its employees participated in a campaign during Ramadan, donating SAR 100,000 through the "Ehsan" platform, demonstrating the Company's active social role, and belief in the values of the Kingdom.

The Company primarily uses social media – a key communication channel – to educate the public about issues, developments, and topics related to Tawuniya's service offering including educational resources for female drivers, healthy eating guides and extreme weather conditions.

Additionally, Tawuniya extends free medical claims to selected non-profit organizations in Saudi Arabia, while educating society through a dedicated campaign to promote financial literacy.

Governance

Good governance and good business goes hand in hand. At Tawuniya, we ensure our shareholders and other stakeholders have access to transparent, accurate and relevant information of our Board, our financial processes and disclosures, our policies and standards among other governance practices, which makes Tawuniya an ethical, responsible, and sustainable business.

Governance

Data privacy and information security

With digitization comes a multitude of regulations, requirements, and complications that Tawuniya continues to address regularly. Protecting the personal data and privacy of employees, customers, and partners remains one of Tawuniya's top corporate governance priorities. The Company constantly seeks to strengthen its security measures to keep pace with evolving risks.

Tawuniya recently implemented a data classifier program across all web, email, and network traffic. With its identity and access management system, the Company introduced an authentication and authorization process that enables its IT department to work hand-in-hand with functional and business teams.

Furthermore, Tawuniya's comprehensive governance framework defines access to data with a rule-based protocol consisting of four different classifications:

- Internal
- Confidential
- Public
- Restricted

These classifications prevent unauthorized access to data by screening access requests based on credentials. With a dedicated Chief Data and Analytics Officer overlooking a growing internal team working on data security, Tawuniya further strengthened the privacy of its stakeholder data during the reporting period, secured against any potential data breaches.

A Company-wide Data Leak Prevention (DLP) program, which includes a software that actively analyses the IT systems to find weaknesses and potential data deficiencies, has enabled Tawuniya to be transparent with its data security compliance measures. The Company's current system for data privacy and information security includes more than 190 controls and procedures, and is fully aligned with current Saudi National Disaster Management Office (NDMO) and Saudi Data and Artificial Intelligence Authority (SDAIA) standards.

Tawuniya also enhanced its customer data protection in alignment with the Kingdom's Personal Data Protection Law (PDPL), and is preparing to introduce a more comprehensive data protection policy similar to the EU's General Data Protection Regulation (GDPR), should such legislation be introduced in the Kingdom.

Tawuniya has retained a positive track record of zero incidents involving the breach, leak, theft, or loss of data over the past few years. There have also been no complaints from regulatory bodies concerning breaches of customer privacy.

Business ethics

Tawuniya promotes a culture of ethical behavior across the Company through a comprehensive set of policies, thereby upholding company ideals through clearly defined acceptable and unacceptable behaviors. They are considered important tools for promoting integrity among employees and building trust with key stakeholders. These policies include:

- Anti-Money Laundering Policy
- Gift Policy
- Whistleblower Policy
- Bribery and Anti-Corruption Policy
- Grievance Policy
- General Code of Conduct

The Company is currently in the process of updating each of these policies, and plans on implementing a dedicated ethics training course for employees to create further awareness among employees.

Anti-Money Laundering and Combatting of Terrorism Financing Practices

As a Company with high ethical standards, Tawuniya remains committed to preventing money laundering in all its forms, introducing the anti-money laundering risk charter for the prevention of criminal activities. The Company has a dedicated team in place to observe and track Company finances, while performing checks on all potential clients and partners to assess potential money laundering risks. In addition, a corrective plan to address and comply with all requirements related to anti-money laundering regulation in the Kingdom of Saudi Arabia has also been developed and implemented by Tawuniya.

The anti-money laundering team has worked with all business teams to integrate "know your customer" forms across internal systems. Additionally, Tawuniya also contracted Thomson Reuters to validate the Company's customer and sanction lists to ensure it is in line with national and international standards. Tawuniya has robust control mechanisms in place to minimize the risk of criminal money laundering, which are complemented by awareness sessions to educate employees on risks of money laundering and other financial crimes. The percentage of employees that have attended this training has been steadily increasing over the past few years.

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

Governance

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 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.

Compliance

Tawuniya has a compliance program to implement and comply with all relevant regulations from SAMA, CMA, CHI, and other regulatory bodies. Developments and requirements announced and implemented by these bodies are continuously screened and proactively acted on to prevent non- compliance. The Company uses a high-level compliance system to gather information about regulations, news, and messages, to ensure compliance with deadlines, and to gain insight into blind- spots and areas for improvement.

The Company evaluates its compliance processes against the SAMA guideline, with the compliance evaluation performed by the internal compliance department, which regularly checks for issues and aligns Tawuniya operations and processes with the most current regulations. The compliance team also advises on compliance requirements by assigning compliance goals to the relevant departments, and meeting with relevant stakeholders to develop action plans and clarify the required steps. The team follows up with the departments until all tasks from the action plan have been completed, and also delivers awareness messages to employees, such as announcing any updates to the Company's ethics policies.

The Company also performs a compliance assessment based on its compliance plan, and reports any non-compliance issues to the Audit Committee through the quarterly compliance report. The role of the compliance team is not to discover violations, but to support all departments by giving them sound compliance advice, thereby mitigating potential risks to us.

The compliance team also continuously reviews all internal policies and procedures. These policies are checked to ensure that there are no non-compliance issues, and that they reflect all current regulations. In addition, the compliance team is represented on the Product Committee to ensure that any newly released and updated products are fully compliant with regulations. Finally, the compliance team ensures that contract outsourcing is carried out in a compliant way, and that all material contracts are studied and approved by them before the SAMA approval is obtained.

BOARD REPORT

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 the Company, comply with best governance practices, and monitor the implementation of the Company's Corporate Governance Policy, thereby ensuring the protection of shareholders' rights, as well as, the rights of all other stakeholders. With shareholders enabled to hold the Board of Directors accountable as their representatives, and in turn, the Board carrying on its fiduciary duties to hold the management accountable, the Company balances the interests of all stakeholders while managing risks and achieving strategic goals.

Corporate Governance

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 September 2021), and its Implementing Regulations issued on 20 April 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)
- The Insurance Corporate Governance Regulations issued by the Saudi Arabian Monetary Authority (SAMA) on 22 October 2015
- The Audit Committee Regulation in Insurance and/or Reinsurance Companies issued by SAMA on 22 October 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 of Directors.

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 to prevent non-compliance.

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

Article No. or Paragraph	Wording of Article or Paragraph	Extent of Application	Reasons for Non-Implementation	Notes
Article 78 (a) – CMA Corporate Governance Regulations	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.	N/A	Guiding Article, not binding	The internal reports are submitted on a quarterly basis to the Audit Committee, and submitted on an annual basis to the Board of Directors. Nonetheless, when deemed necessary, the Internal Audit department will report to the Board on a quarterly basis.
Article 87 – CMA Corporate Governance Regulations Social Responsibility	The Ordinary General Assembly based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for the purposes of developing the social and economic conditions of the community.	N/A	Guiding Article, not binding	There is a corporate social responsibility policy duly approved by the Board of Directors.
Article 93 (a (4) b) – CMA Corporate Governance Regulations	The Company shall disclose the remuneration of the five Senior Executives who have received the highest remuneration from the Company, provided that the Chief Executive Officer and the Chief Financial Officer are among them.	Incompliance	Mandatory	The Company discloses the total element of the remuneration of its senior executives in accordance with the statutory requirements of Article 93 (4-b) of the Corporate Governance Regulations, which states that the remunerations of senior executives is to be disclosed collectively. In order to protect the interests of the Company, its shareholders and its employees, and to avoid any damage that may result from the disclosure of such information in detail to the extent of job titles and positions, with details of remuneration is not presented pursuant to Appendix (1), Remuneration Schedule of Corporate Governance Regulations related to Senior Executives, and that is based on paragraph (B) Article 60 of Rules on the Offer of Securities and continuing Obligations. Additionally, the new Company's Law issued in 2023 only discusses the disclosure of Board remuneration and does not pertain to the Company's Executives.

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 26 March 2020 for a three (3) year term, 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 strata of chief executive officers, 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
- Remuneration and Nomination Committee
- Investment Committee
- Risk Management Committee
- Audit Committee
- Technology Projects Committee

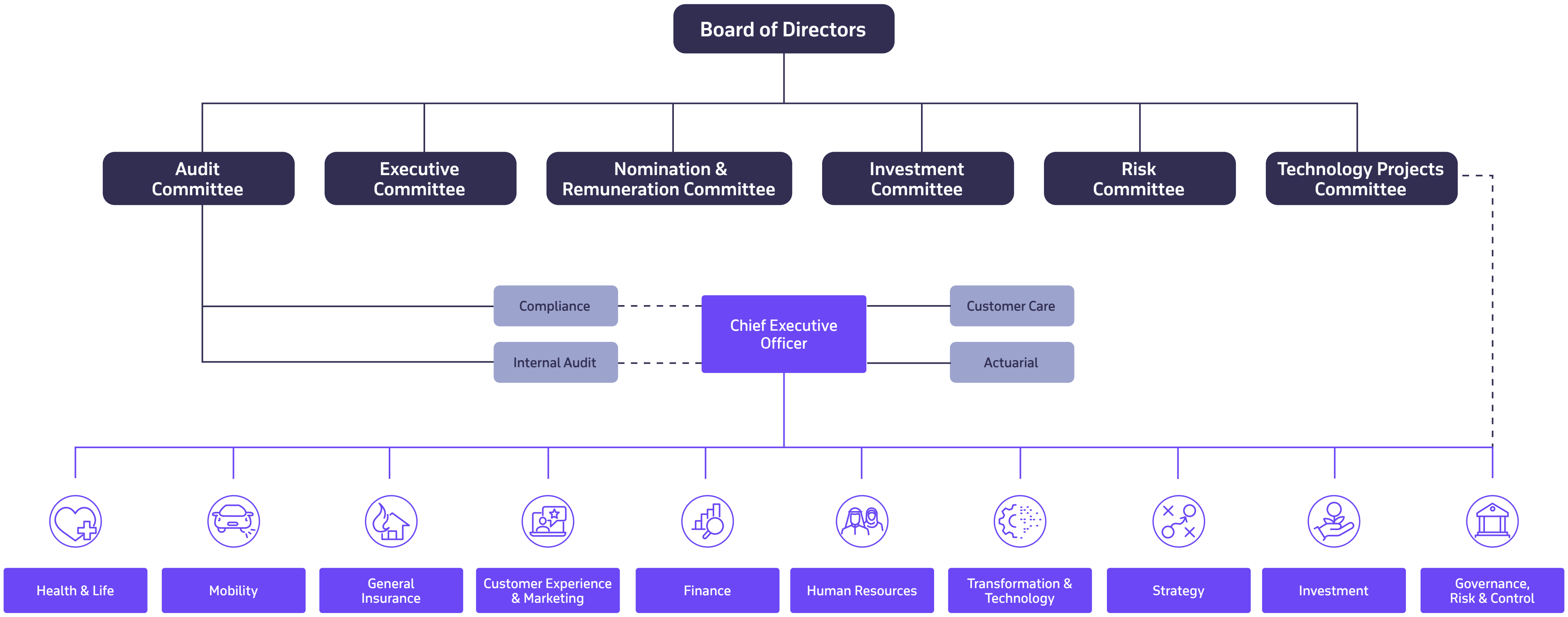
The duties and powers of the Board of Directors

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 labour 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 ratifying, claiming, defending, pleading, filing suits, accepting compromise, setting conciliation, accepting and objecting to of verdicts, arbitrating, requesting the execution of verdicts, raising opposition, receiving the proceeds of verdicts, enforcing verdicts, discharging debtors from their obligations, engaging 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 taking over, leasing rental, leasing and payment of rents and payables, opening of accounts and credits, withdrawing from deposits at banking institutions, funds and government funding institutions, and signing all papers, bonds, cheques, all commercial papers and documents, as well as, banking transactions.

Organization Structure



The Board and Committees' Members

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

Independent

Mr. Abdulaziz I. Alnowaiser
Chairman

E

The **Chairman of the Board**, Mr. Alnowaiser is an **Independent Director**, and currently sits on the Boards and Committees of a number of listed and non-listed companies as Chairman, Board Member or Committee Member. He also presently holds the position of Chief Executive Officer and Board Member of Tahakom Investment Company.

Mr. Alnowaiser draws from decades of experience across several administrative positions in the field of finance, having previously held the role of Vice President of Finance at both Arabian Internet Services & Telecom Company as well as Al-Othaim Investment and Real Estate Development Company. He was also the Executive Partner and eventual Chief Executive Officer of the National Consulting House, and the Chief Financial Officer of Elm Information Security Company, among other progressive roles in the sector.

Sharing his insight and knowledge on the evolving landscape of finance, Mr. Alnowaiser was also a lecturer at the Accounting Department of King Saud University, KSA, where he earned his Bachelors' degree in Accounting. He also holds a Master of Accounting degree from Case Western Reserve University in Cleveland, Ohio, USA, studying Finance and Information Systems as his two sub-specialties. Mr. Alnowaiser also holds a Diploma in International Financial Reporting Standards (DipIFR).

Non-Executive

Mr. Abdulaziz A. Al-Khamis
Vice Chairman

I

Mr. Al-Khamis is the **Vice Chairman of the Board**, and is a **Non-Executive Director**. 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. With a distinguished career spanning over two decades at the Saudi Central Bank (SAMA), Mr. Al-Khamis has also held the role of Vice Governor of Investment at the Public Pension Agency (PPA), and served as a Consultant to Raidah Investment Company when it was established to manage the PPA's assets.

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

Mr. Waleed A. Aleisa
Director

E RM

One of our four **Non-Executive** Board Members, Mr. Aleisa currently sits on the Boards of the General Authority for Competition and United Insurance – Bahrain. Mr. Aleisa'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. Aleisa 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.

The Board and Committees' Members

Independent

Mr. Ehab M. Al Dabbagh
Director

RN I

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. Homood A. Altuwaijri
Director

I A

Mr. Altuwaijri 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. Altuwaijri 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 Bachelors' degree in both Industrial Engineering and Business Administration from the University of Washington, USA.

Non-Executive

Mr. Ghassan A. Al-Malki
Director

I RM TP

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.

The Board and Committees' Members

Non-Executive

Mr. Jaser A. Al Jaser
Director

RN RM

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

Mr. Al Jaser 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 Jaser'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.

Independent

Mr. Abdulrahman M. Al Odan
Director

E RM TP

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 Riyad 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.

Dr. Khaled A. AlGoneim
Director

RN TP

Dr. AlGoneim is an **Independent Board Member** at Tawuniya, and 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 Compay, Etihad Etisalat Company (Mobily), the Bayan Credit Bureau, Al Obeikan Investment Group, and the Riyadh Second Health Cluster.

Dr. AlGoneim was previously the Chairman of the Executive Board at Takamol Holding Company, and Chief Executive Officer at both Saudi Telecom Company and Elm Company. He has also held previous Memberships on Boards and Committees including the Executive Committees of B20, Mawhiba, King Abdulaziz City for Science and Technology, Takaful Charity, and the Human Resources Development Fund (HADAF). He holds a Ph.D. in Electrical and Computer Engineering from Carnegie Mellon University, Pennsylvania, USA, and holds a Bachelors' degree of Electrical and Computer Engineering from King Saud University KSA, among many other professional certifications.

The Board and Committees' Members

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

Member name	Names of Companies in which a Board Member is a member of their current Board or a Manager	Inside/outside the Kingdom	Legal entity	Names of Companies in which a Board Member is a member of their Previous Board or a Manager	Inside/outside the Kingdom	Legal entity
Mr. Abdulaziz I. Alnowaiser	Board Chairman - Tawuniya	Inside KSA	Listed joint stock company	Board Chairman - The Saudi Tourism Development Company (2009-2011)	Inside KSA	Joint stock company
	Audit Committee Member - National Water Company	Inside KSA	Listed joint stock company			
	CEO and Board Member - Tahakom Investment Company	Inside KSA	Unlisted joint stock company			
	Board Member and Audit Committee Member - Maharah Human Resources Company	Inside KSA	Listed joint stock company	Board Member - The House of National Consulting Company	Inside KSA	Limited liability company
	Audit Committee Member - Saudi Railways Company	Inside KSA	Governmental entity	Board Member - Al-Humaid & Al-NeMr. Consulting Company	Inside KSA	Professional company
	Audit Committee Member - King Khalid Eye Hospital	Inside KSA	Governmental entity			
	Audit Committee Member - Fly Adeal airline	Inside KSA	Governmental entity			
	Audit Committee Chairman - Etihad Itesalat (Mobily)	Inside KSA	Joint stock company			
	Board Member - Saudi Entertainment Ventures Company	Inside KSA	Unlisted joint stock company			
Mr. Abdulaziz A. Al-Khamis	Board Vice Chairman - Tawuniya	Inside KSA	Listed joint stock company	Board Member - National Petrochemical Company (Petrochem) (2008-2016)	Inside KSA	Joint stock company
	Board Member and Vice Chairman - Saudi Investment Bank	Inside KSA	Listed joint stock company	Board Member - Sahara International Petrochemicals Company (Sipchem) (2010-2016)	Inside KSA	
	Board Member - United Insurance Company (Bahrain)	Outside KSA	Bahraini closed joint stock company	Board Member - Saudi Polymers Company (2010-2016)	Inside KSA	Limited liability company
	Board Member and Vice Chairman - Tabuk Cement Company	Inside KSA	Listed joint stock company			
Mr. Waleed A. Aleisa	Board Member - Tawuniya	Inside KSA	Listed joint stock company	Board Member - Riyadh Bank (2010-2016)	Inside KSA	Joint stock company
	Board Member - United Insurance Company (Bahrain)	Outside KSA	Bahraini closed joint stock company	Board Member - Raza Company	Inside KSA	Limited liability company
	Board Member - The General Authority for Competition	Inside KSA	Government entity	Board Member - Jabal Omar Company	Inside KSA	Unlisted joint stock company

The Board and Committees' Members

Member name	Names of Companies in which a Board Member is a member of their current Board or a Manager	Inside/outside the Kingdom	Legal entity	Names of Companies in which a Board Member is a member of their Previous Board or a Manager	Inside/outside the Kingdom	Legal entity
Mr. Ehab M. Al Dabbagh	Board Member - Tawuniya	Inside KSA	Listed joint stock company	Board Member - Saudi Financial Support Services Company (2008-2014)	Inside KSA	Unlisted joint stock company
	Board Member - Bidaya Home Finance	Inside KSA	Closed joint stock company			
	Board Member - Mudaraba Financial Company	Inside KSA	Closed joint stock company			
	Chief Executive Officer - Ijmal Limited	Inside KSA	Limited liability company			
	Executive Offices Company	Inside KSA	Limited liability company			
Mr. Homood A. Altuwaijri	Board Member - Tawuniya	Inside KSA	Listed joint stock company	Board Member - National Industrial Clusters Development Program (2018)	Inside KSA	Governmental entity
	Board Member - Etihad Etisalat Company (Mobily)	Inside KSA	Joint stock company	Board Chairman - Al-Jubail Petrochemical Company (2008 - 2012)	Inside KSA	Limited liability company
	Audit Committee Member - Banque Saudi Fransi	Inside KSA	Joint stock company	Board Chairman - Saudi Yanbu Petrochemical Company (2008-2012)	Inside KSA	Limited liability company
				Board Member - Tabuk Cement Company (2014-2016)	Inside KSA	Joint stock company
				Board Member - Alinma Bank (2013-2016)	Inside KSA	Joint stock company
				Board Member - SABIC Capital (2009-2012)	Outside KSA	Limited liability company
				Board Member - Aluminum Bahrain (ALBA) (2008-2012)	Outside KSA	Joint stock company
				Board Member - Saudi Ports Authority (MWANI)	Inside KSA	Government corporation
				Board Member - Water and Electricity Company (Marafiq)	Inside KSA	Closed joint stock company
				Board Member - Royal Commission for Jubail and Yanbu from 2004-2007	Inside KSA	Governmental entity
Mr. Ghassan A. Al-Malki	Board Member - Tawuniya	Inside KSA	Listed joint stock company	None		
	Director of the Department of Digital Excellence - General Organization for Social Insurance	Inside KSA	Governmental entity			
Mr. Jaser A. Al Jaser	Board Member - Tawuniya	Inside KSA	Listed joint stock company	Board Member - Saudi Industries Development Company (2013-2017)	Inside KSA	Joint stock company
	General Manager of Strategy and Transformation - General Organization for Social Insurance	Inside KSA	Governmental entity			

The Board and Committees' Members

Member name	Names of Companies in which a Board Member is a member of their current Board or a Manager	Inside/outside the Kingdom	Legal entity	Names of Companies in which a Board Member is a member of their Previous Board or a Manager	Inside/outside the Kingdom	Legal entity
	Board Member - Sothern Province Cement Company	Inside KSA	Listed joint stock company			
Mr. Abdulrahman M. Al Odan	Board Member - Tawuniya	Inside KSA	Listed joint stock company	None		
	Board Member - Saudi National Bank (Al Ahli)	Inside KSA	Listed joint stock company			
	An External Member of the Audit Committee - Tadawul Holding Group	Inside KSA	Listed joint stock company			
	Member of the founding committee - Small and Medium Enterprises Bank	Inside KSA	Governmental entity			
	Chairman - Komate Industrial Company	Inside KSA	Limited liability company			
	Board and Audit Committee Member - ELM CO	Inside KSA	Listed joint stock company			
	Owner and Manager - Security House EST	Inside KSA	Limited liability company			
Dr. Khaled A. AlGoneim	Board Member - Tawuniya	Inside KSA	Listed joint stock company	Board Member - National Water Company (2008-2016)	Inside KSA	Closed joint stock company
	Board Member - UNIFONIC Co.	Inside KSA	Limited liability company	Board Member - Etihad Etisalat (2015 -2018)	Inside KSA	Joint stock company
	Board Member - Second Health Cluster Company	Inside KSA	Government corporation	Board Member - Saline Water Conversion Corporation (2006-2012)	Inside KSA	Government corporation
	Board Member - Obeikan Investment Group	Inside KSA	Closed joint stock company	Board Member - King Abdulaziz City for Science and Technology (2016-2017)	Inside KSA	Government scientific corporation
	Board Member - Bayan Credit Bureau	Inside KSA	Limited liability company	Board Member - Human Resources Development Fund (2013-2016)	Inside KSA	Government corporation
	Board Member - Etihad Etisalat (Mobily)	Inside KSA	Listed joint stock company	Board Member - Public Transport Authority (2015-2018)	Inside KSA	Government corporation
	Board Member - Elm Company	Inside KSA	Listed joint stock company	Board Member - Mawhiba (2017-2020)	Inside KSA	Non-profit organization
	Chairman of the Executive Board - Mozn for Communications and Information Technologies Company	Inside KSA	Limited liability company	Board Member - Takaful Charity Company (2013-2019)	Inside KSA	Non-profit company
	Chairman of the Executive Board - Hawaz Communications and Information Technology Company		Limited liability company	Board Member - Takamol Holding Company (2013-2016)	Inside KSA	Governmental company
				Board Member - Thiqah Business Services HQ (2012-2014)	Inside KSA	Governmental company
				Board Member - The Saudi Company for Electronic Information Exchange -Tabadul (2009-2013)	Inside KSA	Joint stock company
				Board Member - UNIFONIC Co. (2019-2021)	Inside KSA	Limited liability company

The Board and Committees' Members

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-Executives of such opinions, suggestions, or 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 2022 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 2022 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 2022 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 (18 May 2022)
1.	Mr. Abdulaziz I. Al-Nowaiser – Chairman of the Board	Attended
2.	Mr. Abdulaziz A. Al-Khamis – Vice Chairman	Attended
3.	Mr. Waleed A. Aleisa	Attended
4.	Mr. Homood A. Altuwaijri	Attended
5.	Mr. Ehab M. Al Dabbagh	Attended
6.	Mr. Ghassan A. Al-Malki	Attended
7.	Mr. Jasser A. Al Jasser	Attended
8.	Mr. Abdulrahman M. Al Odan	Attended
9.	Dr. Khaled A. AlGhonaim	Attended

The Board and Committees' Members

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

Member name	Number of meetings (4)				Total
	First meeting (27 March 2022)	Second meeting (02 June 2022)	Third meeting (20 August 2022)	Fourth meeting (27 December 2022)	
1. Mr. Abdulaziz I. Alnowaiser	✓	✓	✓	✓	4 meetings
2. Mr. Abdulaziz A. Al-Khamis	✓	✓	✓	✓	4 meetings
3. Mr. Waleed A. Aleisa	✓	✓	✓	✓	4 meetings
4. Mr. Ehab M. Al Dabbagh	✓	✓	✓	✓	4 meetings
5. Mr. Homood A. Altuwaijri	✓	✓	✓	✓	4 meetings
6. Mr. Ghassan A. Al-Malki	✓	✓	✓	✓	4 meetings
7. Mr. Jaser A. Al Jaser	✓	✓	✓	✓	4 meetings
8. Mr. Abdulrahman M. Al Odan	✓	✓	✓	✓	4 meetings
9. Dr. Khaled A. AlGhonaim	✓	✓	✓	✓	4 meetings

Date of the last General Assembly meeting: 18 May 2022.

