

Right Issue Prospectus

Gulf General Cooperative Insurance Company



Gulf General Cooperative Insurance Company is a Saudi joint stock company incorporated under the Cabinet Resolution No. (365) dated 03/12/1429H (corresponding to 01/12/2008G) and Royal Decree No. (M/85) on 05/12/1429H (corresponding to 03/12/2008G), and the Ministerial Decision announcing the establishment of the Company No. (12/Q) on 17/01/1431H (corresponding to 03/01/2010G), and under the Commercial Registration No. (4030196620) Dated 09/02/1431H (corresponding to January 24/01/2010G).

Offering of thirty million (30,000,000) ordinary shares at an Offering Price of ten (10) Saudi Riyals per share through rights issue with a total value of three hundred million (300,000,000) Saudi Riyals, representing an increase in the Company's capital by (150%), bringing the Company's capital to five hundred million (500,000,000) Saudi Riyals.

Trading period: starts on Monday 25/11/1442H (corresponding to 5/7/2021G) and ends on Monday 2/12/1442H (corresponding to 12/7/2021G)

Subscription period: starts from Monday 25/11/1442H (corresponding to 5/7/2021G) and ends on Thursday 5/12/1442H (corresponding to 15/7/2021G)

Gulf General Cooperative Insurance Company (hereinafter referred to as "GGI" or "the Company" or "the Issuer") was incorporated as a joint stock company under the Cabinet Resolution No. (365) dated 03/12/1429H (corresponding to 01/12/2008G) and Royal Decree No. (M/85) on 05/12/1429H (corresponding to 03/12/2008G), and the Ministerial Decision announcing the establishment of the Company No. (12/Q) on 17/01/1431H (corresponding to 03/01/2010G), and under the Commercial Registration No. (4030196620) Dated 09/02/1431H (corresponding to January 24/01/2010G). The Company's headquarters is located in Jeddah, at Madinah Road - Al Ghathi Plaza - PO Box 1866, Jeddah 21441, Kingdom of Saudi Arabia. The Company obtained a permit from the Central Bank of Saudi Arabia (formerly the Saudi Arabian Monetary Agency) ("SAMA") under permit No. (TMN/26/20103) dated 20/03/1431H (corresponding to 06/03/2010G) to conduct insurance activity in the general insurance and health insurance branches. The Company's capital upon incorporation was two hundred million (200,000,000) Saudi Riyals, divided into twenty million (20,000,000) ordinary shares with a nominal value of 10 Saudi Riyals per share fully paid up (referred to individually as "current share" and collectively as "current shares"). As on the date of this Prospectus, the substantial shareholders in the Company (those who own 5% or more of the Company's shares) are the Saudi General Insurance Company, which owns three million (3,000,000) shares, representing 15.0%, Gulf Specialized Investments Holding Company, which owns three million (3,000,000) shares, representing 15.0%, and Al-Insaf International Real Estate Development Company, which owns one million (1,000,000) shares, representing 5.0% of the Company's shares before the Offering.

The Board of Directors recommended in its meeting convened on 24/08/1440H (corresponding to 29/04/2019G) to increase the Company's Share Capital by three hundred million Saudi Riyals (SAR 300,000,000), after obtaining the necessary regulatory approvals and approval of the Extraordinary General Meeting. The Company obtained the approval of the Saudi Central Bank ("SAMA") to increase its capital in accordance with the letter No. 89/35440, dated 29/10/1440H (corresponding to 02/07/2019G). On 18/11/1442H (corresponding to 28/6/2021G) the Extraordinary General Assembly of the Company approved the increase of the Company's Capital through a Rights Issue. The Offering consists of thirty million (30,000,000) new Ordinary Shares ("Rights" or "New Shares") at a par value of ten Saudi Riyals (SAR 10) per share ("Offering Price") to increase the Company's Capital from two hundred million Saudi Riyals (SAR 200,000,000) to five hundred million Saudi Riyals (SAR 500,000,000), raising the Company's shares from twenty million ordinary shares to (50,000,000) ordinary shares.

The Offering will comprise tradable securities (referred to collectively as the "Rights" and each a "Right") to shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the Extraordinary General Assembly approving the Capital increase (the "Eligibility Date") and those registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Meeting approving the capital increase on 20/11/1442H (corresponding to 6/30/2021G). Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"), provided that such Rights are deposited in the Registered Shareholders' accounts after convening the Extraordinary General Assembly, taking into account the settlement procedures at (1.5) rights for each (1) share of the Company's shares, and each Right gives its holder the right to subscribe to one new share at the Offering Price.

Registered shareholders and other investors (referred to as "New Investors"), who may trade Rights and subscribe to new shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange (referred to as "Tadawul" or "the Market"). The trading period and the subscription period start on Monday 25/11/1442H (corresponding to 5/7/2021G), provided that the trading period ends on Monday 2/12/1442H (corresponding to 12/7/2021G) (the "Trading Period"), while the subscription period continues until the end of the day on Thursday 5/12/1442H (corresponding to 15/7/2021G) ("Subscription Period"). It should be noted that the Trading Period and the Subscription Period will start on the same day, while the Trading Period will continue until the end of the sixth day of the beginning of the period, while the Subscription Period will continue until the end of the ninth day of the beginning of the same Period.

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

Subscription to new shares (during the subscription period) at one phase according to the following:

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

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

In the event that any Shares remain unsubscribed for during the Subscription Period (the "Rump Shares"), they will be offered to a number of institutional investors ("Institutional Investors") ("Rump Offering"). Such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on Tuesday 17/12/1442H (corresponding to 27/7/2021G), until the following day at 05:00 PM on Wednesday 18/12/1442H (corresponding to 28/7/2021G) ("Rump Offering Period"). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all of the Rump Shares have been allocated (providing that the price shall not fall below the Offering Price). Rump Shares shall be proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offering Price) for those who are entitled to it, each according to what he is entitled to, no later than 4/1/1443H (corresponding to 12/8/2021G). Note that the investor who did not subscribe or sell his rights, and the owners of fractional shares, may not get any compensation if the sale is made in the Rump Offering Period at the Offering Price.

In the event that the investment institutions have not subscribed to all the remaining shares and fractions of shares, the remaining shares shall be allocated to the Underwriters who will purchase them at the Offering Price (please refer to Section (13) "Information Related to the Shares and the Terms and Conditions of the Offering"). The final allocation process will be announced no later than 22/12/1442H (corresponding to 1/8/2021G), ("allotment date"). (please refer to Section (13) "Information Related to the Shares and the Terms and Conditions of the Offering").

After completion of the subscription process, the Company's Share Capital will become five hundred million (500,000,000) Saudi Riyals, divided into fifty million (50,000,000) ordinary shares. The net proceeds from the subscription will be used mainly to support the expansion of the Company's activity in order to comply with the requirements of financial solvency, as this will be done through the use of proceeds in investments and financial deposits in addition to increasing the statutory deposit by (10%) of the total proceeds and updating the headquarters offices and electronic systems. (Please refer to Section (7) "Use of Offering Proceeds and Future Projects").

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

The Company listed all of its shares totaling to twenty million (20,000,000) shares on the Saudi Stock Exchange (Tadawul) at a par value of ten (10) Saudi Riyals through an IPO on 24/02/1431H (corresponding to (08/02/2010G)). The Founding Shareholders subscribed for 60% of the Company's Shares totaling to 12,000,000 shares at a total value of one hundred and twenty million (120,000,000) Saudi Riyals all at equal value of ten (10) Saudi Riyals each, while the public shareholders subscribed for 40% of the Company's Shares totaling to 8,000,000 shares at a total value of eighty million (80,000,000) Saudi Riyals all of equal value at ten (10) Saudi Riyals each.

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

The "Important Notice" page (i) and section 2 "Risk Factors" (4) of this Prospectus should be read in whole and carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby.

Underwriters



Financial Advisor and Lead Manager



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

"this unofficial English language translation of the official Arabic Language Prospectus is provided for information purposes only. The Arabic Language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts".

This Prospectus is dated 12/08/1442H (corresponding to 25/03/2021G)



الخليجية العامة GULF GENERAL

Cooperative Insurance للتأمين التعاوني

Eye On The Future عين على المستقبل

Important notice

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

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

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

The Prospectus contains information provided according to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

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

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

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

The registered shareholders and other public investors (“New Investors”), who may trade in the Rights and subscribe for the new shares, will be able to trade and subscribe to Right issue shares on the Saudi Stock Exchange (“Tadawul” or “Exchange”). The trading period and the subscription period start on Monday 25/11/1442H (corresponding to 5/7/2021G), and the trading period ends on Monday 2/12/1442H (corresponding to 12/7/2021G) (the “Trading Period”). The subscription period continues until the end of the day on Thursday 5/12/1442H (corresponding to 15/7/2021G) (the “Subscription Period”). It should be noted that the trading period and the subscription period will start on

the same day while the trading period continues until the end of the sixth day from the beginning of the period and the subscription period continues until the end of the ninth day after the beginning of the same period.

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

Subscription to new shares (during the subscription period) at one phase will be available according to the following:

1. Registered Shareholders and new investors will be entitled to subscribe to the new shares.
2. A Registered Shareholder will be allowed to subscribe directly to the number of his shares or less than the number of his shares during the Subscription Period, and if he buys new Rights, he will be able to subscribe to them after the end of their settlement period (two working days).
3. The new investors will be entitled to subscribe to the new shares immediately after settlement of the rights purchase process (two working days).
4. Subscription will be available electronically through the investment portfolio in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available to the agent.

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

Such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on Tuesday 17/12/1442H (corresponding to 27/7/2021G), until the following day at 05:00 PM on Wednesday 18/12/1442H (corresponding to 28/7/2021G) ("Rump Offering Period").

The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all the Rump Shares have been allocated (providing that the price shall not fell below the Offering Price).

Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offering Price) for those who are entitled to it, each according to what he is entitled to, no later than 4/1/1443H (corresponding to 12/8/2021G).

Note that the investor who did not subscribe for or sell his rights, and the owners of fractional shares, may not get any compensation if the sale is made in the Rump Offering Period at the Offering Price.

In the event that the investment institutions have not subscribed for all the remaining shares and fractions of shares, the remaining shares shall be allocated to the Underwriters who will purchase them at the Offering Price (please refer to Section (13) "Information Related to the Shares and the Terms and Conditions of the Offering").

The final allocation process will be announced no later than 22/12/1442H (corresponding to 1/8/2021G). ("allotment date"). (please refer to Section (13) "Information Related to the Shares and the Terms and Conditions of the Offering").

Financial Information

The consolidated audited financial statements for the fiscal years ending on December 31, 2017G and December 31, 2018G, and the accompanying notes thereto, were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and amended by the Central Bank for accounting for Zakat, income tax and standards and other issues approved by the Saudi Organization for Certified Public Accountants (SOCPA). The Company's audited financial statements for the fiscal year ending on December 31, 2019G, in addition to the interim condensed financial statements (non-audited) for the six-month period ended on June 30, 2020G and the accompanying notes thereto were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and the standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA).

The financial information for the year 2018H mentioned in the audited financial statements for the fiscal year ending on December 31, 2018G differs from those mentioned for the purposes of comparison in the audited financial statements for the fiscal year ending on December 31, 2019G, as they have been amended according to the Central Bank's circular received on 20/11/1440H (corresponding to 23/07/2019G), which provides for updating the accounting policies for the accounting treatment of Zakat and income tax in the income statement in line with the International Financial Reporting Standards (IFRS). Therefore, this Prospectus was based on the financial information for the year 2018G that was amended in accordance with the above-mentioned Central Bank's circular and included for comparison purposes in the financial statements for the fiscal year ending on December 31, 2019G.

The financial statements of the Company for the financial years ending on December 31, 2017 and 2018G were reviewed and audited by Al-Sayed El-Ayouti and Co. (Certified Public Accountants and Auditors) and Ahmad Tayseer Ibrahim and Partners (Audits, Zakat and Tax and consulting), and for the fiscal year ending on December 31, 2019G by Al-Sayed El-Ayouti and Co. (Certified Public Accountants and Auditors) and Ibrahim Ahmed Al-Bassam Company and Partners Certified Public Accountants - Al-Bassam and Partners, and for the six-month period ending on June 30, 2020G by KPMG Al-Fawzan and Partners (Certified Public Accountants and Auditors) and Ibrahim Ahmed Al-Bassam and Partners Accountants Company Legal - Al-Bassam and Associates. The Company issues its financial statements in Saudi Riyals.

Some of the financial and statistical information contained in this Prospectus has been rounded to the nearest whole number, and accordingly, if the numbers mentioned in the tables are summed, their total may not correspond to what was mentioned in this Prospectus.

Forecasts and Forward-looking Statements

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

Certain statements in this Prospectus constitute forward-looking statements. Such statements can generally be identified by their use of forward-looking words such as "intends", "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail in other sections thereof. (for further details, see Section 2 (Risk Factors) of this Prospectus). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary Prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware that: (i) There has been a significant change in any material information contained in this Prospectus; or (ii) The occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information, forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise relating to the Company, industry or risk factors.

Company's Directory

Board Members								
Company board of directors appointed on 25/10/1441H (corresponding to 17/02/2019G*								
Name	Post	Type of Membership ****	Nationality	Age	Owned Shares			
					Direct		Indirect***	
					Number	Percentage	Number	Percentage
Jamal Abdullah Mohammed Al-Dabbagh**	Chairman	Non-independent Non-executive	Saudi	61	1,000	0.005%	1,006,000	5.0300%
Saud Abdulaziz Abdullah Al-Sulaiman**	Deputy Chairman	Non-independent Non-executive	Saudi	60	1,000	0.005%	200,100	1.0005%
Mohammed Hosnee Abdullatif Jazeel	Member	Non-independent Non-executive	Sri Lankan	60	1,000	0.005%	-	-
Taher Mohammed Omar Ishaq Aqueel	Member	Independent Non-executive	Saudi	63	1,000	0.005%	-	-
Mohammad Zaher Salah Eddin Al-Munajjed	Member	Independent Non-executive	Saudi	66	1,000	0.005%	-	-
Jawdat Mousa Jawdat Al Halabi	Member	Independent Non-executive	Saudi	60	1,000	0.005%	-	-
Faisal bin Adnan Saad Eddin Baasiri	Member	Independent Non-executive	Saudi	48	-	-	-	-
Majed Diaa Eddin Fadel Kareem	Member	Independent Non-executive	Saudi	53	1,000	0.005%	-	-
Karim Ziad Hamdi Edlbi	Member	Independent Non-executive	British	42	-	-	-	-

Source: The Company

* The Company's Ordinary General Assembly, in its meeting held on 09/06/1440H (corresponding to 14/02/2019G), approved the election of the above-mentioned board members for the current session, which began on 12/06/1440H (corresponding to 17/02/2019G) for three Years term ending on 15/07/1443H (corresponding to 16/02/2022G).

** The Company Board of Directors, in its meeting held on 20/06/1441H (corresponding to 25/02/2019G) decided to appoint Mr. Jamal Abdullah Mohammed Al-Dabbagh as Chairman of the board of directors, and to appoint Mr. Saud Abdulaziz Abdullah Al-Sulaiman as Deputy Chairman of the board. The Company obtained the Central Bank's no objection on 27/08/1440H (corresponding to 05/02/2019G).

*** The indirect ownership of the Chairman of the Board of Directors, Mr. Jamal Abdullah Mohammed Ali Al-Dabbagh results from his ownership of (0.20%) in the Gulf Specialized Investments Holding Company, which owns (15%) of the Gulf General Cooperative Insurance Company, and he has an ownership of (100%) in Al-Insaf International Real Estate Development Company, which owns (5%) of the Gulf General Cooperative Insurance Company. The indirect ownership of the Deputy Chairman, Mr. Saud Abdulaziz Abdullah Al-Sulaiman, results from his ownership of (6.67%) in the Saudi General Insurance Company, which owns (15%) of the Gulf General Cooperative Insurance Company.

Company's address and its representatives

Gulf General Cooperative Insurance Company
Jeddah - Madinah Road - Al Ghaithi Plaza
P.O. Box 1866, Jeddah 21441
Kingdom of Saudi Arabia
Tel: 00966 12 2168988 (Ext: 8984), 920001862
Fax: +966 12 6510075
Email: info@ggi-sa.com
Website: www.ggi-sa.com



Company's Representatives			
Item	Company's 1st signatory and representative		Company's 2nd signatory and representative
Name	Majid Diaa Eddin Fadel Kareem		Ehab Youssef Mohamed Linjawi
Title	Member of the Board of Directors		Executive Director
Address	Jeddah - Madinah Road - Al Ghaithi Plaza P.O. Box 1866, Jeddah 21441 Kingdom of Saudi Arabia		Jeddah - Madinah Road - Al Ghaithi Plaza P.O. Box 1866, Jeddah 21441 Kingdom of Saudi Arabia
Phone No.	+966 12 6822778		+966 12 2168988 Ext: 8989
Fax	+966 12 6510504		+966 12 6510504
Email	mkareem@ggi-sa.com		elinjawi@ggi-sa.com

Source: The Company

Stock Exchange

Saudi Stock Exchange Company (TADAWUL)

King Fahd Road, Olaya 6897
Unit number 15
Riyadh 12211 - 3388 Kingdom of Saudi Arabia
Tel.: 00966 920001919
Fax: 00966 112189133
Email: csc@tadawul.com.sa
Website: www.tadawul.com.sa



ADVISORS AND AUDITORS

Financial Advisor and Lead Manager

FALCOM Financial Services Company

Riyadh - Al-Worood District - Olaya Street
P.O. Box 884, Riyadh 11421
Saudi Arabia
Tel: +966 8004298888
Fax: +966 11 2054827
Email: Info@falcom.com.sa
Website: www.falcom.com.sa



Underwriters

FALCOM Financial Services Company

Riyadh - Al-Worood District - Olaya Street

P.O. Box 884, Riyadh 11421

Saudi Arabia

Tel: +966 8004298888

Fax: +966 11 2054827

Email: Info@falcom.com.sa

Website: www.falcom.com.sa

FALCOM فالكم



BLOMINVEST

Riyadh, First Building, Floor No. 3, King Fahd Road

P.O. Box 8151, Riyadh 11482

Saudi Arabia

Tel: +966 11 4949555

Fax: +966 11 4949551

Email: info@blom.sa

Website: www.blom.sa



Legal Advisor

Alsaleh & Alsahli Law Firm

King Abdullah Road, Al-Worood District

P.O. Box 90549, Riyadh 11623

Saudi Arabia

Tel: +966 11 2054555

Fax: +966 11 2054222

E-mail: corporate@ssfirms.com.sa

Website: www.ssfirms.com.sa

الصالح والسهلي
للمحاماة والاستشارات القانونية
Alsaleh & Alsahli Law Firm



Auditor

Of financial statements for the financial years ending on December 31, 2017, 2018 & 2019

Al-Sayed El-Ayouty and Co. (Certified Public Auditors)

Jeddah - Al-Hamra District - Al-Watan Arabi Street

P.O. Box 780, Jeddah 21421

Saudi Arabia

Tel: +966 12 6693478

Fax: +966 12 6602432

E-mail: jeddah@elayouty.com

Website: www.elayouty-cpas.com



Auditor

Of financial statements for the financial years ending on December 31, 2017 and 2018

Ahmad Tayseer Ibrahim and Partners,
Audits, Zakat and Tax and consulting
Jeddah - Madinah Road - Al Khaleej Plaza.
P.O. Box 10496, Jeddah 21433
Saudi Arabia
Tel: +966 12 6516685
E-mail: info@taysseer.com
Website: www.elayouty-cpas.com



Auditor

Of the financial statements for the fiscal year ending on December 31, 2019 and the six-month period ending on June 30, 2020

Al Bassam & Co.
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شركة إبراهيم أحمد البسام وشركاؤه
محاسبون قانونيون - البسام وشركاؤه
(عضو بي كي اف العالمية)

Auditor

Of the six-month period ending on June 30, 2020

KPMG Al Fozan & Partners Company
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Note

Note: All of the above-mentioned parties have provided their written consent to mention their names and logos and to include their information in this Prospectus. None of the above-mentioned parties has withdrawn its approval up to the date of this Prospectus. Neither the advisors, nor their employees and relatives have any shares or interests of any kind in the Company as at the date of this Prospectus.

Summary of the Offer:

Prospective investors willing to subscribe for the offered shares shall read this Prospectus entirely prior to taking their decision to invest in the Offered Shares, in particular the “Important Notice” section, page (i) and section (2) “Risk Factors” of this Prospectus. The below Summary of the Offering is not sufficient to make an investment decision. Following is the summary of the Offering:

<p>Issuer’s name, description, and information on its incorporation</p>	<p>Gulf General Cooperative Insurance Company (hereinafter referred to as “GGI” or “the Company” or “the Issuer”) was incorporated as a joint stock company under the Cabinet Resolution No. (365) dated 03/12/1429H (corresponding to 01/12/2008G) and Royal Decree No. (M/85) on 05/12/1429H (corresponding to 03/12/2008G), and the Ministerial Decision announcing the establishment of the Company No. (12/Q) on 17/01/1431H (corresponding to 03/01/2010G), and under the Commercial Registration No. (4030196620) Dated 09/02/1431H (corresponding to January 24/01/ 2010G). The Company obtained a permit from the Central Bank of Saudi Arabia (formerly the Saudi Arabian Monetary Agency) (“SAMA”) under permit No. (TMN/26/20103) dated 20/03/1431H (corresponding to 06/03/2010G) to conduct insurance activity in the general insurance and health insurance branches.</p> <p>The head office of the Company is located in Jeddah, Al Madina Road - Al Ghaithi Plaza - PO Box 1866, Jeddah 21441, Kingdom of Saudi Arabia.</p>
<p>Issuer’s business activity</p>	<p>The Company conducts its activities under the Commercial Registration No. (4030196620) dated 09/02/1431H (corresponding to 24/01/2010G), and according to the permit from the Central Bank of Saudi Arabia No. (TMN/26/20103) dated 20/03/1431H (corresponding to 06/03/2010G) to conduct insurance activity in the general insurance and health insurance branches. The permit was renewed for a period of three years, on 19/03/1440H (corresponding to 27/11/2018) and ending on 18/03/1443H (corresponding to 24/10/2021G)</p> <p>The Company’s activities, as stated in its Commercial Registration, are protection insurance, health insurance, motor insurance, property insurance, accident insurance liability, marine insurance, energy insurance, engineering insurance, risk and damage assessment, surveying and loss assessment, and claim settlement.</p> <p>As per its Articles of Association, the activity of the Company is conducting cooperative insurance business, and the Company has the right to carry out all works necessary to achieve its objectives, whether in the field of insurance or investment of its money, and to own and move fixed and cash assets, sell them, replace them, or lease them directly or through companies it establishes or buys them or in partnership with other entities. The Company carries out its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and the regulations and rules in force in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.</p> <p>The Company has obtained licenses from the Central Bank of Saudi Arabia to conduct its activities (for more information, please refer to subsection (7.10) “licenses and permits under which the Company operates” in Section (10) “legal information” of this Prospectus).</p>

Substantial shareholders of the issuer, number of their shares, percentages of ownership before the offering	<p>As on the date of this Prospectus, the substantial shareholders of the Company (who own 5% or more of the Company's shares) are:</p> <table><tr><th rowspan="2">Name</th><th colspan="2">Before Offering</th></tr><tr><th>No. of shares</th><th>Percentage</th></tr><tr><td>Saudi General Insurance Company</td><td>3,000,000</td><td>15.0%</td></tr><tr><td>Gulf Specialized Investments Holding Company</td><td>3,000,000</td><td>15.0%</td></tr><tr><td>Al-Insaf International Real Estate Development Company</td><td>1,000,000</td><td>5.05%</td></tr></table> <p>Source: Tadawul</p>	Name	Before Offering		No. of shares	Percentage	Saudi General Insurance Company	3,000,000	15.0%	Gulf Specialized Investments Holding Company	3,000,000	15.0%	Al-Insaf International Real Estate Development Company	1,000,000	5.05%
Name	Before Offering														
	No. of shares	Percentage													
Saudi General Insurance Company	3,000,000	15.0%													
Gulf Specialized Investments Holding Company	3,000,000	15.0%													
Al-Insaf International Real Estate Development Company	1,000,000	5.05%													
Nature of Offering	Increasing Capital through Rights issue.														
Purpose beyond issuing the proposed priority Rights	By increasing its capital through Rights Issue, the Company aims to support expansion its activity in order to comply solvency requirements. This will be done by utilizing of subscription proceeds in investments and financial deposits in addition to increasing the statutory deposit by (10%) of the total proceeds. Such proceeds will be used also for upgrading the offices and electronic systems at the Company's headquarters. (Please refer to Section (7) "Use of Offering Proceeds and Future Projects").														
Total proceeds expected to be obtained and analysis and description of their potential use	<p>The total proceeds of the Rights Issue Subscriptions are expected to be three hundred million (300,000,000) Saudi Riyals.</p> <p>The net proceeds from the subscription will be used mainly to support the expansion of the Company's activity, in order to comply with the financial solvency requirements. This will be done by utilizing of subscription proceeds in investments and financial deposits in addition to increasing the statutory deposit by (10%) of the total proceeds. Such proceeds will be used also for upgrading the offices and electronic systems at the Company's headquarters. The following table shows the details of the proposed use of the Offering Proceeds:</p> <table><tr><th>Usage</th><th>Value (SAR'000)</th></tr><tr><td>Investment and financial deposits</td><td>262,500</td></tr><tr><td>Increasing statutory Deposit</td><td>30,000</td></tr><tr><td>Offering costs</td><td>6,000</td></tr><tr><td>Updating Headquarters' offices and electronic systems</td><td>1,500</td></tr><tr><td>Total</td><td>300,000</td></tr></table> <p>Source: The Company</p> <p>(For more information, please refer to Section (7) "Use of Offering Proceeds and Future Projects").</p>	Usage	Value (SAR'000)	Investment and financial deposits	262,500	Increasing statutory Deposit	30,000	Offering costs	6,000	Updating Headquarters' offices and electronic systems	1,500	Total	300,000		
Usage	Value (SAR'000)														
Investment and financial deposits	262,500														
Increasing statutory Deposit	30,000														
Offering costs	6,000														
Updating Headquarters' offices and electronic systems	1,500														
Total	300,000														
Costs of offering	Offering expenses are expected to hit six million (6,000,000) Saudi Riyals including the fees of the Financial Advisor, Lead Manager, Underwriters, Legal Advisor, Auditors as well as marketing, printing, distribution, and other Offering related expenses. (Please refer to Section (7) "Use of Offering Proceeds and Future Projects").														

Net proceeds of the offering	It is expected that the net proceeds of the offering will reach about two hundred ninety-four million (294,000,000) Saudi Riyals (please refer to Section (7) "Use of Offering Proceeds and Future Projects").
Issuer's capital before offering	Two hundred million Saudi Riyals (SAR 200,000,000)
Issuer's capital after offering	Five hundred million Saudi Riyals (SAR 500,000,000)
Issuer's total number of shares before offering	Twenty million (20,000,000) ordinary shares
Issuer's total number of shares after offering	Fifty million (50,000,000) ordinary shares
Nominal value of share	Ten Saudi Riyals (SAR 10) per share
Total number of offers shares	Thirty million (30,000,000) ordinary shares
Percentage of offered shares to the capital	150% of the Issuer's capital prior to the Offering
Price of offering	Ten (10) Saudi Riyals per share.
Total value of offering	Three hundred million (300,000,000) Saudi Riyals
Number of offering shares undertaken to be covered	Thirty million (30,000,000) ordinary shares
Total value offering undertaken to be covered	Three hundred million (300,000,000) Saudi Riyals
Categories of target investors	Registered shareholders and new investors.
Registered shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and are registered in the Company's records with the Depository Center at the end of the second trading day following the convening of the Extraordinary General Meeting on 20/11/1442H (corresponding to 30/6/2021G).
New investors	In general, individual and institutional investors, except for registered shareholders, who purchased the Rights issue during the trading period.
Rights	Rights are tradable securities that entitle its holders the right to subscribe to new shares upon approval of the capital increase. It is an earned right for all registered shareholders and each Right entitles its holder to subscribe to one share of the new shares at the Offer Price. Rights will be deposited after the Extraordinary General Assembly for the capital increase has convened. These rights will appear in the registered shareholders' accounts under a new pre-emptive right-related symbol.
Number of Right issue issued	Thirty million (30,000,000) Rights.

Eligibility factor	Each registered shareholder shall be granted (1.5) rights for every (1) share he owns. This factor is the result of dividing the number of new shares by the number of the current shares of the Company
Eligibility date	The shareholders who own shares as at the close of trading on the date of the Extraordinary General Assembly approving the Capital increase and those registered in the Company's Shareholders Register at the end of the second trading day following the day of the Extraordinary General Meeting approving the capital increase on 20/11/1442H (corresponding to 30/6/2021G).
Trading period	The trading period starts on Monday 25/11/1442H (corresponding to 5/7/2021G) and continues until the end of Monday 2/12/1442H (corresponding to 12/7/2021G). It is permissible during this period for all Right holders, whether they are registered or new investors, to trade in the Rights.
Subscription period	The subscription period starts on Monday 25/11/1442H (corresponding to 5/7/2021G) and continues until the end of Thursday 5/12/1442H (corresponding to 15/7/2021G). During this period, all holders of the Rights, whether they are registered investors or new investors, may exercise their right to subscribe to the new shares.
Method of subscription	Subscription Applications shall be filed electronically through agents' electronic sites and platforms that provide such services to subscribers, or through any other means provided by agents.
Exercising subscription to the Rights	<p>Eligible persons shall have the right to exercise their right to subscribe to the Right issue shares by subscribing electronically via intermediaries' websites and online platforms that provide these services or through any other means provided by intermediaries'. In addition, eligible persons can exercise their rights as follows:</p> <ol style="list-style-type: none"> Shareholders registered during the subscription period shall have the right to exercise the rights granted to them on the eligibility date and any additional rights that they have purchased during the trading period by subscribing to the new shares. They have the right also not to take any action regarding the rights they own. New investors shall, during the subscription period, have the right to exercise the rights that they have purchased during the trading period by subscribing to the new shares. They have the right also not to take any action regarding the rights they own. <p>In the event that none of the registered shareholders or the new investors exercise their right to subscribe to the new shares during the subscription period, the shares related to those rights will be offered during the Rump offering period.</p>
Indicative value of the right	The indicative value of the right reflects the difference between the market value of the Company's share during the trading period and the offer price. Tadawul will calculate and publish the right's indicative value during the trading period on its website, five minutes late, and market information service providers will also publish this information in order for investors to view the indicative value when entering the order.
Trading price of the right	It is the price at which the right is traded, bearing in mind that it is determined through the mechanism of supply and demand. Therefore, it may differ from the right's indicative value.

Rump Offering	In the event that shares remain unsubscribed after the end of the subscription period ("Rump Shares"), such shares will be offered to a number of institutional investors ("Investment Institutions"). The Investment Institutions submit their bids to buy the remaining shares. These bids will be received from 10:00 AM on Tuesday 17/12/1442H (corresponding to 27/7/2021G) until 5:00 PM of the next day on Wednesday 18/12/1442H (corresponding to 28/7/2021G). ("Rump Offering Period"). Rump Shares will be allocated to the Investment Institutions with the highest bids first, then the lowest and the lowest (provided that the bids shall not fell below the Offering Price). The shares shall be allocated on a pro rata basis to the Investment Institutions that offer the same price. As for the fractional shares, they will be added to the Rump Shares and treated similarly.
Method of allocation and refund	<p>Shares will be allocated to each investor based on the number of Rights he has properly and completely exercised. Fractions of the shares will be summed and added to the Rump Shares and then offered to Investment Institutions during the Rump Offering Period: The Company will obtain the total Offering Price collected from the sale of the Rump Shares, while the remaining proceeds (if any) of the Rump Offering will be distributed without accounting for any fees or deductions (that exceeds the Offering Price) to its beneficiaries who did not fully or partially subscribe to the new shares and for those entitled to fractional shares. Note that the investor who did not subscribe for or sell his rights, and the owners of fractional shares, may not get any compensation if the sale is made in the Rump Offering Period at the Offering Price. (please refer to section "Terms, Conditions and Subscription Instructions"). please refer to Section (13) "Information Related to Shares and Offering Terms and Conditions" of this Prospectus.</p> <p>Oversubscribed amounts (if any) will be refunded to subscribers without any commissions or deductions by the Lead Manager.</p>
Date of allocation	Shares will bid allocated on Sunday 22/12/1442H (corresponding to 1/8/2021G).
Refund date	Oversubscribed amounts (if any) will be refunded to subscribers without any commissions or deductions by the Lead Manager, no later than Thursday 4/1/1443H (corresponding to 12/8/2021G).
Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who failed to exercise their right to subscribe and did not subscribe wholly or partially for the New Shares, as well as to the holders of fractional Shares at the latest on Thursday 4/1/1443H (corresponding to 12/8/2021G) without any deductions. Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).
Revised price	The Company's share price in the capital market has been amended to SAR (19.20) per share, before trading on the next day of holding the Extraordinary General Meeting for the capital increase. This represents a decrease in the share price by SAR (13.80) per share.
Trading in New shares	Trading of new shares in Tadawul begins after finalizing all formalities related to registering, allocating and listing the new shares.
Listing of/Trading in the Rights	The rights are listed in Tadawul and traded during the rights issue trading period. The Rights shall have a separate symbol different than the Company's current stock symbol on the Tadawul screen. The

	<p>registered shareholders have several options during the trading period, which include selling the rights or part of them in the Exchange, buying additional rights through the Exchange, or not taking any action on the Right, whether by selling them or buying additional Rights. During the trading period, new investors will have the right to purchase Rights through the Exchange, sell those rights or part of them, or not to take any action regarding the rights purchased during the trading period. The Tadawul system will cancel the Right issue symbol for the Company on the trading screen after the end of the Rights trading period. Therefore, the trading of the Rights will stop at the end of that period.</p>
Dividends Eligibility	<p>Holders of the new shares will be entitled to any dividends declared by the Company after the issue date.</p>
Voting rights	<p>The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to vote. Each Shareholder has the right to attend and vote at the General Assembly Meeting and vote. The shareholder may delegate any other shareholder, other than the members of the Company's Board of Directors or its employees, to act on his behalf in attendance of the meetings of the General Assembly and vote on its resolutions</p>
Restrictions on trading the Shares	<p>The Company's shares were listed on Tadawul on 24/02/1431H (corresponding to 08/02/2010G). It is worth noting that the ban period of three full fiscal years, each of which is not less than twelve months for the Founding Shareholders, has expired. Accordingly, all shares are tradable according to the rules, regulations and instructions issued by the Capital Market Authority. However, the Founding Shareholders must obtain the approval of the Central Bank of Saudi Arabia and then the approval of the Capital Market Authority before disposing of their shares</p>
Limitations of Rights trading	<p>There are no restrictions imposed on trading the Company's Rights</p>
Shares previously listed by Issuer	<p>The entire shares of the Company were listed on the Saudi Stock Exchange (Tadawul) totaling twenty million (20,000,000) ordinary shares at a nominal value of ten (10) Saudi Riyals per share on 24/02/1431H (corresponding to 08/02/2010G), through offering them for public subscription, where the Founding Shareholders subscribed for (60%) of the Company's shares amounting to twelve million (12,000,000) ordinary shares with a total value of one hundred twenty million (120,000,000) Saudi Riyals of equal value, each of which is ten (10) Saudi Riyals, while the public subscribed for (40%) of the Company's shares amounting to eight million (8,000,000) ordinary shares with a total value of eighty million (80,000,000) Saudi Riyals of equal value, each of which is worth ten (10) Saudi Riyals.</p>
Conditions of Subscription for Rights	<p>Eligible persons wishing to subscribe to the new shares must fulfill the relevant subscription conditions. To view the terms and conditions and instructions of the Offering, please refer to Section (13) "Information Related to Shares and Offering Terms and Conditions" of this Prospectus.</p>
Public	<p>In the Rules on the Offer of Securities and Continuing Obligations, it means the persons not mentioned below:</p> <ol style="list-style-type: none"> 1. Affiliates of the Issuer. 2. Substantial shareholders of the Issuer. 3. Board members and senior executives of the issuer. 4. Board members and senior executives of affiliates of the issuer.

	5. Board members and senior executives of substantial shareholders of the issuer. 6. Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above. 7. Any company controlled by any of the persons described at (1, 2, 3, 4, 5, or 6) above. or 8. Persons who act in agreement together and collectively own (5%) or more of the class of shares to be listed.
New Shares	Thirty million (30,000,000) ordinary shares, which will be issued to increase the Company's capital.
Risk Factors	Investing in Right issue stocks involves certain risks. Such risks can be classified into: (1) Risks related to the Company's business; (2) Risks related to the market and the sector; and (3) Risks related to the new shares. Those risks have been discussed in Section 2 "Risk Factors" of this Prospectus, Which must be carefully studied before making any investment decision in the rights issue.
Significant adjustments made to the information disclosed in the latest Prospectus	CMA has approved the publication of the Company's last Prospectus on 08/09/1430H (corresponding to 29/08/2009G) (please see sub-paragraph No. (10.13) "Material information that has changed since the Authority's approval of the latest Prospectus in Section 10 "Legal Information" of this Prospectus).

Note: The section "Important Notice" on page (i) and section 2 "Risk Factors" of this Prospectus should be carefully studied before making any investment decision in Rights Issues.

Key dates for subscribers and subscription procedures

Events	Dates
Date of the Extraordinary General Assembly approving capital increase and setting the Eligibility Date and Eligible Shareholders. Eligible Shareholders are the ones who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and those registered in the Company's Shareholders' register at the Depository Center at the end of the second trading day following the Extraordinary General Meeting.	on 18/11/1442H (corresponding to 28/6/2021G)
Trading Period	The trading period starts on Monday 25/11/1442H (corresponding to 5/7/2021G) and continues until the end of Monday 2/12/1442H (corresponding to 12/7/2021G). During this period, all holders of Rights, whether registered or new investors, may trade in and subscribe for the Rights.
Period of Subscription	The subscription period starts on Monday 25/11/1442H (corresponding to 5/7/2021G) and continues until the end of Thursday 5/12/1442H (corresponding to 15/7/2021G). During this period, all holders of Rights, whether registered or new investors, may subscribe for the Rights.
End of Subscription Period	The subscription period and receiving subscription requests ends with the end of Thursday 5/12/1442H (corresponding to 15/7/2021G).
Rump Offering Period	The Rump Offering Period begins at 10:00 AM of Tuesday 17/12/1442H (corresponding to 27/7/2021G) and continues until 5:00 PM of the next day on Wednesday 18/12/1442H (corresponding to 28/7/2021G)
Final Allocation Notification	On Sunday 22/12/1442H (corresponding to 1/8/2021G)
Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	on Thursday 4/1/1443H (corresponding to 12/8/2021G)
Expected date for the commencement of trading in Offer Shares	After completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website.