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 Remuneration and Nomination Committee, and in accordance with the relevant laws, regulations and conditions approved by the General Assembly. Any remuneration or compensation for the Chairman or Board Members is disbursed only upon approval of 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 consist of, 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 SAMA 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 Extra-Ordinary General Assembly held on 03 May 2022 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 the recommendation of the Nomination and Remuneration Committee in addition to remuneration for the Chairman of the Board of Director for which the SAMA's NOC was obtained in accordance with the relevant laws, regulations and instructions and with the conditions and standards approved by the General Assembly.

The Relationship between the Remuneration Awarded and the Applicable Remuneration Policy:

In granting the remuneration to the Board members, The Company adopts the contents set forth in Article (19) of the Articles of Association of The Company and in accordance with the policy of remuneration to the Board members and committees as well as the Executive Management, which has been approved by the Company's General Assembly. It clarifies the mechanism for determining and approving remuneration for each of the BOD members and the executive management as mentioned above.

The Board and Committees' Members

Remuneration of the Board Members

Members of Board of Directors	Fixed remunerations							Variable remunerations					
	Specific amount	Allowance for attending Board meetings	Total allowance for attending committee meetings	In-kind benefits	Remunerations for technical managerial and consultative work	Remunerations of the Chairman Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total
First: Independent Members													
Mr. Abdulaziz I. Alnowaiser	450	20	35	–	–	600	1,100	–	–	–	–	–	–
Mr. Homood A. Altuwaijri	600	20	70	–	–		690	–	–	–	–	–	–
Mr. Ehab Al Dabbagh	450	20	40	–	–		500	–	–	–	–	–	–
Total													
Second: Non-Executive Members													
Mr. Abdulaziz A. Al-Khamis	450	20	20	–	–		490	–	–	–	–	–	–
Mr. Waleed A. Aleisa	450	20	60	–	–		500	–	–	–	–	–	–
Mr. Ghassan A. Al-Malki	450	20	90	–	–		500	–	–	–	–	–	–
Mr. Jaser A. Al Jaser	450	20	45	–	–		500	–	–	–	–	–	–
Mr. Abdulrahman M. Al Odan	450	20	110	–	–		500	–	–	–	–	–	–
Dr. Khaled A. AlGhoneim	450	20	70	–	–		500	–	–	–	–	–	–
Total							5,280						
Third: Executive Members													
N/A													
Total													

The Executive Management

Executive Management of the Company and their Qualification and Experience

Mr. Abdulaziz H. Al Boug
Chief Executive Officer

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 is currently the CEO of Tawuniya, 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. Beyond stabilizing the company's financials, he developed and is currently leading the execution of an ambitious and transformational strategy for the company.

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. Furthermore, Al Boug is a member of the Executive Committee, and the Nomination and Remuneration Committee at Tawuniya.

Dr. Ammr K. Kurdi
Chief Financial Officer

The 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).

The Executive Management

Dr. Othman Y. Al-Kassabi

Chief Executive Officer -
Health Insurance Sector

The Chief Executive Officer of the Health Insurance Sector of Tawuniya, Dr. Al-Kassabi counts more than 17 years of experience in healthcare. He has held a number of key positions across the 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 Masters' degree in International Management and Leadership from Al Yamamah University, KSA and a Bachelors' 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

Chief Executive Officer -
General Insurance Sector

The Chief Executive Officer of Tawuniya's General Insurance Sector (formerly P&C), Mr. Al-Khomashi has more than 21 years of experience in Tawuniya across the fields of property, casualty, 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, most notably of the Technical and Reinsurance Committee at the level of the Saudi insurance industry affiliated with the Saudi Central Bank (SAMA). He also 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 Masters' in Insurance and Risk Management from Case Business School, London, UK, and both a Masters' and Bachelors' degree in Chemical Engineering from King Saud University, KSA. He also holds an Advanced Diploma in Insurance (ACII) from the Charted 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.

The Executive Management

Mr. Mansour F. Abuthnain
Chief Executive Officer - Mobility Insurance Sector

The Chief Executive Officer of the Mobility Insurance Sector at Tawuniya, Mr. Abuthnain counts close to 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 Bachelors' 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
Chief Investment Officer

The Chief Investment Officer of Tawuniya's, 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 Riyad Bank, Emirates NBD, Tadawul, and Manafe Holding.

He holds a Bachelors' 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).

Mr. Thamer S. Al-Harthi
Chief Human Capital Officer

The Chief Human Capital Officer at Tawuniya, Mr. Al-Harthi 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-Harthi was also the founder and Senior Consultant of Enjaz Management Consultants. He holds a Bachelors' degree of Law from King Abdulaziz University, KSA.

The Executive Management

Mr. Marwan A. Al-Ghamdi
Chief Strategy Officer

The 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.

Eng. Yaser Allaf
Chief Governance, Risk, and Control Officer

The Chief Governance, Risk, and Control Officer, Mr. Allaf's career in the financial sector spans more than 25 years with solid business, control and governance background. Prior to joining Tawuniya Eng. Allaf was Head of Wholesale Treasury and Market Risk at Saudi National Bank (SNB). Eng. Allaf was also the Executive Director of Risk Management at Abdul Latif Jameel United Finance Company. Eng. Allaf served a number of membership committees including Financial Institutions Risk Committee, Risk Committee at Wafa Insurance, Asset-liability committee at SNB, and Abdul Latif Jameel Group Medical Insurance Committee. Eng. Allaf holds a Masters' degree in Business Administration from University of Business & Technology, KSA, and a Bachelors' degree in Electrical Engineering from King Abdulaziz University, KSA along with many professional and specialized certificates and leadership training programs.

The Executive Management

Mr. Abdullah Al Shargi
Chief Transformation and Technology Officer

Chief Transformation and Technology Officer at Tawuniya, Mr. Al Shargi counts over 16 years of experience in setting-up and leading large-scale, multi-billion SAR 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 Masters' degree in Business Administration from Al Faisal University, KSA, and a Bachelors' degree in Information Systems from King Saud University, KSA.

Mr. Adel A. Al-Hamoudi
Chief Customer Experience and Marketing Officer
(Resigned on 28 July 2022)

The Chief Customer Experience & Marketing Officer at Tawuniya, Mr. Al-Hamoudi's counts over 24 years of experience within the company in the field of sales management and key accounts. Prior to joining Tawuniya, Mr. Al-Hamoudi held a number of key positions within the company, including Vice President of Corporate and Key Accounts Sales, and Senior Vice President of Marketing & Sales. He also holds a number of memberships in several committees at Tawuniya.

He holds a Bachelors' degree in Mass Communication - PR & Advertising, and an IFCE Certification from The Financial Academy, KSA, among a number of other professional certifications and advanced leadership trainings.

The Executive Management

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

The Ordinary General Assembly of the Company held its meeting on 18 April 2022 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 upon an extensive market benchmarking exercise conducted with the assistance of an expert third-party, and was 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 SAR '000
Remuneration and compensations received by the five highest Executive Management members Including the CEO and CFO	8,210	3,698	9,542	1,004	22,454

** 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 detected to by the Board that are beyond 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

Name	Nature of membership	Number of Executive Committee Meetings						
		First meeting (27 February 2022)	Second meeting (20 March 2022)	Third meeting (22 May 2022)	Fourth meeting (14 August 2022)	Fifth meeting (04 September 2022)	Sixth meeting (08 November 2022)	Seventh meeting (21 December 2022)
1. Mr. Abdulaziz I. Alnowaiser	Committee Chairman	✓	✓	✓	✓	✓	✓	x
2. Mr. Waleed A. Aleisa	Member	✓	✓	✓	✓	✓	✓	✓
3. Mr. Abdulrahman M. Al Odan	Member	✓	✓	✓	✓	✓	✓	✓
4. Mr. Abdulaziz H. Al Boug	Member	✓	✓	✓	✓	✓	✓	✓

Remuneration of the Committee Members (SAR '000)

Member	Fixed remuneration (except attending sessions)	Allowances for attending sessions	Total
Mr. Abdulaziz I. Alnowaiser	150	35	**185**
Mr. Waleed A. Aleisa	0	35	**35**
Mr. Abdulrahman M. Al Odan	0	35	**35**
Mr. Abdulaziz H. Al Boug	0	0	**0**

Remuneration and Nomination Committee

The Remuneration and Nomination 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. To recommend to the BoD nomination for membership of the Board and its committees, in accordance with the regulatory requirements, standards, and policies adopted.
2. The annual revision required for the needs of the suitable skills for membership of the BoD and its committees and preparing a description of the capabilities and qualifications required for membership of the Board and its committees and determining the time that needs to be devoted by the member to carryout their responsibilities within the Board and/or its committees.
3. Assess the structure and composition of the Board and its committees, determine their vulnerabilities on a regular basis and propose the necessary steps to address them.
4. Assess and monitor the independence of the member of the Board and its committees and ensure there are no conflicts of interests including, ensuing on an annual basis, the independence of the Board's independent members.
5. Set clear policies for compensation and remuneration of the members of the Board of Directors and its committees and Senior Management.
6. Evaluate the performance of the members of the BoD and its committees periodically.
7. Present recommendations with respect to the nomination and dismissal of the members of Senior Management.
8. Design the policy and procedures for succession to the CEO and the members of Senior Management and monitoring the implementation of the succession plans and procedures.
9. Review the compensation plans of the members of Senior Management.
10. Supervise the induction program and training for Members of the BoD.
11. Submit recommendations to the Board on matters relating to nomination and remuneration.

Meetings and Attendance

	Name	Nature of membership	Number of Remuneration and Nomination Committee Meetings			
			First meeting (08 March 2022)	Second meeting (29 June 2022)	Third meeting (05 October 2022)	Fourth meeting (25 December 2022)
1.	Mr. Ehab M. Al Dabbagh	Committee Chairman	✓	✓	✓	✓
2.	Mr. Jaser A. Al Jaser	Member	✓	✓	✓	✓
3.	Dr. Khaled A. AlGhoneim	Member	✓	✓	✓	✓
4.	Mr. Abdulaziz H. Al Boug	Member	✓	✓	✓	✓

Remuneration of the Committee Members (SAR '000)

Member	Fixed remuneration (except attending sessions)	Allowances for attending sessions	Total
Mr. Ehab M. Al Dabbagh	150	20	170
Mr. Jaser A. Al Jaser	150	20	170
Dr. Khaled A. AlGhoneim	150	20	170
Mr. Abdulaziz H. Al Boug	0	0	0

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 the investment strategy and policies, and ensure strict compliance with them.
3. Review and evaluate the investment proposals that require the approval of the Committee and make decisions about the Company's investments within the powers delegated by the BoD.
4. Hiring the investment managers outside the Kingdom and evaluating their services, terminate their duties and determining their fees.
5. Define the investment limits within and outside the Kingdom in accordance with the investment Regulations issued by SAMA.
6. Supervise the observance of investment limits in each investment pool or class.
7. Review and evaluate the Company's existing investments through periodic reports.
8. Update the Board on works, findings or decisions taken.

Meetings and Attendance

Name	Nature of membership	Number of Investment Committee Meetings			
		First meeting (07 February 2022)	Second meeting (15 May 2022)	Third meeting (22 August 2022)	Fourth meeting (10 November 2022)
1. Mr. Abdulaziz A. Al-Khamis	Committee Chairman	✓	✓	✓	✓
2. Mr. Homood A. Altuwaijri	Member	✓	✓	✓	✓
3. Mr. Ehab M. Al Dabbagh	Member	✓	✓	✓	✓
4. Mr. Ghassan A. Al-Malki	Member	✓	✓	✓	✓

Remuneration of the Committee Members (SAR '000)

Member	Fixed remuneration (except attending sessions)	Allowances for attending sessions	Total
Mr. Abdulaziz A. Al-Khamis	150	20	170
Mr. Homood A. Altuwaijri	150	20	170
Mr. Ehab M. Al Dabbagh	0	20	20
Mr. Ghassan A. Al-Malki	150	20	170

Risk Management Committee

The Risk Management Committee, which is affiliated to the Board, aims at assisting the Board in performing its corporate governance responsibilities in the aspect related to risk management, in addition to being responsible for overseeing and monitoring the Company›s Risk Management Plan, related practices, and its implementation in light of the Risk Management Strategy approved by the Board.

Committee Jurisdictions and Duties

1. Identify the risks the Company may be exposed to and maintain an acceptable level of risk appetite, as per the risk appetite framework approved by the Board of the Company.
2. Supervise the risk management systems and assessing their effectiveness.
3. Design a comprehensive strategy for the management of the Company's risks, supervise, the application of risk management, review and update such strategy periodically, taking into consideration the relevant internal and external environment.
4. Review the risk management policies.
5. Review and re-assess the level of risk appetite of the Company and the extent of its exposure to risks periodically.
6. Submit detailed reports to the Board on risks potential and make recommendations on how to manage them.
7. Provide advice to the Board of Directors about matters pertaining to risk management.

Meetings and Attendance

Name	Nature of membership	Number of Investment Committee Meetings				
		First meeting (29 March 2022)	Second meeting (31 May 2022)	Third meeting (24 August 2022)	Fourth meeting (22 November 2022)	Fifth meeting (22 December2022)
1. Mr. Waleed A. Aleisa	Committee Chairman	✓	✓	✓	✓	✓
2. Mr. Abdulrahman M. Al Odan	Member	✓	✓	✓	✓	✓
3. Mr. Jaser A. Al Jaser	Member	✓	✓	✓	✓	✓
4. Mr. Ghassan A. Al-Malki	Member	✓	✓	✓	✓	✓

Remuneration of the Committee Members (SAR '000)

Member	Fixed remuneration (except attending sessions)	Allowances for attending sessions	Total
Mr. Waleed A. Aleisa	150	25	175
Mr. Abdulrahman M. Al Odan	150	25	175
Mr. Jaser A. Al Jaser	0	25	25
Mr. Ghassan A. Al-Malki	0	25	25

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 SAMA'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 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.

Mr. Khalid S. Al Sulaiman

Mr. Al Sulaiman is a Non-Board Member of the Audit Committee at Tawuniya, and also holds membership of the Audit Committee at Al-Babtain Power & Telecom in Saudi Arabia. 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, Kingdom of Saudi Arabia.

Mr. Ihsan A. Makhdoom

Mr. Makhdoom 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. Makhdoom established the Ihsan Makhdoom Office for Auditing to service his clients.

With a Bachelors' Degree of Accounting from King Fahad University of Petroleum and Minerals, KSA, Mr. Makhdoom is 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).

Audit Committee

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 SAMA.
3. Recommends to the Board for the nomination and dismissal of the Chief Internal Auditor after obtaining "No Objection" in writing from SAMA.
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 Board of Directors.
15. Review the reports of the Internal Audit Department or the Internal Auditor and make recommendations thereon to the Board of Directors.
16. Review the reports of the Compliance Department and make recommendations thereon to the Board of Directors.
17. Study the reports issued by the regulatory and supervisory authorities or official regulator and issue recommendations thereon to the Board of Directors.
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 SAMA and the relevant supervisory and regulatory authorities on any legal violations or requests for corrective measures and make recommendations thereon to the Board of Directors.
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 Board of Directors.
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 SAMA and the relevant supervisory or regulatory authorities.
24. Follow up the reports issued by SAMA and the relevant supervisory and regulatory authorities concerned and make recommendations there on the Board of Directors.
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.
30. Follow up on the Internal Audit Department's updates related to the quality assurance and continuous improvement program as well as monitoring the implementation of corrective plans related to the program in line with the best professional practices.

Audit Committee

31. Follow-up and conduct discussions with the Executive Management in the stages and results of the application of any relevant and applicable International Financial Reporting Standards (IFRS).
32. Supervise and follow up on updating the compliance policy, anti-money laundering, and the money laundering risk charter.
33. Follow up on the distribution of the insurance operations surplus.
34. Adopt the Internal Audit Department's work manual designed in accordance with the International Professional Practices Framework Auditing (IPPF).
35. Issue recommendations to the Board of Directors on the adoption and/or updating of the Internal Audit Charter.

Meetings and Attendance

Name	Nature of membership	Number of Investment Committee Meetings									
		First meeting (20 January 2022)	Second meeting (07 March 2022)	Third meeting (11 May 2022)	Fourth meeting (19 May 2022)	Fifth meeting (08 August 2022)	Sixth meeting (28 September 2022)	Seventh meeting (16 October 2022)	Eighth meeting (30 October 2022)	Ninth meeting (20 November 2022)	Tenth meeting (27 December 2022)
1. Mr. Homood A. Altuwaijri	Committee Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr. Khalid S. Al Ruwais	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Mr. Khalid S. Al Sulaiman	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	x
4. Mr. Ihsan A. Makhdoom	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Remuneration of the Committee Members (SAR '000)

Member	Fixed remuneration (except attending sessions)	Allowances for attending sessions	Total
Mr. Homood A. Altuwaijri	150	50	200
Mr. Khalid S. Al Ruwais	150	50	200
Mr. Khalid S. Al Sulaiman	150	45	195
Mr. Ihsan A. Makhdoom	150	50	200

Audit Committee

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

The Audit Committee, upon being briefed on the improvements made by the executive management, did not find any fundamental weakness in the Company's internal control systems during the reporting period. The Committee supervised the various reports prepared by the Internal Audit Department and the External Auditors on the effectiveness of the internal controls related to the financial reporting system, and concluded that none of them caused material weaknesses in the financial preparation and reporting system. The Committee however, believes that the internal control system needs further improvement to keep pace with the Company's growth and its strategic directions. The Audit Committee will follow up on such improvements.

Recommendation of the Audit Committee on the need to appoint a Chief Internal Auditor in the Company

The Audit Committee recommended the appointment of a Chief Internal Auditor during the year under review, duly approved by the Board of Directors and the Saudi Central Bank (SAMA).

Recommendation of the Audit Committee, which has a conflict with the Board of Directors' decisions in respect of the nomination of the Company's External Auditor

Following its evaluation of the professional expertise, performance and independence of the external auditors, the Audit Committee analyzed and studied quotations submitted by five external auditing companies, taking into consideration that Tawuniya is going through a phase of transformation and application of International Financial Reporting Standards 9 and 17, and accordingly, requiring the presence of offices with wide experience in such standards. For business continuity, while availing the wide experience of external auditors who have previously worked with Tawuniya, the Audit Committee recommended entering into a formal contract with KPMG and Dr. Mohamed Al-Amari & Co. "BDO" to audit the Company's annual financial statements for the year 2022, as well as for the second and third quarters of year 2022 and the first quarter of year 2023. These recommendations by the Audit Committee had no conflicts with the decision of the Board regarding the nomination of external auditors.

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 2022 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 2022

Based on the recommendation of the Audit Committee, the Ordinary General Assembly held on 18 May 2022 approved the nomination of KPMG and Dr. Mohamed Al-Amari & Co. "BDO" to audit the Company's annual financial statements for the year 2022, as well as for the second and third quarters of year 2022 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.

Technical Projects Committee

The Technical Projects Committee is affiliated to the Board and is nominated by the Board according to the regulations. 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. Support and facilitate the procedures and taking the necessary decisions to implement and finalize the Core System Program Project.
2. Take 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. Conduct 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. Follow 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. Submit 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. Review 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. Raise the recommendations of the Committee's scope of work to include other additional projects on the Core System Program.

Technical Projects Committee

Meetings and attendance

	Name	Nature of membership	Number of Investment Committee meetings									
			First meeting (20 January 2022)	Second meeting (07 March 2022)	Third meeting (11 May 2022)	Fourth meeting (19 May 2022)	Fifth meeting (08 August 2022)	Sixth meeting (28 September 2022)	Seventh meeting (16 October 2022)	Eighth meeting (30 October 2022)	Ninth meeting (20 November 2022)	Tenth meeting (27 December 2022)
1.	Dr. Khaled A. AlGhoneim	Committee Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2.	Mr. Abdulrahman M. Al Odan	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3.	Mr. Ghassan A. Al-Malki	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	x
4.	Mr. Abdulaziz H. Al Boug	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5.	Dr. Mohammad AlShaibi (Advisor)	Member	x	x	✓	✓	✓	✓	✓	✓	✓	✓

Remuneration of the Committee members (SAR '000)

Member	Fixed remuneration (except attending sessions)	Allowances for attending sessions	Total
Dr. Khaled A. AlGhoneim	0	25	25
Mr. Abdulrahman M. Al Odan	0	25	25
Mr. Ghassan A. Al-Malki	0	25	25
Mr. Abdulaziz H. Al Boug	0	0	0

Audit Committee Report

The Company for Cooperative Insurance (Tawuniya)

Year 2022 Audit Committee Report to the General Assembly

The Audit Committee of the Company for Cooperative Insurance (Tawuniya) is pleased to present to the honorable shareholders of the Company its annual report for the fiscal year ending on December 31, 2022. The comprises the Committee opinion on the adequacy of the internal control systems in the Company, and the work carried out by the Committee that falls within the scope of its competence, and based on the relevant statutory requirements in accordance with Article (88) of the Corporate Governance Regulations issued by the Capital Market Authority (CMA) on January 18, 2023.

During year 2022, the Audit Committee held 10 meetings, whether through the meeting in person or via video communication, as the attendance rate of its members reached (97.5%), as indicated in the attendance records contained in the Board of Directors Annual Report.

The Audit Committee (hereinafter referred to as "the Committee") accomplished its tasks and activities in accordance with its terms of reference, and pursuant to the relevant regulations, as indicated in the Committee's charter, which included the following:

Financial Reports

The Committee has thoroughly studied and discussed the preliminary annual and quarterly financial statements with the external auditors and made recommendations to the Board of Directors in this regard. In addition, the Committee studied the reports of the external auditors, including "management letter", and made recommendations to the Board of Directors in this regard. The Committee also discussed with the executive management and the external auditors the management's plans to address the deficiencies in the control aspects, if any.

The Committee evaluated the professional expertise, performance and independence of the external auditors, and then studied the offers submitted by the auditors to review the annual financial statements for year 2022 and recommended contracting with KPMG and BDO to audit the Company's annual financial statements for the year 2022, as well as for the second and third quarters of year 2022 and the first quarter of year 2023. The Committee followed up and discussed with the executive management the stages and results of implementing the draft International Financial Reporting Standard (IFRS 17) for insurance contracts, as well as the International Standard for Financial Instruments (IFRS 9). Moreover, the Committee reviewed the accounts receivable, performance of collections, and ensuring the adequacy of doubtful debts provisions.

Internal Audit

The Committee followed up the performance of the Internal Audit Department (IAD) during the year to ensure the efficiency and objectivity of its work. It also reviewed and approved IAD's work plan and budget for the fiscal year 2022. It also followed up on the implementation of the plan and the necessary modifications thereto. In addition, the Committee followed up the performance IAD and reviewed the reports issued by it. It analyzed the fundamental observations, perused the Board of Directors of them, and followed up on their implementation by the executive management. It also recommended the appointment of the chief internal auditor and the secretary of the Committee during the year, as this has been duly approved by the Board of Directors and the Saudi Central Bank (SAMA).

Furthermore, the Committee followed up with the Company management to find qualified cadres for vacant positions in the management. It nominated an external consultant to measure the quality assurance of IAD, according to the international standards for internal auditing, which require the nomination of an independent body to measure the quality of internal auditing every five years.

The Committee has ensured the independence of IAD, and verified that there is no restriction on their work or the existence of anything that could negatively affect its function.

Regulatory Compliance

During the fiscal year, the Committee studied the Compliance Department's work plan, approved it, and followed up on its implementation. The Committee also reviewed the reports of the Compliance Department and made recommendations thereon. The Committee followed up the Department's progress in implementing the automation projects in the areas of regulatory compliance, combating money laundering and terrorist financing, reporting violations, transactions with related parties and distribution of surplus to ensure perfect reporting and full compliance in line with the regulatory requirements and the Company's digital transformation strategy. In addition, the Committee approved the proposed organizational structure for the Compliance Department and the separation of reporting functions from the Anti-Money Laundering Department. It also followed up the reports issued by the Saudi Central Bank and the relevant supervisory and regulatory authorities, and recommended them to the Board. Moreover, the Committee nominated an external consultant to evaluate the Compliance Department and AML/CFT and follow up on the corrective plan for the observations.

Audit Committee Report

The 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 Committee was briefed on the improvements made by the executive management in the internal control system, the results of the internal audit activity and the systems of risk management and cyber security. The Committee also:

- reviewed quarterly performance reports related to customer complaints filed.
- has been informed of 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 the Saudi Central Bank, and followed up the status of implementation of observations issued by the Central Bank and the National Cybersecurity Authority.
- supervised the various reports prepared by IAD and the external auditors on the effectiveness of the internal controls related to the financial reporting system, as the Committee concluded that none of them caused material weaknesses in the financial preparation and reporting system.

Accordingly, the Committee did not find any fundamental weakness in the Company's internal control systems. The Committee also believes that the internal control system needs to make further improvements to keep pace with the Company's growth and its strategic directions, and the Committee will follow up on such improvements.

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 for health insurance.
- 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.
- Teejan Al-Khaleej Segment - reporting of Teejan 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. 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:

Main Business Line/Operating Segment	Activity/Segment Revenue	Percentage of Total (SAR '000)
Medical	8,710,530	81.33
Medical-Umrah	414,801	3.87
Motor	785,460	7.33
Property & Casualty	285,929	2.67
General Accidents-Umrah	378,044	3.53
Travel and Covid-19	125,161	1.17
Protection and Savings	9,854	0.09
Total Underwriting Revenues	10,709,779	100

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

Subsidiary/Associate Name	Capital	Company's Ownership Percentage	Main Scope of Business	Country of Operation	Country of Incorporation
Teejan Al-Khaleej Company (Subsidiary)	SAR 7,500,000	100	Developing technology-based solutions and extending consultancy services for the insurance and healthcare businesses.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tree Digital Company (Subsidiary)	SAR 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.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
United Insurance Company B.S.C. (Associate Company)	BD 5,000,000	50	Providing insurance for all motor vehicles passing through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law.	Kingdom of Bahrain	Kingdom of Bahrain
Waseel Application Service Provider Limited (Associate Company)	SAR 24,000,000	45	Providing internet-based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

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

Subsidiary/Affiliate	Activity Revenues	Percentages
United Insurance Company	90,097	66.37
Waseel Application Services Provider	45,662	33.63
Total Revenues	135,759	100

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

Description of the Company's significant plans and decision and future expectations

- The implementation of the Tawuniya's Strategy 2025 with an ambitious vision to be the leading insurance company in the Kingdom, the Middle East and North Africa, and also aims to keep pace with the fundamental changes in the market, and contribute more to supporting the national economy and serving the Saudi society.
- Building a new organizational structure that is in harmony with the Company's strategic directions and supports its implementation, as it focuses on developing all insurance products according to market changes and customer needs.
- Launching a number of important digital initiatives, following the establishment of a digital factory that includes an effective team and smooth work procedures, as well as, building a unified platform for digital experiences in order to provide integrated digital solutions for all stages of customer service, and improve their journeys. The new mobile app has been launched along with the launch of the new website as part of these initiatives.
- Developing Tawuniya's health program "Vitality", which was rolled-out by the company over the last two years, and had a positive impact in raising the level of health services provided to customers, improving their quality of life, and thereby enhancing the brand and supporting financial performance.
- Developing Tawuniya's "Drive" program that contributes to improving driving behavior, reducing accident rates, enhancing safety, and rewarding committed drivers, thus improving the quality of vehicle insurance operations by reducing the loss ratio, increasing customer retention rates, and creating an attractive factor for new customers.
- Embarking on the execution of the company's Environment, Social, and Governance (ESG) strategy, which was approved and issued during the year 2021/22 setting commitments towards a set of Sustainable Development Goals (SDGs) as issued by the United Nations. (A complete report on Tawuniya's ESG strategy is available in the 2021 Sustainability Report.)
- Developing the governance of the implementation of transformation projects, building internal capabilities, and attracting distinguished competencies and expertise, which contribute to raising the quality of work and the speed of completion.
- Evaluation of customer experience by conducting a number of opinion polls, and improving the level of services provided according to the results of these surveys.
- Developing a performance management system to be more effective in achieving the company's objectives and promoting a culture of performance.
- Concluding strategic agreements and partnerships with major companies in tandem with the mega projects linked to Saudi Arabia's Vision 2030, promoting joint work, delivering cooperative services, and introducing its products to various customers to meet their needs by issuing an Owner Controlled Insurance Program (OCIP) which will help increase of retention of property & casualty insurance within the Kingdom and improve client awareness of risks related to such projects.
- Launching attractive insurance products, for example, but not limited to, the "Vehicle Mechanical Breakdown Insurance" product, which is its latest innovation for vehicle owners and the first of its kind in the Kingdom, as it provides customers with more insurance options for their vehicles, and to translate one of the pillars of Tawuniya's Strategy 2025 by providing innovative insurance solutions integrated into the automotive sector.
- Continue to lead the industry through the innovation and bring-to-market strategy of new risk management solutions akin to the national program to provide COVID-19 insurance for Saudi citizens traveling abroad, launching the first digital insurance company in the Kingdom "Tree Digital Insurance Company", offering a full end-to-end digital journey for clients, among other programs and innovations.

Details of the Company's social contributions in 2022

- Tawuniya and its employees participated in a campaign during Ramadan with SAR 100,000 through the "Ehsan" platform, demonstrating the Company's active social role, and belief in the values of the Kingdom.
- Under slogan of "Stop your life a moment" Tawuniya launched a breast cancer awareness campaign, promoting early checkups with a checkup station for its employees.

Risk

The current and potential risks facing the Company

The diversity of Tawuniya's business model requires a holistic approach to risk management by the Company, to identify, assess, measure, aggregate, and manage risks effectively.

In terms of SAMA guidelines, the insurance industry is required to implement a risk appetite framework based on the guidelines issued by Financial Stability Board (FSB). Tawuniya has also implemented a robust Risk Appetite Framework (RAF) covering all business activities through carefully designed Key Risk Indicators (KRIs). Under the framework, risk appetite statements and threshold limits are carefully designed and implemented every year, keeping in view the annual business plan and objectives of Tawuniya's Strategy 2025, industry and peer analysis, along with future outlook and challenges, both foreseen and unforeseen.

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 interest 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. Cyber Security 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 premiums receivable.

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.

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 & Insurance portfolio, a small change in the portfolio may have impact on the Company's performance.

o. Flexibility in Company's Processes and Systems: The infrastructure and the processes adopted need to cope with the demands of the business growth and changing market practices. Failure in this aspect will see the Company lagging behind its competitors.

p. Risk Accumulation: The accumulation of risks at a location or region will expose the Company to a high magnitude of claim payments resulting in losses, should insured events take place on those locations. Therefore, the Company monitors coverage concentration risks primarily by class of insurance.

q. High Staff Turnover: Besides increasing the cost of recruitment and training, it will adversely affect the operational efficiency and in turn the customer service.

r. Leakage of Sensitive Information: Leakage of business sensitive information may position the Company to reputational loss.

s. Frauds and Financial Crimes: Frauds/Abuse in financial operations claims operations; sales etc. may strain the Company's balance sheet.

t. Breaching of Regulations of CMA, SAMSA, CCHI, etc.: Breaching the regulations may attract imposition of penalties that may in turn affect reputation of the Company.

u. 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.

Risk

v. Business Continuity: Business may be disrupted due to factors beyond the control of the Company and affect the smooth flow of the business activities.

w. 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.

x. 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 Implementation: Tawuniya will need to interpret, understand and apply the new standard to its insurance contracts and reporting. 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 internally.
- 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 proactively and speedily engaged in laying out robust control measures to mitigate the potential risks. Formulating a viable and sustainable governance policy and a strong organizational structure, the Company established its Governance, Risk and Control (GRC) Division, reporting to Executive Committee Members through the Division's own Chief Governance, Risk and Control Officer. Adding bench strength, an Anti-Fraud Manager and a Business Continuity Management Director were also appointed, as the Company's Business Continuity Management system was revamped to be in tandem with SAMA regulations. System readiness was assured by carrying out several intermittent tests.

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 2022

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

- Regular reporting to Risk Management 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 submitted to 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.
- Statutory reporting to SAMA and SAMA's Risk Based Supervision (RBS) activity were carried out on a timely basis.

- Established the Business Continuity Committee to oversee and monitor the state of Business Continuity Management (BCM) activities and operations at Tawuniya.
- Business continuity readiness was tested via several BCM maturity testing throughout 2022, while staff awareness sessions on BCM were conducted to infuse its significance.
- Establishing the Anti-Fraud Review Unit (AFU) in risk management to further enhance the ongoing anti-fraud activities and processes within Tawuniya.
- Potential operational risk incidents were logged manually or on the reporting tool on Tawuniya portal with corrective action, where possible, to alleviate repetition of the breach.
- Prepared and reviewed risk assessment reports for outsourced agreements (material impact) with third parties, as required, to obtain SAMA'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 the year of 2022

Sanction/penalty precautionary procedure/ preventive measure	Reasons for violation	No. of Executive decisions	Imposing authority	Total amount of fines (In SAR)	Measures undertaken to remedy and avoid such non-compliance in the future
Penalty	The issue contained in the self-assessment submitted to SAMA, which revealed gaps due to absence of Cyber Security Function Head and relevant resources. The situation arose due to a high level of cyber security staff turnover at the Company.	1	SAMA	500,000	The Company has developed a corrective plan to address and implement all requirements and to ensure avoiding recurrence.
Penalty	Delay in uploading the customers to CHI following payment of Premium	1	CHI	17,500	The Company has developed a corrective plan to address and implement all requirements and to ensure avoiding recurrence.
Penalty	Delay in settlement of Medical Services Providers Claim	1	CHI	63,700	The Company has developed a corrective plan to address and implement all requirements and to ensure avoiding recurrence.

For the year of 2021

Sanction/penalty precautionary procedure/ preventive measure	Reasons for violation	No. of Executive decisions	Imposing authority	Total amount of fines (In SAR)	Measures undertaken to remedy and avoid such non-compliance in the future
Penalty	Violating SAMA's supervisory instructions	(3) Decisions that included a fine (2) Decisions were just to draw attention	SAMA	185,000	The company has developed a corrective plan to address and implement all requirements and to ensure avoiding recurrence.
Penalty	Violating instructions of CHI	(1) Warning the Company about complying with the instructions of the Health Insurance Council, using the Nphies platform in insurance transactions	CHI	0	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:

Description	2022 (SAR '000)	2021 (SAR '000)	2020 (SAR '000)	2019 (SAR '000)	2018 (SAR '000)
Gross Written Premiums (GWP)	14,349,620	10,218,606	9,061,768	8,375,860	7,641,245
Net Earned Premiums (NEP)	10,561,448	7,929,662	7,042,385	6,877,318	7,065,754
Net incurred claims	8,455,329	6,660,276	5,487,973	5,812,986	6,571,667
Net profit (loss) before Zakat	480,389	350,138	514,459	402,165	(213,339)
Total comprehensive income	326,078	329,702	309,673	691,468	(318,160)
Total equity	3,365,142	3,039,064	2,809,362	2,499,689	1,808,221
Profit per share (SAR)	3.13	2.13	3.15	2.62	(2.23)

b. Comparison of the Company's assets and liabilities in a table

Description	2022 (SAR '000)	2021 (SAR '000)	2020 (SAR '000)	2019 (SAR '000)	2018 (SAR '000)
ASSETS					
Statutory deposit	125,000	125,000	125,000	125,000	125,000
Accrued income on statutory deposit	5,420	3,050	2,774	2,513	2,254
Property, equipment and right-of-use assets, net	255,565	236,970	191,851	206,553	211,378
Intangible assets	13,441	16,627	7,708	3,971	3,633
Investment properties	59,562	60,850	62,138	63,427	64,716
Investments in equity accounted investments	95,948	89,556	85,319	101,520	95,116
Prepaid expenses and other assets	767,968	668,962	616,895	243,912	261,088
Mudaraba/murabaha deposits	5,903,752	3,780,598	3,134,932	3,539,376	2,239,125
Deferred excess of loss premiums	7,088	7,501	12,723	7,714	8,775
Deferred policy acquisition costs	187,314	127,951	134,724	120,845	130,651

Description	2022 (SAR '000)	2021 (SAR '000)	2020 (SAR '000)	2019 (SAR '000)	2018 (SAR '000)
Reinsurers' share of gross outstanding claims	1,782,371	1,762,324	1,962,570	3,100,446	2,725,809
Reinsurers' share of incurred but not reported claims	392,894	329,243	289,784	327,724	191,837
Reinsurers' share of gross unearned premiums	1,097,750	717,382	683,698	715,959	544,839
Available for sale investments	1,058,341	2,370,943	3,018,566	2,746,748	2,905,130
Receivables, net	5,421,514	3,222,001	3,480,553	1,495,894	1,517,987
Accrued investment income	81,726	11,029	2,397	6,333	–
Cash and cash equivalents	1,659,343	1,188,266	445,794	1,306,550	1,600,240
TOTAL ASSETS	18,914,997	14,718,253	14,257,426	14,114,485	12,627,578
LIABILITIES					
Return payable on statutory deposit	5,420	3,050	2,774	2,513	2,254
Defined benefits obligation	125,297	142,110	134,990	129,480	133,276
Zakat payable	272,168	415,023	346,224	255,554	237,080
Reserve for takaful activities	2,861	3,372	3,544	5,006	8,690
Incurred but not reported claims reserve	2,400,908	1,770,241	1,549,350	1,925,584	1,684,183
Gross outstanding claims	2,826,056	2,400,729	2,516,652	3,684,891	3,271,156
Premium deficiency reserve	13,591	30,277	52,401	2,830	7,272
Unearned commission income	61,183	42,289	37,538	43,323	39,299
Surplus distribution payable	265,167	258,163	252,086	207,586	–
Gross unearned premiums	7,014,914	5,031,265	4,319,378	3,826,119	3,820,293
Claims payable, accrued expenses and other liabilities	1,591,463	1,070,631	1,570,159	1,001,679	1,514,723
Short-term borrowings	–	–	401,998	–	
Reinsurers' balances payable	962,225	503,409	254,559	523,820	94,720
Dividends payable	8,602	8,630	6,411	6,411	6,411
TOTAL LIABILITIES	15,549,855	11,679,189	11,448,064	11,614,796	10,819,357

Description	2022 (SAR '000)	2021 (SAR '000)	2020 (SAR '000)	2019 (SAR '000)	2018 (SAR '000)
EQUITY					
Share capital	**1,250,000**	1,250,000	1,250,000	1,250,000	1,250,000
Legal reserve	**1,250,000**	1,197,495	1,144,183	1,065,517	1,000,000
Fair value reserve for investments	**75,166**	152,513	89,536	167,472	(198,724)
Remeasurements of defined benefit obligation	**(7,674)**	(20,096)	(20,261)	(14,540)	(12,226)
Retained earnings	**797,650**	459,152	345,904	31,240	(230,829)
TOTAL EQUITY	**3,365,142**	3,039,064	2,809,362	2,499,689	1,808,221
TOTAL LIABILITIES AND EQUITY	**18,914,997**	14,718,253	14,257,426	14,114,485	12,627,578

Geographical analysis of revenues of the Company and its affiliates

Year	Geographic analysis of Company's total revenues Revenues (Gross written premiums)				
	Central Region and Head Office (SAR '000)	Western Region (SAR '000)	Eastern Region (SAR '000)	Other Regions (SAR '000)	Total (SAR '000)
2022	**9,631,406**	**2,822,619**	**1,872,409**	**23,186**	**14,349,620**

	Geographic analysis of affiliates' total revenues				
	Central Region and Head Office (SAR '000)	Western Region (SAR '000)	Eastern Region (SAR '000)	Other Regions (SAR '000)	Total (SAR '000)
Waseel	45,662	–	–	–	45,662
United Insurance Co.	–	–	–	90,097	90,097

Material differences in the operational results compared to the previous year's results or expectations announced by the Company [LCG – 20]

Description	2022 (SAR '000)	2021 (SAR '000)	Changes (+)(-)	Change Rat %
Gross written premiums	**14,349,620**	10,218,606	4,131,014	40.43
Net written premiums	**12,164,729**	8,607,865	3,556,864	41.32
Net incurred claims	**8,455,329**	6,660,276	1,795,053	26.95
Net profit of policyholders' investment	**208,655**	145,751	63,920	43.16
Profit insurance operations minus policyholders' investments from operations	**225,979**	77,552	146,365	191.39
Net profit/(loss) of shareholders capital investment	**95,826**	157,036	(60,790)	-38.98
Net profit before Zakat	**480,389**	350,138	129,729	37.20
Total comprehensive income	**326,078**	329,702	(47,860)	-1.10
Total shareholder equity (after deducting minority equity)	**3,350,970**	2,952,931	374,727	13.48
Profit/(loss) per share	**3.12**	2.13		–

Approved accounting standards

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA"), 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 SAMA, 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 stockholders share 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 SAMA.

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 SAMA.

If the Board of Director recommends a distribution of any profits for the year 2022, it will be announced immediately on the Saudi Stock Exchange (TADAWUL).

A description of any interest in the voting-eligible shares category belonging to persons (other than members of the Company's Board of Directors, Senior Executives and their relatives) who informed the Company of those rights under Article (45) of the registration and listing rules, and any change in those rights during the fiscal year 2022

N/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

Board Members and their relatives

Names of the Board member	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 I. Alnowaiser	250	0	250	0	0	0
2. Mr. Ghassan A. Al-Malki	0	0	6,000	0	0	N/A
3. Mr. Homood A. Altuwaijri	1,600	0	1,600	0	0	0
4. Dr. Khaled A. AlGhoneim	1,000	0	1,000	0	0	0
5. Mr. Abdulaziz A. Al-Khamis	1,250	0	1,250	0	0	0
6. Mr. Waleed A. Aleisa	111	0	111	0	0	0
7. Mr. Jaser A. Al Jaser	0	0	0	0	0	0
8. Mr. Ehab Al Dabbagh	0	0	0	0	0	0
9. Mr. Abdulrahman M. Al Odan	0	0	0	0	0	0

Senior Executives and their relatives

	Names of the persons of interest	Beginning of the year		End of the year		Net change	Change ratio %
		Number of shares	Debt instruments	Number of shares	Debt instruments		
1.	Dr. Othman Al-Kassabi	111	0	111	0	0	0
2.	Mr. Abdulaziz H. Al Boug	0	0	0	0	0	0
3.	Mr. Fahad S. Al-Moammar	0	0	0	0	0	0
4.	Mr. Sultan S. Al-Khomashi	0	0	0	0	0	0
5.	Mr. Thamer Saeed Al-Harthy	0	0	0	0	0	0
6.	Mr. Yasir Asaad Allaf	0	0	0	0	0	0
7.	Mr. Marwan Aida Al-Ghamdi	0	0	0	0	0	0
8.	Dr. Ammr Khaled Kurdi	0	0	0	0	0	0
9.	Mr. Mansour Falah Abuthnain	0	0	0	0	0	0
10.	Mr. Abdullah Al Shargi	0	0	0	0	0	0

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 2022 (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 2022.

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 2022.

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 2022.

Number of Requests recorded by the Company in the shareholders register during year 2022, their dates and reasons

Number of the Company's requests of shareholders registry	Request Date	Request Reasons
01	13 November 2022	Others
02	13 November 2022	Others
03	11 October 2022	Others
04	25 September 2022	Others
05	04 July 2022	Corporate action
06	10 June 2022	AGM
07	09 June 2022	AGM
08	09 June 2022	Others
09	10 May 2022	AGM

Description of transactions between the Company and any related party during 2022

Related party	Relation with the Company	Contract type	Contract duration	Contract value (SAR)
GOSI	Joint membership for BoD members: • Mr. Jaser A. Al Jaser • Mr. Ghassan A. Al-Malki	Insurance Policies	One year	52,922,825
		Other Services	There is no specific period	777,584
United Insurance Company	Joint membership for BoD members: • Mr. Waleed A. Aleisa • Mr. Abdulaziz A. Al-Khamis • Mr. Jaser A. Al Jaser	Fees of Insurance Policies	One year	5,706,467
	Senior Executives: • Mr. Abdulaziz H. Al Boug • Mr. Sultan S. Al-Khomashi	Claims fee	There is no specific period	2,187,593
Hassana Investment Company (Subsidiary of GOSI)	Joint membership for the BoD members: • Mr. Jaser A. Al Jaser • Mr. Ghassan A. Al-Malki	Insurance Policies	One year	6,056,728
The Saudi Investment Bank	Joint BoD membership for: • Mr. Abdulaziz A. Al-Khamis	Insurance Policies	One year	36,480,300
Saudi Entertainment Ventures Company	• Mr. Abdulaziz I. Alnowaiser - Member of the BoD and Chairman of the Audit Committee	Insurance Policies	One year	15,344,662
TAHAKOM Group	• Mr. Abdulaziz I. Alnowaiser – Member of the BoD and CEO	Insurance Policies	One year	393,379,484
National Water Company	• Mr. Abdulaziz I. Alnowaiser – Member of Audit Committee	Insurance Policies	One year	222,925,815
Mobily	• Mr. Homood A. Altuwaijri - Member of the BoD and Audit Committee • Dr. Khaled A. AlGhoneim - Member of the BoD • Mr. Abdulaziz I. Al-Nowiaser - Chairman of the Audit Committee	Insurance Policies	One year	61,570,655
Abduallah Nasir Al Odan Company	63% owned by • Mr. Abdulrahman M. Al Odan	Insurance Policies	One year	-1,358 Decreased endorsement for old policy prior to 2022

Related party	Relation with the Company	Contract type	Contract duration	Contract value (SAR)
Saudi Exchange	• Mr. Abdulrahman M. Al Odan - Member of the Audit Committee	Other Services	There is no specific period	1,184,412
		Insurance Policies	One year	10,357,207
Saudi National Bank	• Mr. Abdulrahman M. Al Odan - Member of the BoD and Risk Committee	Insurance Policies	One year	2,422,583
ELM Company	• Mr. Abdulrahman M. Al Odan - Member of the BoD and Audit Committee • Dr. Khaled A. AlGhoneim - Member of the BoD	Insurance Policies	One year	76,939,555
Mudaraba	• Mr. Ehab M. Al Dabbagh - Member of the BoD with 15% ownership	Insurance Policies	One year	74,971
Sanad Association	• Mr. Homood A. Altuwaijri - Member of the BoD	Insurance Policies	One year	670,244
Banque Saudi Fransi	• Mr. Homood A. Altuwaijri - Member of the Audit Committee	Insurance Policies	One year	36,962,924
STC Group	• Dr. Ammr K. Kurdi - Member of the Audit Committee	Insurance Policies	One year	820,794,418
Bunyan Company	• Mr. Abdulaziz H. Al Boug - Member of the BoD • Dr. Ammr Khaled Kurdi - Member of the BoD	Insurance Policies	One year	341,793
Waseel	• Mr. Abdulaziz H. Al Boug - Chairman of the BoD • Dr. Ammr Khaled Kurdi - Member of the BoD • Dr. Othman Al-Kassabi - Member of the BoD	Insurance Policies	One year	1,006,913
		Other Services	There is no specific period.	10,145,866
Najem	• Mr. Abdulaziz H. Al Boug - Member of the BoD	Other Services	There is no specific period.	55,990,434
Hawaz Communications and Information Technology Company	• Dr. Khaled A. AlGhoneim - Owner and Member of the BoD	Insurance Policies	One year	193,130

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.