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

Key announcement dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the invitation for the Extraordinary General Assembly for capital increase.	The Company	on 21/10/1442H (corresponding to 02/06/2021G)
Announcement regarding the Extraordinary General Assembly outcome with regard to capital increase.	The Company	on 19/11/1442H (corresponding to 29/6/2021G)
Announcement regarding the addition of Rights to GCIC.	Edaa	on 25/11/1442H (corresponding to 5/7/2021G)
Announcement regarding the change in Company's share price, Rights' deposit and the Indicative Value of the Right	Tadawul	on 19/11/1442H (corresponding to 29/6/2021G)
Announcement regarding the Rights trading period and the new shares subscription periods	The Company	on 19/11/1442H (corresponding to 29/6/2021G)
Announcement on the start of the Rights trading period and the subscription period	Tadawul	on 25/11/1442H (corresponding to 5/7/2021G)
A reminder announcement on the start of the Rights trading period and the subscription period	The Company	on 25/11/1442H (corresponding to 5/7/2021G)
A reminder announcement of the last day for trading Rights and the last day for subscription	The Company	on 2/12/1442H (corresponding to 12/7/2021G)
Announcement regarding: <ul style="list-style-type: none"> Subscription results, Details of the sale of unsubscribed Shares, if any, and date of commencement of the Rump Offering 	The Company	on 15/12/1442H (corresponding to 25/7/2021G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	The Company	on 22/12/1442H (corresponding to 1/8/2021G)
Announcement regarding the deposit of New Shares in the investors' portfolios	Edaa	on 26/12/1442H (corresponding to 5/8/2021G)
Announcement regarding distribution of the compensation amounts (if any)	The Company	on 4/1/1443H (corresponding to 12/8/2021G)

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

In addition, the date of depositing the new shares in the investors' portfolios will be determined in coordination with the Securities Depository Center Company (Edaa).

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

1. The name of the issuer and its commercial registration number.
2. The securities, their value, type, and class covered by the securities registration and offering application.
3. The addresses and places where the public can obtain the Prospectus.
4. The date of publishing the Prospectus.

5. A statement that the announcement is for information only and does not constitute an invitation or offer to acquire securities by purchasing or subscribing to them.
6. Names of the Lead Manager, Underwriter (if any), Financial Advisor, and Legal Advisor.
7. A disclaimer in the following form: "CMA and the Saudi Stock Exchange Company (Tadawul) do not assume any responsibility on the contents of this announcement, nor do they give any representations regarding its accuracy or completeness, and they expressly disclaim any responsibility for any loss they have suffered as a result of what is contained in this announcement or from reliance on any part thereof.

How to apply for subscription

Subscription to Right Issue shares is limited to Eligible Persons, whether they are registered shareholders or new investors. In the event that the Right Issue of the eligible persons are not exercised, any Rump Shares that have not been subscribed by the eligible persons will be offered to the investment institutions during the Rump Offering Period. Eligible persons wishing to subscribe to new shares must submit their subscription applications through the means and services provided by the agent to the investors, provided that the eligible person shall have an investment account with one of the agents who provide such services.

Subscription applications shall be submitted through the investment portfolio in the trading platforms through which buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the agent to the investors and the custodian of shares. The Company reserves the right to reject any application to subscribe to new shares in whole or in part if it does not fulfill any of the conditions or requirements of the subscription. It is not permissible to amend or withdraw the subscription application after its delivery. The subscription application, upon submission, constitutes a binding contract between the Company and the entitled shareholders and may not be amended or withdrawn.

FAQs about the Rights Issue

What is a Rights Issue?

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

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of the second trading day after the date of the Extraordinary General Assembly.

When are the Rights deposited?

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

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

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

How many Rights can be acquired by a Registered Shareholder?

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

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the second trading day after the Extraordinary General Assembly. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company. Therefore, the eligibility factor is (1.5) right for each one (1) share owned by the registered shareholder on the eligibility date. Accordingly, if a registered shareholder owns (1,000) shares on the eligibility date, he/she will be allocated 1,500 rights in exchange for the shares he/she owns.

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

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

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price (Indicative Value of the Right). For example, if the closing price of a share on the preceding day is SAR 15 (fifteen Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 15 minus 10, i.e. SAR 5 (five Saudi Riyals).

Who is the Registered Shareholder?

Any Shareholder whose name appear in the Company's Shareholders' Register at the end of the second trading day after the Extraordinary General Assembly.

Can Registered Shareholders subscribe for additional shares?

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

Is it possible for a Registered Shareholder to lose his eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on raising the capital through a rights issue?

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

How does the subscription take place?

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

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

The eligible person cannot subscribe to more shares than the Rights owned by him.

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

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b)), then the total Rights which will be deposited (1500) Rights as each share is eligible for (1.5) Rights. Therefore, 1200 Rights will be deposited in portfolio (a) and 300 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

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

Are additional Rights purchasers entitled to trade them once again?

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

Is it possible to sell a part of these Rights?

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

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

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

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

That is not possible. After the expiry of the Trading Period, holder of the Rights may only exercise the right to subscribe for the Rights or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio or profit in the event that shares are sold in the Rump Offering Period at a price higher than the Offering Price.

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

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

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

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

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

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

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

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

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

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

What are Trading and Subscription (Offering) periods?

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

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-registered shareholders on the day of the Extraordinary General Assembly subscribe for the Rights?

Unrestricted Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

Further Assistance:

In the event of any inquiries, please contact the Company on the e-mail (info@ggi-sa.com) and for legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to provide advice on the merits of issuing rights or even provide financial, tax, legal or investment advice.

For more information on the Subscription terms, conditions and instructions, please refer to Section (13) "Information Related to Shares and Offering Terms and Conditions" as well as other information contained in this Prospectus.

Summary of Key Information

Note to Investors:

This summary provides a brief overview of the key information included in this Prospectus. Being a summary, it does not include all information that may be of interest to shareholders and other general institutional and individual investors. The recipients of this Prospectus must read it in full, and in particular the "Important Notice" section on Page (i) and Section (2) "Risk Factors" of this Prospectus, before making any investment decision related to the New Rights or shares. All terms and abbreviated expressions contained in this Prospectus have been defined in Section (1) "Terms and Definitions", in this Prospectus.

Company Overview

The Gulf General Cooperative Insurance Company was established as a public joint stock company under the Council of Ministers resolution no. (365), dated 03/12/1429H (corresponding to 01/12/2008G), Royal Decree no. (m/85), dated 05/12/1429H (corresponding to 03/12/2008G), the Ministerial resolution announcing the establishment of the Company no. (12/q), dated 17/01/1431H (corresponding to 03/01/2010G), and under Commercial Registration no. (4030196620), dated 09/02/1431H (corresponding to 24/01/2010G) issued in the city of Jeddah.

The head office of the Company is located in the city of Jeddah, Madina Road – Al-Ghaithi Plaza – P.O. Box 1866, Jeddah 21441, Kingdom of Saudi Arabia.

The Company obtained the Central Bank's license no. (TMN/26/20103), dated 20/02/1431H (corresponding to 06/03/2010G) to practice insurance activity in the general insurance and health insurance branches, in accordance with the provisions of the Cooperative Insurance Companies Control Law, and its Implementing Regulations. The license was renewed for three years term on 19/03/1440H (corresponding to 27/11/2018G) and will expire on 18/03/1443H (corresponding to 24/10/2021G).

The current capital of the Company is two hundred million (200,000,000) Saudi Riyals fully paid, divided into twenty million (20,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share.

As of the date of this Prospectus, the Substantial Shareholders of the Company (who own (5%) or more of the Company shares) are the Saudi General Insurance Company, which owns three million (3,000,000) shares, (15.0%), the Gulf Specialized Investment Holding Company, which owns three million (3,000,000) shares, (15.0%), and Al Insaf International Real Estate Development Company, which owns one million (1,000,000) shares, comprising (5.0%) of the Company's shares before the Offering.

History of the Company and the most significant developments in its capital structure

- The Gulf General Cooperative Insurance Company was incorporated as a public joint stock company under the Council of Ministers resolution no. (365), dated 03/12/1429H (corresponding to 01/12/2008G), Royal Decree no. (m/85), dated 05/12/1429H (corresponding to 03/12/2008G), the Ministerial resolution announcing the establishment of the Company no. (12/q), dated 17/01/1431H (corresponding to 03/01/2010G), and under Commercial Registration no. (4030196620), dated 09/02/1431H (corresponding to 24/01/2010G).
- On 24/02/1431H (corresponding to 08/02/2010G), the entire shares of the Company comprising twenty million (20,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share were listed in the Saudi Stock Exchange Company (Tadawul) through initial public offering. The Founding Shareholders subscribed to (60%) of the Company's shares amounting to twelve million (12,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share, totaling one hundred and twenty million (120,000,000) Saudi Riyals. (40%) of the Company shares amounting to eight million (8,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share of equal value of ten (10) Saudi Riyals per share, totaling eighty million (80,000,000) Saudi Riyals were offered for the public.
- On 20/03/1431H (corresponding to 06/03/2010G) the Company obtained the Central Bank license no. (TMN/26/20103) to practice insurance activity in the general insurance and medical insurance branches, in accordance

with the provisions of the Cooperative Insurance Companies Control Law and its implementing Regulations. The license was renewed for three years' term on 19/03/1440H (corresponding to 27/11/2018G) and will expire on 18/03/1443H (corresponding to 24/10/2021G).

- On 18/11/1442H (corresponding to 28/6/2021G), the shareholders' Extraordinary General Assembly agreed to increase the Company's capital by (150%) from two hundred million (200,00,000) Saudi Riyals to five hundred million (500,000,000) Saudi Riyals. The number of shares was consequently increased from twenty million (20,000,000) ordinary shares to fifty million (50,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share, by issuing thirty million (30,000,000) new ordinary shares as pre-emptive shares, with a nominal value of ten (10) Saudi Riyals per share.

Main Activities of the Company

The Company conducts its activities under Commercial Registration no. (4030196620), dated 09/02/1431H (corresponding to 24/01/2010G). The activities of the Company, as stated in its Commercial Registration, include protection insurance, medical insurance, Motor insurance, property insurance, accident and liability insurance, marine insurance, energy insurance, engineering insurance, risk and damage assessment, inspection and loss assessment and settlement of insurance claims.

The activities of the Company, as stated in its articles of association, include practicing cooperative insurance business. The Company may carry out all the works that need to be done to achieve its objectives, whether in the field of insurance or investing its money. It may also own, move, sell, replace, lease its fixed and cash assets directly by the Company or through companies it establishes or acquires or in partnership with third parties. The Company practices its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law, and its Implementing Regulations as well as the regulations and rules applicable in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.

The Company practices its activities from its head office in the city of Jeddah, and its two branches in Riyadh and Al-Khobar (for more information, please refer to sub-section (10.9) "Company Branches" under Section (10) "Legal Information" in this Prospectus). The Company obtained the Central Bank license no. (TMN/26/20103), dated 20/03/1431H (corresponding to 06/03/2010G) to practice the following insurance activities:

a) General insurance, which includes:

- ✓ Accidents and Liability Insurance
- ✓ Motor Insurance
- ✓ Property Insurance
- ✓ Marine insurance
- ✓ Engineering insurance

b) Medical Insurance

Company Vision

The Company's Vision is to intensify its presence, increase its share in the Saudi market, maximize the returns of its shareholders, and focus in particular on achieving the highest returns on the long and medium terms. In order to achieve the anticipated goals, the Company focuses mainly on the following:

- Compliance with regulatory guidelines.
- Effectiveness of operations.
- Ensuring that legal requirements are fulfilled at all times.
- Diversifying and restructuring the Company's portfolio in a manner that ensures profitability and availability of financial adequacy at all time.
- Focusing on attracting high-quality businesses, maintaining the Company's assets, and developing and motivating skilled labor force in order to achieve a stable and steady flow of revenues.
- The Company pledges to play a responsible role in relation to its obligations towards the society in terms of sponsoring community initiatives and developing Saudi labor force.
- Participation in the development and growth of the insurance sector in the Kingdom.

Company Mission

- The Company's commitment to its values and credibility.
- Investment in technology and developing the Company's labor force.
- Seeking for the best ways to provide insurance services and solutions that meet the customer's need.

Company Strategy

The Company's strategy is summarized in achieving stable and sustainable growth through the following:

- Permanent development of solutions and products that suit the aspirations of the market.
- Reaching the target clients' segments and facilitating their transactions.
- Building the internal capabilities such as labor force, information systems and internal procedures while maintaining the Company's financial resources.

Strengths and competitive advantages of the Company

The Company is distinguished from its competitors by virtue of the following:

- A wide array of integrated insurance solutions to fulfill clients' requirements.
- A well-established sales and distribution network.
- Experienced and skilled management and work team.
- A capital base compatible with the Company's objectives.
- Advanced information technology systems and applications.
- Arrangements with leading reinsurance companies.

Market Overview

According to the Financial Stability Report 2020 issued by the Central Bank of Saudi Arabia (formerly the Saudi Arabian Monetary Agency), the Saudi economy recorded a slight growth in 2019G. The real GDP increased by (0.33%) in 2019 compared to a growth of (2.43%) in the previous year. The oil sector decreased by (3.65%) in 2019 compared to an increase of (3.13%) in 2018. This decrease is due to the decrease in oil production due to OPEC agreement to reduce production due to the growth in supply higher than growth in demand as a result of several reasons, including: Uncertainty about the effects of macroeconomic policies, global stock levels, and investor confidence in the oil market. Reducing production led to a decline in oil prices in global markets by (8.0%) during 2019 where the average price per barrel was \$ 64.96. Despite the decline in the oil sector, non-oil economic growth accelerated in 2019, as non-oil output grew by (3.31%), led by private sector activity. The growth in the non-oil sector in 2019 was mainly attributed to the growth of the wholesale and retail trade, restaurants, hotels, real estate, business services and the construction sector. The improvement in the construction sector is mainly due to the high growth of the real estate sector and government housing initiatives from the state.

Inflation records again negative numbers in 2019, as the annual average of the consumer price index was (2.1%) in 2019 compared to (2.5%) in 2018. One of the factors that contributed to the slowdown in prices was the comparison with the higher prices in 2018 as a result of the applying of the value-added tax, in addition to the sharp decline in housing rents, which is a significant sub-component of the total consumer basket, which decreased by (10.2%) in 2019, as a result of the decrease in demand due to the final exit of a number of expatriate families due to the high fees.

With the spread of corona virus outside China in the second half of February 2020, many countries have begun imposing public health containment measures to delay its spread and to strengthen the capacity of the health sector. The development of the situation in this way brought most economic activities to a sudden halt, resulting in a major impact on the global economy and putting pressure on individuals, companies and governments. The Global growth is expected to decrease by (3%) in 2020 according to the World Economic Outlook report issued by the International Monetary Fund in April 2020, as commodity prices fell to a record level, while the rates of safe assets, such as gold and US Treasury bonds, increased. Banks' losses in private sector credit portfolios are likely to increase as the economic activities remain suspended. The outbreak of the Coronavirus is likely to have significant economic repercussions for the Kingdom, especially with the exacerbation of the situation due to the sharp decline in oil prices caused by the significant decline in demand due to the ban on travel worldwide and the suspension of most economic activities.

The Saudi government has taken strong financial and economic measures to limit the consequences of these developments and to provide support to society and the economy. Many ministries and agencies have undertaken a large number of exceptional initiatives and incentive packages in light of the spread of the virus. The Ministry of Finance announced a stimulus package worth more than 70 billion Saudi Riyals aimed at supporting the private sector, especially the small and medium enterprises sector. The Ministry of Health also announced support for the health sector, with an amount exceeding 47 billion Saudi Riyals. The Saudi Industrial Development Fund has postponed and restructured customer loan payments whose installments are due in 2020 for small projects, medical projects, and medium and large factories.

In 2019, the insurance market recorded a rise in premiums for the first time in three years, reaching (8.3%), bringing the total written premiums to 37.89 billion riyals, driven by the strong performance of the health, property and liability lines. In addition, the insurance market in terms of assets recorded an increase of (9%) compared to 2018 as total assets, reaching 63 billion Saudi Riyals, and the net profit (after Zakat and tax) increased more than three times compared to the previous year. This led to an

increase in the return on assets and the return on shareholders' equity. Moreover, the insurance sector in general still enjoys strong financial solvency and adequate technical allocations. The overall loss rate also stabilized without change, as the improvement in the health insurance loss ratio was offset by an increase in the motor insurance loss ratio. In addition, the profitability of insurance companies as a whole is still low, as the net profit in the sector reached 873 million riyals, registering a growth of more than (300%) compared to 2018. The percentage of Saudization in insurance companies increased, reaching (74%) in 2019 compared to (72%) in 2018.

During the second quarter of 2020G, insurance premiums increased by (8.3%) in the second quarter of 2020 compared to the second quarter of 2019, bringing the total written premiums to 8.7 billion Saudi Riyals. The net profit (after Zakat and Tax) for the insurance sector increased in the second quarter of 2020, compared to the same period last year, by (434%) to reach 940 million Saudi Riyals.

(Source: Annual Report for 2020, and Financial Stability Report 2020 issued by the Central Bank).

Summary of Risk Factors

Prospective investors willing to subscribe for the offered shares shall read this Prospectus entirely prior to taking their invest decision to subscribe for or trades in the Offered Shares, including in particular the section (2) "Risk Factors" of this Prospectus.

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

- Risks Related to Insufficient Capital and Minimum Capital Requirements
- Risks Related to Accumulated Losses
- Risks Related to Penalties by the Competent Regulatory Authorities
- Risks Related to the Inability to Implement the Strategy
- Risks Related to Credit
- Risks Related to Credit Rating
- Risks Related to Claims Management Process
- Risks Related to Transactions of Related Parties
- Risks Related to Contracts with Third Parties
- Risks Related to Inadequacy of Provisions and Reserves
- Risks Related to Contingent Liabilities
- Risks Related to Reinsurance
- Risks Related to Reinsurance Concentration
- Risks Related to Reliance on Insurance Brokers
- Risks Related to Poor Assessment of Risks
- Risk Related to Risk Management Policies
- Risks Related to Investment
- Risks Related to Vacant Key Positions in the Company
- Risks Related to Non-issuance or Non-renewal of Licenses, Permits and Certificates
- Risks Related to Dependence on Key Personnel and Executive Management
- Risks Related to Financial Performance
- Risks Related to Employees Mistakes and Misconduct
- Risk Related to Cancellation or Non-renewal of Insurance Policies
- Risks Related to Translation of Insurance Policies
- Risks Related to Availability of Funding in Future
- Risks Related to the Transfer of an Insurance Portfolio
- Risks Related to Cheating in Insurance Usage and Claims and other Fraudulent Activities
- Risks Related to the Increase in the Company's Liabilities
- Risks Related to Saudization Requirements
- Risks Related to Occurrence of Natural Disasters
- Risks Related to Non-compliance with the Quality Standards and Specifications required by Customers
- Risks Related to Litigation
- Risks Related to Potential Zakat Dues and Additional Claims
- Risks Related to the Concentration of Written Premiums on Motor Sector

- Risks Related to the Protection of Trademarks and Equity
- Risks Related to Reliance on non-Saudi Employees
- Risks Related to the Outbreak of the Coronavirus "Covid-19"
- Risks Related to the Company's Reputation
- Risks Related to Absence of Regulatory Work Bylaw for the Company Committees
- Risks Associated with Anti-Money Laundering and Combating the Financing of Terrorism Regulations

B. Risks Related to Market and Industry

- Risks Related to the Economic Performance of the Kingdom
- Risks Related to Political and Economic Instability in the Middle East
- Risks Related to Laws and Regulations
- Risks Related to Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations
- Risks Related to Withdrawing the License to Conduct Insurance Activities
- Risks Related to Adjustments to Accounting for Zakat and Income Tax by the Central Bank
- Risks Related to Reporting Requirements
- Risks Related to the Competitive Environment
- Risks Related to Insurance Market Growth
- Risks Related to Limitations of Historical Data
- Risks Related to the Lack of Cultural Awareness of Insurance and Its importance
- Risks Related to Value-added Tax (VAT)
- Risks Related to Government Fees Applicable to non-Saudi Employees
- Risks Related to the Decline of Client Confidence
- Risks Related to non-Compliance with the Regulations of the Council of Cooperative Health Insurance (CCHI)
- Risks Related to Fluctuations in Exchange Rates
- Risks Related to Not-Controlling of Prices
- Risks Related to the Scarcity of Qualified Local Cadres
- Risks Related to Insurance Business Cycle
- Risks Related to Changes in Important Accounting Standards and New Standards

C. Risks related to the Offer Share

- Risks Related to Potential Fluctuation in the Price of the Rights
- Risks Related to Potential Fluctuations in the Share Price
- Risks Related to non-Profitability or Selling of Priority Rights
- Risks Related to Future Data
- Risks Related to the Possibility of Issuing New Shares
- Risks Related to Lack of Demand for the Company's Priority Rights and Shares
- Risks Related to Potential Dilution of Ownership
- Risks Related to Not Exercising the Priority Rights in a Timely Manner
- Risks Related to Dividends
- Risks Related to Speculation in Priority Rights

Summary of Financial Information

The summary of the financial information presented below is based on the Company's audited financial statements for the financial years ending on December 31, 2017, 2018 and 2019 and the accompanying notes, in addition to the condensed interim financial statements (unaudited) for the six months ending on June 30, 2020, and the notes attached thereto.

Statement of Financial Position (SAR'000)	Fiscal year ended December 31			Six-month period ended June 30 (Non- Audited)	Increase (decrease)			CAGR 20117-2020
	2017 (audited)	2018 (audited)	2019 (audited)		December 2018	December 2019	June 2020	
Total Assets	469,429	457,305	430,201	464,321	-2.60%	-5.90%	7.90%	-0.40%
Total Liabilities	272,079	297,554	271,617	293,123	9.40%	-8.70%	7.90%	3.00%
Total Equity	197,350	159,751	158,277	171,198	-19.10%	-0.70%	8.00%	-5.50%
Total Liabilities and Equity	469,429	457,305	430,201	464,321	-2.60%	-5.90%	7.90%	-0.40%

Source: The audited financial statements for the financial years 2017, 2018 and 2019, and the interim non-audited financial statements for the six months ending on June 30, 2020.

Income Statement (SAR'000)	Fiscal year ended December 31			Six-month period ended June 30 (Non- Audited)	Increase (decrease)			CAGR 20117-2019
	2017 (audited)	2018 (audited)	2019 (audited)		December 2018	December 2019	June 2020	
Gross written premiums	185,627	264,675	279,690	176,734	42.6%	5.7%	29.5%	22.7%
Net written premiums	88,237	146,964	184,691	119,174	66.6%	25.7%	41.8%	44.7%
Net Earned premiums	99,883	112,185	157,875	111,960	12.3%	40.7%	55.0%	25.7%
Total revenue	119,037	133,481	176,791	121,313	12.1%	32.4%	45.1%	21.9%
Total underwritten costs and expenses	64,157	105,795	127,645	75,517	64.9%	20.7%	28.0%	41.1%
Net underwriting results	54,880	27,686	49,146	45,796	(49.6%)	77.5%	86.0%	(5.4%)
Total other operating expenses, net	(33,404)	(56,613)	(52,935)	(29,226)	69.5%	(6.5%)	68.1%	25.9%
Net income / (loss) for the period	21,476	(38,351)	(1,265)	12,614	295.8%	96.7%	135.6%	-

Source: The audited financial statements for the financial years 2017, 2018 and 2019, and the interim non-audited financial statements for the six months ending on June 30, 2020.

The tabs were modified in 2017 to match the classifications that were followed in the financial statements for the year 2019G (for more information, please refer to subsection (6.5) "Operations Results - Income Statement" from Section (6) "Financial Information, Management Discussion and Analysis" of This Prospectus).

Cash Flow Statement SAR'000	Fiscal year ended December 31			Six-month period ended June 30 (Non- Audited)	Fiscal year ended December 31			CAGR 2011- 2019
	2017 (audited)	2018 (audited)	2019 (audited)		December 2018	December 2019	June 2020	
Net cash generated from / (used in) operating activities	(13,817)	(17,074)	(24,048)	21,374	%3.6%	40.8%	(190.2%)	31.9%
Net cash generated from / (used in) investing activities	95,666	(3,307)	48,645	28,124	(103.5%)	(1571.0%)	(66.1%)	(28.7%)
Net cash (used in) financing activities	-	-	(1,169)	(646)	-	-	-	-
Cash and cash equivalents at the beginning of the period	28,919	110,768	90,387	113,815	283.0%	(18.4%)	25.9%	76.8%
Cash and cash equivalents at the end of the period	110,768	90,387	113,815	162,667	(18.4%)	25.9%	8.7%	1.4%
Increase / (decrease) in cash and cash equivalents	81,849	(20,381)	23,428	48,825	(124.9%)	(215.0%)	(17.5%)	(46.5%)

Source: The audited financial statements for the financial years 2017, 2018 and 2019, and the interim non-audited financial statements for the six months ending on June 30, 2020.

Key financial performance indicators	Indicator unit	Fiscal year ended December 31			Six-month period ended June 30	
		2017 (audited)	2018 (audited)	2019 (audited)	2019 (Unaudited)	2020 (Unaudited)
Ceded premiums ratio	%	52.5%	44.5%	34.0%	38.4%	32.6%
Loss ratio	%	47.6%	74.6%	77.2%	79%.5	57.3%
Commission expenses/net earned premiums	%	14.4%	12.8%	9.2%	9.1%	9.7%
Reinsurance commission income/ net earned premiums	%	19.0%	17.5%	11.9%	15.7%	8.3%
Expense ratio	%	16.8%	30.8%	29.9%	21.9%	16.0%
Adjusted Combined ratio	%	64.5%	105.4%	107.1%	101.5%	73.3%
Growth rate of total premiums written	%	-27.2%	42.6%	5.7%	(18.3%)	29.5%
Retention ratio	%	47.5%	55.5%	66.0%	61.6%	67.4%

Source: Management Information

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الخليجية العامة GULF GENERAL

Cooperative Insurance للتأمين التعاوني

Eye On The Future عين على المستقبل

1 Terms and Definitions

The following table includes a list of terms and definitions used in this Prospectus.

Term or Abbreviations	Definition
The Company or the Issuer	Gulf General Cooperative Insurance Company – a Saudi joint stock company.
Management	The executive management of the Company.
Kingdom	Kingdom of Saudi Arabia.
Articles of Association	The Company articles of association.
Ministry of Commerce	Ministry of Commerce (formerly Ministry of Commerce and Investment) in the Kingdom of Saudi Arabia.
Rules on the Offer of Securities and Continuing Obligations	The rules on the offer of securities and continuing obligations issued by the board of the Capital Market Authority under resolution no. 3-123-2017, dated 09/4/1439H (corresponding to 27/12/2017G), based on the Capital Market Authority Law issued under royal decree no. m/30, dated 02/06/1424H, and amended under the Capital Market Authority Board resolution no. 1-07-2021, dated 01/06/1442H (corresponding to 14/01/2021G).
The Board, Board of Directors, Board Members or Directors	The Company board of directors whose names appear on page (iv) and (49).
Advisors	The Company advisors whose names appear on pages (v) and (vi).
Capital Market Authority, the Authority or CMA	The Capital Market Authority in the Kingdom of Saudi Arabia.
Saudi Central Bank, the Central Bank or SAMA	The Saudi Central Bank (formerly Saudi Arabian Monetary Authority), which is responsible for control over financial sectors authorized to work in the Kingdom of Saudi Arabia, such as (banks, insurance companies, finance companies, exchange institutions and credit information companies).
Council of Cooperative Health Insurance	A governmental authority overseeing the application of the Cooperative Health Insurance Law in the Kingdom of Saudi Arabia.
Capital Market Law	The Financial Market Law issued under royal decree no. m/30, dated 02/06/1424H (corresponding to 31/07/2003G), and any amendments thereto.
Saudi Stock Exchange Company	The Saudi Stock Exchange Company established under the Council of Ministers Resolution, dated 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Financial Market Law, is a Saudi closed joint stock company, and the sole authority entrusted to act as a market of securities in the Kingdom of Saudi Arabia, wherein securities are listed and traded.
Saudi Capital Market, Capital Market, Stocks Market, the Market or Tadawul	The Saudi Financial Market for trading of securities.
Tadawul System	The automated system for trading of stocks.
Companies Law or Companies Regulations	The Companies Law in the Kingdom of Saudi Arabia, issued under royal decree no. (m/3), dated 28/01/1437H (corresponding to 10/11/2015G, which came into force on 25/07/1437H (corresponding to 02/05/2016G), and amended under royal decree no. (m/79), dated 25/07/1439H (corresponding to 11/04/2018G).
Cooperative Insurance Companies Control Law	The Cooperative Insurance Companies Controls Law in the Kingdom issued under royal decree no. m/32, dated 02/06/1424H (corresponding to 31/07/2003G).

The Implementing Regulations of the Cooperative Insurance Companies Control Law	The Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank (formerly the Saudi Arabian Monetary Authority), dated 01/03/1425H (corresponding to 20/04/2004H).
The Central Bank License	The license to practice insurance and re-insurance business (where applicable, as issued by the Central Bank "formerly the Saudi Arabian Monetary Authority").
Insurance	Transfer of the burden of risks from the insured to the insurer (or the insurance company) and indemnification of the insured by the insurer (or the insurance company) against loss and damage.
Insurance Policy or Document	The contract by which the insurance company indemnifies the insured against loss or damage covered by the document or policy in return of a premium paid by the insured to the insurance company.
General Assembly or General Meeting	The general assembly of the shareholders of the Company.
The Ordinary General Meeting or Assembly og OGM	The ordinary general assembly of the shareholders of the Company.
The Extraordinary General Assembly or Meeting or EXTRAORDINARY GENERAL ASSEMBLY	The extraordinary general assembly of the shareholders of the Company.
Government	The government of the Kingdom of Saudi Arabia.
Corporate Governance Regulations	The Corporate Governance Regulations in the Kingdom of Saudi Arabia, issued by the board of the Capital Market Authority under resolution no. 8-6-2017, dated 16/05/1438H (corresponding to 13/02/2017G), based on the Companies Law issued under royal resolution no. m/3, dated 28/01/1437H and amended in the resolution of the Capital Market Authority no. 3-57-2019, dated 15/09/1440H (corresponding to 20/05/2019G).
Insurance Companies Governance Regulations	The Insurance Companies Governance Regulations issued by the Saudi Central Bank (formerly the Saudi Arabian Monetary Authority), dated 08/01/1437H (corresponding to 21/10/2015G).
Related Parties	In the rules on the offer of securities and continuing obligations, and in accordance with the terms used in the regulations of the Capital Market Authority and its rules issued by the Authority Board under resolution no. 4-11-2004, dated 20/08/1425H (corresponding to 04/01/2004G) and amended in the resolution of the Capital Market Authority no. 1-07-2021, dated 01/06/1442H (corresponding to 14/01/2021G), related parties shall mean the following: 1) Affiliates of the issuer. 2) Substantial shareholders of the issuer. 3) Directors and senior executives of the issuer. 4) Directors and senior executives of the affiliates of the issuer. 5) Directors and senior executives of substantial shareholders of the issuer. 6) Any relatives of the persons in (1, 2, 3, 4 or 5) above. 7) Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above.
Listing Rules	The listing rules issued by the Saudi Stock Exchange Company (Tadawul) and approved by the Capital Market Authority board resolution no. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), and amended by the board resolution no. (1-104-2019), dated 01/02/1441H (corresponding to 30/09/2019G).
International Financial Reporting Standards or IRFS	The set of accounting standards and their interpretations that are issued by the International Accounting Standards Board.

Fiscal Year/ Fiscal Years	The period to exhibit the result of the organization's activity, which start, and end are specified in the concerned company bylaws or the articles of association. The fiscal year of the Company ends on 31 December.
Nationalization / Saudization	Replacement of expatriate employees with Saudi nationals in the jobs of the private sector.
Riyal, Saudi Riyal, SR or SAR	The official currency of the Kingdom of Saudi Arabia.
Saudi Organization of Certified Public Accountants or SOCPA	The Saudi Organization of Certified Public Accountants in the Kingdom of Saudi Arabia.
General Organization for Social Insurance or GOSI	The General Organization for Social Insurance in the Kingdom of Saudi Arabia.
Ministry of Human Resources and Social Development	The Ministry of Human Resources and Social Development (formerly the Ministry of Labor and Social Development) in the Kingdom of Saudi Arabia.
Business Day	Any business day except Fridays and Saturdays and any official holiday in the Kingdom of Saudi Arabia or any day during which banking institutions are closed, under the applicable laws and other governmental measures.
Labor Law	The Saudi Labor Law issued under royal decree no. m/51, dated 23/08/1426H (corresponding to 27/09/2005H, and amended under royal decree no. m/134, dated 27/11/1440H (corresponding to 29/07/2019G).
Ministry of Municipal and Rural Affairs ("Ministry of Municipalities")	The Ministry of Municipal and Rural Affairs is the ministry responsible for the urban planning of the cities in the Kingdom of Saudi Arabia.
H	The Hijra Calendar
G	The Gregorian Calendar
Securities Depository Center Company / Depository Center	A closed joint stock company fully owned by the Saudi Stock Exchange Company (Tadawul) and has been established in 2016G in accordance with the Saudi Companies Law under the royal decree no. m/3, dated 28/01/1437H (corresponding to 11/11/2015G).
Vision 2030	The national strategic economic program that aims at reducing dependence on oil and petrochemicals, diversifying the Saudi economy, and developing public services.
Value Added Tax	On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers approved the unified agreement of the value added tax of the Cooperative Council of the Arab States of the Gulf, which came into force as of 01 January 2018, as a new tax to be added to the system of taxes and other fees that should be applied by certain sectors in the Kingdom and in the Cooperative Council of the Arab States of the Gulf. VAT has been set at 5%. A number of products such as basic foods, services related to health care and education) were exempted from the said tax. The government of the Kingdom has decided to increase the value-added tax rate from (5%) to (15%) as of 01 July 2020G.
Rights or Pre-emptive Rights	Rights or pre-emptive rights are tradable securities that entitle its holders the right to subscribe to new shares upon approval of the capital increase. It is an earned right for all registered shareholders and each right entitles its holder to subscribe to one share of the new shares at the offer price. Rights will be deposited after the extraordinary general assembly for the capital increase has convened on 15/11/1442H (corresponding to 5/7/2021G). These rights will appear in the registered shareholders accounts under a new pre-emptive right-related symbol. Registered shareholders will be notified of depositing the rights in their portfolios through announcement on Tadawul website, (Tadawulaty) services provided by the Securities Depository Center as well as short messages sent by brokerage companies.
Indicative Value of the Right	The difference between the market value of the Company shares during the trading period and the offer price.

Right Trading Price	The right trading price, which is determined through supply and demand mechanism, and may consequently differ from the indicative value of the right.			
Underwriters	Falcom Financial Services Company and BlomInvest of Saudi Arabia.			
Lead Manager	Falcom Financial Services Company.			
Offering Period	The period that starts on Monday 25/11/1442H (corresponding to 5/7/2021G and ends on Thursday 5/12/1442H (corresponding to 15/7/2021G).			
Offer/Subscription Price	Ten (10) Saudi Riyals per share.			
Rump Shares	The shares that are unsubscribed to during the Offering period.			
Rump Offering	Offering of any rump shares that are not subscribed to by eligible persons to institutional investors by offering of the shares during the rump offering period.			
Rump Offering Period	The period that starts from 10:00 a.m. on Tuesday 17/12/1442H (corresponding to 27/7/2021G) until 05:00 p.m. on Wednesday 18/12/1442H (corresponding to 28/7/2021G).			
New Shares	Thirty million (30,000,000) ordinary shares, which will be issued to increase the Company capital.			
Eligibility Factor	The result of dividing the number of new shares on the Company current number of shares.			
Eligible Persons	All holders of pre-emptive rights whether registered shareholders or shareholders who bought pre-emptive rights during the trading period.			
Substantial Shareholders	The shareholders who own (5%) or more of company shares. As of the date of this Prospectus, the substantial shareholders of the Company (owning (5%) or more of company share are as follows: Table (1): Substantial Shareholders			
	Name	Before the Offer		
		No. of Shares	Ratio	
		Saudi General Insurance Company	3,000,000	15.0%
		Gulf Specialized Investments Holding Company	3,000,000	15.0%
		Al-Insaf International Real Estate Development Company	1,000,000	5.0%
Source: the Company				
Saudi General Insurance Company	Saudi General Insurance Company a closed joint stock company in the Kingdom of Bahrain, one of the Substantial shareholders in the company. (for more information, please refer to Subsection (3.9.1) “Overview of Substantial Shareholders” of Section (3) “the Company Background” of this Prospectus)			
Gulf Specialized Investments Holding Company	Gulf Specialized Investments Holding Company (formerly Gulf Cooperative Insurance Co.) a limited liability company in the Kingdom of Bahrain, one of the Substantial shareholders in the company. (for more information, please refer to Subsection (3.9.1) “Overview of Substantial Shareholders” of Section (3) “the Company Background” of this Prospectus).			
Al-Insaf International Real Estate Development Company	Al-Insaf International Real Estate Development Company is a Saudi limited liability company in the Kingdom of Saudi Arabia. one of the Substantial shareholders in the company. (for more information, please refer to Subsection (3.9.1) “Overview of Substantial Shareholders” of Section (3) “the Company Background” of this Prospectus).			
Founding Shareholders	The Company founding shareholders.			
Public	In the rules on the offer of securities and continuing obligations, public means the persons other than the following: 1) affiliates of the issuer. 2) Substantial shareholders of the issuer. 3) Directors and senior executives of the issuer. 4) Directors and senior executives of the affiliates of the issuer. 5) Directors and senior executives of substantial shareholders of the issuer. 6) Any relatives of the persons in (1, 2, 3, 4, or 5) above.			