Board Member/Executive/ Relative	Name of the Company/Entity	Nature of the transaction	Contract amount at the beginning of the transaction or upon renewal (SAR)	Transactions during the year from 1 January 2022 until 31 December 2022 (SAR)	Claims during the year from 1 January 2022 until 31 December 2022 (SAR)
Mr. Abdulaziz I. Alnowaiser	Saudi Entertainment Ventures Company	Insurance Policies	12,630,672	15,344,662	8,331,688
	TAHAKOM Investment	Insurance Policies	3,455,269	3,684,501	15,251
	TAHAKOM	Insurance Policies	234,855,498	243,506,655	991,937
	Alpha Star Aviation Services	Insurance Policies	34,722,091	35,206,855	66,685
	Infiniti Company	Insurance Policies	837,949	850,518	
	Armour Security Industrial Manufactory	Insurance Policies	6,773,661	6,599,368	27,134
	SVTS	Insurance Policies	12,253,435	13,931,847	55,559
	Kafaat Business Solutions	Insurance Policies	60,114,631	75,467,028	558,674
	Sky Prime Private Aviation	Insurance Policies	13,971,838	14,132,712	25,329
	Nwc	Insurance Policies	261,389,185	222,925,815	104,415
	Mobily	Insurance Policies	53,092,204	61,570,655	876,733
Mr. Abdulaziz A. Al-Khamis	The Saudi Investment Bank	Insurance Policies	35,257,858	36,480,300	325,516
	United Insurance Company	Fees of Insurance Policies	There is no fixed amount for the contract, it dependd according to the transactions	5,706,467	
		Claims fee	Claims fees	2,187,593	
Mr. Homood A. Altuwaijri	Sanad Association	Insurance Policies	653,811	670,244	
	Mobily	Insurance Policies	53,092,204	61,570,655	876,733
	Banque Saudi Fransi	Insurance Policies	43,330,174	36,962,924	9,276,823

Board Member/Executive/ Relative	Name of the Company/Entity	Nature of the transaction	Contract amount at the beginning of the transaction or upon renewal (SAR)	Transactions during the year from 1 January 2022 until 31 December 2022 (SAR)	Claims during the year from 1 January 2022 until 31 December 2022 (SAR)
Mr. Abdulrahman M. Al Odan	Abduallah Nasir Al Odan Company	Insurance Policies	Continuity of the previous contract during 2021	(1,358)	
	Saudi Exchange	Other Services	There is no fixed amount of the contract	1,184,412	
		Insurance Policies	9,369,712	10,357,207	56,196
	Saudi National Bank (Al-Ahli)	Insurance Policies	There is no fixed amount for the contract, it dependd according to the transactions	2,422,583	4,905,163
	ELM Company	Insurance Policies	73,997,363	76,939,555	1,042,987
Dr. Khaled A. AlGhonaim	Hawas Company for Communication & IT	Insurance Policies	231,581	193,130	
	Mobily	Insurance Policies	53,092,204	61,570,655	876,733
	ELM Company	Insurance Policies	73,997,363	76,939,555	1,042,987
Mr. Waleed A. Aleisa	United Insurance Company	Fees of Insurance Policies	There is no fixed amount for the contract, but it is determined according to the transactions	5,706,467	
		Claims fee	These are insurance policies and claims fees	2,187,593	
Mr. Ehab M. Al Dabbagh	Mudaraba	Insurance Policies	59,690	74,971	
Mr. Ghassan A. Al-Malki	GOSI	Insurance Policies	53,627,840	52,922,825	395,617
		Other Services	There is no fixed amount for the contract	777,584	
	Hassanah	Insurance Policies	5,966,200	6,056,728	3,855
Mr. Jaser A. Al Jaser	GOSI	Insurance Policies	53,627,840	52,922,825	395,617
		Other Services	There is no fixed amount for the contract	777,584	
	United Insurance Company	Fees of Insurance Policies	There is no fixed amount for the contract, it dependd according to the transactions	5,706,467	
		Claims fee	Claims fees	2,187,593	
	Hassana Investmnet Company	Insurance Policies	5,966,200	6,056,728	3,855

Board Member/Executive/ Relative	Name of the Company/Entity	Nature of the transaction	Contract amount at the beginning of the transaction or upon renewal (SAR)	Transactions during the year from 1 January 2022 until 31 December 2022 (SAR)	Claims during the year from 1 January 2022 until 31 December 2022 (SAR)
Mr. Abdulaziz H. Al Boug	Waseel	Insurance Policies	771,283	1,006,913	5,361
		Other Services	There is no fixed amount for the contract	10,145,866	
	United Insurance Company	Fees of Insurance Policies	There is no fixed amount for the contract, it dependd according to the transactions	5,706,467	
		Claims fee	Claims fees	2,187,593	
	Bonyan Company	Insurance Policies	146,374	341,793	1,716
	Najem	Other Services	There is no fixed amount for the contract, it dependd according to the transactions	55,990,434	
Dr. Ammr K. Kurdi	STC	Insurance Policies	779,351,305	820,794,418	
	Bunyan Company	Insurance Policies	146,374	341,793	1,716
	Waseel	Insurance Policies	771,283	1,006,913	5,361
		Other Services	There is no fixed amount for the contract	10,145,866	
Mr. Sultan S. Al-Khomashi	United Insurance Company	Insurance Policies	771,283	5,706,467	5,361
		Other Services	There is no fixed amount for the contract, it dependd according to the transactions	2,187,593	
Dr. Othman Y. Al-Kassabi	Waseel	Insurance Policies	771,283	1,006,913	5,361
		Other Services	There is no fixed amount for the contract	10,145,866	

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 86.

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 2022

Statutory payment	2022 Paid (SAR '000)	2022 Outstanding (SAR '000)	Brief description	Reasons
Zakat	232,241	272,168	Zakat provision	Regulation of the General Authority of Zakat and Tax
Taxes	24,339	3,894	Tax provisions	Regulation of the General Authority of Zakat and Tax
GOSI	41,035	None	Social insurance	General Organization for social insurance
Visas and passport fees	1,582	None	–	–
Labor office fees	1,434	None	–	–
SAMA	64,289	None	–	–
CCHI	75,044	None	–	–

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 2022 reached 263 employees with a subscription amounting to SAR 18,833,698.

The Company continued its work at home loan program for employees, with 25 employees participating in the program by the end of 2022, and the total subscription amount reaching SAR 23.5 Mn.

Declarations/statement

1. The Company for Cooperative Insurance (Tawuniya) states that the proper books of accounts and principles have been maintained.
2. Tawuniya states that the system of internal control is sound in design and effectively implemented.
3. 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 2022. 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

Independent Auditors' Report

KPMG

KPMG Professional Services

Riyadh Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494
Headquarters in Riyadh

BDO
الدكتور محمد العمري وشركاه
Dr. Mohammed Al-Amri & Co.

TO THE SHAREHOLDERS' OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the consolidated financial statements of The Company for Cooperative Insurance (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS that are endorsed in KSA").

Basis for Opinion

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

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Key Audit Matter

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

Key audit matter	How the matter was addressed in our audit
Valuation of ultimate claims liabilities arising from insurance contracts	
As at 31 December 2022, gross outstanding claims including incurred but not reported claims reserve (IBNR) amounted to SAR 5.2 billion as reported in Note 11 of the consolidated financial statements.	• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claims estimate recorded
The valuation of the ultimate liability arising from claims made under insurance contracts is the key judgmental area for management 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. The Company uses an external actuary ("the management's expert") to provide them with the estimate of these claims. A range of methods were used by the management's expert to determine these claims. This requires significant judgements relating to factors and assumptions such as inflation, claims development patterns and regulatory requirements. Due to significance of amount involved, the exercise of significant judgment by management in the process for determination of ultimate claims liabilities, we have determined it to be a key audit matter. *Refer to Note 11 which discloses the estimated liability arising from claims under insurance contracts and Notes 2(f)(i), 3(j) and 3(k) which disclose accounting policies and estimates for claims liabilities.*	• We tested on a sample basis the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • We engaged our actuarial expert to assess the methodology and assumptions used by management in determining the reserve for incurred but not reported claims. We also reviewed the actuarial reserve report issued by the Company's appointed actuary. • We evaluated the completeness and accuracy of data used by the management in their calculation of ultimate claims liabilities. • We assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

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Other Information

Management is responsible for the other information. The other information consists of the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance i.e. the Board of Directors of the Company is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from

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fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters

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that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services
P.O. Box 92876
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Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
Certified Public Accountant
Registration No. 371

Dr. Mohamed Al-Amri & Co.
P. O. Box 8736
Riyadh 11491
Kingdom of Saudi Arabia

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362

Date: March 16, 2023
Corresponding to: 24 Sha'ban 1444H

Consolidated Statement of Financial Position

As at December 31, 2022

Description	Notes	2022	2021
		SAR'000	
ASSETS			
Statutory deposit	14	125,000	125,000
Accrued income on statutory deposit		5,420	3,050
Property, equipment and right-of-use assets, net	4	255,565	236,970
Intangible assets	5	13,441	16,627
Investment properties	6	59,562	60,850
Investments in equity accounted investments	7	95,948	89,556
Prepaid expenses and other assets	10	767,968	668,962
Mudaraba/murabaha deposits	9	5,903,752	3,780,598
Deferred excess of loss premiums		7,088	7,501
Deferred policy acquisition costs	11	187,314	127,951
Reinsurers' share of gross outstanding claims	11	1,782,371	1,762,324
Reinsurers' share of incurred but not reported claims	11	392,894	329,243
Reinsurers' share of gross unearned premiums	11	1,097,750	717,382
Available for sale investments	8	1,058,341	2,370,943
Receivables, net	13	5,421,514	3,222,001
Accrued investment income	28	81,726	11,029
Cash and cash equivalents	15	1,659,343	1,188,266
TOTAL ASSETS		18,914,997	14,718,253
LIABILITIES			
Return payable on statutory deposit		5,420	3,050
Defined benefits obligation	18	125,297	142,110
Zakat payable	20	272,168	415,023
Reserve for takaful activities		2,861	3,372
Incurred but not reported claims reserve	11	2,400,908	1,770,241
Gross outstanding claims	11	2,826,056	2,400,729
Premium deficiency reserve	11	13,591	30,277
Unearned commission income	11	61,183	42,289
Surplus distribution payable	16	265,167	258,163
Gross unearned premiums	11	7,014,914	5,031,265
Claims payable, accrued expenses and other liabilities	17	1,591,463	1,070,631
Reinsurers' balances payable		962,225	503,409
Dividends payable		8,602	8,602
TOTAL LIABILITIES		15,549,855	15,549,855
EQUITY			
Share capital	21	1,250,000	1,250,000
Statutory reserve	22	1,250,000	1,197,495
Fair value reserve for investments		75,166	152,513
Remeasurement of defined benefits obligation		(7,674)	(20,096)
Retained earnings		797,650	459,152
TOTAL EQUITY		3,365,142	3,039,064
TOTAL LIABILITIES AND EQUITY		18,914,997	3,039,064
CONTINGENT LIABILITIES	36		

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

As at December 31, 2022

Description	Notes	2022	2021
		SAR'000	
REVENUES			
Gross premiums written	11	14,349,620	10,218,606
Reinsurance ceded – Local	11	(36,939)	(78,906)
Reinsurance ceded – International	11	(2,106,570)	(1,515,582)
Excess of loss premiums – Local		(12,986)	(13,176)
Excess of loss premiums – International		(34,182)	(7,543)
Fee income from takaful		5,786	4,466
Net premiums written		12,164,729	8,607,865
Changes in gross unearned premiums		(1,983,649)	(711,887)
Changes in reinsurers' share of gross unearned premiums		380,368	33,684
Net premiums earned		10,561,448	7,929,662
Reinsurance commissions	11	136,464	132,294
Other underwriting income		11,867	6,269
TOTAL REVENUES		10,709,779	8,068,225
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		8,107,508	6,750,880
Expenses incurred related to claims		229,074	13,162
Reinsurers' share of claims paid		(836,863)	(347,397)
Net claims and other benefits paid	11	7,499,719	6,416,645
Changes in gross outstanding claims		425,327	(115,923)
Changes in reinsurance share of gross outstanding claims		(20,047)	200,246
Changes in incurred but not reported claims reserve		630,667	220,891
Changes in reinsurance share of incurred but not reported claims		(63,651)	(39,459)
Changes in premium deficiency reserve		(16,686)	(22,124)
Net claims and other benefits incurred		8,455,329	6,660,276
Changes in reserves for takaful activities		(511)	(172)
Policy acquisition costs	11	495,742	350,263
Other underwriting expenses		251,269	137,541
Insurance share distribution		9,642,966	7,210,769

Description	Notes	2022	2021
		SAR'000	
TOTAL UNDERWRITING COSTS AND EXPENSES		1,066,813	857,456
Net underwriting income		1,066,813	857,456
OTHER OPERATING (EXPENSES)/INCOME			
General and administrative expenses	26	(901,229)	(746,268)
Allowance for doubtful debts	13	(33,830)	(39,891)
Investment income, net	24	280,712	284,185
Other income/(expenses), net	25	87,617	(1,616)
TOTAL OTHER OPERATING EXPENSES		(566,730)	(503,590)
Net operating income		500,083	
Share of profit from investments in equity accounted investments, net	7	23,769	353,866
Net income for the year before attribution and zakat		523,852	18,602
Net income for the year attributed to the insurance operations		(43,463)	372,468
Net income for the year attributable to the shareholders before zakat		480,389	(22,330)
Zakat charge for the year	20	(89,386)	350,138
Net income for the year attributable to the shareholders after zakat		391,003	266,560
Earnings per share			
Basic and diluted earnings per share (in SAR)	27	3.13	2.13
Weighted average number of shares in issue		125,000,000	125,000,000

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

As at December 31, 2022

Description	Notes	2022	2021
		SAR'000	
Net income for the year attributable to the shareholders after zakat		391,003	266,560
Other comprehensive income:			
Not to be recycled back to the consolidated statement of income in subsequent years:			
Re-measurement of defined benefits obligation	18	12,422	165
To be recycled back to the consolidated statement of income in subsequent years:			
Available for sale investments:			
– Net change in fair value	8	(36,743)	205,609
– Net amounts transferred to the consolidated statement of income	8	(36,488)	(141,957)
Share of other comprehensive loss from investment in equity accounted investments	7	(4,116)	(675)
Total comprehensive income for the year		326,078	329,702

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in equity

As at December 31, 2022

	Notes	Share capital	Statutory reserve	Fair value reserve for investments	Re-measurement of defined benefits obligation	Retained earnings	Total
				SAR'000			
Balance at January 1, 2021		1,250,000	1,144,183	89,536	(20,261)	345,904	2,809,362
Total comprehensive income for the year							
Net income for the year attributable to the shareholders after zakat		–	–	–	–	266,560	266,560
Actuarial gain on defined benefits obligation	18	–	–	–	165	–	165
Changes in fair value of available-for-sale investments	8	–	–	205,609	–	–	205,609
Amount transferred to the consolidated statement of income	8	–	–	(141,957)	–	–	(141,957)
Share of other comprehensive income of investments in equity accounted investments	7	–	–	(675)	–	–	(675)
Total comprehensive income for the year attributable to shareholders		–	–	62,977	165	266,560	329,702
Dividends	21	–	–	–	–	(100,000)	(100,000)
Transfer to statutory reserve	22	–	53,312	–	–	(53,312)	–
Balance at December 31, 2021		1,250,000	1,197,495	152,513	(20,096)	459,152	3,039,064
Balance at January 1, 2022		1,250,000	1,197,495	152,513	(20,096)	459,152	3,039,064
Total comprehensive income for the year							
Net income for the year attributable to the shareholders after zakat		–	–	–	–	391,003	391,003
Actuarial gain on defined benefits obligation	18	–	–	–	12,422	–	12,422
Changes in fair value of available-for-sale investments	8	–	–	(36,743)	–	–	(36,743)
Amount transferred to the consolidated statement of income	8	–	–	(36,488)	–	–	(36,488)
Share of other comprehensive income of investments in equity accounted investments	7	–	–	(4,116)	–	–	(4,116)
Total comprehensive income for the year attributable to shareholders		–	–	(77,347)	12,422	391,003	326,078
Transfer to statutory reserve	22	–	52,505	–	–	(52,505)	–
Balance at December 31, 2022		1,250,000	1,250,000	75,166	(7,674)	797,650	3,365,142

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash flows

As at December 31, 2022

Description	Notes	2022	2021
		SAR'000	
Operating activities:			
Net income for the year attributable to the shareholders before zakat		480,389	350,138
Adjustments for non-cash items:			
Net income attributed to the insurance operations		43,463	22,330
Depreciation	4, 6	28,108	27,299
Amortisation of intangible assets	5	18,836	5,019
Loss on sale of property and equipment		223	–
Allowance for doubtful debts	13	33,830	39,891
Dividend and commission income		(242,477)	(146,047)
Gain on sale of investments	8	(36,488)	(141,957)
Write-back of surplus unclaimed	25	(32,087)	–
Finance cost		6,328	8,499
Share of profit from investments in equity accounted investments, net	7	(23,769)	(18,602)
Provision for defined benefits obligation	18	13,431	
		289,787	162,778
Changes in operating assets and liabilities:		(99,006)	104,868
Prepaid expenses and other assets		413	5,222
Deferred excess of loss premiums		(59,363)	6,773
Deferred policy acquisition costs		(20,047)	200,246
Reinsurers' share of gross outstanding claims		(63,651)	(39,459)
Reinsurers' share of incurred but not reported claims reserve		(380,368)	(33,684)
Reinsurers' share of gross unearned premiums		(2,233,343)	218,661
Receivables, net		458,816	248,850
Reinsurers' balances payable		1,983,649	711,887
Gross unearned premiums		18,894	4,751
Unearned commission income		425,327	(115,923)
Gross outstanding claims		630,667	220,891
Incurred but not reported claims reserve		(16,686)	(22,124)
Premium deficiency reserve		(511)	(172)
Reserve for takaful activities			(706,045)
Claims payable, accrued expenses and other liabilities		1,463,915	967,520
		1,463,915	(14,779)
Zakat paid during the year	20	(232,241)	(16,253)
Surplus paid to policyholders		(4,372)	
Defined benefits obligation paid	18	1,204,027	(23,275)

Description	Notes	2022	2021
		SAR'000	
Net cash flows generated from operating activities			
Investing activities:			
Proceeds from sale of available-for-sale investments	8	3,363,365	1,726,137
Purchase of available-for-sale investments	8	(2,087,506)	(872,905)
Proceeds from maturity of mudaraba/murabaha deposits	9	10,350,370	7,221,957
Placement in mudaraba/murabaha deposits	9	(12,473,524)	(7,867,623)
Dividends and commission income received		171,780	137,415
Dividends received from investments in equity accounted investments	7	13,261	13,690
Proceeds from disposal of property and equipment		573	–
Purchase of property, equipment and right-of-use assets, net	4	(46,211)	(14,780)
Purchase of intangible assets	5	(15,650)	(13,938)
Net cash flows (used in)/generated from investing activities		(723,542)	329,953
Financing activities:			
Repayments of short-term borrowings		–	(400,000)
Dividends paid		(28)	(97,781)
Finance cost paid		–	(5,746)
Repayment of lease liabilities	17.2	(9,380)	(7,394)
Net cash flows used in financing activities		(9,408)	(510,921)
Net change in cash and cash equivalents during the year		471,077	742,472
Cash and cash equivalents, beginning of the year	15	1,188,266	445,794
Cash and cash equivalents, end of the year	15	1,659,343	1,188,266
Non-cash supplemental information:			
Net change in fair value for available-for-sale investments	8	(73,231)	63,652
Share of other comprehensive income of equity accounted investments	7	(4,116)	(675)
Gain on re-measurement of defined benefits obligation	18	12,422	165
Recognition of right-of-use assets	4	–	(56,350)
Recognition of lease liabilities	17	–	53,917
Transfer to right-of-use assets from prepaid expenses		–	2,433

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

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) ArRabi 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 Saudi Central Bank (formerly Saudi Arabian Monetary Authority) "SAMA" as the principal authority responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

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 SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The Company has the following subsidiaries and associates.

Name of the Subsidiary/ Associates	Registration No.	Registration date	Ownership interest	Financial year end	Principal Activities
Subsidiaries					
Teejan Al-Khaleej	1010644057	21 July 2020	100%	December 31	Developing technology based solutions and extending consultancy services for the insurance and healthcare businesses.
Tree Digital Company	1010816901	04 August 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.
Associates					
United Insurance Company B.S.C.	17337-1	12 May 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	15 April 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

a. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard (IFRSs) 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, investment properties, investments in equity accounted investments, available for sale investments, defined benefits obligation and return payable on statutory deposit.
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 (starting from most illiquid). As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the consolidated financial statements accordingly (Note 32). Assets, liabilities, revenues and expenses clearly attributable to either activities are recorded in the respective accounts.
The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows of the insurance operations and shareholders operations which are presented in Note 32 of the consolidated financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

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.

b. Basis of measurement

These consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value of available-for-sale investments, investment in equity accounted investments which is accounted for under the equity method and defined benefits obligation recorded at the present value using the projected unit credit method.

c. Functional and presentation currency

These consolidated financial statements have been presented in Saudi Arabian Riyals SAR '000, which is also the functional currency of the Group. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest thousand, except where otherwise indicated.

d. Fiscal year

The Group follows a fiscal year ending December 31.

e. Seasonality of operations

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

f. Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

In preparing these consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2021.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group'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 Group will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

The Group 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 Group booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Group. 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. 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.

Estimation of premium deficiency is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected combined loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the Group's external actuary, consider the claims and premiums relationship which is expected to apply on unearned portion of the written risks, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

ii) Impairment of available-for-sale financial assets

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.

iii) Impairment of receivables

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

iv) Fair value of financial instruments

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

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. 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 30.

v) Impact of Covid-19 and Council of Cooperative Health Insurance ("CCHI") on technical reserves

- On March 11, 2020, the World Health Organization ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak had also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular had implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- The Coronavirus ("Covid-19") pandemic continues to disrupt global markets as many geographies experienced multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date. Moreover, beginning October 17, 2021, social distancing requirements have been relaxed.
- The major impact of Covid-19 pandemic was seen in medical and motor line of business. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

CCHI issued a Circular 895, dated December 17, 2020 regarding the procedures, protocols and prices relating to the enforcement of Article 11. Following these procedures, government facilities are now able to bill insurance companies for the claims incurred for some elements of their insured population. As instructed by the CCHI, the new protocols and procedures cover all new and renewing policies incepting from January 1, 2021. Moreover, this also covers all emergency cases for all in force policies as of January 1, 2021.