	<p>7) any company controlled by any person in (1, 2, 3, 4, 5, or 6) above.</p> <p>8) Persons who act together in agreement and jointly own (5%) or more of the class of shares that will be listed.</p>
Net Proceeds of the Offering	The net proceeds of the Offering after deducting offer expenses.
Person	The natural person.
Prospectus	This document which is prepared by the Company in relation to pre-emptive rights shares subscription.
Listing	Listing of securities in the main market or – where permitted by the text – submitting a listing application to the Saudi Stock Exchange Company (Tadawul).
Registered Shareholders	The shareholders owning shares at the end of the trading on the day of the extraordinary general assembly meeting related to capital increase, and who are registered in the Company shareholders' register in the Depository Center at the end of the second trading day following the extraordinary general assembly meeting on 20/11/1442H (corresponding to 30/6/2021G).
New Investors	Individual and institutional investors – save as registered shareholders – who purchased pre-emptive rights during the trading period.
Shares	The Company ordinary shares of twenty (20,000,000) million shares, with a nominal value of ten (10) Saudi Riyals per share.
Brokers / Agents	Market institutions licensed by the Capital Market Authority to practice dealing in securities as agent.
Institutional Investors	<p>Include a set of institutions as follows:</p> <ol style="list-style-type: none"> 1. Government entities and government companies, whether directly or through a portfolio manager, or any international entity recognized by the Authority, the exchange and any other stock exchange recognized by the authority or the Depository Center. 2. Public investment funds established in the Kingdom and are publicly offered and private investment funds which invest in the securities listed in the Saudi Financial Market, if such is permitted by the fund's terms and conditions, and subject to the provisions and restrictions provided by the Investment Funds Regulations. 3. Authorized persons licensed to deal in securities as a principal provided that the capital adequacy requirements are observed. 4. Customers of an authorized person licensed to conduct management services provided that such authorized person has been appointed on terms upon which it may make decisions regarding acceptance of participation in the Offering and investment in the Saudi Financial Market on behalf of the customer without obtaining a prior approval therefrom. 5. Any legal persons that may open investment account in the Kingdom and an account with the Depository Center, taking into consideration the rules and regulations that apply on investment by listed companies in securities provided that the participation by such company shall not cause any conflict of interest. 6. GCC legal personality investors including companies and funds established in the Gulf Cooperative Council countries. 7. Qualified Foreign Investors. 8. A final legal beneficiary in a swap agreement concluded with an authorized person, in accordance with the terms and regulations of the swap agreements.
Subscriber	Any person that subscribes to offer shares.

Shareholder	The owner or holder of shares as of any specified date.
Gulf Cooperative Council / GCC	The Cooperative Council for the Arab States of the Gulf.
Compound Annual Growth Rate (CAGR)	One of the methods utilized to calculate the growth rate of a specific item withing a certain period of time.
Domestic Product	The gross domestic product of the Kingdom of Saudi Arabia is the market value of all final goods and services recognized locally and have been produced within a specific period of time.
Pandemic or Corona Virus "Covid-19"	A viral infectious disease known as (Corona Virus) and referred to in brief as "Covid-19" that has started to spread in most of the countries worldwide, including the Kingdom of Saudi Arabia in the beginning of the 2020G. It has been classified as pandemic by the World Health Organization.
General Authority of Zakat and Tax (GAZT)	The General Authority of Zakat and Tax (formerly Zakat and Income Authority) is a governmental entity that from an organizational perspective reports to the Minister of Finance. It is the authority entrusted with the collection of Zakat and tax.
(IRAD) System	A system launched by the General Authority of Zakat and Tax to calculate Zakat and income tax automatically.
Underwriting Agreement	The underwriting agreement between the Company and underwriters.
Procedures and instructions for the companies which shares are listed in the market and its accumulative losses reached (20%) of the capital or more	Rules for the accumulative loss companies, issued by the Authority board under its resolution no. 4-48-2013, dated 15/01/1435H (corresponding to 18/11/2013G) and amended in the board resolution no. 1-77-2018, dated 05/11/1439H (corresponding to 18/07/2018G).
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	The rules that regulate investment in securities by non-Saudi persons residing outside the Kingdom and are issued by the Capital Market Authority board under resolution no. 1-42-2015, dated 15/07/1436H (corresponding to 04/05/2015G) and amended in the Authority resolution no. 3-65-2019, dated 14/10/1440H (corresponding to 17/06/2019G).
Nitaqat Program	One of the programs of the Ministry of Human Resources and Social Development to motivate organizations to employ Saudi labor force. The program has been approved under resolution no. (4040), dated 28/01/1432H (corresponding to 10/09/2011G, based on the Council of Ministers Resolution no. (50), dated 13/05/1415H (corresponding to 27/1/1994G). The program evaluates the performance of the organization based on specified Nitaqat (platinum, green, yellow and red), in accordance with the activity and sector under which the organization is registered. The Nitaqat Program was amended under resolution no. (63717), dated 29/03/1441H (corresponding to 26/11/2019G). The yellow Nitaq was cancelled and all organizations that fall within this yellow Nitaq were transferred to the red Nitaq. All the red Nitaq standards set forth in Nitaqat Program Guidelines have been applied on these organizations.
Insurance Broker	The legal person which against a particular remuneration negotiates and concludes contracts with the Company for the benefit of the insured.
Actuary	The advisor that applies the statistical and possibilities theory on which services are priced, liabilities assessed, and provisions calculated.
Underwriting	Acceptance of insurance on risks.
Adequacy Margin	The extent to which the Company's assets that are convertible into cash exceed the Company's liabilities.
Technical Provision (Reserves)	The percentage that should be deducted and allocated by the Company to cover its financial obligations.

Statutory Reserves	The percentage that should be deducted from the net profits of the Company and set forth in article five of the Insurance Companies Control Law issued by the Central Bank under royal decree no. m/32, dated 02/06/1424H (corresponding to 31/07/2003G).
Re-insurance	Transfer of the burden of the insured risks from the insurer to the re-insurer and indemnifying the insurer by the re-insurer against amounts paid to the insured in the event of incurring loss or damage.
Total (Gross) Written Premiums	Total insurance contracts premiums written within a certain period without deducting the premiums Ceded to re-insurance companies.
Ceded Premiums	Premiums Ceded for the benefit of re-insurance companies as part of re-insurances operations.
Unearned Premiums	The portion of written premiums that cover risks related to subsequent financial periods.
Claims under Settlement	Claims and accidents reported by the insured to the insurance company, and still under consideration and have not been paid or settled yet. They are equivalent to the values of losses claimed by the insured, based on the insurance amounts in the insurance policy.
Insurance Policies Underwriting Costs	The total insurance policies subscription costs including commissions, and the portion of expenditures related to management and other general costs of insurance operations.
Gross Paid Claims	The value of indemnification paid by the insurance company to the insured against the risks and damages incurred by them, in accordance with the terms and conditions of the insurance policy.
Net Paid Claims	Total claims after deduction of the commission of re-insurers from such claims.
Settlement of Claims	The technical or legal procedures taken by insurance companies, that may delay payment of claims to beneficiary policyholders within the same maturity period.
Incurred but not reported Claims	The amounts due from the insurer to the insured, as a result of unreported claims on the date the financial statements have been prepared.
Net Incurred Claims	Claims that have been paid during the period after settlement of claims under settlement.
Excess of Insurance Operations	The net results of insurance company business from insurance, which represent the difference between the total revenues and total costs and expenditures.
Excess of Loss	Another non-proportional type of reinsurance by which the insured assigns some of the risks within certain amounts in that exceed a specified pre-agreed limit. The re-insurer shall pledge to accept insurance on the risks assigned to it.
The insured	The natural or legal person that enters into insurance contract.
The insurer	The insurance company which accepts the insurance contracts from the insured and indemnifies the insured directly against the risks it is exposed to.
The Claim	A written notification submitted by the insured to the insurer requesting indemnification against an accident covered under the provisions of the insurance policy.
General Insurance	In accordance with the Cooperative Insurance Companies Control Law issued by the Central Bank, the general insurance includes the following: <ol style="list-style-type: none"> 1. Accidents and Liability Insurance. 2. Motor insurance. 3. Property insurance. 4. Marine insurance. 5. Aviation insurance. 6. Energy insurance. 7. Engineering insurance. 8. Other general insurance branches Include other general insurance branches that are not mentioned above.

Accidents and Liability Insurance	Include: 1. personal accidents insurance. 2. Work injuries insurance. 3. Employer liability insurance. 4. Third party liability insurance. 5. General liability insurance. 6. Products liability insurance. 7. Medical liability insurance. 8. Professional liability insurance. 9. Theft and burglary insurance. 10. Fidelity insurance. 11. Funds in treasury and funds being transported insurance 12. Any other insurances that fall within the scope of liability insurance.
Motor Insurance	Includes Motor related losses and liabilities insurance, excluding risks of transportation.
Property Insurance	Includes insurance on losses resulting from fire, theft, explosions, natural phenomena, strikes and any other insurances that fall within the scope of property insurance.
Marine Insurance	Includes sea transported goods, hulls, liabilities, and any other insurances that fall within the scope of marine insurance.
Engineering Insurance	Includes contractors' risks insurance, risks of installation, constructions, electrical and electronic devices, damage of equipment and any other insurances that fall within the scope of engineering insurance.
Medical Insurance	Includes insurance on medical costs, medications, all medical and therapeutically services and supplies and management of medical programs.
Investment Portfolio	The Company investment portfolio is an investment tool that is comprised of two assets or more.
S&P	Standard and Poor's is an American credit rating agency.
"AA" Rating	A credit rating by Standards and Poor's Agency and means that the rated entity has a very strong capacity to fulfill its financial commitments and is exposed to (very low risks).
"A" Rating	A credit rating by Standards and Poor's Agency and means that the rated entity has sufficient capacity to fulfill its financial commitments.
"BBB" Rating	A credit rating by Standards and Poor's Agency and means that the rated entity has a sufficient capacity to fulfill its financial commitments but probably will weaken in the favorable or changing economic conditions.
"BB" Rating	A credit rating by Standards and Poor's Agency and means that the rated entity has a lessor capacity to fulfill its financial commitments and probably will weaken in the favorable or changing economic conditions.
A.M. Best	A.M. Best is an American credit agency that focuses on the insurance sector worldwide.
"AA" Rating	A credit rating by A.M. Best Agency and means that the rated entity has sufficient capacity to fulfill its financial commitments.
"A" Rating	A credit rating by A.M. Best Agency and means that the rated entity has an excellent capacity to fulfill the continuing insurance commitments.
"B" Rating	A credit rating by A.M. Best Agency and means that the rated entity has a medium capacity to fulfill the continuing insurance commitments.

2 Risk Factors

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

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section. An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser licensed by the CMA for advice about investing in the shares of this Offering.

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

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

2.1 Risks Related to the Company's Activity and Operations

2.1.1 Risks Related to Insufficient Capital and Minimum Capital Requirements

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

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

As of December 31, 2018, the solvency margin cover reached (101.3%), and as of December 31, 2019, the solvency margin cover reached (88.4%), which is less than the minimum required from the Central Bank, which is (100%), and as of June 30, 2020G, the solvency margin cover reached (113.6%). The Board of Directors of the Company recommended, in its meeting held on 24/08/1440H (corresponding to 29/04/2019G), to increase the Company's capital by offering priority rights shares of three hundred million (300,000,000) Saudi Riyals, after obtaining all the necessary regulatory approvals. The Company obtained a no-objection from the Central Bank for the capital increase according to Letter No. (89/35440) dated 29/10/1440H (corresponding to 02/07/2019G), and the approval of the (Extraordinary) General Assembly on 18/11/1442H (corresponding to 28/6/2021G).

The Company is working to increase its capital by offering priority rights shares, in order to reach and maintain the level of solvency required by the Central Bank (please refer to subsection (3.2.7) "Using the Net Proceeds of the Offering to raise the Financial Solvency Margin" of Subsection (2.7) "Using the Proceeds of the Offering" of Section (7) "Using the Proceeds of the Offering and Future Projects" of this Prospectus"). If the Company is unable to reach the required minimum solvency margin, the Central bank is entitled to oblige it to appoint a Consultant or withdraw the Company's license and prevent it from selling its insurance products in case it does not commit to correcting its financial conditions within a period specified by the Central Bank. This may adversely and substantially affect the Company's business, results of operations, financial condition and future prospects.

2.1.2 Risks Related to Accumulated Losses

The accumulated losses of the Company as of December 31, 2017 amounted to (SAR 4,815,000) Four Million Eight Hundred and Fifteen Thousand Saudi Riyals, which represents (2.40%) of its capital of (SAR 200,000,000) Two Hundred Million Saudi Riyals. As of December 31, 2018, the accumulated losses of the Company amounted to (SAR 43,038,000) Forty-Three Million and Thirty-Eight Thousand Saudi Riyals, which represents (21.52%) of its capital of (SAR 200,000,000) Two Hundred Million Saudi Riyals. Also, the accumulated losses of the Company on December 31, 2019 amounted to (SAR 43,888,000) Forty-Three Million Eight Hundred and Eighty-Eight Saudi Riyals, which represents (21.94%) of its capital of (SAR 200,000,000) Two Hundred Million Saudi Riyals. On June 30, 2020, the accumulated losses amounted to (SAR 31,274,000) Thirty-One Million Two Hundred and Seventy-Four Thousand Saudi Riyals, which represents (15.64%) of Company's capital of (SAR 200,000,000) Two Hundred Million Saudi Riyals.

The Company announced on the (Tadawul) website on 23/03/1442H (corresponding to 09/11/2020G) that its accumulated losses amounted to (SAR 31,456,000) Thirty-One Million Four Hundred and Fifty-Six Thousand Saudi Riyals, equivalent to (15.73%) of its capital of (SAR 200,000,000) Two Hundred Million Saudi Riyals.

It should be noted that on 23/01/1438H (corresponding to 24/10/2016G) the CMA issued its decision No. (1-130-2016) amending the procedures and instructions for companies which have their shares listed in the stock market and their accumulated losses amounted to (50%) or more than their capital, in view of the Companies Law. The name of the procedures was amended to become "Procedures and Instructions for Companies Listed in the Market and which have accumulated losses amounted to (20%) or more of their capital". They were put into effect as of 25/07/1438H (corresponding to 22/04/2017G). They stipulate that the Company must immediately and without delay disclose to the public an independent announcement when its accumulated losses reach (20%) or more.

These procedures also stipulate that the Company must immediately and without delay disclose to the public an independent announcement when its accumulated losses reach (50%) or more of its capital, with a recommendation from its Board of Directors submitted to the Extraordinary General Assembly, in accordance with the requirements of Article 150 of the Companies Law, either by increasing or decreasing the Company's capital, or dissolving the Company before the term specified in its Articles of Association. In case the Company terminates under Article 150 of the Companies Law or by a decision of the Extraordinary General Assembly, the listing of the Company's shares in the market will be terminated.

There are no guarantees that the Company will not record additional losses. In the event that the percentage of accumulated losses reaches (20%) or more of the Company's capital, the Company will be subject to the CMA's regulation regarding "the Procedures and Instructions for Companies which have their shares listed in the stock market and have accumulated losses amounted to (20%) or more of their capital." In the event the accumulated losses reached (50%) or more, the Company will be subject to a number of more stringent requirements, particularly Article 150 of the Companies Law, which obliges any company's official or auditor, upon learning that the accumulated losses of the Company have reached (50%) or more of its capital to inform the Chairman of the Board of Directors of that, and the Chairman must inform the Board of Directors of that immediately. The Board of Directors must, within (15) days of their knowledge, invite the Extraordinary General Assembly to a meeting within (45) days from the date of the

Board's knowledge of the losses to decide, either to increase or decrease the Company's capital to the extent that the percentage of losses decreases to less than half of the paid-up capital, or to dissolve the Company before the term specified in its Articles of Association.

The Company would be considered terminated by the force of the regulation if the Extraordinary General Assembly did not meet during the period specified above, or if it met and could not issue a decision in this matter, or if it decided to increase the Capital in accordance with the conditions stipulated in Article 150 of the Companies Law, and the entire Capital increase has not been subscribed to within (90) days from the Assembly's decision to increase it. In the event that the Company is terminated according to Article 150 of the Companies Law or by a decision of the Extraordinary General Assembly, this will negatively and substantially affect the Company and its financial results and future prospects.

It should be noted that on 16/03/1442H (corresponding to 02/11/2020G) the Royal Decree No. (15016) was issued regarding the suspension of some provisions of the Articles of Companies Law. His Excellency the Minister of Commerce Decision No. (348) was issued on 10/04/1442H. (Corresponding to 25/11/2020G) based on the Royal Decree suspending Article 150 (150) of the Companies Law for a period of two years from 01/08/1441H (corresponding to 25/03/2020G).

2.1.3 Risks Related to Penalties by the Competent Regulatory Authorities

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

It is worth noting that the Central Bank, which is considered one of the supervisory authorities for insurance companies in the Kingdom, has made some inspection visits to the Company's headquarters during the past three years included in this Prospectus. The Central Bank has conducted an inspection tour to verify the Company's compliance with the regulatory requirements and instructions issued by the Central Bank regarding the practice of insurance activity. The Central Bank (SAMA) staff noted a number of observations during the inspection visits, as follows:

- On 02/06/1438G (corresponding to 01/03/2017G), the Central Bank conducted an inspection tour to the Company to verify the extent of the Company's compliance with the statutory requirements related to the Compliance and Internal Audit Department works, which led to recording (6) notes on the Company according to the warning letter submitted to Company under No. (381000077350) dated 21/07/1438H (corresponding to 18/04/2017G). The Central Bank requested the Company to rectify the notes and provide the bank with the supporting documents of doing that within a period of (30) business days from the date of the letter. The Company rectified the notes and provided the Central bank with the required documents, and it did not get any financial fine resulting from that inspection visit.
- On 22/01/1439H (corresponding to 12/10/2017G), the Central Bank conducted an inspection tour to the Company to verify the Company's commitment to the organizational and technical aspects, which led to recording (7) notes on the Company according to the visit report letter submitted to the Company under No. (391000030415) dated 16/03/1439H (corresponding to 04/12/2017G). The Central Bank requested the Company to correct the notes and provide it with a work plan to rectify the notes within a month from the date of the letter. The Company rectified the notes and provided the Central bank with the required documents, and it did not get any financial fine as a result of that inspection visit.

- On 30/02/1440H (corresponding to 08/11/2018G), the Central Bank conducted an inspection tour to the Company to verify the extent of the Company's compliance with the pricing and underwriting instructions for vehicle insurance, which led to recording (6) notes on the Company according to the visit letter submitted to the Company under No. (89/32128) dated 22/05/1440 (corresponding to 28/01/2018G). The Central Bank requested the Company to report on these notes in detail within (7) working days from the date of the letter, and the Company responded to the notes, and did not get any financial penalty resulting from that inspection visit.
- On 22/10/1440H (corresponding to 25/06/2019G), the Central Bank conducted an inspection tour to the Company to verify the extent to which the Company had met the requirements of the anti-money laundering and terrorist financing rules issued by the Central Bank. The inspection tour led to recording (15) notes on the Company according to the visit report letter submitted to the Company under No. (41/7396) dated 07/02/1441H (corresponding to 10/06/2018G). The Central Bank requested the Company to correct the notes and provide it with the documents and the corrective plan and the period to complete the corrective actions within a maximum period of two weeks from the date of the letter. In addition to that, the Company should provide the Central Bank with a monthly report showing what has been achieved regarding these observations. The Company has taken a number of corrective steps to rectify the violation, as follows:
 - a) The violations were resolved by the Company, and under the supervision of the Company's CEO.
 - b) Protiviti Consulting Company has been appointed, and the Company has amended its policies and procedures to comply with the Anti-Money Laundering and Terrorism Financing Guide issued by the Central Bank in November of 2019.
 - c) Technical systems were developed to solve the violations resulting from the inspection tour, after approval by the Board of Directors on 17/07/1441H (corresponding to 12/03/2020G).
 - d) Work mechanisms for the concerned departments have been developed to ensure that violations are resolved according to the updated policies and procedures, after approval by the Board of Directors on 17/07/1441H (corresponding to 12/03/2020 G).

The inspection visit resulted in recording a fine of one hundred thirty -five thousand (135,000) Saudi Riyals, and the Company paid the value of the fine on 29/06/1441H (corresponding to 23/02/2020G). In the event that the Company repeats the violation in the future, the fine amount will be doubled, and in the event that it commits another violation related to the requirements of anti-money laundering and terrorist financing rules in the future, the Company will be subject to a fine not exceeding five million Saudi Riyals, according to Article 25 of the Anti-Money Laundering Law.

In the event that the Company violates any of the Cooperative Insurance Companies Control Law and its Implementing Regulations, or the requirements of anti-money laundering and terrorist financing rules, it will be exposed to fines and corrective steps that would cost the Company sums of money, and may adversely and substantially affect the Company's business, results of operations, financial condition and future Prospectus.

2.1.4 Risks Related to the Inability to Implement the Strategy

The Company's ability to increase its revenues and improve its profitability depends on the effective implementation of its business plans and successful implementation of its strategy including, but not limited to, improvement of current activities in which the Company operates or entering new activities. The Company's ability to expand its business in the future depends on its ability to continue implementing and improving its operational, financial and administrative information systems in an efficient and timely

manner, as well as on its ability to increase, train, motivate and maintain its workforce. Moreover, any business expansion plans that the Company intends to undertake in the future will be subject to the estimated costs and the schedule of implementation set for them and may need additional funding to complete any expansion plans. If the Company is unable to implement the expansion plans according to the schedule set for them with the estimated costs of the project or in the event that the desired profitability of these projects is not achieved, due to various reasons, including a change in the market situation at the time of implementation of these projects or a defect in the feasibility study, the Company's competitive position as well as its results of operations and profitability will be adversely affected.

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

2.1.5 Risks Related to Credit

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

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

2.1.6 Risks Related to Credit Rating

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

2.1.7 Risks Related to Claims Management Process

The pricing of the Company's insurance products and the reserves for claims are based on the period between notification of claims, their processing and compensation for insurance policy holders. The claims management depends on the efficiency and effectiveness of the Company's employees in their ability to make up decisions, manage and address them in a timely manner.

Lack of the required efficiency by the Company may lead to delay in processing claims or wrong compensation resulting from ill-considered decisions, which may cause losses to the Company due to such decisions, and that may adversely and materially affect the Company's business, financial condition and results of operations.

2.1.8 Risks Related to Transactions of Related Parties

In the course of its normal business, the Company which provides general and health insurance services (for more information, please refer to Subsection (3.3) "Main Activities of the Company" of Section (3) "the Company Background" of this Prospectus),

deals with related parties and written premiums constituted (13.3%), (8.07%), (5.32%) and (13.57%) as of December 31, 2017, 2018, 2019, and June 30, 2020 respectively. The related parties are Rolaco Group, as there is an indirect interest related to the Vice Chairman of the Board of Directors Mr. Saud Abdulaziz Al-Sulaiman as the owner of this group, and Dabbagh Group as there is an indirect interest related to the Chairman of the Board of Directors Mr. Jamal Abdullah Mohammed Al-Dabbagh who is the owner of this group, and Farouk and Mamoun Tamr Company due to the presence of an indirect interest related to the member of the board of directors in its previous session and a current shareholder, who is Mr. Mohamed Farouk Tamr as the owner of this group, and the Raghf Establishment due to the presence of an indirect interest related to the member of the Board of Directors, Mr. Majid Diauddin Karim as the owner of this establishment (for more information, please see subsection) 5.3.6.6) "Transactions and Balances of Related Parties" of subsection (2.6.6) "Claims" of subsection (6.6) "the Balance Sheet" of section (6) "Financial Information and Management Discussion and Analysis" of the Financial Information and Management Discussion).

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

The inability of the Company to renew or conclude contracts with related parties, or to renew them under conditions not to the Company's favor, will adversely and substantially affect the Company's business, financial condition, results of operations and prospects.

2.1.9 Risks Related to Contracts with Third Parties

The Company has entered into a number of contracts and agreements with third parties related to the field of insurance, such as reinsurance contracts, and insurance brokerage contracts (for more information, please refer to Subsection (10.10) "Summary of Substantive Contracts" of Section (10) "Legal Information" of this Prospectus). Accordingly, the Company is exposed to the risk of inability or unwillingness of the contracting parties to fulfill their contractual obligations. They may violate their obligations for any reason, including consequences of bankruptcy, lack of financial solvency, or disruption of its operations. The risks arising from dealing with these parties become more acute in light of difficult market conditions.

It is also not possible to confirm that these parties will be up to the Company's aspirations. In the event that the Company or the contracting parties are unable to adhere to the terms of these contracts, or in the event of any future disputes or issues, and the Company loses these disputes, this will adversely and substantially affect the Company's financial condition, cash flows, and operating results.

2.1.10 Risks Related to Inadequacy of Provisions and Reserves

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

- a) Unearned Premium Reserves
- b) Outstanding Claims Reserves
- c) Claim Expense Reserves
- d) Incurred but not Reported ("IBNR") Claims Reserves
- e) Unexpired Risk Reserves
- f) Catastrophe Risk Reserves
- g) General Expenses Reserves

The size of reserve is estimated based on expected trends in volume of claims and their frequency according to the data available at the time. The process of putting appropriate level of claim reserves is inherently uncertain due to the difficulty and complexity of making necessary assumptions. The following table shows the amounts of these provision as of June 30, 2020:

Table (2): Amounts of Reserves

Provision	Amount (SAR'000)
Unearned Premium Reserves	140,976
Outstanding Claims Reserves	32,067
Claim Expense Reserves	726
Incurred but not Reported ("IBNR") Claims Reserves	27,474
Unexpired Risk Reserves	455
Catastrophe Risk Reserves *	-
General Expenses Reserves	8,860

Source: The Company

* Optional reserve; the Company does not face any penalties for not putting any amounts in this reserve.

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

2.1.11 Risks Related to Contingent Liabilities

Some contingent liabilities may arise on the Company, such as costs related to Zakat and taxes, in addition to any other obligations or costs related to the Company's activity. As of June 30, 2020G, the Company has contingent liabilities of (SAR 1,750,000) one million seven hundred fifty thousand Saudi Riyals resulting from letters of guarantee to clients, associated with to auto maintenance and repair contracts concluded with car agencies as a guarantee. (For more information, see subsection (0) "Contingent Liabilities" of Section (6) "Financial Information and Management Discussion and Analysis" of this Prospectus). In case these liabilities are realized, they will adversely and substantially affect the Company's financial condition, conditions, results of operations and future prospects.

2.1.12 Risks Related to Reinsurance

Based on its activities, the Company must reinsure its insurance portfolio with local and foreign reinsurance companies in order to reduce insurance risks. According to Article (40) Forty of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Company must keep at least thirty percent (30%) of the total premiums (As of the date of this Prospectus, the Company, is bound by this condition). According to the same Article, the Company must reinsure at least thirty percent (30%) of the total premiums (As of the date of this Prospectus, the Company is not bound by this condition, as it reached 32.56% as of June 30, 2020G). The Company did not face any financial penalty due to its non-compliance, because it has complied with requirement to inform the Central Bank annually of the expected rate of reinsurance inside the Kingdom, in accordance with Paragraph (3) of Article (40) Forty of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Central Bank.

According to Article (21) of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Central Bank may impose a fine of up to One Million Saudi Riyals on companies that do not adhere to the aforementioned percentages or fail to inform the Central Bank of non-compliance with the percentages mentioned in the Implementing Regulations of the Cooperative Insurance Companies Control Law. Therefore, if the Company does not comply with these percentages, it will be exposed to this fine, which will adversely and substantially affect the Company's financial condition, results of operations and future Prospectus.

The Company's ability to secure reinsurance companies at costs appropriate to the Company is subject to several factors, the most important of which are the prevailing market conditions, which are usually beyond the Company's control, and the financial strength of the reinsurance companies. In the event that the Company is not able to maintain its relations with reinsurance companies or replace them with reinsurance companies with the same efficiency, it will increase its exposure to risks and limit its ability to increase the volume of its business. Transactions with reinsurers outside the Kingdom also involve additional risks related to political and economic conditions, and regulatory changes in the insurance sector in the regions to which they belong, and whether these factors affect the ability of these companies to pay their shares of future claims, which then will adversely and substantially affect the Company's financial condition, results of operations and future prospects.

2.1.13 Risks Related to Reinsurance Concentration

The Company reinsures with several reinsurance companies to secure its insurance portfolio, and that may expose the Company to risk of default by the other party. As of the date of this Prospectus, the Company reinsures with (15) fifteen reinsurance companies inside and outside the Kingdom (for more information, refer to Subsection (4.10.10) "Reinsurance Agreements" of Subsection (10.10)) "Summary of Substantial Contracts" of Section (10) "Legal Information" of this Prospectus). The three largest reinsurance companies that the Company dealt with as of December 31, 2017, 2018, 2019, and June 30, 2020G, constituted (73.3%), (78.9%), (83.8%), (85.2%) respectively of the total reinsured premiums. In the event of insolvency or bankruptcy or the occurrence of any distress for one of the reinsurers, this will adversely and substantially affect the financial condition and condition of the Company, and its results of operations and future prospects.

2.1.14 Risks Related to Reliance on Insurance Brokers

The Company depends in carrying out its activities and distributing its products and services through the network of insurance brokers in the Kingdom. The percentage of distribution of the Company's products by insurance brokers with whom the Company deals was (29%), (31%), (17%) and (24%) of the total written premiums as of December 31, 2017, 2018 and 2019, and June 30, 2020, respectively. The number of insurance brokers for the Company reached ten (10) brokers. (For more information, refer to Subsection (3.10.10) "Insurance Brokerage Agreements and Insurance Agents" of Subsection (10.10) "Summary of Significant Contracts" of Section (10) "Legal Information" of this Prospectus).

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

2.1.15 Risks Related to Poor Assessment of Risks

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

2.1.16 Risk Related to Risk Management Policies

The Company follows the risk management policies and makes continuous follow up and update to them through the Risk Management Committee, and then submits recommendations to the Board of Directors. This is in line with the implementing regulations of the Cooperative Insurance Companies Control Law and Risk Management Regulations for insurance companies issued by the Central Bank, which are evaluated and updated periodically. Failure to properly implement and update the policies,

or the inability of the management to identify risks and evaluate them in a timely manner will expose the Company to various risks, including but not limited to, non-compliance with the Cooperative Insurance Companies Control Law and its regulations, which may expose the Company to various actions contained in the system, including the withdrawal of the Company's license, which will adversely and substantially affects the Company's financial condition, results of operations and future prospects.

2.1.17 Risks Related to Investment

The Company's operations and results will partially depend on the performance of its investment portfolio. Investment results are subject to a number of investment risks, including risks associated with general economic conditions, market fluctuations, volatility of interest rates, liquidity and credit risks, and political conditions. As of June 30, 2020G, investments amounted to (38.5) million Saudi Riyals, and investments available for sale amounted to (1.9) million Saudi Riyals (for more information, refer to subsection (10.1.6.6) "Investments" of Subsection (6.6) "the Balance Sheet" of Section (6) "Financial Information, Discussion and Management Analysis of this Prospectus). If the Company fails to balance its investment portfolio and solvency with its financial obligations, it may be forced to liquidate its investments at unfavorable times or prices. This would affect the Company's returns from investments, and that would adversely and substantially affect the Company's financial condition, results of operations, and future prospects.

2.1.18 Risks Related to Vacant Key Positions in the Company

On 26/10/1441H (corresponding to 18/06/2020G), the Chief of Risk Management submitted his resignation, and the Company submitted a letter to the Central Bank on 01/04/1442H (corresponding to 16/11/2020G) to appoint the Chief of Risk Management. As of the date of this Prospectus, the Company has not obtained a non-objection from the Saudi Central Bank. In addition to that, no employee has been appointed in the position of Chief Actuary since the establishment of the Company, due to the Company's reliance on an external company to carry out the duties of the Chief Actuary, as that is not a violation of the Regulations. The Central Bank has given insurance companies a two-year deadline for appointment of Chief Actuary, starting from February 2020. As of the date of this Prospectus, the positions of Chief Risk Management and Chief Actuary are still vacant at the Executive Management. According to Article (15) Fifteen of the Risk Management Regulations issued by the Central Bank, the Company must appoint at least two officers for Risk Management. The Company has applied to the Central Bank to appoint a Chief for Risk Management, and there is no guarantee that it will obtain a no-objection from the Central Bank, If the position remains vacant, it will considered a violation of the Cooperative Insurance Companies Control Law and the Implementing Regulations, and that may expose the Company to penalties that may reach a fine of no more than (SAR 1,000,000) one million Saudi Riyals, according to the Implementing Regulations of Cooperative Insurance Companies Control Law. In the event that the Company is unable to provide employees with the same functional competence or provide an external party with same competence, in case the current external party is terminated, it may expose the Company to a decrease in its productivity or incur a loss, which may adversely and substantially affect its financial performance and future prospects.

2.1.19 Risks Related to Non-issuance or Non-renewal of Licenses, Permits and Certificates

The Company is required to obtain and maintain the various regulatory permits, licenses and approvals regarding its activities. These licenses include, but not limited to, Central Bank license, Cooperative Health Insurance Board license, product licenses obtained by the Company from the Central Bank, Municipality licenses, Company registration certificates issued by the Ministry of Commerce, Chamber of Commerce membership certificates, Trademark registration certificate, Saudization certificates, Zakat certificates, and VAT registration certificate. (for more information, please see subsection (7.10) "Licenses and Permits under which the Company Operates" of Section (10) "Legal Information" of this Prospectus).

The inability of the Company to renew its current licenses, permits and certificates, or to obtain any licenses necessary for its business, or if any of its licenses are suspended or expired, or if any of those licenses were renewed on conditions that are not appropriate for the Company, or in the event that the Company is unable to obtain the additional licenses, permits and certificates that may be required of it in the future, this may expose the Company to stoppage and inability to carry out its work such as closing the Company or freezing all services provided by the supervisory authorities to them (such as renewing licenses and certificates, issuing visas, residence permits, and transferring sponsorships ... etc). This will result in disruption of the Company's operations and incurring additional costs and financial penalties according to the relevant regulations, and consequently, will adversely affect the Company's business, results of operations, financial condition and future prospects.

On 27/06/1439H (corresponding to 15/03/2018G), the Company obtained the approval of the Central Bank to sell and market its insurance products through its electronic platform. As of the date of this Prospectus, the Company has not complied with Article Fifteen (15) of the Electronic Commerce Law issued by Royal Decree No. (M/126) dated 11/07/1440H (corresponding to 07/01/2019G), which requires the registration and documentation of the electronic store with the Ministry of Commerce. Failure of the Company to do so will expose it to one or more of the following penalties: a- Warning, b- A fine not exceeding one million (1,000,000) Saudi Riyals. c- Stopping the practice of electronic commerce temporarily or permanently.

2.1.20 Risks Related to Dependence on Key Personnel and Executive Management

The Company and its future plans for success depend on the expertise and competencies of its executive management and key employees, and as at the date of this Prospectus, the positions of Director of Risk Management and Actuarial Chief are still vacant (for more information, see Risk (2-1-18) "Risks related to the Vacancy of Some Important Positions of the Company" of this section). The Company aims to attract and employ qualified people to ensure the efficiency and quality of business through effective management and proper operation. There is no assurance that the Company can retain the services of its employees. The Company may also need to increase the salaries to ensure the continuity of its employees or attract new staff with appropriate qualifications and expertise. Accordingly, if the Company loses any of the senior executives or qualified employees and is unable to recruit replacements with the same level of experience and qualifications with appropriate cost, the Company's business, results of operations and future prospects will be adversely and materially affected.

2.1.21 Risks Related to Financial Performance

The Company presented a future work plan to the Central Bank for the purpose of increasing its capital in June 2019, and this is a procedure to obtain a no-objection from the Central Bank to increase the capital. The presented work plan focuses on assumptions, the most important of which is the development of the Company's strategy and resources, in addition to updating its electronic systems and expanding its network throughout the Kingdom. There is no guarantee that the Company will fully implement the presented assumptions. In the event that it is unable to fulfill the specified assumptions, this may adversely and materially affect the Company's performance and future results.

2.1.22 Risks Related to Employees Mistakes and Misconduct

Although the Company has developed internal Work Organization Bylaws (HR Manual) approved by the Ministry of Human Resources and Social Development (Labor Office) under No. (413428) dated 16/1/1441H (Corresponding to 15/09/2019G), and had all its staff and employee aware of it, the Company cannot guarantee that it can deter employee's misconduct or mistakes, such as embezzlement, deliberate mistakes, fraud, theft, forgery, misuse of its properties and act on its behalf without obtaining the required administrative authorizations. Consequently, these actions may entail consequences and responsibilities for the Company, or statutory penalties, or financial liability, which will negatively affect the reputation of the Company. Therefore, the

Company cannot guarantee that employees' misconduct or mistakes will not materially and negatively harm its financial condition, results of its operations and future prospects.

2.1.23 Risk Related to Cancellation or Non-renewal of Insurance Policies

The Company operates in a competitive insurance market. As the duration of insurance policies issued by the Company are generally short in their term, the Company may not be able to continue renewing insurance policies issued or to be issued in the future as expected. In case of non-renewal or cancellation of policies by policyholders, the level of written premiums by the Company in the coming years, which may affect the continuity of the Company or lead to incurring losses which would adversely affect the Company's financial results and future prospects.

2.1.24 Risks Related to Translation of Insurance Policies

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

2.1.25 Risks Related to Availability of Funding in Future

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

2.1.26 Risks Related to the Transfer of an Insurance Portfolio

The Saudi General Insurance Company and Gulf Specialized Investments Holding Company (formerly Gulf Cooperative Insurance Co.) who are considered Major Shareholders (please refer to subsection (9.3) "Major Shareholders" of Section (3) "Background on the Company and the Nature of its Business" of this Prospectus) transferred its insurance portfolio with all rights and obligations to the Gulf General Cooperative Insurance Company as of 04/01/1430H (corresponding to 01/01/2009G). It should be noted that the company failed to comply with presenting the transfer of the insurance portfolio from Saudi General Insurance Company and Gulf Specialized Investments Holding Company to the General Ordinary Assembly Meeting according to the Central Bank letter's relating to the valuation of insurance portfolio directed to both Saudi General Insurance Company and Gulf Specialized Investments Holding Company stating that the company is required to invite its shareholders to the General Ordinary Assembly Meeting to review the final results of the valuation of the insurance portfolio, and no relevant authorities or related parties have objected at the time, which is considered a violation of the company law not presenting it to the General Ordinary Assembly, failing to present the any future transfer of an insurance portfolio to the General Assembly will be considered a violation to the Companies Regulations will result in imposing fines and penalties and consequently, will have a negative material impact on the Company's business, financial position, results of operations, profitability of shares and future prospects.

. The General Authority for Zakat and Income demanded the Saudi General Insurance Company to pay the amount of nineteen million seven hundred and thirteen thousand four hundred and thirty-four (19,713,434) Saudi Riyals, related to paying differences

in tax assessment and legal Zakat for the period from 01/01/2005G to 31/12/2010G. The Saudi General Insurance Company submitted a bank letter of guarantee to the General Authority for Zakat and Income on 22/11/1438H (corresponding to 14/08/2017G).

The Saudi General Insurance Company subsequently filed a lawsuit No. (400900JEEM) dated 08/02/1441H (corresponding to 05/11/2019G) with the Committee for Resolution of Insurance Disputes and Violations, requesting the Company to pay the amount, as the General Authority for Zakat and Income imposed that amount on the Saudi General Insurance Company, considering it as legally in charge of the assessment during the period from 2005 to 2010. The Committee's decision was issued to dismiss the lawsuit. The Saudi General Insurance Company filed an objection with the Appeal Committee, which issued a decision on 16/07/1441H (corresponding to 11/03/2020G), stating that the Preliminary Committee supports the dismissal of the case.