During the period CCHI issued a new circular "965", dated March 14, 2022, instructing insurance companies to bear the expenses resulting from all new suspected and confirmed infection with the coronavirus (COVID-19) for health insurance beneficiaries in line with the limits of the policy. The Group's actuary has performed a liability adequacy test taking into consideration the new CCHI circular and have concluded that no premium deficiency reserve is required for the health insurance portfolio in this respect as of December 31, 2022.

Other financial assets

To cater for any potential impacts the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended December 31, 2022. The Company's management continues to monitor the situation closely.

3 Summary of significant accounting policies

The accounting and risk management policies adopted in the preparation of these consolidated financial statements are consistent with the Group's audited consolidated financial statements for the year ended December 31, 2022.

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

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases', COVID-19 related rent concessions Extension of the practical expedient	Because of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be lossmaking. Annual improvements make minor amendments to IFRS 1', First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'	Annual periods beginning on or after 1 January 2022.

The application of above standards does not have any impact on the consolidated financial statements of the Group for the year ended 31 December 2022.

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 1 January 2022 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.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, IFRS Practice tatement 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 1 January 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 1 January 2023
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 1 January 2024
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 – Insurance Contracts

Overview

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

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

i) embedded derivatives, if they meet certain specified criteria;

ii) distinct investment components; and

iii) any promise to transfer distinct goods or non-insurance services.

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

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2005, IFRS 17 provides the following different measurement models:

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

a) The fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
- a risk adjustment for non-financial risk;

Contractual Service Margin (CSM): The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in the statement of income immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in statement of income.

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

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

i. the entity's share of the changes in the fair value of underlying items; and

ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

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

Group's adoption of IFRS 17 and IFRS 9

Adoption of IFRS 17 and IFRS 9 does not change the Board's view on the strength of the Group's cash and capital generation profile since introduction of IFRS 17 does not change the overall economic profits arising out of insurance contracts:

- The Group remains on track to deliver its financial targets
- The Group's underlying earnings power to remain unaffected post-transition and no change is expected to its capital management or strategy

The Group will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Group expects to apply IFRS 17 from the effective date of 1 January 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with Direct Participation Features ("DPF").

1) Structure and status of the IFRS 17 and IFRS 9 adoption project

The Group has significantly completed its implementation process which is managed internally through a dedicated IFRS 17 team and governed by a steering committee. The preparation for IFRS 17 has required significant changes to the Group's operating processes and financial reporting system for which the Group is ready to comply with the calculation and reporting requirements from January 01, 2023.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA, the Group has submitted operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the data for the year ended December 31, 2020, 2021 and for the six months period ended June 30, 2022 to SAMA.

The impact of expected receipts adjustment relating to insurance contracts written under IFRS 17 has not been finalized as at the date of these consolidated financial statements. The Group is progressing to quantify the impact of expected receipts adjustment relating to insurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 financial statements for the period ended 31 March 2023.

2) Significant judgements and accounting policy choices

The Group is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of IFRS 17 of January 1, 2023:

a) Contracts within/outside the scope of IFRS 17

When identifying contracts in the scope of IFRS 17, in some cases the Group have assessed whether a set or series of contracts need to be treated as a single contract and whether the embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Group does not expect significant changes arising from the application of these requirements. Therefore, all insurance contracts issued and reinsurance contracts held are within the scope of IFRS 17 except for self-insurance contracts. Further, the Group doesn't have embedded derivatives in insurance contracts written and/or reinsurance contracts held

b) Combination/Unbundling of Contracts

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

c) Level of Aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising groups of contracts with similar risks which are managed together. Contracts in different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio is further divided based on expected profitability at inception into three categories:

- Groups of contracts that are onerous on initial recognition,
- Groups of contracts that, on initial recognition, have no significant possibility of becoming onerous, and
- Groups of remaining contracts.

This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator of contracts that carry similar risks and are managed together and separates them based on expected profitability at inception. However, the Group 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 Group 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 Group 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. Below are the considerations used to determine level of aggregation for the Group:

No.	Segments/Line of business	Level of aggregation – Insurance contracts issued	Level of aggregation – Reinsurance contracts held
1	Medical	– Legal entity	– Line of Business (LOB)
2	Medical Umrah	– General Line of Business (GLOB)	– Treaty name/number
3	Motor (including Manafeth)	– Line of Business (LOB)	– Inception quarter
4	Property & Casualty	– Branch	
5	Property & Casualty – Umrah	– Channel	
6	Property & Casualty – Travel and COVID	– Inception Quarter	
7	Protection & Savings	– Profitability	

d) 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 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.

e) Significant judgements and estimates

i. 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.

ii. 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.

iii. 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.

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

For each portfolio, once the risk adjustment was calculated based on the selected methodology, diversification was applied using the Solvency II correlation matrix.

iv. Onerosity determination

The profitability of groups of 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 and discounted risk adjusted claims).
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 meeting will also produce a view of the combined ratio for such contracts. The expected combined loss ratio is then fed into the loss component calculation.

v. Expected premium receipts adjustment

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

vi. Significant financing component

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

vii. 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 reinsurance finance income/expenses in the consolidated statement of income. The computation is performed using IFRS 9 simplified approach to calculate ECL allowance.

viii. 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. These are included within insurance contract liabilities as part of fulfilment cash flows within the boundary of insurance contracts.

f) Accounting Policy Choices

i) 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.

ii) Use of OCI for insurance finance income/expenses (IFIE)

The Group has recorded IFIE through the consolidated statement of income and has elected not to adopt OCI policy option. Therefore, the Group has not presented the impact of changes in discount rate separately in OCI and recorded total IFIE in the consolidated statement of income

iii) Unwinding of discount on risk adjustment

The Group will choose 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.

iv) 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 will typically be 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.

v) Deferral of acquisition costs

Commissions and other acquisition related expenses are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned, except for certain payroll costs deferred over the coverage period of the group of insurance contracts. 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.

vi) Policyholder surplus accounting

These are recognized under liability for incurred claims within insurance contract liabilities with the corresponding effect recorded under insurance service expenses.

g) Presentation and disclosure

i) Presentation:

IFRS 17 significantly changes how insurance contracts and reinsurance contracts held will be presented and disclosed in the Group's consolidated financial statements. Under IFRS 17, the Group will present 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. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances, such as, insurance receivables and payables will no longer be presented separately. Any assets and liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

The Group disaggregates the total amount recognized in the consolidated statement of income and OCI as insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services based on the passage of time. However, 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 Group 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 recognized based on of the passage of time. The requirements in IFRS 17 to recognize insurance revenue over the coverage period is not expected to result in materially different revenue recognition compared with the Group's current practice of recognizing revenue when the related premiums are written.

Expenses that relate directly to the fulfilment of contracts will be recognized in statement of income as insurance service expenses, when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented apart from the insurance service result.

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts 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 separately income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

ii) Disclosures

IFRS 17 requires extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts. The Group shall disclose qualitative and quantitative information about:

- the amounts recognized in its financial statements that arise from insurance contracts;
- the significant judgements, and changes in those judgements, made when applying IFRS 17;
- the nature and extent of the risks that arise from insurance contracts; and
- reconciliations for changes in Liability for Remaining Coverage, Liability for Incurred Claims, and Loss Components for insurance contracts and for reinsurance contracts held.

Risk Framework

- Insurance risk and its concentration
- Reinsurance risk
- Market risk
  - Currency risk
  - Interest rate risk
  - Equity price risk
- Liquidity risk (maturity analysis)
- Operations risk
- Credit risk

Sensitivity analysis:

- Concentration of net insurance contract liabilities (geographical)
- Weighted average term to settlement
- Inflation rate
- Change in exchange rates
- Change in interest/discount rates
- Changes in risk adjustment percentage
- Changes in LIC percentage

h) Transition

On transition date, 1 January 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.

Full Retrospective Approach

On transition to IFRS 17, the Group has applied the full retrospective approach unless impracticable. The Group has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2022.

Modified retrospective approach

The Group has applied the modified retrospective approach for certain groups of contracts, as prior to transition, 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 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.

Transition Impact

a. Estimated impact on the Group's equity due to initial application of IFRS 17

The Group estimates that, on adoption of IFRS 17, the impact of these changes on net income before attribution and zakat and its corresponding impact on equity is a decrease in the Group's equity by SAR 69.8 million at 1 January 2022. The impact on equity as of 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period from 1 January 2023 to 31 March 2023.

Drivers of changes in equity (excluding the impact of expected premium receipts adjustment)	Estimated impact on transition to IFRS 17 at January 1, 2022 SAR '000
Explicit risk adjustment, net of reinsurance	(157,553)
Increase in deferred part of insurance acquisition cash flows	119,139
Loss components, net of PDR	(42,940)
Discounting of Liability for Incurred Claims (LIC), net of reinsurance	12,545
Impact of non-performance risk provision	(1,010)
Total Impact on transition	(69,819)

b. Estimated impact on the Group's liabilities and assets due to initial application of IFRS 17

Impact on liabilities and assets (excluding the impact of expected premium receipts adjustment)	Estimated impact on transition to IFRS 17 at January 1, 2022 SAR '000
Liabilities	
Explicit risk adjustment on LIC	(528,430)
Discounting of LIC	34,062
Loss components, net of PDR	(42,894)
Increase in deferred part of insurance acquisition cash flows	119,139
Changes in classification and measurement of insurance contracts liabilities	(418,123)
Assets	
Explicit risk adjustment on Amounts recoverable from incurred claims (AIC)	370,877
Discounting of AIC	(21,517)
Loss recoveries	(46)
Non-performance risk provision	(1,010)
Changes in classification and measurement of reinsurance contracts assets	348,304
Total Impact on transition	(69,819)

IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement is effective for annual periods beginning on or after 1 January 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 1 January 2023. Consequently, the Group will apply IFRS 9 for the first time on 1 January 2023.

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

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - the effective date of a new insurance contract standard; or
  - annual reporting periods beginning on or after January 1, 2023. On March 17, 2020, the International Accounting Standards Board ("IASB") decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Group has performed a detailed assessment comprising: (1) Comparing the carrying amount of the Group's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) to the total carrying amount of all its liabilities; and (2) Comparing the total carrying amount of the Group's liabilities connected with insurance to the total carrying amount of all its liabilities. Based on this assessment, the management noted that the statement of financial position primarily included the liabilities arising in the course of writing insurance business. Based on these assessments the Group determined that it is eligible for the temporary exemption. Consequently, the Group has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard.

Impact assessment

As at December 31, 2022, the Group held financial assets at amortized cost consisting of cash and cash equivalents and certain other receivables amounting to SAR 7,775 million (2021: SAR 5,108 million). The Group held available for sale investments amounting to SAR 1,058 million (2021: SAR 2,371 million). The Group expects to use the fair value through other comprehensive income (FVOCI) classification for financial assets based on the business model of the Group for equity investments of a strategic nature. On the other hand, debt securities will be measured as fair value through profit or loss (FVPL). However, the Group is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds and discretionary portfolio management – equity shares classified under available for sale investments amounting to SAR 517 million (2021: SAR 1,026 million) will be measured at FVPL under IFRS 9. As at December 31, 2022, debt securities are measured at fair value of SAR 517 million (2021: SAR 1,156 million). The Group financial assets have low credit risk as at December 31, 2022 and December 31, 2021. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

The Group has retained the relevant accounting policies applied by the associate as follows:

- the associate (Waseel Application Services Provider Limited) applies IFRS 9 however the Group applies the temporary exemption from IFRS 9.

The associate (United Insurance Company B.S.C.) has performed an assessment that the carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 were compared to the total carrying amount of all its liabilities which are predominately connected with insurance and accordingly eligible for the temporary exemption.

a) Financial assets – Classification

Business model assessment

The Group has adopted following accounting policies for business model assessment and Solely Payment of Principal and Interest (SPPI) test on financial assets.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group 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 maximize return for shareholders and future business development.

The Group'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 Group'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 Group'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 realized in a way that is different from the Group's original expectations, the Group 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.

The SPPI test

As a second step of its classification process the Group 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 amortization 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 Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, if the assets are perpetual in nature and/or if the Group has a right to indefinitely defer interest payments due on these assets, and the period for which the interest rate is set.

Below is the summary of the financial assets – classification and measurement assessment at date of reporting as at 1 January 2022 is as follow:

No.	Particulars	IAS 39		IFRS 9	
		Measurement category	Carrying amount SAR'000	Measurement category	Carrying amount SAR'00
	Financial Assets				
1	Cash and cash equivalents	Loans and receivables	1,188,266	Amortized cost	1,188,153
2	Mudaraba/murabaha deposits	Loans and receivables	3,780,598	Amortized cost	3,780,546
3	Shariah Notes	Available for sale (AFS)	2,360,693	FVTPL	2,360,693
4	Un-quoted equity shares	AFS	10,250	FVOCI	10,250
	Statutory deposit	Loans and receivables	125,000	Amortized cost	124,994
	Total financial assets		7,464,807		7,464,636

The impact of reclassification of AFS portfolio to FVTPL is to reduce fair value reserves by SAR 145 million and increase in retained earnings by the same amount as at 1 January 2022. However there is no impact on total equity as at 1 January 2022.

Financial assets – Impairment

This section covers the requirements of IFRS 9 with respect to impairment including impact assessment on Group's existing financial assets.

Impairment of financial assets

IFRS 9 replaces the IAS 39 "incurred loss model" with forward looking 'Expected credit loss' model. This will require considerable judgement about how the changes in economic factors affect the ECL, which will be determined on a probability weighted basis. The Group applies the ECL on its financial assets measured at amortized cost and FVOCI, which are within the scope of IFRS 9 for impairment. The Group recognizes 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.

The calculation of ECLs

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 differences between the contractual cash flows due and those that the Group 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 12mECL:**

  The 12mECL is calculated as the portion of long term 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. This calculation is made for each of the four scenarios, as explained above.

- **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 Impairment:**

  For debt instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation

Financial assets are written off either partially or in their entirety only when the Group 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.

The Group's debt instruments at FVOCI and amortized cost comprise sukuks/bonds that are rated as "investment grade" based on Standard & Poor's credit ratings. It is the Group's policy to measure such instruments on a 12-month ECL (12mECL) basis. The Group does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due or there is a downgrade in credit ratings by two notches or more compare to the credit rating at the beginning of the financial reporting period. The impact of the ECL charge on financial assets measured at amortized cost is SAR 171k resulting in an expected decrease in equity by the same amount as at 1 January 2022.

Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. The Group's has assessed that there is no material impact on financial liabilities when adopting IFRS 9.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively, except as described below:

- The comparatives reporting periods figures will be restated. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial instruments that had already been derecognized at 1 January 2022; however, the Group will elect to apply the classification overlay in IFRS 17 to financial assets derecognized in 2022 to present comparatives information as if the classification and measurement (including impairment) requirement of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.
- The following assessment is made on the basis of the facts and circumstances that exist at 1 January 2022:
  - The determination of business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL; and
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a financial asset has a low credit risk at 1 January 2022, then the Group will determine that the credit risk on the asset has not increased significantly since initial recognition.

Estimated impact on the Group's equity due to initial application of IFRS 9

The Group estimates that, on adoption of IFRS 9, the impact of these changes on net income before attribution and zakat and its corresponding impact on equity is an increase in the Group's equity by SAR 1.4 million at 1 January 2022. The impact on equity as of 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period from 1 January 2023 to 31 March 2023.

Adjustments due to adoption of IFRS 9	Estimated impact on transition to IFRS 17 and IFRS 9 at January 1, 2022 SAR '000
Reclassification of financial assets – (no impact on equity)	145,335
Increase in share of profit from investments in associates, net	1,656
Impairment of financial assets	(171)
Net impact on equity	1,485
Total impact	146,820

Estimated impact on the Group's equity due to transition to IFRS17 and IFRS9

The Group estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes on net income before attribution and zakat and its corresponding impact on equity is a decrease in the Group's equity by SAR 68.3 million at 1 January 2022. The impact of expected receipts adjustment relating to insurance contracts written under IFRS 17 has not been finalized as at the date of these consolidated financial statements. The Group is progressing to quantify the impact of expected receipts adjustment relating to insurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 financial statements for the period ended 31 March 2023.

Transition to	Estimated impact on transition to IFRS 17 and IFRS 9 at January 1, 2022 SAR '000
IFRS 17 (excluding the impact of expected premium receipts adjustment)	(69,819)
IFRS 9 – net impact on equity	1,485
	(68,334)

The above changes in equity will affect the solvency ratio of the Group, which will be estimated and disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

The assessment above is a point in time estimate. The actual effect of the implementation of IFRS 17 and IFRS 9 on the Group could vary from this estimate. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2022 may change because:

- the Group is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- although parallel runs were carried out during 2022, the new systems and associated controls in place have not been operational for a more extended period;
- the Group has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework;
- the new accounting policies, assumptions, judgements and estimations techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application;
- data reconciliations, system implementation and integration, simplifications adopted to arrive at the above estimates, etc.; and
- the Group continues to refine its models, methodologies and systems as well as monitoring regulatory developments ahead of the IFRS 17 and IFRS 9 adoption on 1 January 2023.

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

i) Revenue Recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term polices (construction and engineering) and marine cargo. Unearned premiums are calculated and earned on a straight-line method over the remaining life of insurance policy coverage except for:

- Last three month's premium at a reporting date is considered as unearned in respect of marine cargo.
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy in line with the gradual increase in the risk.

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

Reinsurance commissions directly relates to the reinsurance contracts are deferred and earned to the statement of income in the same order that commission revenue is recognized over the period of risk.

Fee income from takaful

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

Investment income

Investment income on debt instruments is accounted for on an effective interest basis.

Dividend income

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

Rental income

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

j) Insurance contracts

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

k) Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and is charged to "Changes in gross outstanding claims" in the statement of income as incurred.

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

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

l) Salvage and subrogation reimbursement

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 outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

m) Reinsurance

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

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

n) Deferred policy acquisition costs

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

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

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

o) Liability adequacy test

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

p) Receivables

Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Premium receivables are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the consolidated statement of income. Receivable balances are derecognized when the Group no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in Note 13 fall under the scope of IFRS 4 "Insurance contracts".

q) Available-for-sale investments

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 (see paragraph 18), 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 (see paragraph 30).

r) Investments 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.

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 equals 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.

s) De-recognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

t) 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.

u) 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 market place.

v) Impairment of financial assets

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 making an assessment of 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.

w) 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.

x) 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

y) 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.

aa) Mudaraba/murabaha deposits

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.

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.

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.
- Reducing the carrying amount to reflect the lease payments made and;

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.

cc) 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).

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 18). 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 obligation 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.

ee) 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.

ff) 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.

gg) Withholding tax

The Group withholds taxes on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law.

hh) 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.

ii) Expenses

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are recorded in policy acquisition cost. All other operating expenses are classified as general and administrative expenses

jj) 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.

kk) 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.

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.

mm) 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 available- for-sale 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.

nn) Operating segments

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

- Medical – coverage for health insurance.
- Medical Umrah – coverage for health insurance for pilgrims.
- Motor insurance – 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 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 & Savings.
- Teejan Al- Khaleej segment – reporting Teejan Al- Khaleej operations of the Group's subsidiaries. Income earned from extending consulting services and facilities for insurance and healthcare business.
- Shareholders' segment - reporting shareholder operations of the Group includes balances of its subsidiary "Tree Digital Company." The revenues shareholders' earned from investment income along with operations 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.

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.

oo) Insurance shared agreement

As described in Note 24, the shared agreements is an insurance pooling arrangement related to motor, medical and general accidents in KSA. This is an arrangement between different number of insurance companies in KSA where the Group leads in providing insurance coverages for motor vehicles entering in KSA (Manafeth) also medical and general accidents for the pilgrims entering KSA (Hajj and Umrah) and travel COVID-19 (Travel and COVID-19). The entity does not act as an agent on behalf of the other insurers in agreement. Therefore, the Group accounts for Manafeth and Umrah shared agreements by recording the premiums under the gross written premium and claims under gross claims paid. The relevant assets and liabilities are also recorded as a separate operating segment along with the assets and liabilities of other operating segments. The distribution of share of income to other participating insurance companies is recorded as an expense in "Insurance share distribution" in the consolidated statement of income.

pp) Contingencies and commitments

Contingent liability is:

(a) 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

(b) a present obligation that arises from past events but is not recognized because:

- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) 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.

qq) 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.

rr) Basis of consolidation

The consolidated financial statements comprise the financial statements of The Company for Cooperative Insurance and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of The Company for Cooperative Insurance, 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 ability to use its power over the investee to affect its returns

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 consolidated financial statements of the subsidiaries are prepared for the same reporting period 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.

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 recognized 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.

ss) 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.

4 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS, NET

	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Work in progress	Right-of-use asset	Total 2022
				SAR '000				
Cost:								
January 1, 2022	41,417	148,899	86,246	162,470	456	–	56,350	495,838
Additions	–	–	3,405	10,384	–	32,422	–	46,211
Disposals	–	–	(2,433)	(1,061)	(30)	–	–	(3,524)
December 31, 2022	41,417	148,899	87,218	171,793	426	32,422	56,350	538,525
Accumulated Depreciation:								
January 1, 2022	–	27,723	76,153	147,167	456	–	7,369	258,868
Charge for the year	–	3,561	6,133	7,775	–	–	9,351	26,820
Disposals	–	–	(1,774)	(924)	(30)	–	–	(2,728)
December 31, 2022	–	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

	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Work in progress	Right-of-use asset	Total 2021
				SAR '000				
Cost:								
January 1, 2021	41,417	148,899	77,120	156,816	456	–	–	424,708
Additions	–	–	9,126	5,654	–	–	56,350	71,130
December 31, 2021	41,417	148,899	86,246	162,470	456	–	56,350	495,838
Accumulated Depreciation:								
January 1, 2021	–	24,160	69,213	139,028	456	–	–	232,857
Charge for the year	–	3,563	6,940	8,139	–	–	7,369	26,011
December 31, 2021	–	27,723	76,153	147,167	456	–	7,369	258,868
Net book value December 31, 2021	41,417	121,176	10,093	15,303	–	–	48,981	236,970

4.1 Right of use assets pertain to lease of premises of the Company's branches.

4.2 Depreciation is charged to general and administrative expenses in the consolidated statement of income.

5 INTANGIBLE ASSETS

	2022	2021
	SAR '000	
Cost:		
January 1	**41,149**	27,211
Additions	**15,650**	13,938
December 31	**56,799**	41,149
Accumulated Amortisation:		
January 1	**24,522**	19,503
Charge for the year	**18,836**	5,019
December 31	**43,358**	24,522
Net book value	**13,441**	16,627

Amortisation is charged to general and administrative expenses in the consolidated statement of income.

6 INVESTMENT PROPERTIES

	Land	Building	Total 2022	Total 2021
		SAR'000		
January 1	21,480	51,027	**72,507**	72,507
December 31	21,480	51,027	**72,507**	72,507
Accumulated depreciation:				
January 1	–	11,657	**11,657**	10,369
Charge for the year	–	1,288	**1,288**	1,288
December 31	–	12,945	**12,945**	11,657
Net book value	21,480	38,082	**59,562**	60,850

a) Measurement of fair values:

For the purpose of the disclosure requirements in accordance with IAS 40 "Investment properties", the Group 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 wpurpose of estimating the land and buildings fair value as at December 31, 2022, which amounted to SAR 90 million (2021: SAR 89.8 million).

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 as 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 of the investment properties has been categorized under Level 3 of the fair value hierarchy. The Group has recognized rental income to other income amounting to SAR 7.4 million (31 December 2021: 7.4 million).

7 INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS

	2022	2021
	SAR' 000	
Shareholders Operations		
Balance, January 1	**89,556**	85,319
Share of profit	**23,769**	18,602
Dividends received	**(13,261)**	(13,690)
Share of other comprehensive loss	**(4,116)**	(675)
Balance, December 31	**95,948**	89,556
Total Investments in equity accounted investments	**95,948**	89,556

The Group's interest in equity accounted investments, which is unquoted, is as follows along with summarized financial information.

Shareholders Operations:

a) United Insurance Company

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held	Carrying amount
				SAR '000			
December 31, 2022 *	Bahrain	**288,769**	**138,464**	**90,097**	**35,581**	**50**	**75,151**
December 31, 2021 *	Bahrain	237,855	101,221	42,397	21,840	50	68,317

* Based on latest available management accounts.

b) Waseel Application Services Provider

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held	Carrying amount
				SAR '000			
December 31, 2022 *	Saudi Arabia	**62,381**	**16,166**	**45,662**	**16,058**	**45**	**20,797**
December 31, 2021 *	Saudi Arabia	66,817	19,620	30,739	17,772	45	21,239

** Based on latest available management accounts.*

8 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise the Shariah Notes with following underlying securities:

	2022	2021
	SAR '000	
Insurance Operations		
Mutual funds	**10,088**	97,316
Fixed income investments	–	988,328
Discretionary portfolio management – equity shares	–	275,414
Private equity investment	**111,638**	10,250
Funds with portfolio manager	–	168,054
Total	**121,726**	1,539,362
Shareholders' Operations		
Mutual funds	**7,500**	592,160
Fixed income investments	**472,309**	167,809
Discretionary portfolio management – equity shares	**335,238**	51,099
Funds with portfolio manager	**121,568**	20,513
Total	**936,615**	831,581
Total available-for-sale investments	**1,058,341**	2,370,943

As at December 31, 2022 the Group has invested in Shariah Notes having fair value amounting to SAR 1.06 billion (2021: SAR 2.37 billion). 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. Tawuniya does not exercise any control over SPV and/or fund and portfolio managers.

Movements in available-for-sale investments are as follows:

	2022	2021
	SAR '000	
Insurance operations		
Balance, January 1	1,539,362	2,018,664
Purchases	478,818	416,823
Disposals	(1,867,375)	(1,064,852)
Changes in fair value of investments	(29,079)	168,727
Balance, December 31	121,726	1,539,362
Shareholders' operations		
Balance, January 1	831,581	999,902
Purchases	1,608,688	456,082
Disposals	(1,495,990)	(661,285)
Changes in fair value of investments	(7,664)	36,882
Balance, December 31	936,615	831,581
Total	1,058,341	2,370,943

The movement of changes in fair value of available for sale investments is as follows:

	2022	2021
	SAR '000	
Change in fair value	(29,079)	168,727
Net gain transferred to the consolidated statement of income on disposal of investments	(55,304)	(58,559)
	(84,383)	110,168
Shareholders' operations		
Change in fair value	(7,664)	36,882
Net loss/(gain) transferred to the consolidated statement of income on disposal of investments	18,816	(83,398)
	11,152	(46,516)
Total	(73,231)	63,652

9 MUDARABA/MURABAHA 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 5.86%. (2021: 2.86%). The movements in deposits during the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
	SAR '000	
Balance, January 1	1,700,623	1,291,465
Placed during the year	8,040,059	3,524,148
Matured during the year	(6,081,451)	(3,114,990)
Balance, December 31	3,659,231	1,700,623
Shareholders' operations		
Balance, January 31	2,079,975	1,843,467
Placed during the year	4,433,465	4,343,475
Matured during the year	(4,268,919)	(4,106,967)
Balance, December 31	2,244,521	2,079,975
Total	5,903,752	3,780,598

10 PREPAID EXPENSES AND OTHER ASSETS

	2022	2021
	SAR '000	
Prepaid expenses	78,342	68,290
Other assets (refer Note 10.1 and 10.2)	281,872	343,042
	767,968	668,962

10.1 Other assets include payments made by the Group in relation to VAT assessment raised by Zakat, Tax and Customs Authority (ZATCA) for the years 2018 and 2019 of SAR 143 million as a precondition to submit an objection on ZATCA's assessment. Based on the management best estimate a provision of SAR 23.5 million has been maintained as at 31 December 2022. The Group submitted its objections on the ZATCA's assessment however; these objections were rejected by ZATCA. Therefore in January 2021, the Group filed an appeal with "General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC") (formerly known as General Secretariat of Tax Committees ("GSTC"))" under the Tax Violations and Dispute Committee (TVDC) GSZTCC Level 1 to contest the ruling of ZATCA. Following numerous hearings conducted with the TVDC, the TVDC had pronounced a ruling judgment in the favour of the defendant (i.e., ZATCA) in a virtual hearing on 4 October 2021. In January 2022, TVDC has provided a detailed ruling judgment and reasoning of the TVDAC. Based on the above and in accordance with Article 40(2) of the GSZTCC Rules and Regulation, Tawuniya has filed an appeal to Tax Violations and Dispute Appellate Committee ("TVDAC") on 16 February 2022 i.e., within 30 days following receipt of the ruling judgment. The Group has also filed a settlement request with the Alternative Dispute Resolution Committee (ADRC) for their consideration for settlement and the appeal hearing with TVDAC is on hold by the TVDAC pending the settlement outcome between the Group and the ADRC.

10.2 Other assets also include an amount of SAR 101.6 million receivable from a financial institution. The said receivable is recognized since the Group has entered into an agreement dated December 28, 2022, where by 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 is due on April 01, 2023. Furthermore, the counterparty has an option to buy back the land within 60 days of the execution of the agreement.

11 MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED COMMISSION INCOME, UNEARNED PREMIUMS AND OUTSTANDING CLAIMS

a) Deferred policy acquisition costs

	2022	2021
	SAR '000	
Incurred during the year	555,105	343,490
Amortised during the year	(495,742)	(350,263)
Balance, December 31	187,314	127,951

b) Unearned commission income

	2022	2021
	SAR '000	
Commission received during the year	155,358	137,045
Commission earned during the year	(136,464)	(132,294)
Balance, December 31	61,183	42,289

c) Unearned premiums

	2022			2021		
	Gross	Reinsurers' Share	Net	Gross	Reinsurers' Share	Net
	SAR '000					
Balance, January 1	5,031,265	(717,382)	4,313,883	4,319,378	(683,698)	3,635,680
Commission received during the year	14,349,620	(2,143,509)	12,206,111	10,218,606	(1,594,488)	8,624,118
Commission earned during the year	(12,365,971)	1,763,141	(10,602,830)	(9,506,719)	1,560,804	(7,945,915)
Balance, December 31	7,014,914	(1,097,750)	5,917,164	5,031,265	(717,382)	4,313,883

d) Outstanding claims and other reserves

	2022			2021		
	Gross	Reinsurers' Share	Net	Gross	Reinsurers' Share	Net
	SAR '000					
Claims and expenses paid	(8,336,582)	836,863	(7,499,719)	(6,764,042)	347,397	(6,416,645)
Claims incurred	9,375,890	(920,561)	8,455,329	6,846,886	(186,610)	6,660,276
Balance, December 31	5,240,555	(2,175,265)	3,065,290	4,201,247	(2,091,567)	2,109,680
Outstanding claims	2,896,970	(1,782,371)	1,114,599	2,440,830	(1,762,324)	678,506
Salvage and subrogation	(70,914)	–	(70,914)	(40,101)	–	(40,101)
Gross outstanding claims	2,826,056	(1,782,371)	1,043,685	2,400,729	(1,762,324)	638,405
Incurred but not reported claims reserves	2,400,908	(392,894)	2,008,014	1,770,241	(329,243)	1,440,998
Premium deficiency reserve	13,591	–	13,591	30,277	–	30,277
Balance, December 31	5,240,555	(2,175,265)	3,065,290	4,201,247	(2,091,567)	2,109,680

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Management and its appointed actuary have made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

As at December 31, 2022, based on the recommendations of its appointed actuary, management has recorded technical reserves (Gross outstanding claims and reserves including premium deficiency reserves) which amounted to SAR 5.2 billion (2021: SAR 4.2 billion). Significant portion of reserves relates to medical line of business. As at December 31, 2022 the Group booked five significant outstanding claims amounting to SAR 744 million (2021: five claims of SAR 826 million) with a reinsurance share of outstanding claim at 99.9% (2021: 99.8%) relating to property and casualty line of business.

12 REINSURERS' SHARE OF OUTSTANDING CLAIMS, NET

Reinsurers' share of outstanding claims comprise net amounts due from the following:

	2022	2021
	SAR '000	
Impairment provision	(1,458)	(1,458)
	2,175,265	2,091,567

Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern. Reinsurance arrangements are made with counterparties with sound credit ratings under Standard and Poor's ratings methodology and ratings as per other reputable agencies.

Amounts due from reinsurers relating to claims already paid by the Group are included in receivables, net (Note 13).

13 RECEIVABLES, NET

Receivables comprise net amounts due from the following:

	2022	2021
	SAR '000	
Brokers and agents	1,419,797	1,558,297
Related parties (Note 29)	1,797,800	381,729
	5,660,176	3,408,742
Receivables from reinsurers	33,318	51,409
Administrative service plan	2,582	2,582
	5,696,076	3,462,733
Provision for doubtful receivables	(274,562)	(240,732)
Receivables, net	5,421,514	3,222,001

Movement in allowance for doubtful debts during the year was as follows:

	2022	2021
	SAR '000	
Provision for the year	33,830	39,891
Balance, December 31	274,562	240,732

As at December 31, the ageing of receivables is as follows:

2022			Past due but not impaired			Past due and impaired		
	Total	Neither past due nor impaired	Less than 30 days	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than 360 days
	SAR '000							
Premium and reinsurance receivables								
– Policyholders'	2,442,579	1,059,733	65,856	203,577	721,972	115,684	85,780	189,977
– Brokers and agents	1,419,797	530,421	227,620	17,055	330,196	174,579	74,584	65,342
– Due from related parties	1,797,800	1,236,187	6,278	462,031	4,925	57,506	24,622	6,251
– Receivable from reinsurers	33,318	–	1,949	2,574	23,265	2,875	628	2,027
– Administrative service plan	2,582	–	–	–	–	–	–	2,582
Total	5,696,076	2,826,341	301,703	685,237	1,080,358	350,644	185,614	266,179

2021			Past due but not impaired			Past due and impaired		
	Total	Neither past due nor impaired	Less than 30 days	31 – 60 days	61 – 90 days	91 – 180 days	181 – 360 days	More than 360 days
	SAR '000							
Premium and reinsurance receivables								
– Policyholders'	1,468,716	756,216	257,999	66,072	27,671	37,389	173,861	149,508
– Brokers and agents	1,558,297	816,276	83,927	250,539	68,240	245,553	42,380	51,382
– Due from related parties	381,729	30,518	307,023	1,398	1,092	33,526	8,062	110
– Receivable from reinsurers	51,409	–	1,050	21,282	26,529	38	487	2,023
– Administrative service plan	2,582	–	–	–	118	–	–	2,464
Total	3,462,733	1,603,010	649,999	339,291	123,650	316,506	224,790	205,487

The Group only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.

Receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance companies mainly outside the Kingdom of Saudi Arabia. Receivables include an amount of SAR 750 million (2021: SAR 417 million) due in foreign currencies, mainly in US dollars. The Group's terms of business require amounts to be paid within 30 to 90 days of the date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period. The five largest customers account for 42% (December 31, 2021: 33%) of the premium receivable as at December 31, 2022.

14 STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2021: SAR 125 million) in a bank designated by SAMA. During the year, the Group transferred the said deposit from Saudi National Bank to Riyad Bank after obtaining approval from SAMA. The statutory deposits can only be withdrawn after SAMA's consent.

15 CASH AND CASH EQUIVALENTS

	2022	2021
	SAR '000	
Short term mudaraba/murabaha deposits (note 15.1)	750,000	–
Banks balances and cash (note 15.2)	856,362	1,161,102
Total	1,606,362	1,161,102
Shareholders Operations		
Banks balances and cash (note 15.2)	52,981	27,164
Total	52,981	27,164
Total cash and cash equivalents	1,659,343	1,188,266

15.1 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 5.31%. (2021: 2.86%).

15.2 Bank balances and cash includes call account balance of SAR 34 million (December 31, 2021: SAR 74 million). Bank balances are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

16 SURPLUS DISTRIBUTION PAYABLE

Insurance Operations' surplus

The insurance operations invests its surplus funds in investments as disclosed in Notes 8 and 9. Changes in the fair value of available-for-sale investments at December 31, 2022 are not considered as part of the net surplus available for distribution to policyholders. At the time such investments are sold or gains and losses are realized, they will be included in the consolidated statement of income as surplus attributable to insurance operation. Insurance Operations' surplus for all the year till 2021 is allocated and awaiting details from policyholders to reimburse the same.

17 CLAIMS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2022	2021
	SAR '000	
Payable – Zakat, Tax and Custom Authority	**345,400**	270,717
Accrued expenses	**223,839**	142,894
Marketing representative commissions	**26,505**	18,542
Insurance share of profit distribution payable	**404,351**	42,800
Payable – Ministry of Hajj and Umrah	**55,970**	14,851
Provision for leave encashment	**21,203**	21,221
Employees' savings plan (17.1)	**29,910**	37,100
Lease liability (17.2)	**38,644**	47,149
Other liabilities	**20,504**	24,677
	1,591,463	1,070,631

17.1 The Group has a savings plan for its Saudi employees under which a definite 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 2022 reached 226 employees (2021: 267 employees) with a subscription amounting to SAR 19.1 million (2021: SAR 22.2 million).

17.2 Movement of lease liability are as follows:

	2022	2021
	SAR '000	
Additions	**–**	53,917
Finance cost	**875**	626
Repayment	**(9,380)**	(7,394)
December 31	**38,644**	47,149

18 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 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 amounts recognized in the consolidated statement of financial position and movement in the obligation during the year based on its present value are as follows:

18.1 The amounts recognized in the consolidated statement of financial position based on its present value are as follows:

	2022	2021
	SAR '000	
	125,297	142,110

18.2 Movement of defined benefits obligation

	2022	2021
	SAR '000	
Charge to the consolidated statement of income	**18,884**	20,333
Charge to the consolidated statement of other comprehensive income	**(12,422)**	(165)
Payment of benefits during the year	**(23,275)**	(13,048)
Closing balance	**125,297**	142,110

18.3 Reconciliation of present value of defined benefits obligation

	2022	2021
	SAR '000	
Present value of defined benefits obligation as at January 1	142,110	134,990
Current service costs	13,431	16,208
Financial costs	5,453	4,125
Actuarial gain from experience adjustments	(12,422)	(165)
Benefits paid during the year	(23,275)	(13,048)
Present value of defined benefits obligation as at December 31	125,297	142,110

18.4 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).

18.5 Sensitivity analysis of actuarial assumptions

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

	2022	2021
	SAR '000	
– Increase by 0.5%	(3,866)	(4,683)
– Decrease by 0.5%	4,102	4,906
Expected rate of increase in salary level across different age bands		
– Increase by 0.5%	3,946	4,706
– Decrease by 0.5%	(3,760)	(4,530)

19 CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported (excluding claims payables) for each successive accident year at each consolidated statement of financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of the claims.

The Group aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from 2014 onwards whose claim experience has not been fully developed.

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

Claims development table gross of reinsurance:

2022 Accident year	2017 and Earlier	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims cost:							
At the end of accident year	39,812,081	7,423,498	5,946,043	4,554,241	6,020,436	7,556,043	–
One year later	35,265,398	8,583,529	7,129,338	5,521,225	7,502,579	–	–
Two years later	41,311,688	8,587,813	7,052,371	5,601,323	–	–	–
Three years later	41,334,483	8,427,517	6,986,996	–	–	–	–
Four years later	41,241,093	8,373,047	–	–	–	–	–
Five years later	41,035,376	8,373,047	–	–	–	–	–
Current estimate of cumulative claims	41,035,376	8,373,047	6,986,996	5,601,323	7,502,579	7,556,043	77,055,364
Cumulative payments to date	(40,758,037)	(8,166,583)	(6,722,632)	(5,486,659)	(6,815,061)	(6,209,422)	(74,158,394)
Liability recognized in the consolidated statement of financial position	277,339	206,464	264,364	114,664	687,518	1,346,621	2,896,970
Salvage and subrogation							(70,914)
Incurred but not reported claims	19,807	8,803	3,453	10,961	165,579	2,192,305	2,400,908
Premium deficiency reserve	–	–	–	–	–	–	13,591
Outstanding claims and reserves							5,240,555

2021 Accident year	2017 and Earlier	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims cost:							
At the end of accident year	33,073,839	5,842,642	7,423,498	5,946,045	4,554,242	6,020,437	–
One year later	33,969,439	7,065,784	8,583,529	7,129,338	5,521,225	–	–
Two years later	33,989,719	7,263,141	8,587,813	7,052,371	–	–	–
Three years later	34,048,547	7,303,280	8,427,517	–	–	–	–
Four years later	34,031,203	7,284,187	–	–	–	–	–
Five years later	33,956,906	–	–	–	–	–	–
Current estimate of cumulative claims	33,956,906	7,284,187	8,427,517	7,052,371	5,521,225	6,020,437	68,262,643
Cumulative payments to date	(33,632,067)	(7,108,392)	(8,107,618)	(6,359,779)	(5,209,984)	(5,403,973)	(65,821,813)
Liability recognized in the consolidated statement of financial position	324,839	175,795	319,899	692,592	311,241	616,464	2,440,830
Salvage and subrogation	–	–	–	–	–	–	(40,101)
Incurred but not reported claims	27,267	12,114	6,372	5,388	103,582	1,615,518	1,770,241
Premium deficiency reserve	–	–	–	–	–	–	30,277
Outstanding claims and reserves							4,201,247

Claims development table net of reinsurance:

2022 Accident year	2017 and Earlier	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims cost:							
At the end of accident year	32,485,293	5,219,686	4,773,693	4,370,006	5,764,220	6,895,557	–
One year later	33,734,967	5,952,086	5,824,840	5,143,894	6,727,234	–	–
Two years later	33,914,153	6,302,817	5,840,405	5,261,331	–	–	–
Three years later	33,917,379	6,297,516	5,858,104	–	–	–	–
Four years later	33,878,624	6,297,337	–	–	–	–	–
Five years later	33,820,908	–	–	–	–	–	–
Current estimate of cumulative claims	33,820,908	6,297,337	5,858,104	5,261,331	6,727,234	6,895,557	64,860,471
Cumulative payments to date	(33,737,716)	(6,280,357)	(5,837,631)	5,261,331	(6,674,898)	(5,991,119)	(63,745,872)
Liability recognized in the consolidated statement of financial position	83,192	16,980	20,473	37,180	52,336	904,438	1,114,599
Salvage and subrogation	–	–	–	–	–	–	(70,914)
Incurred but not reported claims	16,082	8,551	3,416	10,937	160,714	1,808,314	2,008,014
Premium deficiency reserve	–	–	–	–	–	–	13,591
Outstanding claims and reserves							3,065,290

2021 Accident year	2017 and Earlier	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims cost:							
At the end of accident year	26,043,900	5,444,158	5,219,686	4,773,695	4,370,007	5,764,221	–
One year later	27,041,135	6,521,216	5,952,086	5,824,840	5,143,894	–	–
Two years later	27,213,751	6,693,505	6,302,817	5,840,405	–	–	–
Three years later	27,220,649	6,713,412	6,297,516	–	–	–	–
Four years later	27,203,968	6,702,493	–	–	–	–	–
Five years later	27,176,131	–	–	–	–	–	–
Current estimate of cumulative claims	27,176,131	6,702,493	6,297,516	5,840,405	5,143,894	5,764,221	56,924,660
Cumulative payments to date	(27,066,295)	(6,665,283)	(6,266,416)	(5,810,428)	(5,103,877)	(5,333,855)	(56,246,154)
Liability recognized in the consolidated statement of financial position	109,836	37,210	31,100	29,977	40,017	430,366	678,506
Salvage and subrogation	–	–	–	–	–	–	(40,101)
Incurred but not reported claims	33,029	5,921	2,951	4,992	97,459	1,296,646	1,440,998
Premium deficiency reserve	–	–	–	–	–	–	30,277
Outstanding claims and reserves							2,109,680

20 ZAKAT

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

	2022	2021
	SAR '000	
Reserves, opening provisions and other adjustments	2,254,373	2,051,875
Book value of long term assets	(570,564)	(470,936)
	2,933,809	2,830,939
Adjusted net income	542,177	424,224
Zakat @ 2.585% on Zakat base	75,832	72,972
Zakat @ 2.5% on adjusted net income	13,554	10,606
	89,386	83,578

As the zakat base for the year is higher than the zakatable income, the zakat for the year is calculated at 2.585 % 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:

	2022	2021
	SAR '000	
Provided during the year	89,386	83,578
Payments during the year	(232,241)	(14,779)
Balance, December 31	272,168	415,023

c) Status of Assessments:

The Group has filed Zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2014 to 2021. The ZATCA issued assessments for the years 2014 to 2018 and objection was lodged against those years by the Group. For 2014 to 2018, the ZATCA rejected the appeal and the Group filed their appeal case at the "General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC") (formerly known as General Secretariat of Tax Committees ("GSTC")". The Group also approached the Alternative Dispute Resolution Committee (ADRC) to discuss an amicable settlement of their contested appeal matters for the years 2014 to 2018. In February 2022, the Group agreed on a settlement with the ADRC amounting to SAR 221 million for the assessment years 2014 to 2018. Furthermore, ZATCA has started its review procedures for years 2019 and 2020 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 interim condensed consolidated financial statements for the year ended December 31, 2022.

21 SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SAR 1.25 billion at December 31, 2022 (2021: SAR 1.25 billion) consisting of 125 million shares of SAR 10 each. Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat.

2022	Authorized and issued		Paid up
	No. of Shares	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

2021	Authorized and issued		Paid up
	No. of Shares	SAR '000	
General Organization for Social Insurance	45,974,491	459,745	459,745
	125,000,000	1,250,000	1,250,000

During the year, 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, 2022 is 25.86% (December 31, 2021: 36.78%).

22 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 SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital. 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.

23 INSURANCE SHARE DISTRIBUTION

(i) Manafeth shared agreement:

On January 13, 2015 the Company, together with 25 other insurance companies, signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from January 1, 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia. The agreement was renewed for two years from January 1, 2019 to December 31, 2021 with 25 other insurance companies.

The main terms of the agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is shared equally by the Company and other insurers.

Effective from January 1, 2021, in accordance with a new shared agreement signed together with 3 other insurance companies and Najm Insurance Services "Najm", Najm would be in charge of managing the Manafeth (Outpost Offices) and will be acting as an agent on behalf of the insurers in the agreement. The purpose of this restructuring is to handle the sale of insurance policies for the foreign vehicles entering or crossing the borders of the Kingdom of Saudi Arabia, on behalf of the participating insurance companies. Najm will be sharing the insurance policies equally with the participating insurance companies and the accounting of premiums and related claims cost will be recorded separately by each of the participating insurance companies in their respective financial statements.

(ii) 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 "1" 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.

The main terms of the agreement are as follows:

- The Company obtains 2% management fee of the net result of the Hajj and Umrah portfolio;
- The Company obtains 2.5% of Hajj and Umrah's gross premiums 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.

(iii) 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 1, 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.