On 18/09/1441H (corresponding to 11/05/2020G), the Saudi General Insurance Company filed a lawsuit with the Jeddah Commercial Court obliging the Company to pay Zakat and tax dues previously imposed by the General Authority for Zakat and Income on the Saudi General Insurance Company. in addition to obligating the Company to pay the fees of the bank letter of guarantee submitted by the Saudi General Insurance Company in the amount of nineteen million seven hundred and thirteen thousand four hundred and thirty-four (19,713,434) Saudi Riyals and payment of attorney fees and charges amounting to two hundred thousand (200,000) Saudi Riyals. As at the date of this Prospectus, no decision has been issued by the Commercial Court in Jeddah (refer to subsection (11.10) "Litigation" of section (10) "Legal Information" of this Prospectus). If the Commercial Court obliges the Company to pay those sums, then the Company's performance, operations and future plans may be adversely and materially affected.

2.1.27 Risks Related to Cheating in Insurance Usage and Claims and other Fraudulent Activities

The Company is vulnerable to cheating and fraudulent dealings from various sources, such as its suppliers, brokers, customers and other parties. This includes customers who provide incorrect statements or fail to fully disclose the covered risks before purchasing insurance coverage, and policyholders who make fraudulent claims or exaggerate those claims. It should be noted that the technical methods applied to cheating and fraud practices are constantly evolving, so they are difficult to detect.

The Company does not guarantee the occurrence of any cases of cheating or fraud in any aspect of the Company's business, which in turn will lead to a negative and material impact on the Company's performance, operations and future plans.

2.1.28 Risks Related to the Increase in the Company's Liabilities

The increase in the Company's liabilities may pose a risk to the general financial position of the Company and its financial solvency, as the total liabilities percentage reached (58.0%) of total assets as of December 31, 2017, (65.1%) as of December 31, 2018, (63.1%) as of December 31, 2019G, (63.1%) as of June 30, 2020G. Accordingly, the increase the Company's liabilities will adversely affect its financial position and increase financing costs. If that occurs, it will be difficult for the Company to fulfill its obligations, and will have a negative impact on the Company's business, financial position, results of operations and future prospects. (For more information, please refer to subsection (6.6) "Statement of Financial Position" of Section (6) "Financial Information and Management Discussion and Analysis" of this Prospectus).

2.1.29 Risks Related to Saudization Requirements

Compliance with the Saudization requirements is a legal requirement issued by the Ministry of Human Resources and Social Development in the Kingdom, whereby all companies operating in the Kingdom, including the Company, are obligated to employ a certain percentage of Saudi employees among their total employees and to maintain that percentage. According to the Nitaqat program issued by the Ministry of Human Resources and Social Development, the Saudization rate as at the date of this Prospectus is about (77.45%) and the Company is classified within the "Medium Platinum-Class B" range. Although it is currently committed

to the required Saudization rates, the Company, in the event that it does not continue to maintain these rates or in the event that the Ministry of Human Resources and Social Development decides to impose more stringent Saudization policies in the future, and it is unable to comply with the requirements of the Ministry of Human Resources and Social Development, it will be subject to penalties imposed by government agencies, such as suspension of applications for work visas and sponsorship transfer for non-Saudi workers, which will have negative and significant impact on the Company's business, financial condition, results of operations and prospects. (For more information, please refer to subsection (16.3) "Personnel and Saudization" of Section (3) "Background on the Company and the Nature of its Business" of this Prospectus).

2.1.30 Risks Related to Occurrence of Natural Disasters

Damages caused to the Company's facilities as a result of natural disasters, such as floods, earthquakes, and other nature accidents, may cause the Company to incur large and huge costs, and severely affects the Company's ability to perform its operations. Natural disasters, occurring and damaging the Company's facilities, will have a negative material impact on the Company's business, results of operations, financial condition and future prospects.

2.1.31 Risks Related to Non-compliance with the Quality Standards and Specifications required by Customers

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

2.1.32 Risks Related to Litigation

The Company is a party to lawsuits as a (Defendant) with (13) cases, estimated at one million two hundred six thousand seven hundred and forty-two (1,206,742) Saudi Riyals (for more information, please refer to subsection (1.11.10) "Lawsuits Filed Against the Company as "Defendant" of subsection (11.10) "Litigation" of section (10) "Legal Information" of this Prospectus), and a party of lawsuits as a (Plaintiff) in twenty-eight (28) lawsuits, estimated at an amount of one million seven hundred two thousand one hundred ninety-three (1,702,193) Saudi Riyals. In addition, there is a lawsuit filed against the Company at the Commercial Court in Jeddah regarding the transfer of the insurance portfolio from the Saudi General Insurance Company (a Bahraini company, which is a major shareholder in the Company) and related to the payment of differences in tax assessment and Sharia Zakat estimated at nineteen million seven hundred and thirteen thousand four hundred and thirty-four (19,713,434) Saudi Riyals, and payment of attorney fees and charges amounting to two hundred thousand (200,000) Saudi Riyals (for more information please refer to the Risk (26.1.2) "Risks related to the Transfer of an Insurance Portfolio" of this section, and subsection (1.11.10) "Lawsuits that have been filed against the Company as the" defendant "of subsection (11.10 ("Litigation" of section (10)" Legal Information "of this Prospectus). By virtue of the nature of the Company's business and its dealings with others, it is exposed in the future to other lawsuits, whether as a plaintiff or a defendant, and the Company cannot expect the occurrence of lawsuits, the final results of these cases, the verdicts issued on them and the compensation and penalties they contain, which may adversely and substantially affect the Company's business, results of operations, financial condition and future prospects.

2.1.33 Risks Related to Potential Zakat Dues and Additional Claims

The Company has submitted its Zakat and tax returns since its inception in 2008G until December 31, 2019G, where the Company has submitted its declarations for the past eleven years. I obtained a certificate No. (1110771509) dated 03/08/1441H (corresponding to 27/03/2020G). It is worth noting, that the Company is paying the Zakat due on it annually, as the certificate is issued after the Company submits its Zakat and tax declarations for previous periods.

The General Authority for Zakat and Income (GAZT), upon reviewing the declarations for the years from December 31, 2010G to December 31, 2015G, calculated additional Zakat differences after reaching a final settlement of Zakat and withholding tax of (1.8) Million Saudi Riyals and an amount of (1.1) Million Saudi Riyals. A final settlement was reached in the Disputes Committee in the amount of two million eight hundred and forty-six thousand seven hundred and fifty-four (2,846,754) Saudi Riyals, and it was paid in December of 2019G.

GAZT, upon reviewing the declarations for the years from 2016 to 2017, calculated an additional withholding tax in the amount of one million eight hundred five thousand eight hundred and eighty-four (1,805,884) Saudi Riyals, and it was paid in January 2020G.

During the year 2019G, GAZT issued assessments of Zakat and withholding tax from December 31, 2016G to December 31, 2018G, through (ERAD) system application. On 14/02/1442H (corresponding to 04/10/2020G), the Company submitted an objection to GAZT on some items in the amount of seventeen million nine hundred and thirty-nine thousand three hundred and eighty-seven (17,939,387) Saudi Riyals, and settlement of differences of Zakat and withholding tax in the amount of one million nine hundred and ninety-four thousand seven hundred and thirty-eight (1,994,738) Saudi Riyals, respectively. (Please refer to subsection (4.8.10) "Ongoing Obligations According to the Requirements of the General Authority for Zakat and Income" of Subsection (8.10) "Ongoing Obligations Imposed by Government Agencies on the Company as the "license holder" of Section (10) "Legal Information" of this Prospectus. The Company cannot predict whether GAZT will demand the Company to pay any Zakat differences in the future for previous years, and if that happens, it may negatively and substantially affect the Company's profits, results of operations and future prospects.

2.1.34 Risks Related to the Concentration of Written Premiums on Motor Sector

The Company's written premiums consist of six main sectors, namely: 1) Medical 2) Motor 3) Property 4) Engineering 5) Marine 6) accidents and claims. The Company's revenues from these sectors are concentrated in the premiums generated from the motor sector, which constituted (38.4%), (47.2%), (47.0%) and (47.6%) of the total written premiums of the Company as of December 31, 2017G, 2018G, 2019G and June 30, 2020G respectively. The concentration of total written premiums on the motor insurance sector makes the Company vulnerable to a large and direct impact in the event that the demand decreases or the supply increases for vehicle insurance products and / or the Company is unable to renew the existing insurance policies and/ or it is unable to underwrite new insurance policies. Thus, in the event of a decrease in the written premiums from the insurance sectors in general and the motor sector in particular, this will adversely affect the written premiums of the Company and accordingly its operational and financial operations. (For more information, please refer to subsection (1.5.6) "Gross Written Premiums" of Subsection (5.6) "Results of Operations-Income Statement" of Section (6) "Financial Information, Management Discussion and Analysis" of this Prospectus).

2.1.35 Risks Related to the Protection of Trademarks and Equity

The Company's ability to market its services and products and develop its business depends on the use of its name, logo and trademark, which support its business and its competitive position and give it a clear distinction in the market among customers. The Company has registered its trademark with the competent authorities (please refer to subsection (12.10) "Trademarks" of Section (10) "Legal Information" of this Prospectus). Any breach of equity or unlawful use of the Company's trademark will affect the Company's reputation, may force it to enter into costly court procedures and dedicate efforts of some of its administrative employees for these procedures in order to protect its trademark. If the Company fails to protect its trademark effectively when renewing the registration certificate or track similar marks, this will adversely affect its value, and will negatively affect the Company's business, results of operations, financial condition and future prospects.

2.1.36 Risks Related to Reliance on non-Saudi Employees

The percentage of non-Saudi employees as at the date of this Prospectus constitutes about (27.50%) of the total employees in the Company, which may affect the Company's business results, financial position and operational results negatively if it is unable to maintain its non-Saudi cadres or find replacements for them with the same skills and required expertise or if a change occurs in the policies and regulations of the Ministry of Human Resources and Social Development, resulting in an increase in the rate of Saudization of the sector.

The government of Saudi Arabia has also taken a number of other decisions that aim to implement comprehensive reforms in the labor market in the Kingdom, which included imposing additional fees on every non-Saudi employee working for Saudi institutions as of January 1, 2018, and for issuing and renewing residence permits for non-Saudi families. The fees entered into force starting from July 1, 2017, and increase gradually. Since the Company relies on a high percentage of non-Saudi employees, which will lead to an increase in government fees that the Company bears for every non-Saudi employee in terms of work licenses and residence permits, which leads to an increase in the costs of the Company in general, and thus negatively affects its business, financial performance and results of operations.

2.1.37 Risks Related to the Outbreak of the Coronavirus "Covid-19"

At the beginning of 2020G, an infectious viral disease known as (Corona Virus, abbreviated "Covid-19") began to spread in most Countries of the world, including the Kingdom of Saudi Arabia, and as a result the World Health Organization classified it on March 11, 2020G as a pandemic, and called for taking necessary preventive measures to confront this virus and limit its spread. Accordingly, the Government of Saudi Arabia hastened to take strict decisions in this regard, resulting in, but not limited to, imposing a partial or total curfew in some cities and governorates of the Kingdom, closing airports and commercial complexes and all activities within them, with the exception of food stores and pharmacies, and reducing the number of working hours for some sectors and forcing some of them to work remotely. The Company, like other companies operating in the Kingdom of Saudi Arabia, was affected by the precautionary decisions in particular with regard to the decisions of the Ministry of Human Resources and Social Development (Labor Office), as it was forced to suspend its operational activities, close its offices and factories and asked its employees to stay in their homes, adhere to quarantine and continue working remotely, especially the Administrative staff.

The Company has developed plans to address how to manage the effects of the outbreak and assess strikes and other risks to its operations, including protecting employees and supporting customer services. The main impact of the pandemic appears in the medical and vehicle insurance sector, and since the Kingdom's government has committed to the costs of medical treatment for all Saudi citizens and expatriates, as a result of the pandemic, this helped in reducing any unfavorable impact, and medical claims witnessed a decrease. With regard to the vehicle insurance sector, the Central Bank's circular for all insurance companies No. (189) dated 15/09/1441H (corresponding to 08/05/2020G) stipulated the extension of the validity of all current vehicle insurance policies for a period of two months. Since the pandemic is still continuing until the date of this Prospectus, the Company does not guarantee the occurrence of any future losses that may adversely affect its financial condition, results of operations and future prospects.

2.1.38 Risks Related to the Company's Reputation

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

2.1.39 Risks Related to Absence of Regulatory Work Bylaw for the Company Committees

The Board of Directors has five committees helping in carrying out its work, which are the Audit Committee and the Nominations and Remuneration Committee, which are binding according to each of the Corporate Governance Regulations issued by the Board of the Capital Market Authority under Resolution No. (8-16-2017) dated 16/05/1438H (Corresponding to 13/02/2017G), and the Insurance Corporate Governance Regulations issued by the Saudi Central Bank on 08/01/1437H (corresponding to 21/10/2015G). In addition, there are the Executive Committee, the Investment Committee and the Risk Management Committee, which are binding according to the Insurance Corporate Governance Regulations issued by the Central Bank for Insurance Companies, the Board of Directors must adopt a bylaw for each of the committees that it forms. The Company failed to comply with preparation of independent bylaw for the Nominations Committee, the Executive Committee, the Investment Committee, and the Risk Management Committee. This is considered a violation of the Insurance Companies Control Law and Implementing Regulations and it may expose the Company to penalties that may reach a fine of one million (1,000,000) Saudi Riyals according to the Implementing Regulations of the Cooperative Insurance Companies Control Law. In the event that the Company does not adopt regulations for the committee works, it may be subject to full fines, that will cause losses to the Company and adversely affect its performance, financial condition and future prospects.

2.1.40 Risks Associated with Anti-Money Laundering and Combating the Financing of Terrorism Regulations

The Company is currently complying with the Anti-Money Laundering and Combating the Financing of Terrorism Regulations issued by the Central Bank of Saudi Arabia. the rules for combating money laundering and terrorist financing for insurance companies, the anti-money laundering system and its implementing regulations, the counter-terrorism crime and its financing system and its implementing rules. These regulations clarify the procedures that must be taken upon accepting any client, (Whether an individual or a company), and clarify the due diligence procedures that must be followed as well as the procedures for reporting suspicious transactions and other procedures. The Company is currently storing information about its customers through their computer systems. Failure to comply with anti-money laundering and combating terrorist financing regulations renders the Company subject to legal accountability and thus leads to the imposition of fines and/or penalties that the Company shall bear. The Company has previously been subjected to a financial fine of one hundred and thirty-five thousand (135,000) Saudi Riyals on 07/02/1441H (corresponding to 06/10/2018G) for its violations of the rules for combating money laundering and terrorist financing issued by the Central Bank. The Company paid the value of the fine on 29/06/1441H (corresponding to 23/02/2020G). (For more Information, please refer to the Risk (3.1.2) "Risks related to Sanctions by the Competent Authorities" of this section).

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

2.2 Risks Related to Market and Industry

2.2.1 Risks Related to the Economic Performance of the Kingdom

The Company's future performance depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation factors, GDP growth, average per capita income, and so on. The Kingdom's macro and partial economy depends mainly on oil and oil industries, which still control a large share of the GDP, as it constitutes 64% of total government revenues according to the financial stability report for the year 2020 issued by the Saudi Central Bank. Accordingly, any unfavorable fluctuations that occur in oil prices will have a direct and substantial impact on the plans and growth of the Kingdom's economy in general and on the government spending rates, which would adversely affect the Company's financial performance as its work within the Kingdom's economic system and its impact by the government spending rates.

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

2.2.2 Risks Related to Political and Economic Instability in the Middle East

The Company's financial performance depends on the prevailing economic and political conditions in the Kingdom as well as the global economic conditions that in turn affect the Kingdom's economy. The oil sector occupies the largest share of the Kingdom's GDP, as it constitutes 64% of the total government revenues, according to the Financial Stability Report for the year 2020 issued by the Saudi Central Bank. Fluctuations in oil prices may occur, which may negatively affect the Kingdom's economy. It is worth noting that the rate of economic growth in the Kingdom witnessed a slowdown in recent years, as the real GDP increased by 0.33% in 2019 compared to a growth of 2.43% in the year 2018, according to the financial stability report for 2020 issued by the Saudi Central Bank. The Kingdom also faces challenges related to the relatively high population growth rates, as it increased by (2.4%) in 2019 compared to 2018, according to the General Authority for Statistics. All of these factors may have a negative impact on the Kingdom's economy, and as such, will have a negative and material impact on the Company's business, results of operations, financial condition and future prospects.

There is no guarantee that the negative developments in relations with these countries, or the economic and political conditions in those countries, or in other countries will not negatively affect the Kingdom's economy, foreign direct investment in them, or the financial markets in the Kingdom in general. These factors may adversely and materially affect the Company's business, results of operations, financial condition and future prospects.

Any major unexpected changes in the political, economic, or legal environment in the Kingdom and/or any other countries in the Middle East, including, but not limited to, normal market fluctuations, economic stagnation, insolvency, high unemployment rates, technological transformations, and other developments, may negatively and substantially affect the Company's business, results of operations, financial condition and future prospects.

2.2.3 Risks Related to Laws and Regulations

The Company, in its management and conduct of its various works and activities, is subject to the supervision of the Central Bank, as it is the body entrusted with the tasks of supervision and control over the insurance sector in the Kingdom. The Cooperative Insurance Companies Control Law was issued by Royal Decree No. 07/07/2003G), and the Implementing Regulation for Cooperative Insurance Companies Control Law was issued by a decision of the Minister of Finance No. (596/1) dated 01/03/1425H (corresponding to 20/04/2004G). Since the insurance market in the Kingdom is considered one of the modern, emerging and continuously developing and changing markets, this may limit the Company's ability to respond to market

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

The Company is also subject to the provisions of the Companies Law issued on 28/01/1437H (corresponding to 11/11/2015G), and amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G). In addition, the CMA's Board issued under resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G) the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies, as amended by the CMA's Board Resolution No. (3-57-2019) dated 15/09/1440H (corresponding to 20/05/2019G). In addition, the CMA's Board issued under resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/03/2017G) the Corporate Governance Regulations which were then amended by the CMA's Board Resolution No. (3-57-2019) dated 15/09/1440H (corresponding to 20/05/2019G).

The Companies Law and the Corporate Governance Regulations impose some new requirements related to the regulation and corporate governance that the Company must adhere to. Also, the Companies Law imposed stricter penalties for violating its provisions and rules, which are mandatory for all companies. Therefore, the Company, members of its board of directors or its executive management may be subjected to such penalties including fines, imprisonment, or both (for example, the Companies Law stipulates that any manager, official, member of the board of directors, auditor, or liquidator, records false or misleading data, will be subject to punishment by imprisonment for a period not exceeding 5 years and a fine not exceeding five million Saudi Riyals) if the Company does not comply with these provisions and rules. It should be noted that the Company, as of the date of this Prospectus, is committed to all articles of the Companies Law and to all the mandatory articles in the Corporate Governance Regulations issued by the CMA. However, in the event that it fails to adhere to all the articles of the Companies Law and all the mandatory articles in the Corporate Governance Regulations in the future, or in the event that some or all of the guiding articles in the corporate governance regulation become mandatory, and the Company could not implement and adhere to them, it will be exposed to statutory penalties and fines, which will have a negative and substantial impact on the Company's business, results of operations, financial condition and future prospects.

2.2.4 Risks Related to Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations

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

2.2.5 Risks Related to Withdrawing the License to Conduct Insurance Activities

The Company obtained a license to practice its insurance activities from the Central Bank under No. (TMN/20103) dated 20/03/1431H (corresponding to 03/06/2010G) to practice insurance activity in both general insurance and health insurance branches, and the license was renewed for a period of three years started 19/03/1440H (corresponding to 27/11/2018G) and ending on 18/03/1443H (corresponding to 24/10/2021G).

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

- a) If the Company does not practice its licensed activities for a period of six months from the issuance date of the license;
- b) If the Company does not fulfill the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations;
- c) If it is established that the Company has deliberately provided the Central Bank with false information in its licensing application;
- d) If the Central Bank finds that the rights of the insured, the beneficiaries, or the shareholders are liable to be lost as a result of the manner in which the activity is conducted.
- e) If the Company becomes bankrupt, rendering it unable to fulfill its obligations.;
- f) If the Company deliberately conducts business in a fraudulent manner;
- g) If the paid-up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements mentioned in the Implementing Regulations of the Cooperative Insurance Companies Control Law;
- h) If the insurance activity falls to a limit that the Central Bank deems unviable to operate under;
- i) If the Company refuses or delays payments of dues, without just causes;
- j) If the Company refuses to have its records examined by the inspection team appointed by the Central Bank; and
- k) If the Company fails to implement a final judgment against it in connection with any insurance dispute.

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

2.2.6 Risks Related to Adjustments to Accounting for Zakat and Income Tax by the Central Bank

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

The Company's audited financial statements for the fiscal year ending December 31, 2019, in addition to the condensed (unaudited) financial statements for the six-month period ending June 30, 2020, and the accompanying exhibits were also prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA), and amended by

the Central Bank to account for Zakat and income tax based on the instructions issued by the Central Bank on 20/11/1440H (corresponding to 23/07/2019G) which provide for updating the treatment accounting policies for accounting for Zakat and income tax in the income statement, instead of calculating them on a quarterly basis through shareholders' equity in previously retained earnings. The Company has retrospectively adjusted the effect in line with International Financial Reporting Standards (IFRS) (for more information, please refer to Section (6) "Financial Information, Discussion and Management Analysis" of this Prospectus).

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

2.2.7 Risks Related to Reporting Requirements

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

The Company could also be subject to penalties and fines if it fails to meet the requirements of the Capital Market Authority, rules for offering securities, ongoing obligations and disclosures applied in the Saudi Stock Exchange (Tadawul). It is worth noting that the Company was subjected to a financial fine by the Central Bank after the inspection tour of the bank. The Company did not announce the Company's exposure to the financial fine, while it was also not exposed to any financial fine from CMA for non-disclosure (please refer to the risk (3.1.2) "Risks related to Penalties by the Competent Authorities" of this section) and if CMA imposes a subsequent fine, or a financial fine as a result of any other violation in the future, this may adversely and substantially affect the Company's business, financial performance and future prospect.

2.2.8 Risks Related to the Competitive Environment

According to the annual report for the year 2020 issued by the Central Bank, thirty-three (33) companies licensed for insurance and reinsurance activities have an active license to practice insurance activity in the Kingdom until the end of 2019G, where the largest eight companies acquire a percentage of about (74.6%) of the total written premiums as of December 31, 2019G) according to the Saudi Insurance Market Report for the year 2019 issued by the Saudi Central Bank. Accordingly, the Company operates in a strong competitive environment, and its competitive position depends on many factors that include the strength of its financial position, pricing of its insurance products, customer relationship and Company's reputation.

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

- Reducing margins and profitability
- Hindering the growth of the Company's customer base
- Reducing market share
- Increasing turnover of management and sales personnel

- Elevating operating expenses, such as sales and marketing expenses
- Increasing policy acquisition costs

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

2.2.9 Risks Related to Insurance Market Growth

The growth of the insurance market in the Kingdom is affected by several factors or events. Whereas, the growth of the sector is generally considered hypothetical, based on uncertain future expectations that are beyond the control of the Company. In the event that the insurance sector or the various insurance categories do not witness the expected growth according to the Company's expectations, this will adversely and substantially affect the Company's financial performance and future prospects.

2.2.10 Risks Related to Limitations of Historical Data

Although the concept of insurance is not new to the Saudi market, the insurance sector was not regulated in a way that keeps pace with the development of this sector until recently. Therefore, the information and data required to build the insurance tables were not accurately collected and provided. Because of this, insurance companies rely on estimating losses and evaluating premiums on estimates that may not reach the required level of accuracy, and thus the risk ratio of the Company's insurance portfolios may increase, which may lead to incurring losses for the Company, which may negatively and substantially affect the Company's financial performance and future prospects.

2.2.11 Risks Related to the Lack of Cultural Awareness of Insurance and Its importance

The society's view of the insurance sector is a fundamental factor for the sector's success. However, there is a risk around that view in general, and the lack of demand for insurance services that this view may lead to, which could adversely and substantially affect the Company's business, financial condition and future prospects.

2.2.12 Risks Related to Value-added Tax (VAT)

The Kingdom issued a VAT system, which came into effect on January 1, 2018. This system imposes an added value of (5%) on a number of products and services, according to what is contained in the system. The Saudi government decided to increase the VAT rate from (5%) to (15%), which began to be applied from July 2020G. Therefore, the relevant companies should know the nature of the VAT, how it is applied and how it is calculated. They, also, have to submit their own reports to the relevant government agencies. Accordingly, the Company must adapt to the changes resulting from the application of the VAT, which include its collection and delivery, and the effect of applying the VAT system on the Company's business. The application of the VAT in the Kingdom has led to an increase in the prices of most goods and services, including the Company's products. The implications of raising the tax on the Company's sales have not yet emerged, as the increase began to be applied from July of this year. At the present time, there are no current claims or objections related to VAT. However, any violation or wrong application of the tax system by the Company's management will expose it to fines, penalties or damage to its reputation. This will also increase costs and operating expenses, which could reduce the Company's competitive position and the level of demand for its products, which will have a negative and material impact on the Company's financial condition, results of operations and future prospects.

2.2.13 Risks Related to Government Fees Applicable to non-Saudi Employees

The Saudi government approved a number of resolutions aimed at implementing comprehensive reforms in the Saudi labor market by imposing additional charges on every non-Saudi employee who works for Saudi institutions as of 01/01/2018G, at the rate of four hundred (400) Saudi Riyals per month for each non-Saudi employee in 2018G, increasing to six hundred (600) Saudi

Riyals per month in 2019G then Eight hundred (800) Saudi Riyals per month in 2020. This will lead to an increase in the government fees that the Company will pay for its non-Saudi employees, and thus an increase in the Company's costs in general, which will adversely and substantially affect its business, financial performance and the results of operations. The total value of non-Saudi employee fees amounted to (169,556) Saudi Riyals in 2017, (814,529) Saudi Riyals in 2018, (366,321) Saudi Riyals in 2019 G, and (233,957) Saudi Riyals for the six-month period ending June 30, 2020.

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

2.2.14 Risks Related to the Decline of Client Confidence

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

2.2.15 Risks Related to non-Compliance with the Regulations of the Council of Cooperative Health Insurance (CCHI)

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

2.2.16 Risks Related to Fluctuations in Exchange Rates

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

2.2.17 Risks Related to Not-Controlling of Prices

The Company is obligated to follow the instructions of the Central Bank and the recommendations of the actuarial advisor with regard to setting prices for insurance policies. The Company annually (and based on the pricing adequacy report issued by the actuarial advisor) submits the quotations to the Central Bank as a regulatory requirement.

Actuarial advisors issue pricing adequacy reports by studying the insurance portfolio that the Company owns, and based on actuarial data, which take into account the performance of these insurance policies (by looking at the performance of the insurance portfolio in general). The recommendations of the actuary advisor at that time may require changing the insurance policy rates for the Company's portfolio due to the possibility of changing the performance of the insurance portfolio at that time. The increase in the prices of some or all of these insurance policies will lead to the Company not being able to attract new clients and losing its current clients. This will affect Company's merging market share and thus adversely affects its business, financial statements, results of operations, profitability of the shares, and future prospects.

2.2.18 Risks Related to the Scarcity of Qualified Local Cadres

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

2.2.19 Risks Related to Insurance Business Cycle

The global insurance industry has witnessed cyclical changes with tangible fluctuations in the results of operations, due to competition, catastrophic events, economic and social conditions that all countries go through from time to time in general, and other factors beyond the control of companies operating in the insurance sector. Consequently, this may result in periods of competition in prices resulting from excess supply, as well as periods in which companies are able to obtain better premiums. It is expected that the business cycle of insurance companies will be affected from time to time, which would adversely affect the Company's business, results of operations, financial condition and its future prospects.

2.2.20 Risks Related to Changes in Important Accounting Standards and New Standards

The Company's audited financial statements for the fiscal years ending on December 31, 2017 and 2018, and the accompanying exhibits, were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and amended by the Central Bank for accounting of Zakat and income tax, and other standards and publications approved by the Saudi Organization for Certified Public Accountants. (SOCPA). The Company's audited financial statements for the fiscal year ending on December 31, 2019G, in addition to the interim condensed (unaudited) financial statements for the six-month period ended June 30, 2020G and the accompanying exhibits were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA).

It should be noted that there are some new standards which will have their effective date start, such as the International Financial Reporting Standard No. (17), and the exemption of the International Financial Reporting Standard No. (9) in the International Financial Reporting Standard No. (4) postponed currently to January 1, 2021, according to the amendments presentation draft to seek the opinion of external entities. It is proposed to amend the effective date of IFRS No. (17) to the reporting periods beginning on or after January 1, 2022G. The standards that were not applied are as follows:

- International Financial Reporting Standard No. (17) - Insurance Contracts.

- International Financial Reporting Standard No. (9) - Financial Instruments.

Based on the above, the application of the new standards may lead to similar changes in subsequent financial years or other changes that may be substantial, including, but not limited to, the decrease in profitability as a result of higher costs. It should be noted that their impact may not appear now, or the Company may not know them. Consequently, any changes in these standards or the mandatory application of some new standards may adversely affect the financial statements and thus the financial results of the Company and its financial condition.

2.3 Risks related to the Offer Share

2.3.1 Risks Related to Potential Fluctuation in the Price of the Rights

The market price of the rights issue may be subject to heavy fluctuations due to a change in factors affecting the Company's Share. This fluctuation may be large due to the difference between the permissible daily fluctuation rate (which is specified by (10%) up and down from the closing price of the previous day) with respect to rights, compared to the permissible daily fluctuation rate for the Company's shares. The rights trading price depends on the trading price of the Company's shares and the market's view of the fair price of the rights. These factors could adversely affect the rights trading price.

2.3.2 Risks Related to Potential Fluctuations in the Share Price

The market price of the Rights during the trading period may not be an indication of the market price of the Company's shares after the Offering. Likewise, the Company's share price may not be stable and may be greatly affected due to fluctuations resulting from market conditions related to the current rights or shares of the Company. These fluctuations may also result from several factors, including but not limited to, stock market conditions, poor performance of the Company, inability to implement the Company's future plans, entry of new competitors into the market, change in the vision or estimates of experts and analysts of the stock market, and any announcement of the Company or any of its competitors related to strategic mergers and acquisitions or alliances.

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

2.3.3 Risks Related to non-Profitability or Selling of Priority Rights

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

2.3.4 Risks Related to Future Data

The Company's future results and performance data cannot be actually anticipated and may differ from what is in this Prospectus. The Company's achievements and its ability to develop are what will determine the actual results, which cannot be expected or identified. The inaccuracy of data and results is one of the risks that the shareholder should know in order not to affect his investment decision. In the event that future results and performance data differ significantly from what is mentioned in this Prospectus, this would lead to losing part or all of the shareholders' investment in the Company's shares.

2.3.5 Risks Related to the Possibility of Issuing New Shares

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

2.3.6 Risks Related to Lack of Demand for the Company's Priority Rights and Shares

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading Period, in order to enable the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and realize a profit, or enable him to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights or holders of fractional shares. Moreover, there can be no assurance that there will be sufficient market demand for the New Shares purchased by an investor either through exercise of the Rights, during the Rump Offering or in the open market.

2.3.7 Risks Related to Potential Dilution of Ownership

If the rights holders do not subscribe fully to the new shares, their ownership and voting rights will be reduced. There is also no guarantee that in case the rights holder is restricted to sell his rights during the trading period, the proceeds he receives will be sufficient to compensate him in full for the decrease in his ownership in the capital of the Company as a result of increasing its capital. There is also no guarantee that there will be a compensation amount distributed to the eligible shareholders who have not exercised their right to subscribe or to the holders of fractional shares in the event that the investment institutions during the Rump period do not submit a higher price offers for the remaining shares, or that the compensation amount (if any) is sufficient to compensate the decrease in the percentage of ownership in the Company's capital.

2.3.8 Risks Related to Not Exercising the Priority Rights in a Timely Manner

The subscription period starts on Monday 25/11/1442H (corresponding to 5/7/2021G) and ends on Thursday 5/12/1442H (corresponding to 15/7/2021G). The Right holders and the financial brokers/agents representing them must take appropriate measure to follow all necessary instructions before the subscription period expires. If the eligible shareholders are not able to properly exercise the subscription rights by the end of the subscription period, based on their priority rights, there is no guarantee that there will be a compensation amount distributed to the deserving shareholders who have not subscribed or who have not properly performed the procedures for practicing the subscription, or holders of the fractional shares.

2.3.9 Risks Related to Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company and general economic conditions. Increase in capital may lead to dilution in the dividends in futures on the basis that the Company's profits will be distributed to a larger number of shares as a result of increasing its capital. The Company does not give any assurance that any dividends will actually be paid nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations and conditions the as stipulated in the Company's By-Laws.

2.3.10 Risks Related to Speculation in Priority Rights

Speculation in the priority rights is subject to risks that could cause material losses. The permissible daily fluctuation range for the priority rights trading price exceeds the permissible daily fluctuation range for the market price (which is represented by (10%) up and down from the previous day's closing price). There is also a direct relationship between the Company's share price and the right's indicative value. Accordingly, the daily price limits (i.e. the daily fluctuation range) for rights trading will be affected by the daily price limits for stock trading. In the event that the shareholder does not sell the rights before the end of the trading period, then he will have two options either to exercise these rights to subscribe to the new shares before the end of the subscription period, or not to exercise. In the event that the rights are not exercised, the investor may be subject to a loss or decrease in the value

of his investment portfolio, or a profit in the event that shares are sold during the rump period at a price higher than the Offering Price (with no guarantee that the profit will be equal to the value of the investment portfolio prior to the Offering). Consequently, investors must review the full details of the mechanism for listing and trading the rights and new shares and their method of operation, and be aware of all the factors affecting them, in order to ensure that any investment decision is based on full awareness and knowledge. (Please refer to Section (13) "Information Related to Shares and Offering Terms and Conditions" in this Prospectus).

3 Company Background and Nature of Business

3.1 Company Overview

The Gulf General Cooperative Insurance Company was established as a public joint stock company under the Council of Ministers resolution no. (365), dated 03/12/1429H (corresponding to 01/12/2008G), Royal Decree no. (m/85), dated 05/12/1429H (corresponding to 03/12/2008G), the Ministerial resolution announcing the establishment of the Company no. (12/q), dated 17/01/1431H (corresponding to 03/01/2010G), and under Commercial Registration no. (4030196620), dated 09/02/1431H (corresponding to 24/01/2010G) issued in the city of Jeddah.

The head office of the Company is located in the city of Jeddah, Madina Road – Al-Ghaithi Plaza – P.O. Box 1866, Jeddah 21441, Kingdom of Saudi Arabia.

The Company obtained the Central Bank's license no. (TMN/26/20103), dated 20/02/1431H (corresponding to 06/03/2010G) to practice insurance activity in the general insurance and health insurance branches, in accordance with the provisions of the Cooperative Insurance Companies Control Law, and its Implementing Regulations. The license was renewed for three years term on 19/03/1440H (corresponding to 27/11/2018G) and will expire on 18/03/1443H (corresponding to 24/10/2021G).

The current capital of the Company is two hundred million (200,000,000) Saudi Riyals fully paid, divided into twenty million (20,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share.

As of the date of this Prospectus, the Substantial Shareholders of the Company (who own (5%) or more of the Company shares) are the Saudi General Insurance Company, which owns three million (3,000,000) shares, (15.0%), the Gulf Specialized Investment Holding Company, which owns three million (3,000,000) shares, (15.0%), and Al Insaf International Real Estate Development Company, which owns one million (1,000,000) shares, comprising (5.0%) of the Company's shares before the Offering.

3.2 History of the Company and the most significant developments in its capital structure

- The Gulf General Cooperative Insurance Company was incorporated as a public joint stock company under the Council of Ministers resolution no. (365), dated 03/12/1429H (corresponding to 01/12/2008G), Royal Decree no. (m/85), dated 05/12/1429H (corresponding to 03/12/2008G), the Ministerial resolution announcing the establishment of the Company no. (12/q), dated 17/01/1431H (corresponding to 03/01/2010G), and under Commercial Registration no. (4030196620), dated 09/02/1431H (corresponding to 24/01/2010G).
- On 24/02/1431H (corresponding to 08/02/2010G), the entire shares of the Company comprising twenty million (20,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share were listed in the Saudi Stock Exchange Company (Tadawul) through initial public offering. The Founding Shareholders subscribed to (60%) of the Company's shares amounting to twelve million (12,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share, totaling one hundred and twenty million (120,000,000) Saudi Riyals. (40%) of the Company shares amounting to eight million (8,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share of equal value of ten (10) Saudi Riyals per share, totaling eighty million (80,000,000) Saudi Riyals were offered for the public.
- On 20/03/1431H (corresponding to 06/03/2010G) the Company obtained the Central Bank license no. (TMN/26/20103) to practice insurance activity in the general insurance and medical insurance branches, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing Regulations. The license was renewed for three years term on 19/03/1440H (corresponding to 27/11/2018G) and will expire on 18/03/1443H (corresponding to 24/10/2021G).

- On 18/11/1442H (corresponding to 28/6/2021G), the shareholders' Extraordinary General Assembly agreed to increase the Company's capital by (150%) from two hundred million (200,00,000) Saudi Riyals to five hundred million (500,000,000) Saudi Riyals. The number of shares was consequently increased from twenty million (20,000,000) ordinary shares to fifty million (50,000,000) ordinary shares of equal value of ten (10) Saudi Riyals per share, by issuing thirty million (30,000,000) new ordinary shares as pre-emptive shares, with a nominal value of ten (10) Saudi Riyals per share.

3.3 Main Activities of the Company

The Company conducts its activities under Commercial Registration no. (4030196620), dated 09/02/1431H (corresponding to 24/01/2010G). The activities of the Company, as stated in its Commercial Registration, include protection insurance, medical insurance, Motor insurance, property insurance, accident and liability insurance, marine insurance, energy insurance, engineering insurance, risk and damage assessment, inspection and loss assessment and settlement of insurance claims.

The activities of the Company, as stated in its articles of association, include practicing cooperative insurance business. The Company may carry out all the works that need to be done to achieve its objectives, whether in the field of insurance or investing its money. It may also own, move, sell, replace, lease its fixed and cash assets directly by the Company or through companies it establishes or acquires or in partnership with third parties. The Company practices its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law, and its Implementing Regulations as well as the regulations and rules applicable in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.

The Company practices its activities from its head office in the city of Jeddah, and its two branches in Riyadh and Al-Khobar (for more information, please refer to sub-section (10.9) "Company Branches" under Section (10) "Legal Information" in this Prospectus). The Company obtained the Central Bank license no. (TMN/26/20103), dated 20/03/1431H (corresponding to 06/03/2010G) to practice the following insurance activities:

a) General insurance, which includes:

- ✓ Accidents and Liability Insurance
- ✓ Motor Insurance
- ✓ Property Insurance
- ✓ Marine insurance
- ✓ Engineering insurance

b) Medical Insurance

3.4 Company Products

As of the date of this Prospectus, the Company has approvals on insurance products that it has obtained from the Central Bank. The product details do not include all the terms and conditions of the relevant insurance policies. This section may include provisions that are not in full compliance with the provisions of the documents. Therefore, the texts of the insurance policies shall be reviewed, and the product details in this section shall not in any case be relied upon.