	2022	2021
	SAR '000	
Available for sale investments		
– Dividend income	3,453	–
– Commission income	13,706	52,584
– Realized gain on sale of available-for-sale investments (Note 8)	55,304	58,559
	72,463	111,143
Loans and receivables		
– Commission income	130,710	34,608
– Realized gain on sale	5,482	–
	136,192	34,608
Investment income, net	208,655	145,751
Shareholders Operations		
Available for sale investments		
– Commission income	5,230	7,799
– Realized (loss)/gain on sale of available-for-sale investments (Note 8)	(18,816)	58,854
– Investment fees	(4,356)	(3,818)
	(17,942)	62,835
Loans and receivables		
– Commission income	89,379	75,599
– Realized gain on sale	620	–
	89,999	75,599
Total investment income, net	72,057	138,434
Total investment income, net	280,712	284,185

25 OTHER INCOME/(EXPENSES), NET

	2022	2021
	SAR '000	
Management fees income	27,160	952
Commission income on cash & cash equivalents	28,435	1,080
Other expenses, net	(65)	(3,648)
	87,617	(1,616)

25.1 The Group has written-back surplus distribution payable to 'other income' that remained unclaimed for more than 10 years.

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	SAR '000	
Advertising	52,425	43,197
Insurance, utilities and maintenance	21,795	19,640
Depreciation (Note 4,6)	28,108	27,299
Communications	15,721	15,864
Office supplies and printing	7,812	4,525
Training and education	7,599	2,693
Professional fees	28,066	25,502
Indirect cost charge	27,160	952
License and other charges	62,366	45,524
Unrecoverable VAT and penalties	13,059	18,933
Finance cost	6,328	8,499
Others	69,148	34,415
	901,229	746,268

27 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated by dividing the income for the year by 125 million shares.

28 ACCRUED INVESTMENT INCOME

This includes an accrued investment income on available-for-sale investments amounting to SAR 4.6 million (2021: SAR 11 million).

29 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, 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. Following are the details of the major related party transactions during the year and the related balances at December 31:

	Amount of transactions for the year ended		Balance receivable/(payable) as at	
	2022	2021	2022	2021
	SAR '000			
Major shareholders				
Insurance premium written	**52,923**	56,298	**857**	15,951
Allowance for doubtful debts	–	–	–	(2,457)
Claims paid to medical services providers	**396**	68	–	–
General Organization for Social Insurance – ther services	**778**	145	–	–
Associates				
Insurance premium written	**1,007**	887	**30**	75
Waseel fees paid	**10,146**	3,755	**(1,016)**	–
United Insurance Company B.S.C. fees and claims	**7,894**	6,848	**646**	582
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written	**2,461,655**	614,440	**1,796,913**	365,703
Allowance for doubtful debts	–	–	**(7,030)**	(4,670)
Claims paid to medical services providers	**26,671**	602	–	–
Najm fees paid	**55,990**	61,040	**(10,107)**	(10,504)
Rent expenses paid	–	1,666	–	(561)
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.

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 five top executives for the year ended December 31, 2022 and 2021:

2022	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
		SAR '000	
Salaries and compensation	–	–	**8,210**
Allowances	–	**970**	**3,698**
Annual remuneration	–	**4,920**	**9,542**
End of service indemnities	–	–	**1,004**
Total	–	**5,890**	**22,454**

2021	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
		SAR '000	
Salaries and compensation	–	–	7,995
Allowances	–	550	3,438
Annual remuneration	–	4,612	9,069
End of service indemnities	–	–	2,332
Total	–	5,162	22,834

30 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 Group 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 and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

The Group measures fair value including fair value gains and losses, realised gains and losses on disposal of investments and impairment on equities at underlying asset level. However, the Shariah Notes are the basis of unit of account for recognition as at the balance sheet date.

2022	Level 1	Level 2	Level 3	Level 4
		SAR '000		
Available-for- sale investments				
Insurance operations				
Mutual funds	–	10,088	–	10.088
Private equity investment *	–	–	31.174	31.174
	–	10.088	31.174	41.262
Shareholders operations				
Mutual funds	–	7.500	–	7.500
Fixed income investments	5.000	467.309	–	472.309
Discretionary portfolio management – equity shares	–	335.238	–	335.238
Funds with portfolio manager	–	121.568	–	121.568
	5.000	931.615	–	936.615
Total	5.000	941.703	31.174	977.615

2021	Level 1	Level 2	Level 3	Level 4
		SAR '000		
Available-for- sale investments				
Insurance operations				
Mutual funds	–	97,316	–	97,316
Fixed income investments	–	988,328	–	988,328
Discretionary portfolio management – equity shares	–	275,414	–	275,414
Private equity investment	–	–	10,250	10,250
Funds with portfolio manager	–	168,054	–	168,054
	–	1,529,112	10,250	1,539,362
Shareholders operations				
Mutual funds	–	592,160	–	592,160
Fixed income investments	–	167,809	–	167,809
Discretionary portfolio management – equity shares	–	51,099	–	51,099
Funds with portfolio manager	–	20,513	–	20,513
	–	831,581	–	831,581
Total	–	2,360,693	10,250	2,370,943

** Private equity investments do not include an amount of SAR 80.4 million (31 December 2021: Nil) in private equity of a startup financial institution. The investment does not have a quoted market price in an active market and whose fair value cannot be reliably measured. Management do not intend to dispose the investment within the next financial reporting year.*

The valuation of each publicly traded investment classified under level 1 is based upon the closing market price of that security as of the valuation date. The fair value used for valuation of Level 2 fixed income investments and mutual funds are based on prices quoted on reliable and third party sources including Reuters, Bloomberg, etc. Fair value of private equity investment classified in Level 3 are determined based on the in-house valuation model. There were no transfers in between levels during the year ended December 31, 2022 and 2021. As at December 31, 2022, the Group has invested an amount of SAR 936 million (2021: SAR 2.37 billion) classified under available for sale investments in Shariah Notes issued by SPV in Cayman Islands.

The fair values of statutory deposits, accrued investment income on statutory deposit, mudaraba/murabaha 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 recognized in		
December 31, 2022	Balance January 1	Purchases/ Transfers	Sales	Consolidated statement of income	Other comprehensive income	Balance December 31
Insurance operations						
Private equity investment	10,250	–	–	–	20,924	31,174
	10,250	–	–	–	20,924	31,174
Shareholders operations						
Private equity investment	–	–	–	–	–	–
	–	–	–	–	–	–
Total	10,250	–	–	–	20,924	31,174

	SAR '000					
				Total gain or loss recognized in		
December 31, 2022	Balance January 1	Purchases/ Transfers	Sales	Consolidated statement of income	Other comprehensive income	Balance December 31
Private equity investment	10,250	–	–	–	–	10,250
	10,250	–	–	–	–	10,250
Shareholders operations						
Private equity investment	53,145	–	(53,145)	–	–	–
	53,145	–	(53,145)	–	–	–
Total	63,395	–	(53,145)	–	–	10,250

The below table shows significant unobservable inputs used in the valuation of level 3 investments.

Description	Fair value as at Dec 31, 2022	Fair value as at Dec 31, 2021	Unobservable Inputs		Range of inputs		Relationships of unobservable inputs to fair value
	SAR '000						
			2022	2021	2022	2021	
Private equity investment	31,174	10,250	– Annual growth rate 7% (Years from 2023 to 2027) – Growth rate 2.5% (After 2027) – WACC 10.23%		+/- 30% (illiquidity discount)		– Annual growth rate is directly proportional – Discount rate is inversely proportional

Sensitivity analysis of Level 3 investments

December 31, 2022	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to decrease in sensitivity factor
		SAR '000	
Insurance Operations			
Private equity investment	+/- 10% change in price	3,117	(3,117)

December 31, 2021	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to decrease in sensitivity factor
		SAR '000	
Insurance Operations			
Private equity investment	+/- 10% change in price	1,025	(1,025)

31 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, available for sale investments, mudaraba/murabaha deposits, prepaid expenses and other assets, receivables, net, accrued investment income and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include insurance operations' surplus distribution payable, defined benefits obligation, claims payable, accrued expenses and other liabilities and reinsurers' balances payable. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for allowance for doubtful debts on premiums receivable and 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.

2022	General accidents										
Operating Segments	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
	SAR '000										
Operating Segments											
REVENUES											
Gross premiums written											
– Retail	37,088	543,203	794,631	25,544	543,198	125,358		2,069,022			2,069,022
– Micro Enterprises	465,560	–	67,455	55,561				588,576			588,576
– Small Enterprises	385,371	–	29,785	28,039			204	443,399			443,399
– Medium Enterprises	385,719	–	65,540	38,952			1,092	491,303			491,303
– Corporates	8,644,492	–	84,445	1,985,392			42,991	10,757,320			10,757,320
	9,918,230	543,203	1,041,856	2,133,488	543,198	125,358	44,287	14,349,620			14,349,620
Reinsurance ceded – local	–	–	–	(36,939)	–	–	–	(36,939)			(36,939)
Reinsurance ceded – International	(126,529)	–	–	(1,898,505)	(37,506)	(4,361)	(39,669)	(2,106,570)			(2,106,570)
Excess of loss premiums – local	–	–	(434)	(1,512)	(11,040)	–		(12,986)			(12,986)
Excess of loss premiums – International	–	–	(2,434)	(18,668)	(13,080)	–		(34,182)			(34,182)
Fees income from takaful	–	–	–	–	–	–	5,786	5,786			5,786
Net premiums written	9,791,701	543,203	1,038,988	177,864	481,572	120,997	10,404	12,164,729			12,164,729
Changes in unearned premiums, net	(1,086,353)	(128,402)	(253,632)	(34,980)	(103,528)	4,164	(550)	(1,603,281)			(1,603,281)
Net premiums earned	8,705,348	414,801	785,356	142,884	378,044	125,161	9,854	10,561,448			10,561,448
Reinsurance commissions	2,453	–	–	134,011				136,464			136,464
Other underwriting income	2,729	–	104	9,034				11,867			11,867
TOTAL REVENUES	8,710,530	414,801	785,460	285,929	378,044	125,161	9,854	10,709,779			10,709,779
UNDERWRITING COSTS AND EXPENSES											

2022	General accidents										
Operating Segments	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
	SAR '000										
Gross claims paid and expenses incurred related to claims	6,740,285	204,573	583,503	781,866	1,207	2,831	22,317	8,336,582			8,336,582
Reinsurers' share of claims paid	(49,508)	–	(10,623)	(755,716)	(239)	(108)	(20,669)	(836,863)			(836,863)
Net claims and other benefits paid	6,690,777	204,573	572,880	26,150	968	2,723	1,648	7,499,719			7,499,719
Changes in outstanding claims, net	421,845	–	(27,341)	10,011	–	–	765	405,280			405,280
Changes in incurred but not reported claims reserve, net	498,206	10,616	34,142	3,191	30,635	(9,361)	(413)	567,016			567,016
Changes in premium deficiency reserves	(20,096)	–	1,005	2,211	–	–	194	(16,686)			(16,686)
Net claims and other benefits incurred	7,590,732	215,189	580,686	41,563	31,603	(6,638)	2,194	8,455,329			8,455,329
Changes in reserve for takaful activities	–	–	–	–	–	–	(511)	(511)			(511)
Policy acquisition costs	292,619	31,117	93,390	55,925	32,403	5,071	995	511,520	(15,778)		495,742
Other underwriting expenses	140,360	36,774	3,514	10,584	53,484	3,978	2,575	251,269			251,269
Insurance share distribution	–	115,729	567	–	240,467	84,374	–	441,137			441,137
TOTAL UNDERWRITING COSTS AND EXPENSES	8,023,711	398,809	678,157	108,072	357,957	86,785	5,253	9,658,744	(15,778)		9,642,966

** Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 8,167 million.*

2022	General accidents										
Operating Segments	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
	SAR '000										
Net underwriting income	686,819	15,992	107,303	177,857	20,087	38,376	4,601	1,051,035	15,778		1,066,813
Unallocated (expense)/income											
General and administrative expenses								(893,690)	(894)	(6,645)	(901,229)
Allowance for doubtful debts								(33,830)	–	–	(33,830)
Investment income, net								208,655	–	72,057	280,712
Share of profit from equity accounted investments, net								–	–	23,769	23,769
Other income/expenses, net								102,464	(14,847)	–	87,617
Net income before attribution and zakat								434,634	37	89,181	523,852

2021	General accidents										
Operating Segments	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
	SAR '000										
REVENUES											
Gross premiums written											
– Retail	16,899	19,107	507,960	19,353	16,358	99,107	218	679,002			679,002
– Micro Enterprises	343,234	–	20,416	13,701	–	–	–	377,351			377,351
– Small Enterprises	261,567	–	8,731	16,694	–	–	280	287,272			287,272
– Medium Enterprises	327,969	–	18,807	38,904	–	–	967	386,647			386,647
– Corporates	6,870,037	–	62,695	1,521,347	–	–	34,255	8,488,334			8,488,334
	7,819,706	19,107	618,609	1,609,999	16,358	99,107	35,720	10,218,606			10,218,606
Reinsurance ceded – local	–	–	–	(76,624)	–	–	(2,282)	(78,906)			(78,906)
Reinsurance ceded – international	(84,580)	–	–	(1,396,897)	(1,102)	(2,727)	(30,276)	(1,515,582)			(1,515,582)
Excess of loss premiums – local			(3,317)	(9,859)				(13,176)			(13,176)
Excess of loss premiums – International			(630)	(5,695)	(1,218)			(7,543)			(7,543)
Fees income from takaful	–	–	–	–	–	–	4,466	4,466			4,466
Net premiums written	7,735,126	19,107	614,662	120,924	14,038	96,380	7,628	8,607,865			8,607,865
Changes in unearned premiums, net	(645,860)	(3,520)	(1,724)	(19,717)	(2,835)	(4,164)	(383)	(678,203)			(678,203)
Net premiums earned	7,089,266	15,587	612,938	101,207	11,203	92,216	7,245	7,929,662			7,929,662
Reinsurance commissions	1,663	–	–	130,631	–	–	–	132,294			132,294
Other underwriting income	74	–	2,313	3,882	–	–	–	6,269			6,269

2021						General accidents					
Operating Segments	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
						SAR '000					
TOTAL REVENUES	7,091,003	15,587	615,251	235,720	11,203	92,216	7,245	8,068,225			8,068,225
UNDERWRITING COSTS AND EXPENSES											
Gross claims paid and expenses incurred related to claims	6,012,501	7,122	414,487	291,816	14	3,681	34,421	6,764,042			6,764,042
Reinsurers' share of claims paid	(41,041)	–	(5,821)	(268,683)	(10)	(181)	(31,661)	(347,397)			(347,397)
Net claims and other benefits paid	5,971,460	7,122	408,666	23,133	4	3,500	2,760	6,416,645			6,416,645
Changes in outstanding claims, net	121,322	–	(31,243)	(5,681)	–	–	(75)	84,323			84,323
Changes in incurred but not reported claims reserve, net	168,688	1,118	(18,380)	7,133	2,367	20,108	398	181,432			181,432
Changes in premium deficiency reserves	(14,611)	–	–	(7,606)	–	–	93	(22,124)			(22,124)
Net claims and other benefits incurred	6,246,859	8,240	359,043	16,979	2,371	23,608	3,176	6,660,276			6,660,276
Changes in reserve for takaful activities	–	–	–	–	–	–	(172)	(172)			(172)
Policy acquisition costs	237,175	1,162	75,136	47,820	995	2,326	578	365,192	(14,929)		350,263
Other underwriting expenses	111,102	1,242	5,487	12,333	1,128	3,110	3,139	137,541			137,541
Insurance share distribution	–	3,123	12,605	–	5,028	42,105	–	62,861			62,861
TOTAL UNDERWRITING COSTS AND EXPENSES	6,595,136	13,767	452,271	77,132	9,522	71,149	6,721	7,225,698	(14,929)		7,210,769

** Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 7,839 million.*

2021				General accidents							
Operating Segments	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
						SAR '000					
Net underwriting income	495,867	1,820	162,980	158,588	1,681	21,067	524	842,527	14,929		857,456
Unallocated (expense)/income											
General and administrative expenses								(737,796)	(368)	(8,104)	(746,268)
Allowance for doubtful debts								(39,891)	–	–	(39,891)
Investment income, net								145,751	–	138,434	284,185
Share of profit from equity accounted investments, net								–	–		
Other income/expenses, net								12,712	(14,328)	–	(1,616)
Net income before attribution and zakat								223,303	233	148,932	372,468

As at December 30, 2022	General accidents										
	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
	SAR '000										
Operating Segments											
Assets											
Deferred excess of loss premiums	–	–	–	7,088	–	–	–	7,088			7,088
Deferred policy acquisition costs	104,956	9,896	36,359	27,188	8,570	–	345	187,314			187,314
Reinsurer's share of gross outstanding claims	387	–	24,723	1,728,326	–	–	28,935	1,782,371			1,782,371
Reinsurer's share of incurred but not reported claims	21,373	–	4,059	355,309	2,390	426	9,337	392,894			392,894
Reinsurers' share of gross unearned premiums	40,928	–	–	1,038,487	7,891	–	10,444	1,097,750			1,097,750
Unallocated assets:											
Investments (includes investment properties, investments in equity accounted investments, available for sale investments, mudaraba/murabaha deposits and accrued investment income)								3,861,359	–	3,337,970	7,199,329
Receivables, net								5,421,514	–	–	5,421,514
Cash and cash equivalents								1,606,362	3,523	49,458	1,659,343
Other unallocated assets								1,031,113	–	136,281	1,167,394
Total assets								15,387,765	3,523	3,523,709	18,914,997
Liabilities											
Reserve for takaful activities	–	–	–	–	–	–	2,861	2,861			2,861
Gross outstanding claims	768,853	–	156,939	1,869,160	–	–	31,104	2,826,056			2,826,056
Incurred but not reported claims reserve	1,800,639	12,011	169,925	361,556	35,423	–	10,181	2,400,908			2,400,908
Premium deficiency reserve	–		1,005	12,299	–	11,173	287	13,591			13,591
Unearned commission income	1,124	–	–	58,731	–	–	1,328	61,183			61,183
Gross unearned premiums	5,026,673	131,944	582,863	1,147,269	114,268	–	11,897	7,014,914			7,014,914
Unallocated liabilities:											
Reinsurers' balances payable						–		962,225			962,225
Other unallocated liabilities								1,958,577	13,579	295,961	2,268,117
Total liabilities								15,240,315	13,579	295,961	15,549,855

As at December 30, 2021	General accidents										
	Medical*	Medical Umrah	Motor	Property and casualty	Hajj and Umrah	Travel and COVID-19	Protection and Savings	Total – Insurance operations	Total – Teejan Al-Khaleej operations	Total Shareholders' operations	Total
	SAR '000										
Operating Segments											
Assets											
Deferred excess of loss premiums	–	–	1,316	6,185	–	–	–	7,501	–	–	7,501
Deferred policy acquisition costs	87,302	272	22,666	17,206	233	6	266	127,951	–	–	127,951
Reinsurer's share of gross outstanding claims	214	–	24,053	1,718,172	–	–	19,885	1,762,324	–	–	1,762,324
Reinsurer's share of incurred but not reported claims	24,571	–	4,250	285,544	73	622	14,183	329,243	–	–	329,243
Reinsurers' share of gross unearned premiums	13,512	–	2	695,698	211	122	7,837	717,382	–		717,382
Unallocated assets:											
Investments (includes investment properties, investments in equity accounted investments, available for sale investments, mudaraba/murabaha deposits and accrued investment income)	–	–	–	–	–	–	–	3,307,728	–	3,005,248	6,312,976
Receivables, net	–	–	–	–	–	–	–	3,222,001	–	–	3,222,001
Cash and cash equivalents	–	–	–	–	–	–	–	1,161,102	10,100	17,064	1,188,266
Other unallocated assets	–	–	–	–	–	–	–	921,112	–	129,497	1,050,609
Total assets	–	–	–	–	–	–	–	11,556,344	10,100	3,151,809	14,718,253
Liabilities											
Reserve for takaful activities	–	–	–	–	–	–	3,372	3,372	–	–	–
Gross outstanding claims	346,835	–	183,610	1,848,995	–	–	21,289	2,400,729	–	–	–
Incurred but not reported claims reserve	1,305,631	1,395	135,974	288,600	2,471	20,730	15,440	1,770,241	–	–	–
Premium deficiency reserve	20,096	–	–	10,088	–	–	93	30,277	–	–	–
Unearned commission income	452	–	–	40,616	–	–	1,221	42,289	–	–	–
Gross unearned premiums	3,912,904	3,542	329,233	769,500	3,060	4,286	8,740	5,031,265	–	–	–
Unallocated liabilities:											
Reinsurers' balances payable	–	–	–	–	–	–	–	503,409	–	–	503,409
Other unallocated liabilities								1,461,500	3,918	432,189	1,897,607
Total liabilities								11,243,082	3,918	432,189	11,679,189

32 SUPPLEMENTARY INFORMATION

a) Consolidated statement of financial position

	As at December 31, 2022			As at December 31, 2021		
	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
ASSETS						
Statutory deposit	–	125,000	125,000	–	125,000	125,000
Accrued income on statutory deposit	–	5,420	5,420	–	3,050	3,050
Property, equipment and right-of-use assets, net	255,565	–	255,565	236,970	–	236,970
Intangible assets	12,063	1,378	13,441	16,627	–	16,627
Investment properties	59,562	–	59,562	60,850	–	60,850
Investments in equity accounted investments	–	95,948	95,948	–	89,556	89,556
Available-for-sale investments	121,726	936,615	1,058,341	1,539,362	831,581	2,370,943
Mudaraba/murabaha deposits	3,659,231	2,244,521	5,903,752	1,700,623	2,079,975	3,780,598
Due from/to Shareholder's operations	(133,278)	133,278	–	(227,129)	227,129	–
Prepaid expenses and other assets	763,485	4,483	767,968	667,515	1,447	668,962
Deferred excess of loss premiums	7,088	–	7,088	7,501	–	7,501
Deferred policy acquisition costs	187,314	–	187,314	127,951	–	127,951
Reinsurers' share of gross outstanding claims	1,782,371	–	1,782,371	1,762,324	–	1,762,324
Reinsurers' share of incurred but not reported claims	392,894	–	392,894	329,243	–	329,243
Reinsurers' share of gross unearned premiums	1,097,750	–	1,097,750	717,382	–	717,382
Receivables, net	5,421,514	–	5,421,514	3,222,001	–	3,222,001
Accrued investment income	20,840	60,886	81,726	6,893	4,136	11,029
Cash and cash equivalents	1,606,362	52,981	1,659,343	1,161,102	27,164	1,188,266
TOTAL ASSETS	15,254,487	3,660,510	18,914,997	11,329,215	3,389,038	14,718,253