The Company offers thirty-three (33) insurance products, for which final approvals were obtained from the Central Bank (for more information, please refer to sub-section (10.7) "Licenses and permits under which the Company operates" from Section (10) "Legal Information" in this Prospectus). These products are shown as below:

3.4.1 Accidents and Liability Insurance

The following table shows the accident and liability insurance products that are offered and marketed by the Company:

Table: (3) Accidents and Liability Insurance Products

#	Name of Product	Approval No.	Product Description	Type of Approval	Date of Approval
1	Workers Compensation Insurance	381000025533	Covers work-related accidents and comprises part of any commercial or industrial activity, especially when this activity includes manual work. Under the Saudi Labor Law, every employer is responsible for paying compensation to his employees upon death or exposure to injury, illness, or disability as a result of work accidents.	Final Approval	06/03/1438H (corresponding to 05/12/2016G)
2	Travel Insurance	381000028946	Comprehensive coverage for international flights passengers against risks related to travel outside the Kingdom of Saudi Arabia.	Final approval	14/03/1438H (corresponding to 13/12/2016G)
3	Group Personal Accidents Insurance	930	Covers compensation in the event of an unexpected accident. Per the policy, the Company is committed to pay to the insured or his legal heirs the compensations shown in the schedule, if during the insurance period shown in the table the insured had a physical injury resulting from a sudden, violent, and apparent external accident anywhere worldwide.	Final approval	11/04/1433H (corresponding to 04/03/2012G)
4	Personal Accidents Insurance	930	Compensation in the event of an unexpected accident. Therefore, this policy obligates the Company to pay to the insured or his legal heirs the compensations shown in the table, if during the insurance period the insured had a physical injury resulting from a sudden, violent, and apparent external accident anywhere worldwide.	Final approval	11/04/1433H (corresponding to 04/03/2012G)
5	Life Group Insurance	1207	Coverage upon death and permanent total disability.	Final approval	11/04/1433H (corresponding to 04/03/2012G)
6	Commercial General Liability insurance	635	covers the insured person in relation to all amounts for which the insured person will be legally liable and considered liable to pay in respect of the following: 1. Accidental physical injuries to any person, and 2. Accidental property losses and damages that arise from the use of products that were sold and delivered to the insured.	Final approval	08/03/1433 (corresponding to 31/01/2012G)
7	Fidelity Guarantee Insurance	7/Is	Covers direct financial losses borne by the insured person in relation to embezzlement and fraud by employees entrusted with monies and properties and such the like or those authorized to sign.	Final approval	01/01/1432H (corresponding to 07/12/2010G)
8	Loading and Unloading Companies Liability Insurance	381000025518	The loading and unloading insurance policy includes all custody, seizure and control measures in the operations related to loading and unloading and provides coverage against accidental risks that may arise of loading and unloading goods from cargo ships.	Final approval	06/03/1438H (corresponding to 05/12/2016G)
9	Medical Malpractice Insurance	2209	Covers medical malpractices and provides protection for any medical practitioner against liabilities for which he is legally responsible due to an error, negligence, or	Final approval	29/11/1431H (corresponding to 06/11/2010G)

			omission during his work. Therefore, this type of insurance is not only limited to doctors and surgeons, but also covers paramedics, nurses, and technicians.		
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Source: The Company

3.4.2 Motor Insurance

The following table shows Motor insurance products offered and marketed by the Company:

Table (4): Motor Insurance Products

#	Name of Product	Approval No.	Product Description	Type of Approval	Date of Approval
1	Motor Comprehensive Insurance - Commercial	371000020863	Provides comprehensive coverage for the insured private Motor against third party liability, loss or damage for private Motor against accidents, theft and fire risks, per the terms and exceptions set forth in the individuals comprehensive insurance policy	Final Approval	19/02/1437H (corresponding to 01/12/2015G)
2	Motor Comprehensive Insurance	371000020863	Provides comprehensive coverage for the insured private vehicle against third party liability and loss or damage for private Motor against accidents, theft and fire risks, per the terms and exceptions set forth in the individuals comprehensive insurance policy	Final approval	19/02/1437H (corresponding to 01/12/2015G)
3	Third Party Liability Insurance	371000020863	Covers the Motor liability towards others (third party), resulting from private Motor accidents, and incurred by the vehicle owner or licensed driver, per the terms and exceptions set forth in the third party Motor insurance policy	Final approval	19/042/1437H (corresponding to 01/12/2015G)

Source: The Company

3.4.3 Property Insurance

The following table shows property insurance products offered and marketed by the Company:

Table (5): Property Insurance Products

#	Name of Product	Approval No.	Product Description	Type of Approval	Date of Approval
1	Property Insurance (material damage and resulting losses)	381000025527	Includes comprehensive protection against losses and damages that may be caused to properties as a result of an accident or any other thing such as fire, lightnings, explosions, natural disasters, collision of Motor and the resulting material damages and the damages resulting from burglary by breaking or ripping within the building.	Final Approval	06/03/1438H (corresponding to 05/12/2016G)
2	Equipment Breakdown Insurance	381000025560	Includes comprehensive coverage against material losses or damages to equipment as a result of breakdown or damage resulting from defects during operation.	Final approval	06/03/1438H (corresponding to 05/12/2016G)
3	Fire Insurance	381000025552	Includes comprehensive protection against losses and damages that may be caused to property as a result of or an accident or anything such as fire, lightnings, explosions, natural disasters, collision of Motor and the	Final approval	06/03/1438H (corresponding to 05/12/2016G)

			resulting material damages and the damages resulting from burglary by breaking or ripping inside the building, which may lead to fire.		
4	Property All Risks Insurance (ABI)	381000025525	Includes comprehensive protection against losses and damages that may be caused to property as a result of an accident or anything such as fire, lightnings, explosions, natural disasters, collision of Motor and the resulting material damages and the damages resulting from burglary by breaking or ripping inside the building.	Final approval	06/03/1438H (corresponding to 05/12/2016G)
5	Property All Risks Insurance (LM-7)	381000025523	Includes comprehensive protection against losses and damages that may be caused to property as a result of an accident or anything such as fire, lightnings, explosions, natural disasters, collision of Motor and the resulting material damages and the damages resulting from burglary by breaking or ripping inside the building.	Final approval	06/03/1438 (corresponding to 05/12/2016G)
6	Jewelry Stores Insurance	381000025551	Covers risks to gold and jewelry dealers. Accordingly, the Company covers office furniture, fittings and accessories, installations, safes, alarm systems, decorations and improvements related to tenants, jewelry stores and all other contents against losses or damages caused by fire, lightning, burglary, breakdown, or the like	Final approval	06/03/1438 (corresponding to 05/12/2016G)
7	Money Insurance	2181	Covers losses related to money in any of the following cases 1. If kept in closed safes. 2. If it exists in buildings during working hours. 3. If transported between offices and banks or between any buildings	Final approval	25/11/1431H (corresponding to 02/11/2010G)
8	Jewelry Insurance	381000025557	The loading and unloading insurance policy includes all custody, seizure and control measures in the operations related to loading and unloading and provides coverage against accidental risks that may arise of loading and unloading goods from cargo ships	Final approval	06/03/1438H (corresponding to 05/12/2016G)

Source: The Company

3.4.4 Engineering Insurance

The following table shows the engineering insurance products offered and marketed by the Company:

Table (6): Engineering Insurance Products

#	Name of Product	Approval No.	Product Description	Type of Approval	Date of Approval
1	Loss of Profits Insurance after Failure of Equipment	381000025559	covers loss of expected profits if production equipment ceased to operate	Final approval	06/03/1438H (corresponding to 05/12/2016G)
2	Contractors' Insurance (All risks)	381000025535	Covers any unexpected and sudden material losses or damages resulting from any cause requiring repair or replacement of contract related works, in addition to construction tools, equipment and machines. This insurance policy provides protection for the entire construction period that is	Final approval	06/03/1438H (corresponding to 05/12/2016G)

			<p>followed by the maintenance works, in the event of any damages arising from maintenance works.</p> <p>Furthermore, it covers third party civil liability related to the following:</p> <ol style="list-style-type: none"> 1. Accidental physical injuries. 2. Accidental loss or damage to property. 3. Legal expenses related to defense in any private claims with the approval of the insured 		
3	Electronic Equipment Insurance	381000025547	Covers any losses or damages related to computers, laptops, digital cameras, video cameras and such the like, which result from any unexpected sudden material losses or damages due any cause other than the exceptions under the insurance policy.	Final approval	06/03/1438H (corresponding to 05/12/2016G)
4	Damage of Stocks in Cold Stores Insurance	381000025542	Covers losses and damages related to goods stored in cooling units due to failure of cooling units. This insurance coverage is offered in relation to failure of cooling units' machinery.	Final approval	06/03/1438H (corresponding to 05/12/2016G)
5	Installation All Risks Insurance (LM-7)	381000025548	<p>Covers any unexpected and sudden material losses or damages resulting from any cause requiring repair or replacement of works related to the contract, in addition to construction tools, equipment and machines. This insurance policy provides protection throughout the entire construction period that is followed by the maintenance works, in the event any damages arise as a result of maintenance works. Furthermore, this type of insurance covers the civil liability of the third party, which relates to:</p> <ol style="list-style-type: none"> 1. Accidental physical injuries. 2. Accidental loss or damage to property. 3. Legal expenses related to defense in any private claims with the approval of the insured 	Final approval	06/03/1438 (corresponding to 05/12/2016G)
6	Contractor's Installations and Machinery	381000025534	Covers all types of machinery, equipment and tools and the like in relation to any accidental damages that amount in total to the amount reported by the insured annually or during the contract validity period	Final approval	06/03/1438 (corresponding to 05/12/2016G)

Source: The Company

3.4.5 Marine Insurance

The following table shows the marine insurance products offered and marketed by the Company:

Table (7): Marine Insurance Products

#	Name of Product	Approval No.	Product Description	Type of Approval	Date of Approval
1	Marine Transportation Insurance	381000025561	This type of insurance covers the loss or damage to which the goods are exposed during sea, air or land transportation, whether within the Kingdom of Saudi Arabia, or those goods intended for export or import to and from the Kingdom of Saudi Arabia, or both. The Gulf General Cooperative Insurance Company provides goods insurance either on the basis of coverage of "all risks" or specific and named risks. The insurance is made either under the open policy or the single trip policy.	Final approval	06/03/1438H (corresponding to 05/12/2016G)
2	Land or Marine Transportation Insurance	381000025529	The policy covers the loss or damage to which the goods are exposed during carrying and transporting them by a Company specialized in transportation of goods, and which may result from fire, lightning strikes, explosion, collision, overturn or veer of transportation vehicle, collapse of bridges, or any similar accidents that the transport vehicle may be exposed to. Therefore, this document is suitable for transport of goods companies to cover their legal liabilities towards their clients, and which result from loss or damage that clients good are exposed to. The insurance coverage starts from the time the vehicle carrying the goods of the insured leaves the loading site and continues until the vehicle reaches its destination	Final approval	06/03/1438H (corresponding to 05/12/2016G)
3	Marine Vessels Hulls and Machinery Insurance	381000025532	The hulls marine insurance provides insurance coverage for the vessels and its machinery and indemnifies against loss or damage that vessels may be exposed to as a result of sea risks such as bad weather, collision and sinking	Final approval	06/03/1438H (corresponding to 05/12/2016G)
4	Yachts Risks Insurance	381000025531	Covers yachts, pleasure, and professional boats. The scope of coverage includes insurance on the hull of the boat (yacht) against fires, piracy, as well as other risks that it may be exposed to during sailing such as collision with a foreign body. Accordingly, the "yacht insurance" provides the necessary coverage and indemnification for the boat (yacht) owner.	Final approval	06/03/1438 (corresponding to 05/12/2016G)
5	Open Marine Transportation Insurance	381000025528	This type of insurance covers the loss or damage to which the goods are exposed during sea, air, or land transportation, whether within the Kingdom of Saudi	Final approval	06/03/1438 (corresponding to 05/12/2016G)

			Arabia, or those goods intended for export or import to and from the Kingdom of Saudi Arabia, or both. The Gulf General Cooperative Insurance Company provides goods insurance either on the basis of coverage of "all risks" or specific and named risks. The insurance is made either under the open policy or the single trip policy.		
6	Land Transportation Insurance	381000025517	covers the legal liability of the policy holder against any loss or damage of goods, which directly result or caused by fires, lightnings, explosion or overturn or a bridge collapse, including damages caused by water during the policy period	Final approval	06/03/1438 (corresponding to 05/12/2016G)

Source: The Company

3.4.6 Medical Insurance

The following table shows the medical insurance products offered and marketed by the Company:

Table (8): Medical Insurance Products

#	Name of Product	Approval No.	Product Description	Type of Approval	Date of Approval
1	Medical Insurance	729	Includes employees of companies, commercial institutions, individuals, and their direct family members and covers diseases and accidents suffered by the insured, within the limits and terms of the insurance policy	Final approval	06/03/1438H (corresponding to 05/12/2016G)

Source: The Company

3.5 Company Vision

The Company's Vision is to intensify its presence, increase its share in the Saudi market, maximize the returns of its shareholders, and focus in particular on achieving the highest returns on the long and medium terms. In order to achieve the anticipated goals, the Company focuses mainly on the following:

- Compliance with to regulatory guidelines.
- Effectiveness of operations.
- Ensuring that legal requirements are fulfilled at all times.
- Diversifying and restructuring the Company's portfolio in a manner that ensures profitability and availability of financial adequacy at all time.
- Focusing on attracting high-quality businesses, maintaining the Company's assets, and developing and motivating skilled labor force in order to achieve a stable and steady flow of revenues.
- The Company pledges to play a responsible role in relation to its obligations towards the society in terms of sponsoring community initiatives and developing Saudi labor force.
- Participation in the development and growth of the insurance sector in the Kingdom.

3.6 Company Mission

- The Company's commitment to its values and credibility.
- Investment in technology and developing the Company's labor force.
- Seeking for the best ways to provide insurance services and solutions that meet the customer's need.

3.7 Company Strategy

The Company's strategy is summarized in achieving stable and sustainable growth through the following:

- Permanent development of solutions and products that suit the aspirations of the market.
- Reaching the target clients' segments and facilitating their transactions.
- Building the internal capabilities such as labor force, information systems and internal procedures while maintaining the Company's financial resources.

3.8 Strengths and competitive advantages of the Company

The Company is distinguished from its competitors by virtue of the following:

- A wide array of integrated insurance solutions to fulfill clients' requirements.
- A well-established sales and distribution network.
- Experienced and skilled management and work team.
- A capital base compatible with the Company's objectives.
- Advanced information technology systems and applications.
- Arrangements with leading reinsurance companies.

3.9 Substantial Shareholders

The table below shows the direct ownership of substantial shareholders, as at the date of this Prospectus:

Table (9): Substantial Shareholders

Shareholder	Ownership	No. of Shares
Saudi General Insurance Company	15%	3,000,000
Gulf Specialized Investments Holding Company	15%	3,000,000
Al Insaf International Real Estate Development Company	5%	1,000,000

Source: Tadawul

3.9.1 Overview of Substantial Shareholders

- **Saudi General Insurance Company**

The Saudi General Insurance Company is a closed joint stock company in the Kingdom of Bahrain, established on 06/05/1413H (corresponding to 01/11/1992G), under Registration no. (28360), and its ownership is (15%) as at the date of this Prospectus. The structure of the ownership of the Saudi General Insurance Company is as follows:

Table (10): the ownership structure of the Saudi General Insurance Company:

#	Name	Ownership	No. of Shares
1	Abdulaziz Abdullah Al-Sulaiman	93.33%	56
2	Saud Abdulaziz Abdullah Al-Sulaiman	6.67%	4
Total		100%	60

Source: The Company

- **Gulf Specialized Investments Holding Company**

Gulf Specialized Investments Company is a limited liability company in the Kingdom of Bahrain, established on 15/01/1439H (corresponding to 10/05/2017G) under Registration no. (2-30793), and its ownership is (15%) as at the date of this Prospectus.

The ownership structure of the Gulf Specialized Investments Holding Company is as follows:

Table (11): The ownership structure of the Gulf Specialized Investments Holding Company

#	Name	Ownership	No. of Shares
1	The Commercial Company for Marketing Services and Agencies Ltd	99.80%	499
2	Jamal Abdullah Mohammed Al-Dabbagh	0.20%	1
Total		100%	500

Source: The Company

- **Al Insaf International Real Estate Development Company**

Al Insaf International Real Estate Development Company is a Saudi limited liability company with its head office located in the city of Jeddah. The Company was established on 28/03/1438H (corresponding to 27/12/2016G) under commercial registration no. (4030167638) and its ownership is (5%) as at the date of this Prospectus. The ownership structure of Al Insaf International Real Estate Development Company is as follows:

Table (12): Ownership structure of Al Insaf International Real Estate Development Company

#	Name	Ownership	No. of Shares
1	Jamal Abdullah Mohammed Al-Dabbagh	100%	500
Total		100%	500

Source: The Company

3.10 Company Branches

The Company provides and markets its various insurance products through its head office in the city of Jeddah, and its two branches in the city of Riyadh, and the city of Al-Khobar (for more information, please refer to sub-section (10.9) "Company Branches", of Section no. (10) "Legal Information" of this Prospectus). As at the date of this Prospectus, the Company is committed to the Cooperative Insurance Companies Control Law in terms of opening branches and points of sale. It has obtained the final approval of the Central Bank no. (40241/ m t/1614), dated 10/08/1432H (corresponding to 11/07/2011G) to open two branches for the Company. The details of the Company branches are as follows:

Table (13): Company branches

#	Register Name	City	Commercial Registration No.	Activity	Issue Date	Expiry Date
1	Gulf General Cooperative Insurance Co. Branch	Riyadh	1010316823	Protection Insurance, Medical Insurance, Motor Insurance, Property Insurance, Accident and Liability Insurance, Marine Insurance, Energy Insurance, Engineering Insurance, Risk and Damage Assessment, Inspection and Loss Assessment, Insurance Claims Settlement.	29/10/1432H (corresponding to 27/09/2011G)	29/10/1442H (corresponding to 10/06/2011G)
2	Gulf General Cooperative Insurance Co. Branch	Al-Khobar	2051046836	Protection Insurance, Medical Insurance, Motor Insurance, Property Insurance, Accident and Liability Insurance, Marine Insurance, Energy Insurance, Engineering Insurance, Risk and Damage Assessment, Inspection and Loss Assessment, Insurance Claims Settlement.	19/11/1432H (corresponding to 17/10/2011G)	19/11/1442H (corresponding to 29/06/2021G)

Source: The Company

3.11 Distribution of Company Revenues per Insurance Branches

The Company practices its activities under the Central Bank license no. (t m n/26/2013), dated 20/03/1440H (corresponding to 06/03/2010G). It practices the insurance activity in the two general insurance branches and medical insurance and the Company license was renewed for three years term on 19/03/1440H (corresponding to 27/11/2018G and will expire on 18/03/1443H (corresponding to 24/10/2021G). The details of the total written premiums of the Company for the fiscal years 2017G, 2018G and 2019G, and the six-months period which ended on 30 June 2020G, per the branches of insurance, are as follows:

Table (14): Distribution of Company revenues per Insurance branches:

Branches	2017 (SAR'000)	2018 (SAR'000)	2019 (SAR'000)	30/06/2020 (SA'000)
General Insurance	161,487	219,203	208,829	129,417
Medical Insurance	24,140	45,472	70,861	47,317
Total	185,627	264,675	279,690	176,734

Source: The Company

3.12 Distribution of Company Revenues per Geographical Area

The Company practices its insurance business by selling and marketing its various insurance products through its head office in the city of Jeddah, and its two branches in the city of Riyadh, and the city of Al-Khobar. The details of total written premiums of the Company for the fiscal years 2017G, 2018G, 2019G and the six months period which ended on 30 June 2020G, per the geographical area, are as follows:

Table (15): Distribution of Company revenues per geographical area

Area	2017 (SAR'000)	2018 (SAR'000)	2019 (SAR'000)	30/06/2020 (SA'000)
Western	149,234	211,572	208,550	126,989
Central	18,556	21,200	35,189	9,625
Eastern	17,837	31,903	35,951	40,120
Total	185,627	264,675	279,690	176,734

Source: The Company

3.13 Re-insurance

The Company deals with sixteen (16) reinsurance companies inside the Kingdom and abroad, aiming to cover part of the risks insured by the Company under the insurance operations it undertakes (for more information, please refer to subsection (10.10.4) "Re-insurance Agreements" of subsection (10.10) "Summary of Substantial Contracts" of Section (10) "Legal Information" of this Prospectus.)

The following table shows the re-insurance companies with which the Company deals:

Table (16): Reinsurance

#	Name of Re-Insurers	Country	Credit Rating	
			S&P	A.M. Best
1	Swiss Re	Switzerland	AA-	A+
2	Munich Re	Germany	AA-	A+
3	Hannover Re	Germany	AA-	A+
4	Hannover Re Tkaful	Bahrain	AA-	A+
5	Berkshire Hathaway	United States of America	AA+	A++
6	SCOR	France	AA-	A+
7	Partner Re	Ireland	A+	A+
8	R+V Versicherung AG	Germany	AA-	A
9	Helvetia Active Reinsurance	Switzerland	A	A+

10	Saudi Re	Kingdom of Saudi Arabia	BBB+	B++
11	Kuwait Re	Kuwait	-	A-
12	General Insurance Company Re	United Arabi Emirates	BB+	B++
13	Central Reinsurance Corporation	Taiwan	A	A
14	QBE Insurance Group Ltd	United Arab Emirates	A+	A
15	New Insurance Company Ltd	Switzerland	AA-	A+
16	CCR Re	France	AA	A+

Source: The Company

3.14 The companies in which the Company owns shares or stocks

Save as the investment in Najm Insurance Services Company, the General Cooperative Insurance Company has no other investments whether inside the Kingdom or abroad and has no affiliates.

- **Najm Insurance Services Company**

The General Cooperative Insurance Company owns (3.85%) in Najm Insurance Services Company, which is a Saudi closed joint stock company, under commercial registration no. (1010229751). The capital of the Company is fifty million (50,000,000) Saudi Riyals paid in full and is divided into five million and eight ordinary shares, with a nominal value of ten (10) Saudi Riyals pers share. The details of the Company ownership in Najm Insurance Services Company are as follows:

Table (17): Company ownership in Najm Insurance Services Company

Company	Ownership (%)	No. of Shares	Nominal Value of Shares (SAR)
Najm Insurance Services Company	3.85%	192.500	1,925,003

Source: The Company

3.15 Disruption of Business

There was no disruption in the Company's business that may impact or has significantly impacted the financial condition during the last twelve (12) months.

3.16 16.3 Employees and Saudization

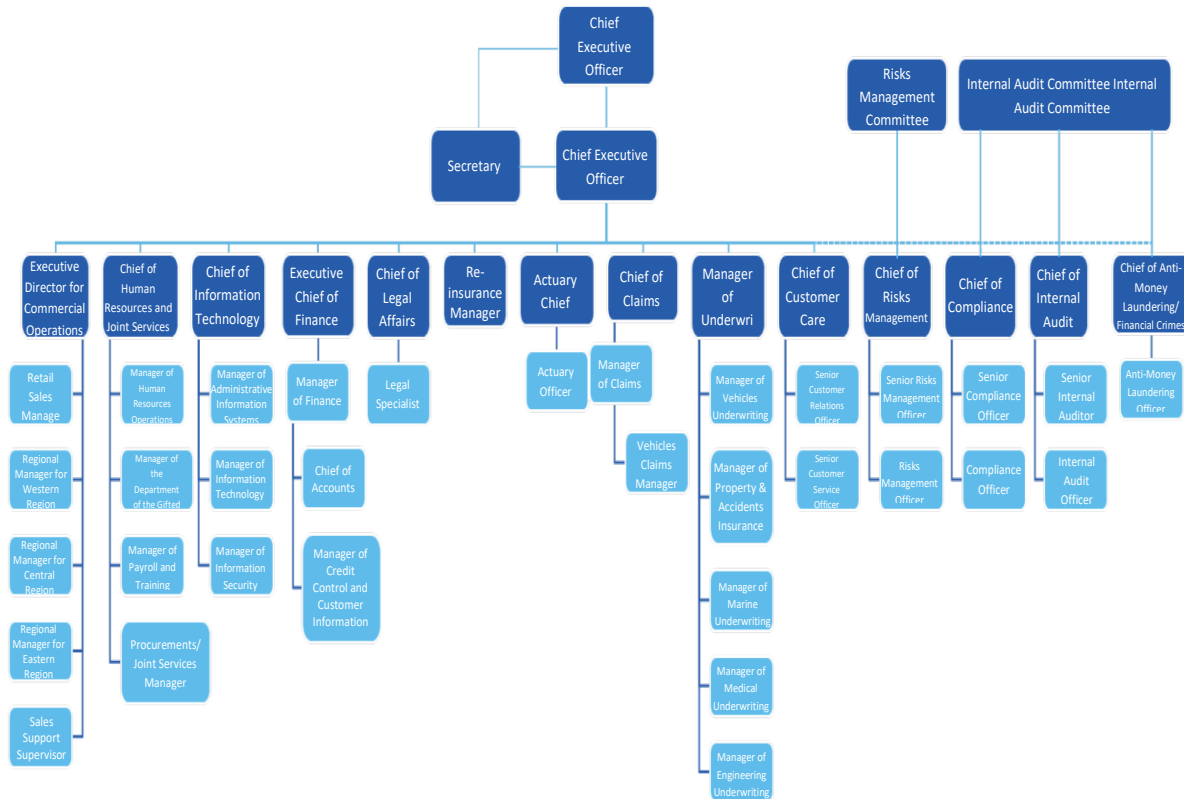
As at the date of this Prospectus, the number of Company employees reached (200) employees, including (155) Saudi employees and (45) non-Saudi employees. Per Nitaqat program issued by the Ministry of Human Resources and Social Development, the nationalization rate as at the date of this Prospectus was around (77.45%). The Company is classified in the "Medium Platinum Nitaq - Class (B)".

4 The Company Organizational Structure

4.1 The Organizational Structure

The following figure shows the organizational structure of Company:

Figuree (1): Company's Organization Structure



Source: The Company

4.2 Board of Directors

The following table shows the Company board of directors:

Table (18): Company's Board of Directors

Board Members								
Company board of directors appointed on 25/10/1441H (corresponding to 17/02/2019G*								
Name	Post	Type of Membership ****	Nationality	Age	Owned Shares			
					Direct		Indirect***	
					Number	Percentage	Number	Percentage
Jamal Abdullah Mohammed Al-Dabbagh **	Chairman	Non-independent Non-executive	Saudi	61	1,000	0.005%	1,006,000	5.0300%
Saud Abdulaziz Abdullah Al-Sulaiman**	Deputy Chairman	Non-independent Non-executive	Saudi	60	1,000	0.005%	200,100	1.0005%
Mohammed Hosnee Abdullatif Jazeel	Member	Non-independent Non-executive	Sri Lankan	60	1,000	0.005%	-	-
Taher Mohammed Omar Ishaq Ageeel	Member	Independent Non-executive	Saudi	63	1,000	0.005%	-	-
Mohammad Zaher Salah Eddin Al-Munajjed	Member	Independent Non-executive	Saudi	66	1,000	0.005%	-	-
Jawdat Mousa Jawdat Al Halabi	Member	Independent Non-executive	Saudi	60	1,000	0.005%	-	-
Faisal bin Adnan Saad eddin Baasiri	Member	Independent Non-executive	Saudi	48	-	-	-	-
Majed Diaa Eddin Fadel Kareem	Member	Independent Non-executive	Saudi	53	1,000	0.005%	-	-
Karim Ziad Hamdi Edlbi	Member	Independent Non-executive	British	42	-	-	-	-

Source: The Company

* The Company's Ordinary General Assembly, in its meeting held on 09/06/1440H (corresponding to 14/02/2019G), approved the election of the above-mentioned board members for the current session, which began on 12/06/1440H (corresponding to 17/02/2019G) for three Years term ending on 15/07/1443H (corresponding to 16/02/2022G).

** The Company Board of Directors, in its meeting held on 20/06/1441H (corresponding to 25/02/2019G) decided to appoint Mr. Jamal Abdullah Mohammed Al-Dabbagh as Chairman of the board of directors, and to appoint Mr. Saud Abdulaziz Abdullah Al-Sulaiman as Deputy Chairman of the board. The Company obtained the Central Bank's no objection on 27/08/1440H (corresponding to 05/02/2019G).

*** The indirect ownership of the Chairman of the Board of Directors, Mr. Jamal Abdullah Mohammed Ali Al-Dabbagh results from his ownership of (0.20%) in the Gulf Specialized Investments Holding Company, which owns (15%) of the Gulf General Cooperative Insurance Company, and he has an ownership of (100%) in Al-Insaf International Real Estate Development Company, which owns (5%) of the Gulf General Cooperative Insurance Company. The indirect ownership of the Deputy Chairman, Mr. Saud Abdulaziz Abdullah Al-Sulaiman, results from his ownership of (6.67%) in the Saudi General Insurance Company, which owns (15%) of the Gulf General Cooperative Insurance Company.

**** Per the Corporate Governance Regulations, a board member has the capacity of "executive member" when he is a member of the executive management of the Company, participates in the day-to-day management of Company business or receives a salary therefrom in return.

- The "Non-Executive member," is a member of the Board of Directors and he is not working on full time basis to manage the Company or does not receive a salary therefrom save as the board and committees membership remuneration.
- The independent member is a non-executive board member who is completely independent in his post and decisions, and none of the independence provisions stipulated as below shall apply to him:
 - a. An owner or has interest in five percent or more of the Company's shares or another Company of its group, or he is a relative of a party owning this percentage.

- b. A representative of a legal person owning five percent or more of the Company's shares or another Company of its group.
- c. A senior executive during the past two years in the Company or in another Company of its group.
- d. A relative to any of the Company board members or in another Company of its group.
- e. A relative to any of the Company senior executives or in another Company of its group.
- f. A relative to any of the Company's advisors.
- g. A member of the board of directors of another Company in the group, and he is nominated for the membership of its board of directors.
- h. He works or has worked in the past two years as an employee of the Company or any party dealing with it or for another Company of its group, such as certified accountants and major suppliers, or he is the owner of controlling shares in any of those parties during the past two years.
- i. He has a direct or indirect interest in the business and contracts that are made for account of the Company.
- j. He receives amounts of money from the Company in addition to the remuneration of the board membership or any of its committees that exceed two hundred thousand (200,000) Saudi Riyals or 50% of his remuneration in the previous year, against board membership or any of its committees, whichever is less.
- k. He spent more than nine continuous or separate years as a Company board member (which became mandatory starting from the session of the board of the joint stock listed Company that take place after 01/01/2019G).
- l. He participates in a business that would compete with the Company or he trades in one of the branches of the activity practiced by the Company.

4.3 Company Committees

The description of the Company committees, their responsibilities, and the current members of each committee is as follows:

4.3.1 Audit Committee

The Company's ordinary general assembly, in its meeting held on 09/06/1440H (corresponding to 14/02/2019G), approved the formation of the Audit Committee, determining its tasks, work controls, and remuneration for its members for the current session, which started on 12/06/1440H (corresponding to 17/02/2019G), for three years term that will expire by the end of the current session of the board on 25/07/1444H (corresponding to 16/02/2023G). The Chairman of the Audit Committee was appointed following the board approval in its meeting held on 20/06/1440H (corresponding to 25/02/2019G). The Company obtained the no objection of the Central Bank of Saudi Arabia on 27/08/1440H (corresponding to 05/02/2019G). The members of the Audit Committee are as follows:

Table (19): Members of the Audit Committee

Name	Position
Jawdat Mousa Jawdat Al-Halabi	Chairman
Mohammed Hassan Baker Dagestani	Member
Faisal Rashed Farooqi	Member
Khaled Abdulaziz Sulaiman Al-Hoshan	Member

Source: The Company

Summary of the Tasks and Responsibilities of the Audit Committee

- ✓ Supervising the Company's internal audit committee, in order to verify the extent of its effectiveness in carrying out the works and tasks assigned to it by the board.

- ✓ Studying the internal committee system and preparing a written report of its opinion and recommendations thereto
- ✓ Studying the internal audit reports and following-up the implementation of corrective actions of the remarks stated therein.
- ✓ Recommending to the board the appointment of certified accountants, terminating them and determining their fees, taking into account that their independence shall be verified when appointment is recommended.
- ✓ Following- up the work of certified accountants and approving any work outside the scope of the audit works entrusted to them while performing audits.
- ✓ Reviewing the audit plan with the certified accountant and stating its remarks thereon.
- ✓ Studying the remarks of the certified accountant on the financial statements and following-up on the measures taken thereon.
- ✓ Examining the interim and annual financial statements before submitting them to the board and expressing opinion thereon.
- ✓ Reviewing the accounting policies adopted and express opinion and recommendation thereon to the board.

2.3.4. Nominations and Remunerations Committee

The Company's board in its meeting held on 20/06/1440H (corresponding to 25/02/2019G) decided to form the Nominations and Remunerations Committee, determine its duties, work controls and the remuneration of its members for the current session, which started on 12/06/1440H (corresponding to 17/02/2019G) for three years term that will expire by the end of the current session of the board on 25/7/1444H (corresponding to 16/02/2023G). The members of the Nominations and Remunerations Committee are as follows:

Table (20): Members of Nominations and Remunerations Committee

Name	Position
Faisal Adnan Saad Eddin Baasiri	Chairman
Jamal Abdullah Mohammed Al-Dabbagh	Member
Mohammad Zaher Salah Eddin Al-Munajjed	Member
Kareem Zeyad Hamdi Adlebi	Member

Source: The Company

Tasks and Responsibilities of the Nominations and Remunerations Committee

- ✓ Submitting recommendations to the board on the nomination to board membership, in accordance with the approved policies and criteria, taking into account that any person previously convicted of a crime affecting honesty and integrity shall not be nominated.
- ✓ Conducting annual review of the required needs of appropriate skills for board membership, preparing of a description of the decisions and qualifications required for board membership, including specifying the time that the member must dedicate to the works of the board.
- ✓ Reviewing board structure and submit recommendations in regards the changes that can be made.
- ✓ Identifying strengths and weaknesses of the board and submitting suggestions to address them in conformity with the Company's interest.
- ✓ Ensuring annually that board members are independent, and that there is no conflict of interest if the member is a board member of another company.
- ✓ Developing clear policies for the compensations and remunerations of board members and senior executives, taking into account the application of performance-related criteria.

4.3.3 The Executive Committee

The Company board of directors, in its meeting held on 20/06/1440H (corresponding to 25/02/2019G), decided to form the Executive Committee, determine its tasks, work controls and the remuneration of its members for the current session, which started on 12/06/1440H (corresponding to 17/02/2019G) for three years term that will expire by the end of the current board session on 25/07/1444H (corresponding to 16/02/2023G). The members of the Executive Committee are as follows:

Table (21): Members of the Executive Committee

Name	Capacity
Jamal Abdullah Mohammed Al-Dabbagh	Chairman
Saud Abdulaziz Abdullah Al -Sulaiman	Member
Mohammed Hosnee Abdullatif Jazeel	Member
Taher Mohammed Omar Ishaq Agueel	Member

Source: The Company

Tasks and Responsibilities of the Executive Committee

- ✓ Submitting recommendations to the board on strategic and operational plans, budgets and business plans developed by the management.
- ✓ Taking decisions with respect to issues entrusted to the committee by the board, and which are not included in the scope of the authorities of the Company chief executive officer.
- ✓ Taking decisions related to capital expenditures and procurements, within the limits stipulated to the committee by the board.

4.3.4 Investment Committee

The Company board of directors, in its meeting held on 20/06/1440H (corresponding to 25/02/2019G), decided to form the Investment Committee, determine its tasks, work controls and the remuneration of its members for the current session, which started on 12/06/1440H (corresponding to 17/02/2019G) for three years term that will expire by the end of the current board session on 25/07/1444H (corresponding to 16/02/2023G). The members of the Investment Committee are as follows:

Table (22): Members of the Investment Committee

Name	Capacity
Saud Abdulaziz Abdullah Al -Sulaiman	Chairman
Majed Diaa Eddin Kareem	Member
Taher Mohammed Omar Ishaq Agueel	Member
Ehab Yousef Mohammed Linjawi	Member

Source: The Company

Tasks and Responsibilities of the Investment Committee

- ✓ Determining company investment objectives and policies, and submitting recommendations to the board in this regard, including risks tolerance levels and diversity of investment operations.
- ✓ Generally overseeing the performance of investment operations, including evaluating investment results to determine the success of investment strategies and ensuring compliance with the investments policies of the Company.
- ✓ Other issues related to investment as maybe necessary to manage investments and achieve the Company's interest.

4.3.5 Risks Management Committee

The Company board of directors, in its meeting held on 20/06/1440H (corresponding to 25/02/2019G), decided to form the Risks Management Committee, determine its tasks, work controls and the remuneration of its members for the current session, which

started on 12/06/1440H (corresponding to 17/02/2019G) for three years term that will expire by the end of the current board session on 25/07/1444H (corresponding to 16/02/2023G). The members of the Risks Management Committee are as follows:

Table (23): Members of the Risks Management Committee

Name	Capacity
Majed Diaa Eddin Kareem	Chairman
Mohammed Hosnee Abdullatif Jazeel	Member
Faisal Adnan Saad eddin Baasiri	Member
Ehab Yousef Mohammed Linjawi	Member

Source: The Company

Tasks and Responsibilities of the Risks Management Committee

- ✓ Identifying risks which the Company is exposed to and maintaining an acceptable level of risks at the Company.
- ✓ Overseeing the Company's risks management system and assessing its efficiency.
- ✓ Developing a comprehensive strategy for the risks management, following up its implementation, and reviewing and updating the said strategy based on the Company's internal and external variables.
- ✓ Reviewing the risks management policies.
- ✓ Re-assessing regularly the Company's ability in relation to risks tolerance and exposure.
- ✓ Submitting detailed reports to the board on exposure to risks and measures suggested to manage these risks.
- ✓ Submitting recommendations to the board regarding the risks-management related issues.

4.4 Executive Management

The following table shows the details of the Executive Management of the Company

Table (24): Company's Executive Management

Name	Post	Nationality	Age	Date of Appointment	Owned Shares			
					Direct		Indirect***	
					Number	Percentage	Number	Percentage
Ehab Yousef Mohammed Linjawi	Chief executive Officer	Saudi	51	02/02/2017G	1,000	0.005%	-	-
Moataz Abdulaziz Masoodi	Head of Anti-Money Laundering and Financial Crimes	Saudi	33	10/06/2020G	-	-	-	-
Nathar Qacderi Abdulhai	Head of Internal Audit	Afghani	35	02/07/2017G	-	-	-	-
Abdullah Sami Maqbool	Head of Compliance	Saudi	37	23/07/2017G	-	-	-	-
Vacant *	Chief Risks Officer	-	-	-	-	-	-	-
Ali Abdulaziz Abdulaal	Head of Customer Care	Saudi	34	06/05/2017G	-	-	-	-
Bader Mohammed Abdulaziz Al Shoshan	Head of Underwriting	Saudi	47	13/01/2019G	-	-	-	-
Saeed Mohammed Al Gamed	Head of Claims	Saudi	51	04/04/2017G	-	-	-	-
Vacant	Actuary Chief	-	-	-	-	-	-	-
Abdullah Yousef Al Sherbini	Reinsurance Manager	Saudi	29	20/02/2020G	-	-	-	-

Wael Othman Al Sobea	Head of Legal Affairs	Saudi	46	30/01/2011G	-	-	-	-
Mohammed Azmi Anwariddin	Chief Financial Officer	Sri Lankan	56	01/08/2010G	-	-	-	-
Majed Adnan Khoderi	Head of Information Technology	Saudi	45	01/07/2019G	-	-	-	-
Abdullah Mohammed Sulaiman Al Joher	Director of Human Resources and Joint Services	Saudi	43	24/06/2018G	-	-	-	-
Mohammed Abdullah Mohammed Al Sedairy	Chief Commercial Officer	Saudi	40	08/04/2017G	-	-	-	-

Source: The Company

- The Chief of Risks Management submitted his resignation on 06/10/1441H (corresponding to 18/06/2020G). The Company addressed a letter to the Saudi Central Bank to appoint a Chief of Risks Management. As at the date of this Prospectus, the Company has not obtained the no objection of the Saudi Central Bank (for more information, please refer to section (2.1.18) "Risks related to some important vacant posts in the Company" (2) "Risks Factors" of this Prospectus.

4.5 Compensations and Remunerations of Board Members and Senior Executives

The Nominations and Remunerations Committee is responsible for proposing the compensations and remunerations of board members and senior executives. The following table shows the salaries, remunerations and allowances which were received by board members and the five top executives during the past three years:

Table (25): Compensations and Remunerations of Board Members and Senior Executives

In Saudi Riyals	Fiscal year ended on 31 December 2017G	Fiscal year ended on 31 December 2018G	Fiscal year ended on 31 December 20179G
Board Members	1,826,740	1,600,000,000	1,774,247
Top Five Senior Executives	4,146,945	4,267,458	4,232,220
Total	5,973,685	5,867,458	6,006,467

Source: The Company

5 Employees

5.1 Employees' stock programs existing prior to filing the application for registration and offering the securities under this Prospectus

As of the date of this Prospectus, the Company does not have any share allocation programs for its employees.

5.2 Arrangements for Employees participation in the capital

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

6 Financial Information and Discussion of the Management Analysis

6.1 Introduction

The following discussion and analysis of the financial condition and the results of operations is based on the Company's audited financial statements for the financial years ending on December 31, 2017G and 2018G, and the notes enclosed thereto, which have been reviewed and audited by Al-Sayed El-Ayouty and Co. (Certified Public Auditors) and Ahmad Tayseer Ibrahim and Partners for Audits, Zakat and Tax and consulting, and the Company's audited financial statements for the fiscal year ending on December 31, 2019G and the accompanying notes, which were reviewed and audited by Mr. Al-Sayed El-Ayouty and Co. (Certified Public Auditors) and Al Bassam & Co. In addition to the condensed (non-audited) initial financial statements for the six months ending on June 30, 2020G and the accompanying notes, prepared by Al Bassam & Co. and KPMG Al Fozan & Partners Company, certified public and Auditors.

Neither Al-Sayed El-Ayouty and Co. (Certified Public Auditors), Ahmad Tayseer Ibrahim and Partners for Audits, Zakat and Tax and consulting, Al Bassam & Co. and KPMG Al Fozan & Partners Company, nor any of their subsidiaries or sister companies have any stake or interest of any kind in the Company. They have given their written consents and have withdrawn them with regard to the publication of their names, logos and statements in this Prospectus as the Company's auditor for the above mentioned years.

The Company's audited financial statements for the financial years ended December 31, 2017G and 2018G were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other issues approved by the Saudi Organization for the Certified Public Accountants (SOCPA), amended by the Central Bank for Zakat and Income Tax Accounting, where the amendment requires the application of all International Financial Reporting Standards (IFRS) issued by the International Council of International Standards except for the International Accounting Standard 12 "Income Tax" and "The Interpretation of the Interpretations Committee No. 21 "Taxes" for their association with Zakat and income tax, where according to the Central Bank Circular No. (381000074519) issued on 14/07/1438 H (corresponding to 11/04/2017G) and the subsequent amendments with regard to Zakat and income tax accounting, Zakat and income tax are due on a quarterly basis through the shareholders' equity in the retained profits.

The Company's audited financial statements for the fiscal year ended on December 31, 2019G, as well as the condensed (unaudited) interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in Kingdom of Saudi Arabia and other issues approved by the Saudi Organization for Certified Public Accountants (SOCPA), amended by the Central Bank for Zakat and Income Tax Accounting based on the instructions issued by the Central Bank on 20/11/1440H (23/07/2019G) which stipulated the update of accounting policies for the accounting processing of Zakat and income tax in the income statement. The Company has adjusted the impact retroactively in line with the International Financial Reporting Standards (IFRS).

This section may include forward-looking statements related to the Company's prospects based on the Management's current plans and expectations regarding the Company's growth, results of operations and financial conditions, which may involve uncertain risks and expectations. The Company's actual results may also differ significantly from those expectations as a result of multiple future factors and events including those discussed in this section of the Prospectus or elsewhere, particularly those contained in section (2) "Risk Factors".

All financial information contained in this section for the fiscal year ended on December 31, 2017G was extracted as is from the audited financial statements for the fiscal year ended on December 31, 2018G, and the financial information for the year ended 2018G was extracted as is from the audited financial statements for the fiscal year ended on December 31, 2019G.

All financial information contained in this section is displayed in Saudi Riyals unless stated otherwise. The amounts were rounded up to the nearest whole number. As such, in case the figures in the tables were added up, the total might not correspond to the

totals listed in those tables. It should also be noted that all annual growth rates, profit margins, costs and compound annual growth rates were calculated based on the figures rounded up in the tables below.

6.2 Directors' Declarations for Financial Statements

The Board of Directors declares that:

1. All substantive facts relating to the Company and its financial performance have been disclosed in this Prospectus, and that there is no information, documents or other facts that, if not omitted, the statements contained in this Prospectus will become misleading.
2. The financial information contained in this Prospectus has been extracted from the Company's audited financial statements for the financial years ended on December 31, 2017G, 2018G and 2019G, in addition to the summary (unaudited) financial statements for the six months ended on June 30, 2020G and their accompanying clarifications without any substantial modification, and that they contain financial information provided on a consolidated basis in a format that is consistent accordance with the financial statements approved by the Company annually in accordance with the International Financial Reporting Standards (IFRS).
3. That the Company has inflicted losses during the past three years ended on December 31, 2017G, 2018G and 2019G in addition to the six-month period ended on June 30, 2020G, except for what was disclosed in this Prospectus in relation to accumulated losses (please refer to risk No. 2.1.2) "Accumulated Loss Risk" of Section (2) "Risk Factors" of this Prospectus). There has been no substantial negative change in the Company's financial and commercial position during the three financial years ended on December 31, 2017G, 2018G and 2019G which immediately preceded the application date for issuance of priority rights shares in addition to the end of the period covered by the Chartered Accountant Report until the prospectus is approved.
4. That the Company has sufficient operating capital for at least the 12 month period immediately following the issuance date of this Prospectus.
5. The Company does not have any other loans or debts, including overdrafts from bank accounts. They also acknowledge that there are no guarantee obligations, including personal guarantee, or those not covered by a personal guarantee, guaranteed or unsecured by a mortgage), acceptance obligations, acceptance credit, lease purchase obligations, or any issued debt instruments, an approved list or debt instruments but not issued, or term loans, and that the Company has no forward loans coupled with personal guarantees.
6. As far as they know, there are no mortgages, rights, or any burdens or costs on the Company's property as in the date of this Prospectus.
7. No commissions, discounts, brokerage fees or non-cash compensation have been awarded by the Company to any board members, senior executives, securities offerings or experts during the three years immediately preceding the date of the application for the issuance of priority rights subject to this Prospectus.
8. That the Company does not have any holdings in contractual securities or other assets whose value is subject to volatility or whose value is difficult to ascertain, which greatly affects the valuation of the financial position.
9. The Company does not have any potential liabilities, guarantees or any significant fixed assets intended to be purchased or leased, except for what has been disclosed in the subsection (8.6) "potential obligations" of this section.
10. The Company's capital is not subject to the right of choice as in the date of this Prospectus.
11. The Company is not aware of any seasonal or activity-related economic factors that may have an impact on the Company's business and financial situation except as disclosed in section (2) "risk factors" of this Prospectus.

12. The Company has no information on any government, economic, financial, monetary, political policies or other factors that have substantially affected or may affect (directly or indirectly) the Company's operations except as disclosed in section (2) "risk factors" of this Prospectus.

6.3 Important Accounting Policies

Basis of Presentation and Measurement

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia, as well as the standards and other publications issued by the Saudi Organization for the Certified Public Accountants (SOCPA).

The Company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as approved in the Kingdom of Saudi Arabia. The Company has updated the accounting policy for Zakat and Income tax in the income statement on the basis of instructions issued by the Central Bank on 20/11/1440 H (23/07/2019G) to insurance companies in the kingdom of Saudi Arabia in line with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia.

consequently, the Company has changed the accounting processing of Zakat and income tax to adjust the impact retroactively for the fiscal year ended on December 31, 2018G in line with the Accounting Standard (8) IAS 8 — "Accounting Policies, Changes in Accounting Estimates and Errors".

The financial statements are prepared on the basis of the principle of continuity and the principle of historical cost except for measuring the fair value of investments available for sale through the income statement, and the employee benefit obligations measured in the current value of future liabilities using the additional unit method of estimation. The Company's financial statements are not listed as a traded/non-traded method. Therefore, the following balances can be classified as trading: Cash and cash equivalents, investments in (Murabaha) deposits, net receivable insurance premiums, amounts due from the reinsurers - net, reinsurer commission in unearned premiums, costs of deferred insurance policies, deferred surplus of Insurance policy losses, prepaid expenses and other assets, amounts due to policyholders, reinsurers and insurance brokers, accrued expenses, unearned insurance premiums, reinsurance commission, existing claims and unreported accrued claims, provision for deficit insurance premiums, other technical reserves and due Zakat.

The Company offers its statement of financial position extensively for liquidity. In accordance with the requirements of the Kingdom of Saudi Arabia's insurance regulations, the Company maintains separate accounts for the insurance and shareholder operations and offers financial statements accordingly. The physical acquisition of all assets related to insurance and shareholder operations is carried out in the name of the Company. Assets, liabilities, income and expenses related to each activity are recorded in their accounts. The basis for the distribution of joint operations expenses is determined by the management and the board of directors.

The Company's financial statements were prepared in the year ended on December 31, 2018G, in accordance with International Financial Reporting Standards (IFRS) and were amended by the Central Bank for Zakat accounting and income tax (related to the application of IAS No. 12 - "Income Taxes" and the International Financial Reporting Standards (IFRS), No. 21 - "Tax" so far in relation to Zakat and income tax).

The accounting policies used to prepare the financial statements for the fiscal year ended on December 31, 2019G are in line with those used in the preparation of the Company's annual financial statements for the year ended on December 31, 2018G, unless otherwise stated.

✓ **Significant Accounting Estimates and Judgements**

The preparation of financial statements requires the management to use judgements, estimates and assumptions that affect the declared amounts of assets, liabilities and disclosures related to potential assets and liabilities in the history of financial statements. Although these estimates and judgments were based on the best available information and previous management experience, actual results may differ from these estimates. Estimates and judgements are assessed in a continuous manner and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the significant accounting estimates and judgements used in the preparation of these financial statements:

- **Final liability arising from claims submitted under insurance contracts**

The final estimate of the obligation resulting from claims under insurance contracts is the most significant accounting estimate for the Company. There are several sources of uncertainty that need to be considered in assessing the final commitment the Company will pay for these claims. Estimates are made at the end of the fiscal year for the expected final cost of reported claims and for the expected final cost of accrued but unreported claims. The obligations of the claims reported but unpaid are estimated using the results of the estimates for individual cases reported to the Company. At the end of each year report, claims estimate for the previous year are reassessed to ensure their suitability and changes are made to the provision. These estimates are necessarily based on important assumptions on several factors that include varying, and possibly significant, degrees of estimation and uncertainty, and actual results may differ from management estimates leading to future changes in estimated liabilities. Claims requiring court decisions or arbitration are assessed individually. Independent loss settlement experts usually assess property claims. The Management reviews its provisions for claims incurred monthly and claims incurred but not reported on a quarterly basis. The provision for the outstanding claims is verified, on December 31, by an independent actuarial expert.

The provision for claims incurred but not reported is an estimate of claims that are expected to be reported after the date of the statement of financial position, wherein the insured event occurred prior to the date of the statement of financial position. The management's basic technique to estimate the cost of reported and accrued but unreported claims in the use of prior claims settlement trends to predict future claims settlement trends. The obligation is calculated on the date of the report using a set of standard actuarial claim projection techniques, based on current experimental data and assumptions that may include a margin for adverse deviation. On the date of each report, the previous year's claim estimates are reassessed to ensure that they are sufficient and changes are made to the provision. These provisions are not deducted for the time value of the money. The management's primary method of estimating the cost of reported and unreported claims is to use previous claims settlement trends to predict future claims settlement trends. Actuaries use a range of methods, such as the chain ladder method, the Ferguson Bornhoter method and the projected loss rate method to determine these provisions. The actuarial expert also uses a retail approach, including cost-per-member analysis per year for the medical sector. These methods are based on a number of explicit or implied assumptions related to the expected settlement value and claims settlement patterns.

- **Impairment of Financial Assets**

The Company determines that the financial assets have been depreciated when there is a significant or persistent decline in the fair value of financial assets for less than their cost. Determining what is important or long-term requires the use of judgment and discretion. A period of 12 months or more is considered long-term and a reduction of 30% of the original cost is substantial in accordance with the Company's policy. When making this judgment, the Company evaluates, among other factors, the normal fluctuations in the share price, the financial health of the invested Company, the performance of industry and sector, changes in technology and operating and financing cash flows.

- **Decline of insurance and indebted reinsurance premiums**

The reduced value of the insurance premiums and the reinsurance of the debtor are formed when there is an objective evidence that the Company will not be able to collect all outstanding amounts in accordance with the original terms of the debtors. Important financial difficulties for the debtor, the possibility that the debtor may go into bankruptcy or financial reorganization, and the inability to pay or default are indications that the debts (receivables) have depreciated.

The Company is exposed to disputes and the possibility of default with the reinsurer. On a quarterly basis, the Company monitors the development of disputes and the strength of reinsurers.

- **Deferred insurance policy costs**

The acquisition cost of the sale of new documents is recognized as deferred acquisition costs and are consumed in the income statement over the period covered by the policy. If the assumption of future profitability of that policy is not realized, the accelerated consumption method is used and may require exclusion through the income list.

- **Estimated ages of intangible property, equipment and assets**

The Company's management determines the estimated production age of its property, equipment and intangible assets for accounting of depreciation / amortization. These estimates are determined after considering the expected use of assets or physical corrosion. The management estimates the remaining value and production ages annually. The value of consumption/ amortization is adjusted when the management considers that production ages differ from previous estimates.

- **Goodwill**

Goodwill represents the amount paid by the Company in excess of the net fair value of the identifiable assets and liabilities acquired by Gulf Specialized Investments Holding Company, and Saudi General Cooperative Insurance Company. Goodwill is later recognized by cost after deducting impairment losses. The book value of goodwill is audited annually to determine whether there is any objective indicator of depreciation, unless there is a change in circumstances during the year indicating a decrease in the book value which requires the valuation of goodwill during the year.

The decline in value is determined by reviewing the recoverable value of the cash generating unit, and the acquisition that has led to goodwill. The recoverable value of operations is determined based on its value in use. The underlying assumptions used are the discount rate for future cash flows estimated by the Company. When the recoverable amount is less than the book value, a loss of value is demonstrated in the income statement. These calculations require the use of estimates.

- **Insurance premium deficit reserve**

The assessment of the premium deficit reserve is linked to a number of assumptions regarding future events and circumstances. It depends upon the expected loss ratio of the unfinished part of the policy (document) risk. To reach an estimate of the expected loss ratio, the Company's actuarial expert and independent actuarial expert take into account the relationship of claims and premiums that are expected to be applied on a month-to-month basis, and to ascertain at the end of the fiscal year whether there is a need to form a premium deficit reserve.

- **Fair value of financial instruments**

The fair value of financial instruments traded in active markets at the date of the report is based on the market price offered. The fair value of financial instruments where there is no active market or when the prices offered are not available are determined otherwise using valuation methods. In these cases, fair values are estimated from the observed data regarding similar financial instruments or by using forms. In the absence of observable input in the market, it is estimated based on appropriate assumptions. When evaluation methods (for example, forms) are used to determine fair values, they are periodically validated and audited by

qualified individuals who are independent of their appointees. All forms are supported before use, and forms are calibrated to ensure that outputs reflect actual data and comparable market prices. To the practical extent, forms use observable data only. However, areas such as credit risk (special credit risks and corresponding risk), fluctuations and correlations require estimates by management.

- **Employee benefit obligations**

Employee benefit obligations are determined by an independent actuarial expert using the additional unit method of estimating in accordance with international standard 19 "employee benefits". The current value of employee benefit obligations is determined using discounted cash flows using the interest rate of the SAR-estimated debt instruments, with a maturity period that approximately matches those obligations.

The current value of employee benefit obligations depends on several factors determined by the actuarial expert using assumptions such as the discount rate, the expected increase in salaries, the turnover of employees, etc. These assumptions are subject to important expectations due to their length period and are audited when the annual financial statements are issued.

Significant Accounting Policies

The significant accounting policies applied in the preparation of financial statements are summarized below. These policies have been applied continuously to each of the years presented except for the adoption of amendments to the current standards listed below, which did not have any material impact on these financial statements between 2016G and the nine-month period ending on June 30, 2020G. It is expected to have little impact in the coming years.

- **International Financial Reporting Standards (IFRS) and the new and amended interpretations applied by the Company for the year ended on December 31, 2018G.**

The Company has approved the following amendments for the fiscal year ended on December 31, 2018G and audited the existing standards issued by the International Accounting Standards Board:

Standard/Modifications	Description
International Financial Reporting Standard No. 2	Amendments to International Financial Reporting Standard No. 2 to classify and measure the transactions of payments shown on the basis of shares.
Interpretation of the Interpretation Committee No. 22	Foreign currency transactions and pre-considerations
International Accounting Standard No. 40	Adjustments to accounting standard 40 Investment Property transfer
International Financial Reporting Standard No. 15	Revenue from contracts with customers (shown below)
International Financial Reporting Standard No 1 and International Accounting Standard No. 28	Annual improvements from 2016G to International Financial Reporting Standards (IFRS) 2014G-2016G

- **International Financial Reporting Standard No. 15 - Revenue from contracts with customers**

The International Financial Report Standard No. 15 sets out a comprehensive consolidated accounting form for revenues from contracts with customers and supercedes the current revenue guidance, which currently exists in many standards and interpretations within the International Financial Reporting Standards. Nonetheless, the International Financial Report Standard No. 15 does not apply to "revenues from insurance contracts". However, facilities will need to apply the International Financial

Report Standard No. 15 to non-insurance contracts (or components of insurance contracts). Therefore, insurance facilities will need to carefully assess the scope of this standard.

The International Financial Report Standard (15) has developed a new five-step model that will be applied to revenues arising from contracts with customers. Under the International Financial Report Standard (15), revenues are proven in an amount that reflects the expected value of the transfer of goods or services to the customer.

Although there were changes in the accounting policy, management assessed and concluded that there was no substantial impact on the amounts reported when transitioning to International Financial Report Standard (15) on January 1, 2018G.

The application of new standards, amended standards and standards that have not come into effect associated with the Company does not have a substantial impact on these financial statements.

- **International Financial Report Standard and new and amended interpretations, issued but not yet applied until 2018G.**

The following are the standards issued but did not take effect until December 31, 2018G. The list below includes a list of outgoing standards and interpretations that the Company reasonably expects to apply in the future. The Company intends to apply these standards when they take effect.

Standard/Modifications	Statement	Actual effective date
International Financial Reporting Standard No. 9	Financial instruments (note below)	For periods that start in or after the date below
International Financial Reporting Standard No. 16	Leases	Note below
Interpretation of The Interpretation Committee No. 23	About income tax treatments	January 1, 2019G
International Financial Reporting Standard No. 17	Insurance contracts (note below)	January 1, 2019G

- **International Financial Reporting Standard (IFRS) No. 9 - Financial Instruments**

In July 2014G, the International Accounting Standards Board (IAC) issued the International Financial Reporting Standard (IFRS) No. 9 "Financial Instruments" which will supercede IAS (39) Financial Instruments: Recognition and Measurement. The standard includes new classification and measurement requirements for financial assets, and the introduction of a projected credit loss reduction form that will supersede the incurred loss form in in IAS (39) and new hedging accounting requirements. Under the International Financial Report Standard (FSR) No. (9):

- All financial assets are measured either at amortized cost or at fair value. The basis of the classification will depend on the activity and characteristics of the contractual cash flows of financial assets. The standard retained most of the requirements of IAS 39 for the financial liabilities except for fair value identified through profits and losses, where that part of the fair value changes related to them are included in the statement of other comprehensive income instead of the income statement.
- The International Financial Report Standard (IFRS) No. (9) requires enterprises to register a provision for the expected loss of credit for all loans and financial assets in other debt instruments that are not retained in fair value through the income statement, and the amounts receivable under the direct financing leases, in addition to loan obligations and financial security contracts. This provision is based on the anticipated credit loss associated with the likelihood of non-payment in the next 12 months unless there has been a significant increase in credit risks since their inception. According to the International Financial Report Standard (IFRS) No.(9), credit losses are demonstrated in a timing that precedes that of the IAS (39).
- Hedging accounting requirements are closely aligned with risk management practices and follow a more systematic principle.

In September 2016G, the International Accounting Standards Board (IACB) published amendments to the International Financial Reporting Standard (IFSR) No. 4 "Insurance Contracts", which are related to handling the accounting implications for the application of International Financial Reporting Standard (IFSR) No. 9 to insurance companies for insurance contracts prior to the publication of the expected accounting standard for insurance contracts. The amendments offered two options for insurance companies: the deferral option and the coverage option. The deferral option provides the enterprise, if it is eligible for a temporary exemption from the application of International Financial Reporting Standard (IFSR) No. 9 until the date of implementation of the insurance contract scoring standard or 2022GG, whichever is closer. The coverage option allows the facility to delete the total accounting differences that can occur before the implementation of the new standard of insurance contract from profit or loss.

Under the temporary exemption introduced under the amendments to the International Financial Reporting Standard (IFSR) No. 4, enterprises whose activities are primarily "insurance" may postpone the application of International Financial Reporting Standard (IFSR) No. 9. The Company intends to apply the temporary exemption from International Financial Reporting Standard (IFSR) No. 9, and therefore continues to apply the International Accounting Standard (IAS) 39 to its assets and financial liabilities in the fiscal year starting from January 1, 2018G until the year ended on December 31, 2018G. The Company assessed the results of the application of the standard and decided to postpone the application of the International Financial Reporting Standard (IFSR) No. 9 to a later date.

The impact of the application of International Financial Reporting Standard (IFSR) No. 9 on the Company's financial statements must largely take into account the impact of the upcoming insurance contracts standard. It is also not possible to fully assess the impact of the application of the International Financial Reporting Standard (IFSR) No. 9.

The International Financial Reporting Standard (IFSR) No. 17 "Insurance Contracts", applicable for the year beginning on or after January 1, 2022G, will supersede the International Financial Reporting Standard (IFSR) No. 4 "Insurance Contracts". Early application is permitted if both the International Financial Reporting Standard (IFSR) No. 15 and the International Financial Reporting Standard (IFSR) No. 9 are applied. The Company expects a substantial impact on the measurement and disclosure of the insurance and reinsurance that will affect both the income statement and the statement of the financial position. The Company decided not to adopt this new standard early.

- **International Financial Reporting Standard (IFSR) No. 16 - Leases**

International Financial Reporting Standard (IFSR) No. 16 – "Leases" applicable in the year beginning on or after January 01, 2019G. The new standard supersedes the current dual accounting form for tenants under International Financial Reporting Standard (IFSR) No.17, which distinguishes between direct financing leases in the statement of financial position and the operating leases outside the statement of financial position. Instead, International Financial Reporting Standard (IFSR) No. 16 proposes the budget accounting form. The Company decided not to adopt this new standard early.

The Company is currently in the process of evaluating the impact of the above standards.

- **The International Financial Reporting Standards (IFRS) and the new and amended interpretations applied by the Company for the year ended on December 31, 2019G.**

The Company has adopted the following amendments for the fiscal year ended on December 31, 2019G and audited the existing standards issued by the International Accounting Standards Board (Board).

Standard/Amendments	Description
International Accounting Standard 28	Long-term shares in associate facilities and joint ventures
Interpretation of the Interpretation Committee No. 23	Uncertainty surrounding the processing of income tax
International Accounting Standard 19	Staff plan adjustments, downsizing, settlement
Interpretation of the Interpretation Committee No. 22	Foreign currency transactions and pre-considerations
International Financial Reporting Standard No. 3 and No. 11 and International Accounting Standard No. 12 and No. 13	Annual Improvement cycle on the 2015G-2017G International Financial Report Standards
International Financial Reporting Standard No. 16	Leases
The application of the new standards, amended standards and standards that have not come into effect associated with the Company that doesn't have a substantial impact on these summary preliminary financial statements.	

- **International Financial Reporting Standard (IFRS) No. 16 - Leases**

The Company applied International Financial Reporting Standard (IFRS) No. 16 "leases", where it supersedes the current trends in leases, including IAS 17 "leases" and the Interpretation of the Interpretations Committee for the International Financial Reporting Standard (IFRS) No. 4 "determining whether a certain arrangement includes a lease", the Interpretation of the Interpretations Committee for the International Accounting Standard (IAS) No. 15 "operating leases - incentives and the Interpretation of the Interpretations Committee for the International Accounting Standard (IAS) No. 27 "assessing the substance of transactions that take the legal form for the lease."

The International Financial Reporting Standard (IFRS) No. 16 was issued in January 2016G and is valid for annual periods starting on or after January 01, 2019G. The International Financial Reporting Standard (IFRS) No. 16 defines principles of recognition, measurement, presentation and disclosure of leases and requires tenants to calculate recognition for all leases under the statement of the financial position form similar to accounting for financing leases under IAS No. 17. The standard includes two exemptions of recognition to tenants - "impaired" asset leases (e.g., personal computers) and short-term leases (e.g., leases for 12 months or less). On the date of the start of a lease, the tenant recognizes the obligation to pay the rent. (i.e. lease obligation) and the asset represents the right to use the leased asset during the lease term (the right to use the asset) and requires the tenant to recognize the right to use the asset with the expenses of the rental obligation commissions and the expense of the asset's depreciation separately.

Tenants are also required to re-measure rental obligations when certain events occur (e.g. a change in rental duration, a change in future rental payments resulting from a change in the index or rate used to determine such payments). The tenant generally recognizes the amount of re-measurement of the obligation such as adjusting the asset and classifying the use.

The Company chose to use the exemptions proposed by the lease standard that stipulates the terms of the lease expiring within 12 months of the date of initial application, and leases in which the underlying asset is of low value. All current operating leases consist of lease terms that expire within twelve months.

Despite the changes in accounting policies; yet, the Company does not see a substantial impact on the amounts reported as a result of the transition into the application of International Financial Reporting Standard (IFRS) No. 16 on January 01, 2019G.

- **Change in Zakat and Income Tax Accounting**

The basis of preparation was changed as a result of a circular issued by the Central Bank, dated 20/11/1440H (corresponding to 23/07/2019G). In the past, Zakat and income tax were recognized in the statement of changes in equity under the retained profits according to the Saudi Arabian Central Bank, and according to the circular no. (381000074519) dated 14/07/1438 H (corresponding to 11/04/2017G) along with the latest instructions issued by the Central Bank (formerly the Saudi Arabian Monetary Agency) on 20/11/1440 H (corresponding to 23/07/2019G). Zakat and income tax are recognized in the income statement.

The Company amended its accounting policy on Zakat and began to apply the IAS - Income Taxes ("IAS No. 12") and International Financial Reporting Standard (IFRS) No. 21 - taxes related to Zakat.

The financial impact of the adoption of the deferred tax accounting policy is not substantial in the summary preliminary financial statements. Subsequently, no amounts from the previous period have been adjusted .

- **The International Financial Reporting Standards (IFRS) and the new and amended interpretations were issued but were not implemented until 2019G**

Below is a list of standards and interpretations that were issued but not applied until December 31, 2019G and the Company reasonably expects it to be applied in the future. The Company intends to adopt these standards when they take effect.

Standard/Modifications	Statement	Actual effective date for periods that start in or after the date below
International Financial Reporting Standard No. 9	Financial instruments (shown below)	Shown below
International Financial Reporting Standard No. 17	Insurance contracts	January 01, 2021G

- ✓ **International Financial Reporting Standard (IFRS) No. 9 - Financial Instruments**

In July 2014G, the International Accounting Standards Board (IAC) issued the International Financial Reporting Standard (9) "Financial Instruments", which will supersede the International Accounting Standard (IAS) No. (39) financial instruments, which will supersede the following items:

- **Recognition and Measurement.**

The standard includes new classification and measurement requirements for financial assets, and the introduction of the expected credit loss reduction form that will replace the incurred loss form (39) and new hedging accounting requirements. Under the International Financial Reporting Standard (IFRS) No (9):

- All financial assets are measured either at amortized cost or at fair value. The basis of the classification will depend on the activity and characteristics of the contractual cash flows of financial assets. The standard retained most of the requirements of the International Accounting Standard (IAS) No. 39 for financial liabilities except for the fair value identified through profits and losses, where that portion of the related fair value changes are included in the statement of other comprehensive income rather than the income statement.
- The International Financial Report Standard (IFRS) No. (9) requires enterprises to register a provision for the expected loss of credit for all loans and financial assets in other debt instruments that are not retained at the fair value through the income statement, and the accounts receivables under the direct financing leases, in addition to loan obligations and financial security contracts. This provision is based on the anticipated credit loss associated with the likelihood of the lack of payment in the next 12 months unless there has been a significant increase in credit risks since their inception. In accordance with the International Financial Report Standard (IFRS) No. (9). Credit losses are demonstrated in a timing that precedes the International Accounting Standard (IAS) No. (39).
- Hedging accounting requirements are closely aligned with risk management practices and follow a more systematic principle.

✓ **International Financial Report Standard (IFRS) No. 17 - Insurance Contracts**

In September 2016G, the International Accounting Standards Board (IACB) published amendments to the International Financial Reporting Standard (IFSR) No. 4 "Insurance Contracts", which are related to handling the accounting implications for the application of International Financial Reporting Standard (IFSR) No. 9 to insurance companies for insurance contracts prior to the publication of the expected accounting standard for insurance contracts. The amendments offered two options for insurance companies: the deferral option and the coverage option. The deferral option provides the enterprise, if it is eligible for a temporary exemption from the application of International Financial Reporting Standard (IFSR) No. 9 until the date of implementation of the insurance contract scoring standard or 2022GG, whichever is closer. The coverage option allows the facility to delete the total accounting differences that can occur before the implementation of the new standard of insurance contract from profit or loss. Under the temporary exemption introduced under the amendments to the International Financial Reporting Standard (IFSR) No. 4, enterprises whose activities are primarily related to "insurance" may postpone the application of International Financial Reporting Standard (IFSR) No. 9. The Company assessed the results of the application of the standard and decided to postpone the application of the International Financial Reporting Standard (IFSR) No. 9 to a later date.

The impact of the application of International Financial Reporting Standard (IFSR) No. 9 on the Company's summary financial statements should largely take into account the impact of the upcoming insurance contract standard as on 31 March 2019G. Management is in the process of assessing the impact of applying the International Financial Reporting Standard (IFSR) No. 9.

✓ **International Financial Report Standard (IFRS) No. 17 - Insurance Contracts**

In May 2017G, the International Accounting Standards Board (IACB) published the International Financial Report Standard (17) "Insurance Contracts" which will replace the International Accounting Standard (IAS) No. 4 - insurance contracts. The standard applies to issued insurance contracts, all insurance and investment contracts and is characterized by discretionary participation provided that the Company also issues insurance contracts. The following components are required to be separated from insurance :

- Implied derivatives included, if they meet certain specific criteria.
- Distinctive investment components and
- Any commitment to transport premium goods or non-insurance services.

These components must be calculated separately in accordance with the relevant criteria (International Financial Reporting Standard (IFRS) No. 9 and the International Financial Reporting Standard (IFRS) No. 15).

The International Financial Reporting Standard (IFRS) No. 17 offers the following different measurement forms:

1. The general form of measurement which consists of:
 - Cash flows to meet, which include:
 - The probability of weighted estimates for the future cash flows.
 - Adjustment to reflect the time value of the money (i.e. deduction) and the financial risks associated with these future cash flows
 - Risk adjustment for non-financial risks
 - Margin of contractual service. The contractual service margin represents the unearned profit for a range of insurance contracts and will be established as a future service provider. The margin of contractual service cannot be negative when upon its establishment; and any net negative amount of cash flows will initially be recorded to meet the profit or loss directly. At the end of each subsequent reporting period, the book value of a set of insurance contracts is remeasured as:
 - Remaining coverage requirements, which include cash flows to meet future services and the group contractual service margin on that date.
 - Claim liabilities incurred, which are measured as cash flows to meet the previous services allocated to the Group on that date.

The contractual service margin is subsequently adjusted for changes in cash flows related to future services. Since the contractual service margin cannot be negative (minus), changes in future cash flows above the remaining contractual service margin will be demonstrated in profit or loss. The impact of changes in discount rates will be registered in either profit, loss or other comprehensive income, and that will be determined by the choice of accounting policy. Interest on the contractual service margin is also accumulated at fixed rates at the initial recognition of the contract (i.e. the discount rate initially used to determine the current value of estimated cash flows). Furthermore, the contractual service margin in profit or loss will be issued on the coverage units, reflecting the amount of benefits provided and the expected coverage period of the remaining contracts in the group.

1. The variable fee approach is a mandatory model for measuring contracts with direct participation features (also referred to as "direct participation contracts"). This assessment is made if the contract met these criteria at the time the contract commenced and will not be subsequently re-evaluated. For these contracts, the contractual service margin is also adjusted in addition to the adjustment under the general model of measurement:
 - The establishment's share of changes in the fair value of the underlying items
 - The impact of changes in the time value of money and financial risks that are not related to the underlying elements
2. The simplified premium allocation method is permitted to measure the remaining coverage liabilities, provided that it:
 - Provides a measure that is not fundamentally different from the general model of measurement
 - Or if the coverage period is one year or less per contract in the group.

Using the premium allocation approach, the remaining coverage liabilities with premiums received at the initial proof minus the cash flow of insurance acquisition. The general measurement model remains applicable to measure liabilities for claims incurred.

Yet, the enterprise is not required to adjust future cash flows for the time value of the money and the impact of financial risks if the payment/receipt of such cash flows is expected within one year or less from the date of incurring the claim.

Based on the draft contradicting amendments issued in June 2019G, the Accounting Standards Board explained that the effective date of the International Financial Report Standard (IFRS) No. 17 and the postponement of the exemption of the International Financial Report Standard (IFRS) No. 9 in the International Financial Report Standard (IFRS) No. 4 is January 01, 2021G. It is recommended to amend the date of validity to the reporting periods beginning on or after January 01, 2022G. This period of postponement is one year compared to the previous date of January 01, 2021G. Early application is permitted if both the International Financial Report Standard (IFRS) No. 15 - income from contracts with customers and the International Financial Report Standard (IFRS) No. 9 financial instruments are applied. The Company intends to apply the standard on the date of its effective date.

The application will be made with retroactive effect and if the application is not practical, the facility has the right to choose either a retroactive effect methodology or the fair value.

The financial impact of the Company's adoption of the standard is assessed where a committee was formed to implement the process and the Company analyzed the gaps and the main areas are as follows:

- 1) Financial impact: Financial impact not yet assessed.
- 2) Data impact: The impact of the data is likely to be minimal as the majority of the Company's contract periods are less than a year and will be eligible for measurement according to the simplified method of premiums.
- 3) The impact of the IT system: The Company is already working on the application of a new and IT system that has been updated which will facilitate the application of International Financial Report Standard (IFRS) No. 17
- 4) The impact of processes: The impact of the process is subject to assessment, and no substantial changes in the process are expected.
- 5) Impact on reinsurance arrangements: The Company is currently testing reinsurance arrangements to determine the appropriate measurement approach.
- 6) Impact on policies and control of scope of work: The Company has appointed an external advisor to modify its current policies and manage updates within the framework of internal control.
- 7) Human Resources: The Company needs to hire suitably qualified staff with a comprehensive understanding of the International Financial Report Standard (IFRS) No. 17.

Significant Important Accounting Policies used to prepare the financial statements are:

- **Insurance contracts**

Insurance contracts are those contracts that when the Company (insured) agrees to significant insurance risks from another party (policyholders) by agreeing to compensate policyholders if the future potential event (insured event) adversely affects the policyholders. As a general rule, the Company determines whether it has significant insurance risks, by assessing whether the insured event will result in significant additional benefits from the Company. Insurance contracts may also turn into financial risks. If the contract is classified as an insurance contract, it remains so for the remainder of its period, even if the insurance risks are significantly reduced during the period unless all rights and obligations are fulfilled or expired.

Insurance contracts are mainly divided into medical, marine, property, automotive, engineering, accidents and liabilities and are mainly short-term insurance contracts.

Medical insurance aims at compensating policyholders with expenses incurred in the treatment of a disease, illness or injury. Medical insurance is primarily provided to the Company's customers who have a large number of policy beneficiaries.

Car insurance aims at compensating contract holders for damages inflicting their vehicles or to comply with other parties reporting accidents. Contract holders can also receive compensation for fire or theft of their vehicles in the Kingdom of Saudi Arabia. All car insurance is mandatory to cover the minimum for others. The Company also issues a comprehensive car insurance policy. The various policies cover natural mistakes, personal accidents and repairs at the agent.

Property insurance contracts are mainly aimed at compensating the Company's customers for damage to their property. Customers can receive compensation for loss of profits and business disruption. The main risks to property insurance contracts are fire, natural hazards, business disruptions and theft.