	As at December 31, 2022			As at December 31, 2021		
	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
LIABILITIES						
Surplus distribution payable	265,167	–	265,167	258,163	–	258,163
Defined benefits obligation	125,297	–	125,297	142,110	–	142,110
Return payable on statutory deposit	–	5,420	5,420	–	3,050	3,050
Claims payable, accrued expenses and other liabilities	1,568,113	23,350	1,591,463	1,061,227	9,404	1,070,631
Reserve for takaful activities	2,861	–	2,861	3,372	–	3,372
Gross outstanding claims	2,826,056	–	2,826,056	2,400,729	–	2,400,729
Incurred but not reported claims reserve	2,400,908	–	2,400,908	1,770,241	–	1,770,241
Premium deficiency reserve	13,591	–	13,591	30,277	–	30,277
Unearned commission income	61,183	–	61,183	42,289	–	42,289
Gross unearned premiums	7,014,914	–	7,014,914	5,031,265	–	5,031,265
Reinsurers' balances payable	962,225	–	962,225	503,409	–	503,409
Dividends payable	–	8,602	8,602	–	8,630	8,630
Zakat payable	–	272,168	272,168	–	415,023	415,023
TOTAL LIABILITIES	15,240,315	309,540	15,549,855	11,243,082	436,107	11,679,189
EQUITY						
Share capital	–	1,250,000	1,250,000	–	1,250,000	1,250,000
Statutory reserve	–	1,250,000	1,250,000	–	1,197,495	1,197,495
Fair value reserve for investments	21,846	53,320	75,166	106,229	46,284	152,513
Remeasurement of defined benefits obligation	(7,674)	–	(7,674)	(20,096)	–	(20,096)
Retained earnings	–	797,650	797,650	–	459,152	459,152
TOTAL EQUITY	14,172	3,350,970	3,365,142	86,133	2,952,931	3,039,064
TOTAL LIABILITIES AND EQUITY	15,254,487	3,660,510	18,914,997	11,329,215	3,389,038	14,718,253

b) Consolidated statement of income

	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
REVENUES						
Gross premiums written	14,349,620		14,349,620	10,218,606	–	10,218,606
Reinsurance ceded	(2,143,509)		(2,143,509)	(1,594,488)	–	(1,594,488)
Excess of loss premiums	(47,168)		(47,168)	(20,719)	–	(20,719)
Fee income from takaful	5,786		5,786	4,466	–	4,466
Net premiums written	12,164,729		12,164,729	8,607,865	–	8,607,865
Changes in unearned premiums, net	(1,603,281)		(1,603,281)	(678,203)	–	(678,203)
Net premiums earned	10,561,448		10,561,448	7,929,662	–	7,929,662
Reinsurance commissions	136,464		136,464	132,294	–	132,294
Other underwriting income	11,867		11,867	6,269	–	6,269
Total revenues	10,709,779		10,709,779	8,068,225	–	8,068,225
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	8,107,508		8,107,508	6,750,880	–	6,750,880
Expenses incurred related to claims	229,074		229,074	13,162	–	13,162
Reinsurers' share of claims paid	(836,863)		(836,863)	(347,397)	–	(347,397)
Net claims and other benefits paid	7,499,719		7,499,719	6,416,645	–	6,416,645
Changes in outstanding claims, net	405,280		405,280	84,323	–	84,323
Changes in incurred but not reported claims, net	567,016		567,016	181,432	–	181,432
Changes in premium deficiency reserves	(16,686)		(16,686)	(22,124)	–	(22,124)
Net claims and other benefits incurred	8,455,329		8,455,329	6,660,276	–	6,660,276
Changes in reserves for takaful activities	(511)		(511)	(172)	–	(172)
Policy acquisition costs	511,520	(15,778)	495,742	365,192	(14,929)	350,263
Other underwriting expenses	251,269	–	251,269	137,541	–	137,541
Insurers share distribution	441,137	–	441,137	62,861	–	62,861

	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
Total underwriting costs and expenses	9,658,744	(15,778)	9,642,966	7,225,698	(14,929)	7,210,769
Net underwriting income	1,051,035	15,778	1,066,813	842,527	14,929	857,456
OTHER OPERATING (EXPENSES)/INCOME						
General and administrative expenses	(893,690)	(7,539)	(901,229)	(737,796)	(8,472)	(746,268)
Allowance for doubtful debts	(33,830)	–	(33,830)	(39,891)	–	(39,891)
Investment income, net	208,655	72,057	280,712	145,751	138,434	284,185
Share of profit from investments in equity accounted	–	23,769	23,769	–	18,602	18,602
investments, net	102,464	(14,847)	87,617	12,712	(14,328)	(1,616)
Other income, net	–	–	–	–	–	–
Net income for the year before attribution and zakat	434,634	89,218	523,852	223,303	149,165	372,468
Surplus transferred to Shareholders' operations	(391,171)	391,171		(200,973)	200,973	–
Net income for the year after Shareholders' appropriations before zakat	43,463	480,389	523,852	22,330	350,138	372,468
Zakat charge for the year	–	(89,386)	–	–	(83,578)	–
Net income for the year after zakat	–	391,003	–	–	266,560	–

c) Consolidated statement of comprehensive income

	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
Net income for the year after zakat	43,463	391,003	434,466	22,330	266,560	288,890
Other comprehensive income:						
Not to be recycled back to the consolidated statement of income in subsequent years:						
Re-measurement of defined benefits obligation	12,422	–	12,422	165	–	165
To be recycled back to the consolidated statement of income in subsequent years:						
Available for sale investments						
– Net change in fair value	(29,079)	(7,664)	(36,743)	168,727	36,882	205,609
– Net amounts transferred to the consolidated statement of income	(55,304)	18,816	(36,488)	(58,559)	(83,398)	(141,957)
Share of other comprehensive income of investment in in equity accounted investments	–	(4,116)	(4,116)	–	(675)	(675)
Total comprehensive income for the year	(28,498)	398,039	369,541	132,663	219,369	352,032
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus distribution payable			(43,463)			(22,330)
Total comprehensive income for the year			326,078			329,702

d) Consolidated Statement of cash flows

	As at December 31, 2022			As at December 31, 2021		
	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
Operating activities:						
Net income before attribution and zakat	43,463	480,389	523,852	22,330	350,138	372,468
Adjustments for non-cash items:						
Depreciation	28,108	–	28,108	27,299	–	27,299
Amortisation of intangible assets	18,836	–	18,836	5,019	–	5,019
Gain on sale of property and equipment	223	–	223	–	–	–
Allowance for doubtful debts	33,830	–	33,830	39,891	–	39,891
Dividend and commission income	(147,868)	(94,609)	(242,477)	(87,193)	(58,854)	(146,047)
(Gain)/loss on sale of available-for-sale investments	(55,304)	18,816	(36,488)	(58,559)	(83,398)	(141,957)
Write-back of surplus payable	(32,087)	–	(32,087)	–	–	–
Finance cost	6,328	–	6,328	8,499	–	8,499
Share of profit in equity accounted investments, net	–	(23,769)	(23,769)	–	(18,602)	(18,602)
Provision for defined benefits obligation	13,431	–	13,431	16,208	–	16,208
	(91,040)	380,827	289,787	(26,506)	189,284	162,778
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	(95,970)	(3,036)	(99,006)	106,315	(1,447)	104,868
Deferred excess of loss premiums	413	–	413	5,222	–	5,222
Deferred policy acquisition costs	(59,363)	–	(59,363)	6,773	–	6,773
Reinsurers' share of gross outstanding claims	(20,047)	–	(20,047)	200,246	–	200,246
Reinsurers' share of incurred but not reported claims reserve	(63,651)	–	(63,651)	(39,459)	–	(39,459)
Reinsurers' share of gross unearned premiums	(380,368)	–	(380,368)	(33,684)	–	(33,684)
Receivables, net	(2,233,343)	–	(2,233,343)	218,661	–	218,661
Reinsurers' balances payable	458,816	–	458,816	248,850	–	248,850

	As at December 31, 2022			As at December 31, 2021		
	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
Gross unearned premiums	1,983,649	–	1,983,649	711,887	–	711,887
Unearned commission income	18,894	–	18,894	4,751	–	4,751
Gross outstanding claims	425,327	–	425,327	(115,923)	–	(115,923)
Incurred but not reported claims reserve	630,667	–	630,667	220,891	–	220,891
Premium deficiency reserve	(16,686)	–	(16,686)	(22,124)	–	(22,124)
Reserve for takaful activities	(511)	–	(511)	(172)	–	(172)
Claims payable, accrued expenses and other liabilities	515,391	13,946	529,337	(711,368)	5,323	(706,045)
	1,072,178	391,737	1,463,915	774,360	193,160	967,520
Finance cost paid	–	–	–	(9,871)	–	(9,871)
Surplus paid to policyholders	(4,372)	–	(4,372)	(16,253)	–	(16,253)
Zakat paid	–	(232,241)	(232,241)	–	(14,779)	(14,779)
Defined benefits obligation paid	(23,275)	–	(23,275)	(13,048)	–	(13,048)
Net cash flows generated from/(used in) operating activities	1,044,531	159,496	1,204,027	745,059	178,381	923,440
Investing activities:						
Proceeds from sale of available-for-sale investments	1,867,375	1,495,990	3,363,365	1,064,852	661,285	1,726,137
Purchase of available-for-sale investments	(478,818)	(1,608,688)	(2,087,506)	(416,823)	(456,082)	(872,905)
Proceeds from maturity of mudaraba/murabaha deposits	6,081,451	4,268,919	10,350,370	3,114,990	4,106,967	7,221,957
Placement in mudaraba/murabaha deposits	(8,040,059)	(4,433,465)	(12,473,524)	(3,524,148)	(4,343,475)	(7,867,623)
Dividend and commission income received	133,921	37,859	171,780	81,633	55,782	137,415
Dividends received from equity accounted investments	–	13,261	13,261	–	13,690	13,690
Proceeds from disposal of property and equipment	573	–	573	–	–	–
Purchase of property, equipment and right of-use assets, net	(46,211)	–	(46,211)	(14,780)	–	(14,780)
Purchase of intangible assets	(14,272)	(1,378)	(15,650)	(13,938)	–	(13,938)
Net cash flows (used in)/generated from investing activities	(496,040)	(227,502)	(723,542)	291,786	38,167	329,953

	As at December 31, 2022			As at December 31, 2021		
	Insurance operations	Shareholders' and Subsidiaries operations	Total	Insurance operations	Shareholders' and Subsidiaries operations	Total
			SAR '000			
Financing activities:						
Repayments of short-term borrowings	–	–	–	(400,000)	–	(400,000)
Repayment of lease liabilities	(9,380)	–	(9,380)	(7,394)	–	(7,394)
Dividends paid	–	(28)	(28)	–	(97,781)	(97,781)
Finance cost paid	–	–	–	(5,746)	–	(5,746)
Due to shareholders	(93,851)	93,851	–	200,038	(200,038)	–
Net cash flows used in financing activities	(103,231)	93,823	(9,408)	(213,102)	(297,819)	(510,921)
Net change in cash and cash equivalents during the period	445,260	25,817	471,077	823,743	(81,271)	742,472
Cash and cash equivalents, beginning of the period	1,161,102	27,164	1,188,266	337,359	108,435	445,794
Cash and cash equivalents, end of the period	1,606,362	52,981	1,659,343	1,161,102	27,164	1,188,266
Non-cash supplemental information:						
Net change in fair value for available-for-sale-investments	(84,383)	11,152	(73,231)	110,168	(46,516)	63,652
Share of other comprehensive loss of equity accounted investments	–	(4,116)	(4,116)	–	(675)	(675)
Gain on re-measurement of defined benefits obligation	12,422	–	12,422	165	–	165
Recognition of right-of-use assets	–	–	–	(56,350)	–	(56,350)
Recognition of lease liabilities	–	–	–	53,917	–	53,917
Transfer to right-of-use assets from prepaid expenses	–	–	–	2,433	–	2,433

33 RISK MANAGEMENT

(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. The principal risk the Group 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 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.

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 Group 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 Group manages these risk through the measures described above. The Group 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 Group's risk appetite as decided by management.

Concentration of insurance risk

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

The Group also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Group 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 Group.

Since the Company operates majorly in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the consolidated statement of financial position date relates to valuation of outstanding claims, whether reported or not, 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.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the consolidated statement of financial position date.

Process used to decide on assumptions

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

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

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

Sensitivity analysis

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact income from insurance operations as follows;

	2022	2021
	SAR '000	
Medical –Umrah	**1,201**	140
Motor	**29,909**	29,128
Property and casualty	**12,635**	14,157
General Accident – Hajj & Umrah	**3,303**	240
Travel & COVID-19	**1,075**	2,011
Protection & Savings	**330**	275
	303,226	210,729

(b) Reinsurance risk

In order to minimize financial exposure arising from large claims, the Group, 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 Group 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 Group's Board of Directors and Reinsurance Committee. The criteria may be summarized as follows:

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Group and agreed to pre-set requirements of the Group's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2022 and 2021, there is no significant concentration of reinsurance balances.

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

(c) 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.

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 Group maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

Currency Risk

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

The Group has foreign currency transactions in respect of its insurance activities, available for sale investments and mudaraba/murabaha deposits which are predominantly conducted in USD and SAR. The Group 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 Group is not exposed to currency risk.

Commission Rate Risk

The Group invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Group 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.

An increase or decrease of 100 basis points in interest yields would result in a change in the profit for the year by SAR 4.4 million (2021: SAR 2.2 million). The commission and non-commission bearing investments of the Group and their maturities as at December 31, 2022 and 2021 are as follows:

2022	Less than 1 year	More than 1 year	Non-commission bearing	Total
			SAR '000	
Insurance Operations				
2022				
Mudaraba/murabaha deposits	3,659,231	–	–	3,659,231
Available for sale investments	–	–	121,726	121,726
Cash and cash equivalents	750,000	–	856,362	1,606,362
Total	4,409,231	–	978,088	5,387,319
2021				
Mudaraba/murabaha deposits	1,291,465	–	–	1,291,465
Available for sale investments	–	242,359	1,776,305	2,018,664
Cash and cash equivalents	–	–	337,359	337,359
Total	1,291,465	242,359	2,113,664	3,647,488
Shareholders Operations				
2022				
Mudaraba/murabaha deposits	2,244,521	–	–	2,244,521
Available for sale investments	–	485,002	451,613	936,615
Cash and cash equivalents	–	–	52,981	52,981
Total	2,244,521	485,002	504,594	3,234,117

2021				
Mudaraba/murabaha deposits	1,843,467	–	–	1,843,467
Available for sale investments	–	501,379	498,523	999,902
Cash and cash equivalents	–	–	108,435	108,435
Total	1,843,467	501,379	606,958	2,951,804

The impact of hypothetical change of a 10% increase and 10% decrease in the commission rates of investments on the Group's income and other comprehensive would be as follows:

	Rate change	Effect on Group's income	Effect on Group's total comprehensive income	Effect on Group's total equity
		SAR '000		
December 31, 2022	**+ / - 10%**	**4,409**	**4,409**	**4,409**
December 31, 2021	+ / - 10%	2,245	2,245	2,245

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

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:

Underlying mutual funds	Fair value change	Effect on Group's total comprehensive income	Effect on Group's total equity
		SAR '000	
December 31, 2022	**+ / - 10%**	**1,750**	**1,750**
December 31, 2021	+ / - 10%	68,900	68,900

Underlying equities	Fair value change	Effect on Group's total comprehensive income	Effect on Group's total equity
		SAR '000	
December 31, 2022	**+ / - 10%**	**49,990**	**49,990**
December 31, 2021	+ / - 10%	33,676	33,676

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2022 and 2021. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Group's assets of future movements in the value of investments held by the Group. The sensitivity of level 3 investments is disclosed in Note 30.

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

The Group seeks to manage its credit risk with respect to customers by following the Group's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Group's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Group also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premiums receivable. The Group seeks to limit its credit risk with respect to other counterparties by placing deposits and investments with reputable financial institutions. The Group enters into reinsurance contracts with recognized, creditworthy third parties (rated A or above).

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

	2022	2021
	SAR '000	
Cash and cash equivalents	1,606,362	1,161,102
Receivables, net	5,421,514	3,222,001
Available-for-sale investments	121,726	1,539,362
Mudaraba/murabaha deposits	3,659,231	1,700,623
Accrued investment income	20,840	6,893
Other assets	763,485	582,279
Reinsurers' share of gross outstanding claims, net (including IBNR)	2,175,265	2,091,567
Total	13,768,423	10,303,827

	2022	2021
	SAR '000	
Cash and cash equivalents	52,981	27,164
Available-for-sale investments	936,615	831,581
Mudaraba/murabaha deposits	2,244,521	2,079,975
Accrued investment income	60,886	4,136
Statutory deposit (including accrued income)	130,420	128,050
Total	3,425,423	3,070,906

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 Group's total credit exposure. Approximately 99% (2021: approximately 99%) of the Group's underwriting activities are carried out in Saudi Arabia. The Group'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. For concentration of credit risk pertaining to receivables, refer Note 13. The Group has significant exposure amounting to SAR 1.01 billion (2021: SAR 2.2 billion) classified as available for sale investments in Shariah Notes issued by Castle Investments Limited (Refer Note 8).

Credit risk exposure investments

The table below provides information regarding the credit risk exposure of the Group 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.

	2022 SAR '000			2021 SAR '000		
	Investment Grade	Non-investment Grade	Others*	Investment Grade	Non-investment Grade	Others*
ASSETS						
INSURANCE OPERATIONS						
Available-for-sale investments	121,726	–	–	1,539,362	–	–
Mudaraba/murabaha deposits	3,659,231	–	–	1,700,623	–	–
Receivables, net	–	–	5,421,514	–	–	3,222,001
Other assets	–	–	101,669	–	–	–
Accrued investment income	20,840	–	–	6,893	–	–
Cash and cash equivalents	1,606,362	–	–	1,161,102	–	–
Total	5,408,159	–	5,523,183	4,407,980	–	3,222,001

	2022 SAR '000			2021 SAR '000		
	Investment Grade	Non-investment Grade	Others*	Insurance operations	Shareholders' and Subsidiaries operations	Total
ASSETS						
SHAREHOLDERS OPERATIONS						
Available-for-sale investments	**936,615**	–	–	831,581	–	–
Mudaraba/murabaha deposits	**2,244,521**	–	–	2,079,975	–	–
Accrued investment income	**60,886**	–	–	4,136	–	–
Cash and cash equivalents	**52,981**	–	–	27,164	–	–
Total	**3,295,003**	–	–	2,942,856	–	–

**Others include premium receivables from policyholders and receivable from financial institution against which the Group holds a collateral of a Land amounting to SAR 83 million. For Land received as collateral, legal title is transferred to the Group however; the Group does not recognise the same in the absence of the transferor's default.*

The Group's premium receivables portfolio mainly comprise of Government clients and high credit-worthy corporate clients.

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities. The Group has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on a regular basis. The Group manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

The table below summarizes the maturities of the Group's discounted contractual obligation relating to financial assets and liabilities:

	2022 SAR '000			2021 SAR '000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS						
INSURANCE OPERATIONS						
Available-for-sale investments	121,726	–	121,726	1,539,362	–	1,539,362
Mudaraba/murabaha deposits	3,659,231	–	3,659,231	1,700,623	–	1,700,623
Receivables, net	5,421,514	–	5,421,514	3,222,001	–	3,222,001
Prepaid expenses and other assets	763,485	–	755,985	582,279	–	582,279
Accrued investment income	20,840	–	20,840	6,893	–	6,893
Cash and cash equivalents	1,606,362	–	1,606,362	1,161,102	–	1,161,102
Reinsurers' share of gross outstanding claims	1,782,371	–	1,782,371	1,762,324	–	1,762,324
Reinsurers' share of incurred but not reported claims	392,894	–	392,894	329,243	–	329,243
Total	13,768,423	–	13,768,423	10,303,827	–	10,303,827
LIABILITIES						
INSURANCE OPERATIONS						
Reinsurers' balances payable	962,225	–	962,225	503,409	–	503,409
Gross outstanding claims	2,826,056	–	2,826,056	2,400,729	–	2,400,729
Incurred but not reported claims reserve	2,400,908	–	2,400,908	1,770,241	–	1,770,241
Premium deficiency reserve	13,591	–	13,591	30,277	–	30,277
Reserve for takaful activities	2,861	–	2,861	3,372	–	3,372
Claims payable, accrued expenses and other liabilities	1,568,113	–	1,568,113	928,842	–	928,842
Lease liabilities	38,644	–	38,644	8,273	38,876	47,149
Defined benefits obligation	–	125,297	125,297	142,110	–	142,110
Surplus distribution payable	265,167	–	265,167	258,163	–	258,163
	8,077,565	125,297	8,202,862	6,045,416	38,876	6,084,292
Total liquidity gap	5,690,858	(125,297)	5,565,561	4,258,411	(38,876)	4,219,535

	2022 SAR '000			2021 SAR '000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS						
SHAREHOLDERS OPERATIONS						
Available-for-sale investments	936,615	–	936,615	831,581	–	831,581
Accrued investment income	60,886	–	60,886	4,136	–	4,136
Mudaraba/murabaha deposits	2,244,521	–	2,244,521	2,079,975	–	2,079,975
Statutory deposit (including accrued income)	5,420	125,000	130,420	3,050	125,000	128,050
Cash and cash equivalents	52,981	–	52,981	27,164	–	27,164
Total	3,300,423	125,000	3,425,423	2,945,906	125,000	3,070,906
LIABILITIES						
SHAREHOLDERS OPERATIONS						
Dividends payable	8,602	–	8,602	8,630	–	8,630
Return payable on statutory deposit	5,420	–	5,420	3,050	–	3,050
Claims payable, accrued expenses and other liabilities	23,350	–	23,350	9,404	–	9,404
	37,372	–	37,372	21,084	–	21,084
Total liquidity gap	3,263,051	125,000	3,388,051	2,924,822	125,000	3,049,822

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

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

- Available for sale investments are held for cash management purposes and expected to be matured/settled within 12 months from the consolidated statement of financial position date.
- Accrued investment income is expected to be realized within 1 to 3 months from consolidated statement of financial position's date.
- Mudaraba/murabaha deposits are deposits placed with high credit rating financial institutions with maturity within six months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers' share of outstanding claims majorly pertain to property and casualty segment and are generally realized within three to six months based on settlement of balances with reinsurers.

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

- Reinsurers' balances payable are settled on a quarterly basis as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to be settled within two months in accordance with statutory timelines for payment. Property and casualty policies due to the inherent nature are generally settled within one month from the date of receipt of loss adjustor report.
- The claims payable, accrued expenses and other liabilities are expected to settle within a period of three months from the period end date.
- Surplus distribution payable is to be settled within six months of annual general meeting in which consolidated financial statements are approved.

(f) Operational Risk

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

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

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

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

34 CAPITAL MANAGEMENT

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 Group operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

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

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2022 the Company's solvency level is higher than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law. The capital structure of the Company as at December 31, 2022 consists of paid-up share capital of SAR 1,250 million, statutory reserves of SAR 1,250 million and retained earnings of SAR 797 million (December 31, 2021: paid-up share capital of SAR 1,250 million, statutory reserves of SAR 1,197 million and retained earnings of SAR 459 million) in the consolidated statement of financial position.

35 REALIZED GAINS ON FINANCIAL ASSETS, NET

	2022	2021
	SAR '000	
Realized gain on available-for-sale financial investments	55,305	58,559
Realized gain on financial assets, net	**55,305**	58,559
SHAREHOLDERS OPERATIONS		
Realized (loss)/gain on available-for-sale financial investments	(19,150)	83,398
Realized (loss)/gain on financial assets, net	**(19,150)**	83,398

36 CONTINGENT LIABILITIES

As at December 31, 2022, the Group was contingently liable for letters of guarantees, issued on its behalf by the banks, amounting to SAR 276 million (December 31, 2021: SAR 258 million) occurring in the normal course of business.

The Group, in common with significant majority of 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.

37 DUE FROM SHAREHOLDERS/DUE TO INSURANCE OPERATIONS

During the year, shareholders have absorbed 90% of surplus from insurance operations amounting to SAR 391 million resulting in due from insurance operation balance as at December 31, 2022 amounting to SAR 133 million.

38 RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period. These changes were made for better presentation of balances and transactions in the consolidated financial statements of the Group. These changes do not have impact on the consolidated statement of income and retained earnings.

39 POST BALANCE SHEET EVENTS

Further to the details of arrangement disclosed in Note 10.2, the counterparty has not exercised the option as at the date of these financial statements to make the payment to the Group and take the land back. Accordingly the Group is in the process of concluding if the land acquired from the counterparty will be classified as Investment Property or property for own use.

40 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors, on Sha'ban 16, 1444H, corresponding to March 8, 2023.

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