Engineering insurance covers two main types: a) " Contractors' all risks (CAR) insurance that provides coverage during the construction or establishing of buildings or civil engineering works such as houses, shops, apartment complexes, factory buildings, roads, bridges, sewage works and reservoirs. b) " Construction all risks (CAR) insurance so that coverage is provided during the construction or installation of a plant and machineries such as power plants, oil refineries, chemical works, cement works, metal structures or any plant with machinery and equipment. Engineering insurance also includes machine failure insurance, work disruption insurance, machine failure, electronic equipment, boilers and inventory damage.

Marine insurance aims at compensating policyholders for damages and liabilities arising from loss or damage to small vessels or hulls and accidents at sea resulting in total or partial loss of cargo shipments. The main risks for marine insurance are the loss or damage to a ship or damage to small boats or ship structures and cargo shipments.

General accident insurance includes cash insurance, breach of trust insurance, personal accident insurance, jewelry theft insurance, all business risks and travel insurance. Securing liabilities includes a general third-party obligation, a commitment to the product, workers' compensation/employer's obligation, and professional compensation coverage that protects the legal obligation of the insured persons arising from negligence in the performance of their work.

- **Realization of Revenues**

Insurance premiums and commissions earned.

Premiums are registered in the income statement on the basis of the fixed premium method over the policy coverage period except long-term (engineering) insurance policies and shipping. Unearned premiums are calculated in a fixed premium manner over the policy coverage period.

- With regard to shipping, insurance premiums for the last three months of the date of the financial statements are considered as unearned insurance premiums.
- With regard to the insurance of engineering equipment, there is a pre-calculation due to the potential risks, which exceed one year and according to this calculation, the earned premiums in the first year decrease and increase gradually at the policy expiration date.

Unearned premiums represent the portion of written premiums related to the non-expired coverage period. The change in the allocation of unearned premiums is recorded in the income statement so that the revenue is distributed over the risk period.

- **Dividends Income**

Dividend income is demonstrated when there is a right to receive these amounts.

- **Commission Income**

Commission income is recorded at maturity using the actual commission rate at which the expected future cash flows are deducted from the financial asset to be equal to the book value of the financial asset.

- **Reinsurance Premiums**

Issued reinsurance premiums are recorded as an expense when they become payable. Income reinsurance premiums are charged over the terms of their policies on a pro rata basis.

- **Claims**

Claims consist of amounts due to policyholders and third parties and related loss adjustment expenses after deduction of salvation amounts and other reimbursable funds and are charged to the income statement once incurred.

The total outstanding claims consist of an estimated cost of claims incurred and not settled at the date of the financial report, whether or not reported. Unpaid listed claim provisions as at the date of the financial report are configured on the basis of individual case estimates. In addition, a provision based on the Company's management and prior experience is maintained for the cost of settling claims incurred and not reported as at the date of the financial report. The final obligation may exceed or be less than the amount provided. Any difference between allocations is included in the date of the financial report and adjustments and allocations in the following year.

Claims under settlement are listed on a total basis, and the portion of the reinsurer is shown separately. In addition, the Company does not deduct its obligations for unpaid claims as all claims are expected to be paid within one year of the statement of the financial position.

- **Scrap and Replacement Compensation**

Some insurance contracts allow the Company to sell vehicles (usually defective) or acquired property to pay a claim (e.g. scrap). The Company is also entitled to follow up third parties to pay some or all of the costs (e.g. replacement).

Estimates of damaged refunds are listed as an allowance in the measurement of insurance obligations with regard to claims. The allowance is the amount that can reasonably be recovered from the sale of the asset. Replacement compensation is also an allocation in the measurement of insurance obligations with regard to claims. The allocation is an assessment of the amount that can reasonably be recovered from the third party's conduct.

- **Retained Reinsurance Contracts**

As it is the case with other insurance companies, and to minimize financial exposure from large claims, the Company concludes contracts with other parties in the normal phase of the business for reinsurance purposes. These reinsurance arrangements provide for greater business diversification, allow management to control exposure to potential losses arising from significant risks and provide additional potential for growth. All reinsurance actions are affected by treaties, optional contracts and reinsurance contracts that exceed losses.

- Reinsurance is distributed between contractual and optional reinsurance contracts, cessation of loss and surplus loss. The Company's contracts entered with reinsurance companies, under which the Company is compensated for losses in one or more of the contracts issued by the Company and that meet the requirements for the classification of insurance contracts, are classified as retained reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. The insurance contracts entered into by the Company under which the holder of the contract is another insurance Company (reinsurance inward) are included in the insurance contracts. An asset or obligation is registered in the statement of financial position representing payments due from the reinsurer, reimbursable losses from the reinsurer and the premiums due to the reinsurers. The amounts due from the reinsurance are estimated in a manner consistent with the claim obligation associated with the insured parties. These amounts are shown in the statement of financial position as the "Reinsurer Commission of Outstanding Claims" until the claim is approved and paid by the Company. Once the claim has been paid, the amount due from the reinsurer in

relation to the claim paid is transferred to amounts due from/to the reinsurer. Assets or reinsurance liabilities are excluded when contractual rights end or expire or when the contract is transferred to another party.

- A review of the depreciation in each reporting period is carried out or frequently when an indicator of the depreciation arises during the financial year. There is a decrease in the value of the Company when there is objective evidence that the Company may not recover the outstanding amounts under the terms of the contract and when the impact on the amounts the Company will receive from the reinsurance Company can be measured reliably. When there is an indicator of depreciation, the Company makes an official estimate of the reimbursable amount. When the book value of the reinsurance asset exceeds the reimbursable value, the asset is considered depreciated and reduced to its reimbursable value. A loss of depreciation is recorded in the income statement when incurred.

The assigned reinsurance arrangements do not exempt the Company from its obligations to policyholders. Insurance premiums and claims for the presumed reinsurance are proven as revenues and expenses in the same way as if reinsurance were considered direct businesses, taking into account the product classification for the reinsurance business.

- **Costs of Acquiring a Deferred Insurance Policy**

Commissions and other costs directly related to the purchase and renewal of insurance contracts are deferred and amortized in accordance with the terms of the related insurance contracts, such as the premiums earned. To the extent that these costs are reimbursable from future installments, all other acquisition costs are recognized as expenses when incurred. The amortization is recorded in the "insurance policy acquisition costs" in the income statement.

Changes in the expected production life or the expected pattern of consumption of future economic benefits included in the assets are calculated by changing the period of amortization and are handled as a change in the accounting estimate.

An examination is performed to confirm the depreciation, on the date of each financial report once or more, when there is evidence of such a decline. In cases where reimbursable amounts are lower than the book values, the loss of the decrease in the income statement is demonstrated. The cost of acquiring deferred insurance policies is also taken into account when testing the adequacy of liabilities in each financial reporting period.

- **Test the Suitability of Liabilities**

On the date of each statement of financial position, suitability of liability tests are performed to ensure that the liabilities related to the net insurance contracts are appropriate after the cost of acquiring the relevant deferred insurance policies are excluded. When conducting these tests, management uses the best current estimates of future contractual cash flows, processing expenses and administrative expenses. Any deficit in the book value is charged directly to the income statement by creating a provision for losses resulting from liability tests accordingly.

- **Accounts receivables**

- The premiums received are proven on the total written premiums received from the insurance contracts, minus a provision for any non-collectable amounts.
- Reinsurance balances and reinsurance premiums are proven when they are due and measured upon initial recognition of the fair value of the due or received amount.
- The book value of the receivables is audited to determine the decrease of the value and when the events or circumstances refer to the fact that the book value may not be reimbursable.

- The loss of the decrease in value is recorded as "a provision for the decrease in the value of bad debts" in the income statement. Balances are excluded when the Company does not control the contractual rights that make up the balance, which happens usually when the outstanding balance is sold or when all credit-related cash flows are transferred to an independent third party.

- **Investments**

All investments are initially recorded at cost considering the fair value includes the acquisition expenses related to investments. Financial assets are initially recorded at fair values in case all financial assets are not registered at fair value in the income statement, in addition to the costs of operations directly attributable to acquisition.

Fair values of investments are determined based on the prices of listed financial instruments or estimated fair values. The fair value of items, with charged commission, is estimated based on discounted cash flows using a commission for items with comparable term and risk characteristics.

- a. **Fair Value Investments Through the Income Statement**

Investments in this category are classified for the purpose of trading or are registered by management as fair value investments through the income statement at the initial recognition. Investments classified for the purpose of trading mainly for the purpose of selling or repurchasing in the short term and are registered in the statement of financial position at fair value. These investments are remeasured at fair value with all changes in fair value recorded in the income/loss statement. Investment can be designated to be held at fair value through the income statement by management, at the time of initial recognition, if it meets the standards set forth in the International Accounting Standard No. 39 except for equity instruments that do not have prices listed in an active market and whose fair value cannot be reliably measured.

Investments are classified as at fair value through the income statement if the fair value of an investment can be reliably measured and rated as investments held at fair value through the income statement in accordance with the Company's documented strategy. Investments classified as fair value investments are demonstrated through the income statement initially by cost, which represents the fair value of the paid-up amount. Special commission income and dividends revenues on financial assets held at fair value are shown through the income statement as trading income or income from financial instruments held at fair value.

- b. **Retained Until Maturity**

Investments with fixed or identifiable payments and a fixed maturity date wherein the Company has the intention and ability to retain them until maturity are classified as retained until maturity. Investments retained until maturity are initially proven at fair value, including direct and supplementary transaction costs, and are subsequently measured at the amortized cost, minus the depreciation provision. The amortized cost is calculated by taking into account any deduction or insurance premiums when acquired using the actual return basis. Any gain or loss on these investments will be demonstrated in the income statement when the investment is excluded or depreciated.

Any permanent decrease in the value of investments will be modified and listed in shareholders' operations statement as impairment expenses.

- c. **Investments Available for Sale**

Financial assets available for sale are non-derivative financial assets that are either specified in this category or not classified in any of the other categories. These investments are initially valued at fair value. Cumulative changes in the fair value of investments are listed as an independent component in the statement of financial position and comprehensive income. The profits or losses earned from the sale of these investments are recorded in the relevant income statement.

Dividends, commissions and profit/loss in foreign currency from investments available for sale are demonstrated in the income statement or comprehensive income statement - shareholders' operations as part of net income/loss of investment . Any substantial or long-term decrease in the fair value of investments available for sale is adjusted and recorded in the relevant comprehensive income statement as a decrease in value .

The fair value of investments available for sale is based on the declared prices of tradable securities or the estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using the commission for items of similar risk terms and attributes.

For non-current equity investments, fair value is determined by referring to the market value of a similar investment or based on discounted and anticipated cash flows.

- **Financial Instruments**

A. Financial instruments - initial registration and subsequent measurement

Financial instruments consist of assets and financial liabilities.

Financial assets consist of Cash and cash equivalents, Murabaha deposits, debit insurance premiums and reinsurance commission arising from existing claims required from the reinsurer, a statutory deposit, investments and other accounts receivables. Financial liabilities consist of outstanding claims, amounts due to reinsurers and intermediaries, due to policyholders, distribution of surplus due and other specific liabilities.

- **Date of Recognition**

The registration is made in a systematic manner to sell and purchase financial instruments on the date of trading; the date on which the Company becomes a party in the instrument's contractual provisions. Regular purchases or sales are purchases or sales of financial instruments that require the instrument to be settled within the period generally specified by the system or agreement in the market.

- **Measuring Financial Instruments**

All financial instruments are measured in their fair value as well as any increased costs directly attributable to purchase or issuance in the case of financial assets and liabilities rather than the fair value through the income statement. The classification of financial instruments, at the initial registration, depends on the purpose for which the financial instruments were purchased as well as their characteristics. Pursuant to the initial measurement, financial instruments are recorded at an amortized cost, with the exception of fair value investments through the income statement that is registered at fair value.

B. Revocation of the Recognition of Financial Instruments

Financial Asset:

Financial assets (or, as required, part of a financial asset or part of a set of similar financial assets) are misrecognized upon:

- Expiry of the right to receive cash flows from the financial asset.
- The Company transfers its rights to receive cash flows from the asset or took over the obligation to pay cash flows in full without substantial delay to a third party under a "temporary" agreement, or (a) a Company that essentially transferred all risks and rewards to the asset, or (b) the Company did not gradually transfer or retain all the risks and rewards of the asset, but the control has been transferred to the asset.

When the Company transfers its rights to receive cash flows from the asset or concludes an interim agreement, it assesses the extent to which the risks and returns of the property are retained in case they are retained. When all the risks and returns of the asset have not been gradually transferred or retained, and control of the asset has not been transferred, the asset is recognized to the extent the Company continues to participate in the asset. In this case, the Company also demonstrates a commitment associated with it. The transferred asset and associated obligation are measured on a basis that reflects the rights and obligations held by the Company. Continuous participation that takes the form of a guarantee on the transferred asset is measured at the lower part of the original book value of the asset, and the maximum amount that may be taken into account that the Company may be required to pay.

- **Financial Liabilities**

A financial claim registry is derecognized when the claim is waived, cancelled, or when the obligation under the claim is expired.

C. Clearing

Financial assets and financial liabilities are cleared and the net amount is shown in the statement of financial position only when there is a legal, enforceable right at the present time to offset the recognized amounts and there is an intention to settle on a net basis, or to achieve assets and settle liability simultaneously. The income and expenditure are not cleared in the comprehensive income statement unless required or permitted by an accounting standard or interpretation.

- **Impairment of Financial Assets**

The Company assesses on the date of each financial report whether there is any objective evidence of an impairment of a financial asset or a set of financial assets. A financial asset or a group of financial assets are considered impaired if and only if there is objective evidence of impairment as a result of one or more events occurring after the initial registration of the financial asset. (A loss incurred) and if it has an impact on future cash flows of the financial asset or a group of financial assets that can be reliably assessed. If this event occurs, any impairment loss will be recorded in the income statement. The evidence of decay may include:

- Significant financial difficulty for the source or debtor;
- Breach of contract, such as default or delay of payment;
- It becomes possible that the issuer or debtor will enter into bankruptcy or any other financial reorganization;
- The disappearance of an active market for this financial asset due to financial difficulties; or
- Noting that there has been a measurable reduction in future cash flows estimated from a range of financial assets since the initial recognition of these assets, although the shortfall with individual financial assets in the Company cannot be determined, including:
 - Negative changes in the case of the payment of issuers or debtors in the Company;
 - National or domestic economic conditions in the country of exporters that are linked to default of payment.

If there is objective evidence of an impairment loss in financial assets, the impairment is determined as follows:

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

For financial assets available for sale, the Company assesses on the date of each financial report whether there is objective evidence that an investment or group of investments has been impaired.

In the case of debt instruments classified as available for sale, the Company individually evaluates whether there is an objective evidence of impairment. Objective evidences may include indications that the borrower is experiencing significant financial difficulties, default or delay in the income of a special commission or basic payments, the likelihood of bankruptcy or other financial reorganization, and where the data that can be observed indicate a significant decrease in the estimation of future cash flows, such as changes in economic conditions associated with default. However, the amount recorded for impairment represents the accumulated loss measured by the difference between the amortized cost and the current fair value, minus any loss of value for those previously recognized investments in the income statement and the comprehensive income statement. If the fair value of the debt instrument increases in a later period and the increase can be objectively linked to a credit event after the loss of impairment in the income statement and the comprehensive income statement is demonstrated, the loss of impairment is reflected in the income statement and the comprehensive income statement.

For investments in equity held as available for sale, a significant or prolonged decrease in the fair value of less than their cost represents an objective sign of depreciation. Loss of depreciation cannot be reversed through the income statement as long as the asset continues to be recognized, i.e. any increase in fair value is recorded after the value of the other comprehensive income is reduced only. When excluded, any previously recognized accumulated profit or loss is included in the other comprehensive income in the income statement.

Determining what is "important" or "lengthy" requires the use of judgment. A period of 12 months or longer is considered a lengthy period and an impairment of 30% of the original cost is essential in accordance with the Company's policy. When making this judgment, the Company, among other factors, evaluates the period or the range for which the fair value of the investment remains less than its cost.

When assessing whether investing in debt instrument is impaired, the Company considers factors such as the market's valuation of credit worthiness as described in bond yields, rating agencies' assessment of credit worthiness, the state's ability to access capital markets to issue new debt and the potential for debt restructuring, which may result in debt holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment represents the accumulated loss measured by the difference between the amortized cost and the current fair value, minus any loss of impairment for those previously recognized investments in the income statement and the comprehensive income statement

- **Furniture, Fittings and Equipment**

Property and equipment are recognized at cost minus accumulated depreciation and any impairment loss. Subsequent costs are included in the book value of the asset or are recorded as a separate asset, as appropriate, only when the future economic benefits associated with the item are likely to flow to the Company and the cost of the item can be reliably measured. Expenses incurred are capitalized to replace an item of property and equipment that is calculated separately, and the book value of the replaced components is written off. All other repairs and maintenance are charged to the income statement during the fiscal year they incur in. Land is not consumed.

The cost of property items and other equipment is consumed using the fixed premium method to distribute the cost to estimated production ages, as follows:

- Leasehold improvements 8 years
- Furniture and fittings 10 years
- Computer and office equipment 4 years
- Cars (motors) 4 years

The remaining values of age and their productive age are audited on the date of each report and adjusted if appropriate. The book values of furniture, fittings and equipment are checked for impairment when events or changes in circumstances indicate that the book value may not be recovered. If there is any indication of this and if the book value exceeds the estimated recoverable value, the value of the assets is reduced to their recoverable value as their fair value, less the cost of their sale, or the value in use.

Earnings and losses of exclusion are determined by comparing returns with the book value and are included in "Other, Net Income" in the income statement.

- **Intangible Assets**

The initial recognition of intangible assets acquired separately at cost is recorded at cost minus accumulated depreciation and impairment losses in the value of the asset, if any. Intangible assets of specific ages are amortized over their economic life and evaluated to determine the decline in value whenever there is an indication that intangible assets have depreciated. The measurement period and amortization method for intangible assets with a specified useful life are audited at least at the end of each period. Changes in the expected useful life or expected pattern of consumption of future economic benefits included in the asset for adjustment of the period or method of amortization, as appropriate, are taken into account and treated as changes in accounting estimates. Amortization expenses on intangible assets of specific age are included in the income statement within the expenses in accordance with the function of intangible assets. The Company consumes intangible assets with limited useful life using the fixed premium method over a period of 4 years.

- Computer Software 4 years

The amortization method, useful life and residual value are audited at each reporting date and changes are adjusted if appropriate.

- **Goodwill**

Goodwill is initially measured by the cost above the fair value of the compensation paid above the fair value of identifiable assets and acquired liabilities. After the initial registration, the goodwill is measured by cost minus any loss of accumulated value. Goodwill is audited in relation to impairment on an annual or sustained basis if events or changes in circumstances indicate that there may be a decrease in the book value. The decline in the value of goodwill is determined by assessing the amount recovered for the cash-generating unit (or a set of cash-generating units) related to goodwill. When the recovered amount of the cash-generating unit (or a set of cash-generating unit units) is less than the book value of the cash-generating unit (or a group of cash-generating units) for which the reputation is allocated, a loss of impairment is recorded in the statement of shareholder operations. Loss of value related to goodwill cannot be reflected in future periods.

- **Leases**

The Company applied the International Financial Reporting Standard (IFRS) No. 16 retroactively. Consequently, the cumulative effect of the adoption of International Financial Reporting Standard (IFRS) No. 16 (if any) is recognized as a adjustment to the opening balance of earnings retained on January 01, 2019G, with no adjustment of the comparison figures.

Rental Definition

Under International Financial Reporting Standard (IFRS) No. 16, the contract will be or contains a lease if the contract has a right to control the use of a specific asset for a period of time in return for an amount. The Company is assessing whether the contract contains a lease based on the new definition of the lease when upon transitioning to International Financial Reporting Standard (IFRS) No. The Company has chosen to apply practical alternatives for the evaluation of transactions that are leases. The International Financial Reporting Standard (IFRS) No. has been applied only to contracts previously identified as leases. Contracts previously not identified as leases have not been re-evaluated under IAS No. 17 and International Financial Reporting Standard (IFRS) No. 4. Therefore, the definition of a lease under International Financial Reporting Standard (IFRS) No. 16 has been applied only to contracts concluded or changed on or after January 01, 2019G.

As a Tenant.

The Company leases its offices, and as a tenant, the Company has previously classified operating leases based on its assessment if the lease has substantially converted all ownership risks and benefits. Under International Financial Reporting Standard (IFRS) No. 16, the Company recognizes the assets of the right of use and the rental liabilities for most leases – that means, these leases are listed in the balance sheet.

The Company recognizes the asset of the right of use and the obligation to rent on the date of the start of lease. The right of use is measured initially by cost, and after that by cost minus any accumulated depreciation and impairment losses and adjusted with a certain re-measurement of rental liabilities. The cost of the right-of-use of assets includes the initial measurement of adjusted rental liabilities for any rental payments made on or before the start date, and any initial direct costs incurred and an estimate of disassembly costs, minus any rental incentive received. The estimated useful age for the assets of the right of use will be determined while considering the duration of the lease.

- **Impairment in Non-Financial Assets**

The Company conducts an evaluation on the date of each report to see if there is any indication that the value of a financial asset may be impaired. If there is evidence, or if an annual impairment test is required, the Company estimates the value of the recoverable asset. The value of a recoverable asset is the fair value of the cash-producing asset or unit after deducting the sale costs or the value at the time of use, whichever is higher, and is determined for the asset separately, unless the asset provides an internal cash flow that is significantly independent of other assets or groups. When the book value of an asset or cash-producing unit exceeds its recoverable value, the asset is considered to be impaired and is reduced to its recoverable value. To assess the value used, future estimated cash flows are deducted to their current value using a pre-tax discount rate that reflects current market valuations of the value of timely money and risks associated with the asset. When determining fair value after deducting sale costs, an appropriate source is used as market prices, if any. If these transactions are not specified, an appropriate evaluation method is used. This method is supported by multiple valuations and listed stock prices for public-traded companies or for other indicators

available for the fair value. After the fifth year, the losses of the decrease resulting from the continuing operations in the income statement are recognized in the expense categories in a way that is consistent with the function of the impaired asset.

The Company calculates the depreciation on the basis of detailed budgets and expected accounts that are prepared separately for each cash-producing unit for which the Company is allocated single assets. In general, these budgets and projected accounts cover a period of three to five years. For longer periods, the long-term growth rate is calculated and applied to future project cash flows. After the fifth year,

Assets are evaluated other than goodwill, or those assets that have already suffered a loss of impairment or may decrease on the date of each report. If there is evidence, the Company estimates the value of the recoverable asset. The previous impairment loss is reversed only if there is a change in the assumptions used to determine the recoverable asset value since the last loss of impairment has been recognized. The opposite is calculated so that the book value of the asset does not exceed its recoverable value and does not exceed the specified book value, after the deduction of depreciation, if a loss of impairment in the value of the asset has not been recognized in previous years. The reversal of the loss of decline in the income statement is recognized in the income statement. The loss of impairment related to goodwill cannot be recovered in future periods.

- **End-of-Service Benefits for Employees**

The Company manages the end-of-service benefits plan for its employees based on the prevailing labor laws in the Kingdom of Saudi Arabia. Receivables are assessed at the present value of expected future payments for services provided by employees up to the end of the reporting year using the expected credit unit method. Anticipated future pay and salary levels are taken into account, and past experience with regard to employee departures and periods of service. Anticipated future payments using market returns at the end of the fiscal year are deducted with high quality purchase bonds with terms and currencies that match, to the maximum extent possible, estimated future cash flows.

It includes setting the discount rate, the future increase in salaries. Due to the complexity and difficulty of related calculation and long-term assumptions, determining the obligation due to employees is significantly influenced by changes in these assumptions. These assumptions have been revised in all financial statements.

End-of-service awards are paid when they are due. Re-measurement (actuarial profits/losses) is demonstrated as a result of experience-based adjustments and changes in actuarial assumptions in the comprehensive income statement.

- **Provisions, Receivables and Credits**

Allocations are recognized when the Company has a commitment (systemic or implied) arising from a previous event and that the payment costs are potential and reliability measurable. Allocations for future operating losses are not recognized. Liabilities relating to future payments for goods or services received are recognized, whether or not invoices are issued by the supplier.

- **Zakat**

The Company is subject to Zakat in accordance with the provisions of the General Authority for Zakat and Taxes. Zakat is calculated on the share of Saudi shareholders in equity or net income using the basis specified under Zakat regulations. Income taxes are calculated on the share of foreign shareholders from net adjusted income for the year. Zakat and income tax are due on a quarterly basis. As of 01 May, 2017G, based on the circular issued by the Saudi Arabian Monetary Agency, the Company has adjusted its accounting policy to charge Zakat and taxes directly on the retained earnings in the statement of changes in shareholders' equity instead of the income statement. Additional amounts due, if any, are registered when the final assessment is completed when these amounts are specified.

The Company deducts taxes for certain transactions with non-resident parties in the Kingdom of Saudi Arabia, in accordance with the requirements of the Saudi income tax system.

- **Cash and Cash Equivalent**

Cash and Cash Equivalent consists in the fund, balances with banks and investment in Murabaha deposits that have an original maturity period of not more than three months from the date of purchase.

- **Cash Flow Statement**

The Company's main cash flows are from insurance operations that are classified as cash flow from operating activities. Cash flows from investment and financing activities are classified accordingly. The Company displays the statement of cash flows for operating activities according to the indirect method.

- **Investment in Murabaha Deposits**

The Murabaha deposits with an original maturity period of more than three months are registered in the statement of financial position at fair value and is measured subsequently by the amortized cost by using the effective production method minus any impairment.

- **Pre-Paid Expenses**

It represents the pre-paid expenses and the expenses that have not been incurred but have already been paid in cash. Prepaid expenses are initially registered as assets and are measured in the amount of cash paid and then these expenses are borne on the lists of insurance operations, accumulated surplus and shareholder operations as soon as they are consumed or expired over time.

- **Foreign Currencies**

The Company's accounting records are kept in Saudi Riyals. Foreign exchange transactions are registered at the prevailing market exchange rates on the date of those preliminary transactions. Assets and liabilities in foreign currencies are converted at the prevailing exchange rates as of the date of the financial report. All exchange differences and variations are borne to the income statement. Non-cash items measured in historical cost are converted into foreign currency using exchange rates as on initial transaction dates and are not subsequently re-measured. Non-cash items measured in fair value are converted into foreign currency using exchange rates on the date on which fair value is determined. Foreign currency exchange rate profits or losses for investments available for sale are listed in "other, net income" in the income statement and the comprehensive income statement. Since the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not substantial.

- **Expenses**

Due to the nature of the Company's business, all expenses incurred are classified as general and administrative expenses and presented as such.

- **Sectoral Reports**

The operational sector is part of the Company that engages in revenue-generating activities and incurs expenses for which separate financial information is regularly assessed by the chief operating decision maker who decides how to allocate resources and

evaluate performance. For management purposes, the Company is organized into activity units based on products and services and has the following operational sectors that can be reported:

- Medical, provides health care coverage for policyholders.
- Motor, provides coverage for losses and vehicle obligations except transport warranty.
- Property, provides coverage for losses related to fires, natural hazards, business disruptions and theft.
- Engineering, provides coverage during building works or construction of civil engineering works and installation of factories and machinery.
- Maritime, provides coverage against damages and obligations arising from losses/damages caused by shipping or ships.
- Accident insurance, provides coverage against funds, fidelity insurance, personal accidents, theft of jewelry and all errors.
- Travel insurance and obligations insurance provides coverage against the insured legal obligation arising from negligent conduct during the activity.

The operating sectors are reported in a manner consistent with internal reports submitted to the main operational decision maker. The chief operational decision-maker, responsible for allocating resources and evaluating the performance of operational sectors, has been identified as the executive director making strategic decisions.

The performance of the sector's performance is assessed on the basis of profit or loss. It is measured in some aspects in a manner that is different from profit or loss in financial statements. If no transactions between sectors occur during the year if any transaction is expected, transfer rates are determined on the basis of fixed-rate in a manner similar to transactions with other parties, then the revenues, expenses and results of the sector will include those transfers between the business sectors that will be cancelled at the level of the Company's financial statements.

- **Legal Reserves**

In accordance with the Company's by-laws, the Company allocates 20% of its net income from shareholder operations each year to the legal reserve until it forms a reserve equal to the capital. The reserve is not available for distribution.

- **Fair Values**

The fair value of financial assets is based on the listed prices of tradable securities or estimated fair values. The fair value of commission-bearing items is estimated on the basis of discounted cash flows using the commission for items with similar risk terms and characteristics.

For financial assets that do not have an active market, fair value is determined by reference to the market value of similar financial assets or when fair value cannot be derived from an active market, it is determined using a variety of valuation techniques. The input of these models is taken from the observable market, whenever that is not possible, there is a need to use judgment in determining the fair values.

Policies Updated in 2019G

- ✓ **International Financial Reporting Standards and the new and amended interpretations applied by the Company.**

The Company has adopted the following amendments and audited existing standards issued by the International Accounting Standards Board:

Standard/Modifications	Description
International Accounting Standard No. 28	Long-term investments in associates and joint ventures
Interpretation of the Interpretations Committee No. 23	Uncertainty for income tax processing
International Accounting Standard 19	Employee benefits
Interpretation of the Interpretations Committee No. 22	Foreign currency transactions and prior considerations
International Financial Reporting Standard (IFRS) No. 3 and 11 and IAS No. 12 and No. 23	Annual Improvement cycle on the 2015G-2017G International Financial Reporting Standards (IFRS)
International Financial Reporting Standard (IFRS) No. 16	Leases

✓ **International Financial Reporting Standard (IFRS) No. 16 - Leases**

The Company applied International Financial Reporting Standard (IFRS) No. 16 "leases", where it supersedes the current trends in leases, including IAS 17 "leases" and the Interpretation of the Interpretations Committee for the International Financial Reporting Standard (IFRS) No. 4 "determining whether a certain arrangement includes a lease", the Interpretation of the Interpretations Committee for the International Accounting Standard (IAS) No. 15 "operating leases - incentives and the Interpretation of the Interpretations Committee for the International Accounting Standard (IAS) No. 27 "assessing the substance of transactions that take the legal form for the lease."

The International Financial Reporting Standard (IFRS) No. 16 was issued in January 2016G and is valid for annual periods starting on or after January 01, 2019G. The International Financial Reporting Standard (IFRS) No. 16 defines principles of recognition, measurement, presentation and disclosure of leases and requires tenants to calculate recognition for all leases under the statement of the financial position form similar to accounting for financing leases under IAS No. 17. The standard includes two exemptions of recognition to tenants - "impaired" asset leases (e.g., personal computers) and short-term leases (e.g., leases for 12 months or less). On the date of the start of a lease, the tenant recognizes the obligation to pay the rent. (i.e. lease obligation) and the asset represents the right to use the leased asset during the lease term (the right to use the asset) and requires the tenant to recognize the right to use the asset with the expenses of the rental obligation commissions and the expense of the asset's depreciation separately.

Tenants are also required to re-measure rental obligations when certain events occur (e.g. a change in rental duration, a change in future rental payments resulting from a change in the index or rate used to determine such payments) . The tenant generally recognizes the amount of re-measurement of the obligation such as adjusting the asset and classifying the use.

The Company chose to use the exemptions proposed by the lease standard that stipulates the terms of the lease expiring within 12 months of the date of initial application, and leases in which the underlying asset is of low value. All current operating leases consist of lease terms that expire within twelve months.

Despite the changes in accounting policies; yet, the Company does not see a substantial impact on the amounts reported as a result of the transition into the application of International Financial Reporting Standard (IFRS) No. 16 on January 01, 2019G.

Change in Zakat and Income Tax Accounting

The basis of preparation was changed as a result of a circular issued by the Central Bank, dated 20/11/1440H (corresponding to 23/07/2019G). In the past, Zakat and income tax were recognized in the statement of changes in equity under the retained profits according to the Saudi Arabian Central Bank, and according to the circular no. (381000074519) dated 14/07/1438 H (corresponding to 11/04/2017G) along with the latest instructions issued by the Central Bank (formerly the Saudi Arabian

Monetary Agency) on 20/11/1440 H (corresponding to 23/07/2019G). Zakat and income tax are recognized in the income statement.

The Company amended its accounting policy on Zakat and began to apply the IAS - Income Taxes ("IAS No. 12") and International Financial Reporting Standard (IFRS) No. 21 - taxes related to Zakat.

The financial impact of the adoption of the deferred tax accounting policy is not substantial in the summary preliminary financial statements. Subsequently, no amounts from the previous period have been adjusted.

- ✓ **The International Financial Reporting Standards (IFRS) and the new and amended interpretations were issued but were not applied yet**

Below is a list of the Standards and interpretations issued but have not been applied until the date of the issuance of the financial statements and the Company reasonably expects them to be applied in the future. The Company intends to adopt these standards when they take effect.

standard/modifications	Statement	Actual Effective Date for periods that start in or after the date below
International Financial Reporting Standard (IFRS) No. 9	Financial instruments (shown below)	Shown below
International Financial Reporting Standard (IFRS) No. 17	Insurance contracts	January 01, 2021G

- ✓ **International Financial Reporting Standard (IFRS) No. 9 - Financial Instruments**

In July 2014G, the International Accounting Standards Board (IAC) issued the International Financial Reporting Standard (IFRS) No. 9 "Financial Instruments" which will supersede IAS (39) Financial Instruments: Recognition and Measurement. The standard includes new classification and measurement requirements for financial assets, and the introduction of a projected credit loss reduction form that will supersede the incurred loss form in IAS (39) and new hedging accounting requirements. Under the International Financial Report Standard (FSR) No. (9):

- All financial assets are measured either at amortized cost or at fair value. The basis of the classification will depend on the activity and characteristics of the contractual cash flows of financial assets. The standard retained most of the requirements of IAS 39 for the financial liabilities except for fair value identified through profits and losses, where that part of the fair value changes related to them are included in the statement of other comprehensive income instead of the income statement.
- The International Financial Report Standard (IFRS) No. (9) requires enterprises to register a provision for the expected loss of credit for all loans and financial assets in other debt instruments that are not retained in fair value through the income statement, and the amounts receivable under the direct financing leases, in addition to loan obligations and financial security contracts. This provision is based on the anticipated credit loss associated with the likelihood of non-payment in the next 12 months unless there has been a significant increase in credit risks since their inception. According to the International Financial Report Standard (IFRS) No. (9), credit losses are demonstrated in a timing that precedes that of the IAS (39).
- Hedging accounting requirements are closely aligned with risk management practices and follow a more systematic principle.

- ✓ **International Financial Reporting Standard (IFRS) No. 17 – Insurance Contracts**

In September 2016G, the International Accounting Standards Board (IACB) published amendments to the International Financial Reporting Standard (IFRS) No. 4 "Insurance Contracts", which are related to handling the accounting implications for the

application of International Financial Reporting Standard (IFSR) No. 9 to insurance companies for insurance contracts prior to the publication of the expected accounting standard for insurance contracts. The amendments offered two options for insurance companies: the deferral option and the coverage option. The deferral option provides the enterprise, if it is eligible for a temporary exemption from the application of International Financial Reporting Standard (IFSR) No. 9 until the date of implementation of the insurance contract scoring standard or 2022GG, whichever is closer. The coverage option allows the facility to delete the total accounting differences that can occur before the implementation of the new standard of insurance contract from profit or loss.

Under the temporary exemption introduced under the amendments to the International Financial Reporting Standard (IFSR) No. 4, enterprises whose activities are primarily "insurance" may postpone the application of International Financial Reporting Standard (IFSR) No. 9. The Company assessed the results of the application of the standard and decided to postpone the application of the International Financial Reporting Standard (IFSR) No. 9 to a later date.

The impact of the application of International Financial Reporting Standard (IFSR) No. 9 on the Company's financial statements must largely take into account the impact of the upcoming insurance contracts standard. It is also not possible to fully assess the impact of the application of the International Financial Reporting Standard (IFSR) No. 9.

✓ **International Financial Report Standard (IFRS) No. 17 - Insurance Contracts**

In May 2017G, the International Accounting Standards Board (IACB) published the International Financial Report Standard (17) "Insurance Contracts" which will replace the International Accounting Standard (IAS) No. 4 - insurance contracts. The standard applies to issued insurance contracts, all insurance and investment contracts and is characterized by discretionary participation provided that the Company also issues insurance contracts. The following components are required to be separated from insurance :

- Implied derivatives included, if they meet certain specific criteria
- Distinctive investment components and
- Any commitment to transport premium goods or non-insurance services

These components must be calculated separately in accordance with the relevant criteria (International Financial Reporting Standard (IFSR) No. 9 and the International Financial Reporting Standard (IFSR) No. 15).

The International Financial Reporting Standard (IFSR) No. 17 offers the following different measurement forms:

1. The general form of measurement which consists of :
 - Cash flows to meet, which include:
 - The probability of weighted estimates for the future cash flows.
 - Adjustment to reflect the time value of the money (i.e. deduction) and the financial risks associated with these future cash flows
 - Risk adjustment for non-financial risks
 - Margin of contractual service. The contractual service margin represents the unearned profit for a range of insurance contracts and will be established as a future service provider. The margin of contractual service cannot be negative when upon its establishment; and any net negative amount of cash flows will initially be recorded to meet the profit or loss directly. At the end of each subsequent reporting period, the book value of a set of insurance contracts is re-measured as:

- Remaining coverage requirements, which include cash flows to meet future services and the group contractual service margin on that date.
- Claim liabilities incurred, which are measured as cash flows to meet the previous services allocated to the Group on that date.

The contractual service margin is subsequently adjusted for changes in cash flows related to future services. Since the contractual service margin cannot be negative (minus), changes in future cash flows above the remaining contractual service margin will be demonstrated in profit or loss. The impact of changes in discount rates will be registered in either profit, loss or other comprehensive income, and that will be determined by the choice of accounting policy. Interest on the contractual service margin is also accumulated at fixed rates at the initial recognition of the contract (i.e. the discount rate initially used to determine the current value of estimated cash flows). Furthermore, the contractual service margin in profit or loss will be issued on the coverage units, reflecting the amount of benefits provided and the expected coverage period of the remaining contracts in the group.

2. The variable fee approach is a mandatory model for measuring contracts with direct participation features (also referred to as "direct participation contracts"). This assessment is made if the contract met these criteria at the time the contract commenced and will not be not subsequently re-evaluated. For these contracts, the contractual service margin is also adjusted in addition to the adjustment under the general model of measurement:
 - The establishment's share of changes in the fair value of the underlying items
 - The impact of changes in the time value of money and financial risks that are not related to the underlying elements
3. The simplified premium allocation method is permitted to measure the remaining coverage liabilities, provided that it:
 - Provides a measure that is not fundamentally different from the general model of measurement.
 - Or if the coverage period is one year or less per contract in the group.

Using the premium allocation approach, the remaining coverage liabilities with premiums received at the initial proof minus the cash flow of insurance acquisition. The general measurement model remains applicable to measure liabilities for claims incurred. Yet, the enterprise is not required to adjust future cash flows for the time value of the money and the impact of financial risks if the payment/receipt of such cash flows is expected within one year or less from the date of incurring the claim.

Based on the draft contradicting amendments issued in June 2019G, the Accounting Standards Board explained that the effective date of the International Financial Report Standard (IFRS) No. 17 and the postponement of the exemption of the International Financial Report Standard (IFRS) No. 9 in the International Financial Report Standard (IFRS) No. 4 is January 01, 2021G. It is recommended to amend the date of validity to the reporting periods beginning on or after January 01, 2022G. This period of postponement is one year compared to the previous date of January 01, 2021G. Early application is permitted if both the International Financial Report Standard (IFRS) No. 15 - income from contracts with customers and the International Financial Report Standard (IFRS) No. 9 financial instruments are applied. The Company intends to apply the standard on the date of its effective date.

The application will be made with retroactive effect and if the application is not practical, the facility has the right to choose either a retroactive effect methodology or the fair value.

The financial impact of the Company's adoption of the standard is assessed where a committee was formed to implement the process and the Company analyzed the gaps and the main areas are as follows:

- 1) Financial impact: Financial impact not yet assessed.

- 2) Data impact: The impact of the data is likely to be minimal as the majority of the Company's contract periods are less than a year and will be eligible for measurement according to the simplified method of premiums.
- 3) The impact of the IT system: The Company is already working on the application of a new and IT system that has been updated which will facilitate the application of International Financial Report Standard (IFRS) No. 17
- 4) The impact of processes: The impact of the process is subject to assessment, and no substantial changes in the process are expected.
- 5) Impact on reinsurance arrangements: The Company is currently testing reinsurance arrangements to determine the appropriate measurement approach.
- 6) Impact on policies and control of scope of work: The Company has appointed an external advisor to modify its current policies and manage updates within the framework of internal control.
- 7) Human Resources: The Company needs to hire suitably qualified staff with a comprehensive understanding of the International Financial Report Standard (IFRS) No. 17.

6.4 Key Performance Indicators (KPIs)

The following table shows key performance indicators for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended June 30, 2020G.

Table (26): Key Performance Indicators

Key financial performance indicators	Indicator unit	Fiscal year ended December 31			Six-month period ended June 30	
		2017 (audited)	2018 (audited)	2019 (audited)	2019 (Unaudited)	2020 (Unaudited)
Ceded premiums ratio	%	52.5%	44.5%	34.0%	38.4%	32.6%
Loss ratio	%	47.6%	74.6%	77.2%	79%.	57.3%
Commission expenses/net earned premiums	%	14.4%	12.8%	9.2%	9.1%	9.7%
Reinsurance commission income/ net earned premiums	%	19.0%	17.5%	11.9%	15.7%	8.3%
Expense ratio	%	16.8%	30.8%	29.9%	21.9%	16.0%
Adjusted Combined ratio	%	64.5%	105.4%	107.1%	101.5	73.3%
Growth rate of total premiums written	%	-27.2%	42.6%	5.7%	(18.3%)	29.5%
Retention ratio	%	47.5%	55.5%	66.0%	61.6%	67.4%

Source: Management Information

6.5 Results of Operations - Income Statement

The following table shows the Company's income statement for the financial years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (27): Results of Operations - Income Statement

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Decrease			CAGR 2017- 2019
	2017 (unaudited)	2018 (unaudited)	2019 (Audited)	2019 (unaudited)	2020 (unaudited)	December 2018	Decembe r 2019	June 2020	
Income									
Gross written insurance premiums	185,627	264,675	279,690	136,440	176,734	%42.6	%5.7	%29.5	%22.7
Minus: Ceded Premiums									
Local reinsurers	(2,519)	(2,446)	(3,279)	(1,933)	(1,558)	(2.90%)	34.10%	(19.40%)	14.10%
External reinsurers	(88,958)	(108,310)	(78,828)	(43,999)	(51,402)	21.80%	(27.20%)	16.80%	(5.90%)
Excess of loss expenses	(5,913)	(6,955)	(12,892)	(6,442)	(4,600)	17.60%	85.40%	-28.60%	47.70%
Net insurance premiums written	88,237	146,964	184,691	84,066	119,174	%66.6	%25.7	%41.8	%44.7
Change in net unearned insurance premiums, net	11,646	(34,779)	(26,816)	(11,847)	(7,214)	(398.60%)	(22.90%)	(39.10%)	-
Net premiums earned	99,883	112,185	157,875	72,219	111,960	12.30%	40.70%	55.00%	25.70%
Reinsurance Commission	18,952	19,642	18,817	11,330	9,296	3.60%	(4.20%)	(18.00%)	(0.40%)
Other Underwriting income	202	1,654	99	52	57	718.80%	(94.00%)	9.60%	(30.00%)
Total revenue	119,037	133,481	176,791	83,601	121,313	12.1%	%32.4	%45.1	%21.9
Written costs and expenses									
Total claims paid	126,675	140,414	171,314	92,211	81,438	10.80%	22.00%	(11.70%)	16.30%
Claims –related Incurred expenses	7,617	19,220	10,363	5,182	5,136	152.30%	(46.10%)	(0.90%)	16.60%
Minus: Reinsurers’ share of claims paid	(63,662)	(67,100)	(65,832)	(42,664)	(18,419)	5.40%	(1.90%)	(56.80%)	1.70%
Net claims and other benefits paid	70,630	92,534	115,845	54,729	68,155	31.00%	25.20%	24.50%	28.10%
Change in outstanding claims, net	(21,028)	(7,327)	(599)	1,117	1,119	(65.20%)	(91.80%)	0.20%	(83.10%)
Change in incurred and unreported claims, net	(2,029)	(1,500)	6,636	1,596	(5,115)	(26.10%)	(542.40%))	(420.50%)	-
Net claims and other benefits incurred	47,573	83,707	121,882	57,442	64,159	76.00%	45.60%	11.70%	60.10%
Provision/(reverse) premium deficiency reserve	3,642	6,205	(7,203)	(4,519)	423	70.40%	(216.10%))	(109.40%)	-
Other technical reserves	(1,440)	1,512	(1,528)	(535)	25	(205.00%))	(201.10%))	(104.70%)	3.00%
Policies acquisition cost	14,382	14,371	14,494	6,591	10,910	(0.10%)	0.90%	65.50%	0.40%
Total costs and expenses written	64,157	105,795	127,645	58,979	75,517	64.9%	20.7%	28.0%	41.1%
Net subscription results	54,880	27,686	49,146	24,622	45,796	(49.6%)	%77.5	%86.0	(5.4%)
Other operating income and (expense)									
Provision for doubtful debt	(1,361)	(2,154)	(2,337)	(468)	2,348	58.30%	8.50%	(601.70%)	31.00%
General and administrative expenses	(47,306)	(69,147)	(68,164)	(30,082)	(35,278)	46.20%	(1.40%)	17.30%	20.00%
Deposit commission income	4,661	3,391	3,597	2,066	1,077	(27.20%)	6.10%	(47.90%)	(12.20%)
Profit realized from investments	-	369	780	780	-	-	113.40%	(100.00%)	-
Unrealized profits from investments	577	4,268	5,524	6,712	(2,968)	639.70%	29.40%	(144.20%)	209.40%
Other income	10,025	4,512	7,013	4,289	6,165	(55.00%)	55.40%	43.70%	(16.40%)
Reverse the impairment of receivables for reinsurance	-	2,121	652	(680)	(570)	-	(69.20%)	(16.20%)	-
Total other operating expenses, net	(33,404)	(56,613)	(52,935)	(17,383)	(29,226)	%69.5	(6.5%)	%68.1	%25.9
Net (loss) / income for the period before distribution	21,476	(28,927)	(3,789)	7,239	16,570	(234.70%))	(86.90%)	%128.9	-

Net loss attributable to insurance operations	(1,892)	-	-	(19)	(2,076)	(100.00%)	-	10826.30	(100.00%)
)		%	
Net (loss)/income attributable to Shareholders before Zakat	19,584	(28,927)	(3,789)	7,220	14,494	(247.70%)	(86.90%)	100.7%	-
)			
Zakat expense for the period*	-	(3,886)	(3,223)	(1,865)	(1,880)	-	(17.10%)	%0.8	-
(expense)/reverse Zakat for previous years	-	(5,538)	5,747	-	-	-	(203.80%)	-	-
)			
Net income/(loss) for the period	19,584	(38,351)	(1,265)	5,355	12,614	295.80%	(96.70%)	%135.6	-
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-
Items that are not reclassified in the comprehensive income statement in the coming years	-	-	-	-	-	-	-	-	-
Actuarial profits on specific benefit obligations	-	128	317	-	-	-	%147.7	-	-
Total overall loss for the year	19,584	(38,223)	(948)	5,355	12,614	(295.20%)	(97.50%)	135.60%	-
)			

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and the summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

*In 2017G have been adjusted to match the classifications adopted in the 2019G financial statements.

Total insurance premiums written increased by 42.6% in 2018G, from SAR 185.6 million in 2017G to SAR 264.7 million in 2018G, due to the rise in the medical insurance, vehicle insurance and accident insurance and claims sectors. Between 2018G and 2019G, Gross written insurance premiums increased by 5.7% from SAR 264.7 million to SAR 279.7 million, mainly in medical insurance premiums. The written insurance premiums continued to rise by 29.5% from SAR 136.4 million and the six-month period ended on June 30, 2019G to SAR 176.7 million in the six-month period ended on June 30, 2020G, driven mainly by the increase in medical insurance premiums and vehicle insurance premiums.

Assigned reinsurance premiums include Local reinsurers, External reinsurers as well as excess loss expenses. In 2018G, reinsurance premiums increased by 20.9% from SAR 97.4 million in 2017G to SAR 117.7 million in 2018G, mainly due to the increase in reinsurance premiums from the medical and vehicle insurance sectors. Reinsurance premiums decreased by 19.3% from SAR 117.7 million in 2018G to SAR 95.0 million in 2019G due to a decrease in reinsurance in most sectors, specifically in the medical sector. The reinsurance premiums Ceded increased by 9.9% from SAR 52.4 million in the six months ended on June 30, 2019G to SAR 57.6 million in the six-month period ended on June 30, 2020G as a result of the rise in private reinsurance premiums in the vehicle sector.

The change in net unearned premiums relates to the change in the portion of the written unearned and Ceded Premiums during the reporting period.

The reinsurer's commission relates primarily to the income of commissions earned from the reinsurer, where the commission income depends on the agreement with the reinsurer. The reinsurer's commission did not experience any substantial fluctuations between 2017G and 2018G. The reinsurer's commission decreased by 4.2% from SAR 19.6 million in 2018G to SAR 18.8 million in 2019G as a result of reduced business volume and reinsurance of some contracts related to the vehicle insurance sector. The reinsurer's commission continued to decrease by 18.0% from SAR 11.3 million in the six months ended on June 30, 2019G to SAR 9.3 million in the six-month period ended on June 30, 2020G.

Other Underwriting income item includes nominal administrative amounts that the Company receives when issuing and renewing the insurance policies.

Total claims paid increased by 10.8% from SAR 126.7 million in 2017G to SAR 140.4 million in 2018G, due to the overall increase in business volume. Total claims paid again increased by 22.0% from SAR 140.4 million in 2018G to SAR 171.3 million in 2019G, primarily due to a further increase in the volume of commercial activities focused in the medical and vehicle insurance sectors.

Total claims paid decreased by 11.7% from SAR 92.2 million in the six months ended June 30, 2019G to SAR 81.4 million in the six-month period ended June 30, 2020G as a result of improved overall performance of the property insurance portfolio.

The reinsurer's commission relates primarily to the income of commissions earned from the reinsurer, where the commission income depends on the agreement with the reinsurer. The reinsurer's commission did not experience any substantial fluctuations between 2017G and 2018G. The reinsurer's commission decreased by 4.2% from SAR 19.6 million in 2018G to SAR 18.8 million in 2019G as a result of reduced business volume and reinsurance of some contracts related to the vehicle insurance sector. The reinsurer's commission continued to decrease by 18.0% from SAR 11.3 million in the six months ended June 30, 2019G to SAR 9.3 million in the six-month period ended June 30, 2020G.

Other Underwriting income items include nominal administrative amounts that the Company spends when issuing and renewing the insurance policies.

Total claims paid increased by 10.8% from SAR 126.7 million in 2017G to SAR 140.4 million in 2018G, due to the overall increase in business volume. Total claims paid again increased by 22.0% from SAR 140.4 million in 2018G to SAR 171.3 million in 2019G, primarily due to a further increase in the volume of commercial activities focused in the medical and vehicle insurance sectors. Total claims paid decreased by 11.7% from SAR 92.2 million in the six months ended on June 30, 2019G to SAR 81.4 million in the six-month period ended on June 30, 2020G as a result of improved overall performance of the property insurance portfolio.

Incurred expenses related to claims were associated with third-party expenses to manage claims that rise in the course of work. Expenses increased by 152.3% from SAR 7.6 million in 2017G to SAR 19.2 million in 2018G, due to the high volume of business and the number of claims filed. Expenses decreased by 46.1% in 2019G as a result of a decrease in the volume of medical claims. The value of expenses incurred in relation to claims remained constant at SAR 5.1 million between the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G.

The reinsurer commission item of the total claims paid is related to the reinsurance arrangement for each of the Company's insurance sectors. The share of reinsurers in paid claims increased by 5.4% from SAR 63.7 million in 2017G to SAR 67.1 million in 2018G as a result of the increase in the share of reinsurers for the medical insurance sector. On the other hand, the share of reinsurers decreased by 1.9% from SAR 67.1 million in 2018G to SAR 65.8 million in 2019G as a result of the decline in the share of reinsurers in property insurance claims. The reinsurer's share of total claims paid decreased by 56.8% from SAR 42.7 million in the six months ended on June 30, 2019G to SAR 18.4 million in the six-month period ended on June 30, 2020G as a result of the decline in the share of reinsurers associated with the medical and property insurance sectors.

The net change relates to existing claims (after the calculation of the allocation associated with the incurred but not reported (IBNR) claims) for changes in the estimated claims incurred but not reported during the period.

A reserve/(reverse) provision of premium deficits was associated with a number of assumptions regarding future circumstances events, depending on the expected loss ratio of the unfinished part of the policy risks. In order to estimate the expected loss ratio, the Company's actuarial expert and independent actuarial expert take into account the relationship of claims and premiums that are expected to be applied on a month-to-month basis and to ascertain at the end of the fiscal year whether there is a need to form a premium deficit reserve.

Other technical reserves mainly include allocations related to risks in force during the period.

The Policies acquisition cost are primarily in expenses incurred for obtaining insurance policies and are primarily the commissions paid to sales brokers and amortizing the cost of deferred management. The cost of purchasing insurance policies did not fluctuate significantly between 2017G and 2018G and between 2018G and 2019G. The cost of purchasing insurance policies increased by

65.5% from SAR 6.6 million in the six months ended on June 30, 2019G to SAR 10.9 million in the six-month period ended on June 30, 2020G mainly due to increase in costs of purchasing the medical and vehicle insurance sectors.

The impairment of doubtful debts is associated with long-owed premiums receivables and hard-to-obtain. The value of the allocation increased from SAR 1.4 million in 2017G to SAR 2.2 million in 2018G and SAR 2.3 million in 2019G after the relative slowness recorded in the collection of receivables from customers. The Company reversed the impairment provision of doubtful debts at a value of SAR 2.3 million during the six-month period ended on June 30, 2020G after the acceleration in the momentum of collection of amounts owed as a result of a new policy adopted by the Company to strengthen the administering process of collecting the receivables.

Administrative general expenses consist mainly of staff costs, Regulatory fees, maintenance and repair expenses, depreciation of fixed assets, amortizing intangible assets, professional fees, rents, marketing expenses, withholding tax allowance and delay fines, uncollected tax allowance, and other expenses. General and administrative expenses increased by 46.2% from SAR 47.3 million in 2017G to SAR 69.1 million in 2018G, mainly due to increase in staff costs, maintenance and repair expenses, professional fees, marketing expenses and other expenses. There were no substantial fluctuations between 2018G and 2019G. General and administrative expenses increased by 17.3% from SAR 30.1 million in the six months ended on June 30, 2019G to SAR 35.3 million in the six-month period ended on June 30, 2020G, mainly as a result of increase in staff costs.

Deposit commission income is related to profit from term deposits, income from sukuk, investment profits and dividends. The rise and decline in these revenues was associated with the period covered by the movement of deposits.

Realized and unrealized profits from investments are related to the profits of the Company's investments in funds and equity shares in the Kingdom of Saudi Arabia.

Other revenues consist of the Company's share of the outlet fund surplus, income from road services, impairment of outstanding assets from reinsurers, dividends, and other income. Other revenues decreased by 55.0% by SAR 5.5 million in 2018G, compared to 2017G, mainly due to the registration of realized assets from the reinsurer and the registration of the board's bonus remuneration in 2017G. Other revenues increased by 55.4% from SAR 4.5 million in 2018G to SAR 7.0 million in 2019G after the increase in revenues from outlets and road service income. Other revenues continued to rise by 43.7% from SAR 4.3 million in the six months ended June 30, 2019G to SAR 6.2 million in the six-month period ended on June 30, 2020G as a result of the rise in revenues from the sale of some property and equipment.

Income was recorded that is associated with the reverse of the impairment of receivables at a value of SAR 2.1 million and 0.7 million in 2018G and 2019G respectively, where the Company reversed a provision related to the amounts due from the reinsurers after the acceleration of the collection of these receivable values during the two years mentioned. The six-month period ended on June 30, 2020G witnessed a relatively slow collection of these receivables, resulting in seizing an additional allocation in the six months ending on June 30, 2020G.

The Company recorded a net income of SAR 21.5 million in 2017G and turned into a loss of SAR 28.9 million in 2018G after the increase in total costs and expenses and other operating expenses between the two years, where high costs were mainly influenced by high claims paid after the high level of commercial activities, specifically in the medical insurance and vehicle insurance sectors. The Company reduced the loss from SAR 28.9 million in 2018G to SAR 3.8 million in 2019G due mainly to higher revenues. The Company was able to convert the loss into income between the six months ended on June 30, 2019G and the six-month period ended on June 30, 2020G, and net income for the year before distribution of dividends increased from SAR 7.2 million in the six months ended on June 30, 2019G to SAR 16.6 million in the six-month period ended on June 30, 2020G as a result of the rise in revenues between the two periods.

The income generated for insurance operations reached SAR 1.9 million, SAR 19 thousand riyals and SAR 2.1 million in 2017G, for the six-month period ended on June 30, 2019G and for the six-month period ended on June 30, 2020G. No income was recorded on the return of insurance operations in the years and periods in which losses were recorded.

Net income attributable to shareholders before Zakat reached SAR 19.6 million in 2017G, while the loss to shareholders before Zakat was SAR 28.9 million and SAR 3.8 million in 2018G and 2019G respectively. On the other hand, the Company re-recorded a return income to shareholders of SAR 7.2 million and SAR 14.5 million in the six months ended on June 30, 2019G and in the six-month period ended on June 30, 2020G.

The Company recorded annual/semi-annual Zakat expenses of SAR 3.9 million, SAR 3.2 million, SAR 1.9 million and SAR 1.9 million in 2018G, 2019G, the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G, respectively. It should be noted that the Company submitted its Zakat declarations for 2017G and obtained the necessary Zakat certificate, and the Company obtained the approval of the General Authority for Zakat and Income to study the declarations. On the other hand, the Company submitted its Zakat declarations for 2018G and obtained the relevant Zakat certificate. The General Authority for Zakat and Income did not raise Zakat assessments for the years from December 31, 2016G and 2018G. As a result, the Company has recorded Zakat expenses for the years 2016G to 2018G at a value of SAR 5.5 million in 2018G. However, the Company reversed most of these expenses (SAR 5.7 million) in 2019G after the management confirmed that no additional Zakat would be imposed for the period from 2016G until 2018G, depending on the completion of the evaluation for previous years.

The Company recorded a net profit of SAR 19.6 million during 2017G, while the Company recorded a net loss of SAR 38.4 million and SAR 1.3 million in 2018G and 2019G respectively. The Company recorded again a net income of SAR 5.4 million and SAR 12.6 million in 2017G, in the six-month period ended on June 30, 2019G and in the six-month period ended on June 30, 2020G.

It should be noted that the Company recorded actuarial profits of SAR 0.1 million and SAR 0.3 million in 2018G and 2019G, as these profits were linked to employee obligations that are periodically evaluated through actuarial studies. As a result, the other overall loss for 2018G was SAR 38.2m and SAR 0.9 m in 2018G and 2019G. On the other hand, another comprehensive income of SAR 19.6 million, SAR 5.4 million and SAR 12.6 million in 2017G was recorded in the six-month period ended on June 30, 2019G and in the six-month period ended on June 30, 2020G, respectively.

6.5.1 Gross written insurance premiums

The following table shows the total insurance premiums written for the fiscal years ended December 31, 2018G, 2019G and the six-month period ended June 30, 2020G.

Table (28): Total written insurance premiums

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			GCAR 2017G- 2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Unaudited)	2020 (Unaudited)	December 2018	December 2019	June 2020	
Medical	24,141	45,474	70,861	34,145	47,317	88.4%	55.8%	38.6%	71.3%
Motor	71,275	124,913	131,385	54,581	84,172	75.3%	5.2%	54.2%	35.8%
Property	37,127	31,776	32,722	22,108	21,995	-14.40%	3.00%	-0.50%	-6.10%
Engineering	11,627	9,427	5,702	3,075	2,416	(18.90%)	(39.50%)	(21.40%)	(30.00%)
Marine	19,771	19,821	15,717	8,895	9,247	0.30%	(20.70%)	4.00%	(10.80%)
Accidents and liabilities	21,686	33,264	23,303	13,636	11,587	53.40%	(29.90%)	(15.00%)	3.70%
Total	185,627	264,675	279,690	136,440	176,734	42.60%	5.70%	29.50%	22.70%
As a percentage of the total									
Medical	13.0%	17.2%	25.3%	25.0%	26.8%				
Motor	38.4%	47.2%	47.0%	40.0%	47.6%				

Property	20.0%	12.0%	11.7%	16.2%	12.4%
Engineering	6.3%	3.6%	2.0%	2.3%	1.4%
Marine	10.7%	7.5%	5.6%	6.5%	5.2%
Accidents and liabilities	11.7%	12.6%	8.3%	10.0%	6.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The vehicle insurance sector is the main business sector of the Company, with the written premiums associated with this sector accounted for 38.4%, 47.2%, 47.0% and 47.6% of the total premiums written in 2017G and 2018G, in addition to the six months ended on June 30, 2019G, respectively.

Gross written insurance premiums for the vehicle sector increased by 75.3% from SAR 71.3 million in 2017G to SAR 124.9 million in 2018G, with an additional 5.2% increase to SAR 131.4 million in 2019G. This is mainly due to a new change in the Company's policy and strategy, with the focus on the renewal of low loss and risk insurance policies, and the trend directed towards increasingly comprehensive car insurance policies with a focus on comprehensive vehicle insurance policies and the development of a third-party vehicle underwriting policy.

The written insurance premiums for the medical insurance sector increased by 88.4% from SAR 24.1 million in 2017G to SAR 45.5 million in 2018G, driven by the new Company's strategy that led to securing of new contracts for the Company, especially in the field of medical insurance. The year 2019G witnessed an additional increase in Gross written insurance premiums for the medical sector, which increased by 55.8% from SAR 45.5 million in 2018G to SAR 70.9 million in 2019G, as this increase was influenced by new contracts with two new customers.

The written premiums associated with the property sector decreased by 14.4% from SAR 37.1 million in 2017G to SAR 31.8 million in 2018G as the new business strategy was focused on business development in the medical and vehicle insurance sectors. The written insurance premiums for the property insurance sector increased slightly by 3.0% from SAR 31.8 million in 2018G to SAR 32.7 million in 2019G as a number of contracts were renewed while the Company did not receive any new contracts.

Other insurance premiums are related to the engineering, marine insurance, accident and liability insurance sectors. Total premiums associated with these sectors fluctuated between 2017G and 2019G. Premiums associated with these three sectors increased by 17.8% from SAR 53.1 million in 2017G to SAR 62.5 million in 2018G. It should be noted that the rise in the associated insurance premiums in the three sectors was focused on the accident and liability sector, which is often linked to the vehicle insurance sector, which in turn has been the focus of the Company's new strategy.

Premiums decreased by 28.5% from SAR 62.5 million in 2018G to SAR 44.7 million in 2019G, including the reduction for the three sectors. While the decline in the engineering insurance sector was influenced by the completion of the projects covered and the lack of coverage for new projects, the decrease in premiums in the marine insurance sector was associated with the economic decline in general, and the decrease in premiums in the accident and liabilities sector as a result of the decrease in the number of accidents and claims filed during 2019G.

Total written premiums increased by 29.5% from SAR 136.4 million in the six months ended on June 30, 2019G to SAR 176.7 million in the six-month period ended on June 30, 2020G. The mentioned increase was driven by increase in the written premiums for the medical and vehicle insurance sectors. The written premiums for the medical insurance sector increased by 38.6% from SAR 34.1 million in the six months ended on June 30, 2019G to SAR 47.3 million in the six-month period ended on the June 30, 2020G as a result of improvement in the medical insurance sales strategy. With regard to vehicle insurance premiums, the sector's

premiums increased by 54.2% from SAR 54.6 million in the six months ended on June 30, 2019G to SAR 84.2 million in the six-month period ended on June 30, 2020G, following improvements in vehicle insurance underwriting.

6.5.2 Reinsurance Premiums Ceded

The following table shows the reinsurance premiums for the fiscal years ended on December 31, 2001, 2018G, 2019G and the six-month period ending on June 30, 2020G.

Table (29): Reinsurance Premiums assigned

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			GCAR 2017G- 2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Unaudited)	2020 (Unaudited)	December 2018G	December 2019G	June 2020G	
Medical	13,825	27,280	2,270	1,132	1,058	97.30%	(91.70%)	(6.50%)	(59.50%)
Motor	14,657	26,218	33,400	14,083	19,705	78.90%	27.40%	39.90%	51.00%
Property	36,056	32,607	35,090	22,886	21,865	(9.60%)	7.60%	(4.50%)	(1.30%)
Engineering	10,500	8,464	5,115	2,775	2,266	(19.40%)	(39.60%)	(18.30%)	(30.20%)
Marine	13,583	14,097	11,073	6,066	7,221	3.80%	(21.50%)	19.00%	(9.70%)
Accidents and liabilities	8,769	9,045	8,051	5,432	5,445	3.10%	(11.00%)	0.20%	(4.20%)
Total	97,390	117,711	94,999	52,374	57,560	20.9%	(19.30%)	9.90%	(1.20%)
As a percentage of written premiums (attribution ratio)									
Medical	57.3%	60.0%	3.2%	3.3%	2.2%				
Motor	20.6%	21.0%	25.4%	25.8%	23.4%				
Property	97.1%	102.6%	107.2%	103.5%	99.4%				
Engineering	90.3%	89.8%	89.7%	90.2%	93.8%				
Marine	68.7%	71.1%	70.5%	68.2%	78.1%				
Accidents and liabilities	40.4%	27.2%	34.5%	39.8%	47.0%				
Total	%52.5	%44.5	%34.0	%38.4	%32.6				

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The Company manages its reinsurance program in accordance with the Company's reinsurance strategy. The strategy is governed by the proportional and non-proportional treaties, including surplus loss and optional arrangements. Reinsurance is distributed between contractual and optional reinsurance contracts, stop loss and surplus loss. The Company's contracts with reinsurance companies under which the Company is compensated for losses in one or more of the contracts issued by the Company which meet the requirements of the classification of contracts are classified as retained reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

The Company re-secures most of the documents issued by it through external reinsurers, most notably Swiss Re, Skor, Partner Re and Hanover Re.

The property sector is the main sector re-insured by the Company, with reinsurance premiums Ceded for this sector accounting for 37.0%, 27.7%, 36.9%, 43.7% and 38.0% of the total reinsurance premiums Ceded during the years 2017G, 2018G and 2019G, in addition to the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2019G, and the six-month period ended on June 30, 2020G.

It has been noted that the assignment ratio associated with the accident and liability sector decreased from 40.4% in 2017G to 27.2% in 2018G as a result of the adoption of a new strict strategy to reduce the rate of reinsurance in the case of contracts and policies associated with loss and risk ratios where the Company can manage without incurring significant expenses.

The assigned rate has risen from 27.2% in 2018G to 34.5% in 2019G as some contracts that have been classified as associated with high loss surpluses have been re-secured.

The total assigned ratio decreased from 38.4% in the six-month period ended on June 30, 2019G to 32.6% in the six-month period ended on June 30, 2020G due to the high assigned ratio associated with the marine insurance, accident and liability insurance sectors. The assigned ratio associated with the marine insurance sector increased from 68.2% in the six months ended on June 30, 2019G to 78.1% in the six-month period ended on June 30, 2020G as a result of the improved performance of the sector's insurance portfolio. The assignment ratio associated with the accident and liability sector increased from 39.8% in the six months ended on June 30, 2019G to 47.0% in the six-month period ended on June 30, 2020G, as the portfolio's performance improved in the six months ended on June 30, 2020G.

It should be noted that the largest share of reinsurance contracts is concluded with external reinsurers.

6.5.3 Net Written Insurance Premiums

The following table shows the net written insurance premiums for the fiscal years ended on December 31, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (30): Net Written Insurance Premiums

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			GCAR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Unaudited)	2020G (Unaudited)	December 2018	December 2019	June 2020	
Medical	10,316	18,194	68,591	33,013	46,259	76.40%	277.00%	40.10%	157.90%
Motor	56,618	98,695	97,985	40,498	64,467	74.30%	(0.70%)	59.20%	31.60%
Property	1,071	(831)	(2,368)	(778)	130	(177.60%)	185.00%	(116.70%)	-
Engineering	1,127	963	587	300	150	(14.60%)	(39.00%)	(50.00%)	(27.80%)
Marine	6,188	5,724	4,644	2,829	2,026	(7.50%)	(18.90%)	(28.40%)	(13.40%)
Accidents and liabilities	12,917	24,219	15,252	8,204	6,142	87.50%	(37.00%)	(25.10%)	8.70%
Total	88,237	146,964	184,691	84,066	119,174	66.6%	25.7%	41.8%	44.7%
As a percentage of total written premiums (retention ratio)									
Medical	42.7%	40.0%	96.8%	96.7%	97.8%				
Motor	79.4%	79.0%	74.6%	74.2%	76.6%				
Property	2.9%	(2.6%)	(7.2%)	(3.5%)	0.6%				
Engineering	9.7%	10.2%	10.3%	9.8%	6.2%				
Marine	31.3%	28.9%	29.5%	31.8%	21.9%				
Accidents and liabilities	59.6%	72.8%	65.5%	60.2%	53.0%				
Total	47.5%	55.5%	66.0%	61.6%	67.4%				

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and the summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The Company achieved a rise in net written insurance premiums between 2017G and 2018G, reaching 66.6% from SAR 88.2 million in 2017G to SAR 147.0 million in 2018G as a result of the increase in insurance premiums related to the medical insurance sectors, Motor, accidents and liabilities. The written insurance premiums for the medical insurance sector increased by 76.4% from SAR 10.3 million in 2017G to SAR 18.2 million in 2018G. The vehicle sector increased from net written insurance premiums by 74.3% from SAR 56.6 million in 2017G to SAR 98.7 million in 2018G. Accident and liability written premiums increased by 87.5% from SAR 12.9 million in 2017G to SAR 24.2 million in 2018G. As mentioned earlier, the new policy adopted in 2018G, which provided for the renewal of premiums and the acquisition of new contracts, mainly targeted the medical and vehicle insurance sectors. The movement of the liabilities sector is often in line with the movement in the vehicle insurance sector.

In 2019G, net written insurance premiums witnessed an additional increase by 25.7% from SAR 147.0 million in 2018G to SAR 184.7 million in 2019G. The increase was mainly driven by a rise in net written premiums associated with the medical insurance sector, which increased by 277.0% from SAR 18.2 million in 2018G to SAR 68.6 million in 2019G. The main motivation for this rise was to increase the ratio of businesses under this item.

It was noted that net written insurance premiums for property insurance were negative for 2018G and 2019G, as a result of the recorded surplus loss.

Net written insurance premiums increased by 41.8% from SAR 84.1 million in the six months ended on June 30, 2019G to SAR 119.2 million in the six months ended June 30, 2020G. The rise was influenced by the increase in written insurance premiums associated with the medical and vehicle insurance sectors. The increase in the written insurance premiums associated with the medical insurance sector increased by 40.1% from SAR 33.0 million in the six months ended on June 30, 2019G to SAR 46.3 million in the six-month period ended on June 30, 2020G due to a high retention rate in the medical portfolio. Total vehicle insurance premiums increased by 59.2% from SAR 40.5 million in the six months ended June 30, 2019G to SAR 64.5 million in the six-month period ended June 30, 2020G, following the development of the medical insurance sales strategy.

6.5.4 Change in Net Unearned Insurance Premiums, Net

Changes in unearned premiums represent the difference between the written (registered) premiums and the premiums earned during each period. It relates to the net movement in the share of unearned and assigned insurance premiums during the period.

6.5.5 Reinsurer's Commission

The Company receives reinsurance commission income from reinsurance policies with other reinsurers. 2018G witnessed a slight increase in the commission of reinsurers by 3.6% from SAR 19.0 million in 2017G to SAR 19.6 million in 2018G.

The reinsurer's commission decreased by 4.2% from SAR 19.6 million in 2018G to SAR 18.8 million in 2019G.

The decline between 2018G and 2019G was driven by high retention rates in general, particularly in the medical insurance sector. The reinsurer's commission decreased by 18.0% from SAR 11.3 million in the six months ended on June 30, 2019G to SAR 9.3 million in the six-month period ended on June 30, 2020G. The decrease between the two periods was influenced by the generally low assignment ratio.

6.5.6 Other Underwriting Income

Other underwriting income is related to a nominal amount that the Company receives on each insurance policy concluded (between SAR 20 and 25 for the policy is charged as an administrative income). The movement of these revenues is in line with the volatility in the number of new policies issued during the period.

6.5.7 Total Claims Paid

The following table shows the total claims paid for the fiscal years ended on December 31, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (31): Total claims paid

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G- 2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Audited)	2020 (Audited)	December 2018	December 2019	June 2020G	
Medical	18,108	32,446	46,807	23,420	25,501	79.20%	44.30%	8.90%	60.80%
Motor	65,014	74,437	99,932	49,507	49,105	14.50%	34.30%	(0.80%)	24.00%

Property	23,630	22,175	16,520	14,459	3,081	(6.20%)	(25.50%)	(78.70%)	(16.40%)
Engineering	7,791	6,984	2,531	1,120	304	(10.40%)	(63.80%)	(72.90%)	(43.00%)
Marine	6,514	1,643	3,165	2,309	1,416	(74.80%)	92.60%	(38.70%)	(30.30%)
Accidents and liabilities	5,618	2,729	2,359	1,396	2,031	(51.40%)	(13.60%)	45.50%	(35.20%)
Total	126,675	140,414	171,314	92,211	81,438	10.8%	22.0%	(11.7%)	16.3%
As a percentage of the total written premiums									
Medical	75.0%	71.4%	66.1%	68.6%	53.9%				
Motor	91.2%	59.6%	76.1%	90.7%	58.3%				
Property	63.6%	69.8%	50.5%	65.4%	14.0%				
Engineering	67.0%	74.1%	44.4%	36.4%	12.6%				
Marine	32.9%	8.3%	20.1%	26.0%	15.3%				
Accidents and liabilities	25.9%	8.2%	10.1%	10.2%	17.5%				
Total	68.2%	53.1%	61.3%	67.6%	46.1%				

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The Company recorded a rise between 2017G and 2018G in net claims paid by 10.8% from SAR 126.7 million in 2017G to SAR 140.4 million in 2018G, driven by a rise in paid claims for the medical and vehicle insurance sectors. The increase in claims for these sectors came as a result of the increase in business activities concentrated in these sectors. Total claims paid increased by 22.0% from SAR 140.4 million in 2018G to SAR 171.3 million in 2019G, following a rise in claims for the medical and vehicle insurance sectors.

Net claims paid decreased by 11.7% from SAR 92.2 million in the six months ended on June 30, 2019G to SAR 81.4 million for the six months ended on June 30, 2020G. The decline was concentrated in the property sector, where the sector's claims paid decreased by 78.7% from SAR 14.5 million in the six months ended on June 30, 2019G to SAR 3.1 million in the six-month period ended on June 30, 2020G, as a result of improved overall performance of the property insurance portfolio.

It should be noted that the focus on the vehicle insurance sector is justified given that this sector is considered the main business item of the Company. The new business strategy has also stimulated the focus on the medical insurance business, as the issuance of medical insurance policies is binding and necessary in most companies and projects, and the hiring of new clients in this sector is an entry point for additional works under the terms of other sectors.

6.5.8 Claims Incurred Expenses

Expenses incurred in claims represent expenses paid to Najm and other companies responsible for managing the Company's claims. While payments to Najm include fees charged by the Company for the management and processing of traffic accidents, claims of other management fees are linked to medical sector claims.

Expenses increased by 152.3% from SAR 7.6 million in 2017G to SAR 19.2 million in 2018G, driven by a rise in business volume and activities during 2018G (more claims in the case of the medical insurance sector and more in the case of accidents and liabilities).

Claims expenses decreased by 46.1% from SAR 19.2 million in 2018G to SAR 10.4 million in 2019G. The decrease was the result of a decline in the number of vehicle sector claims.

Expenses incurred in relation to claims remained nearly constant between the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G.

6.5.9 Reinsurer's Share of Claims Paid

The following table shows the share of reinsurers of claims paid for the financial years ended December 31, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (32): Reinsurer's share of claims paid

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G- 2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Unaudited)	2020 (Unaudited)	December 2018	December 2019	June 2020G	
Medical	13,443	26,197	26,280	18,052	3,048	94.90%	0.30%	(83.10%)	39.80%
Motor	12,664	11,299	18,782	8,257	9,642	(10.80%)	66.20%	16.80%	21.80%
Property	22,073	20,577	14,684	12,935	2,778	(6.80%)	(28.60%)	(78.50%)	(18.40%)
Engineering	7,358	6,345	2,365	1,062	275	(13.80%)	(62.70%)	(74.10%)	(43.30%)
Marine	4,223	824	1,991	1,375	1,174	(80.50%)	141.60%	(14.60%)	(31.30%)
Accidents and liabilities	3,901	1,858	1,730	983	1,502	(52.40%)	(6.90%)	52.80%	(33.40%)
Total	63,662	67,100	65,832	42,664	18,419	5.4%	-1.90%	-56.80%	1.70%
As a percentage of the total paid claims									
Medical	74.20%	80.70%	56.10%	77.1%	12.0%				
Motor	19.50%	15.20%	18.80%	16.7%	19.6%				
Property	93.40%	92.80%	88.90%	89.5%	90.2%				
Engineering	94.40%	90.90%	93.40%	94.8%	90.5%				
Marine	64.80%	50.20%	62.90%	59.5%	82.9%				
Accidents and liabilities	69.40%	68.10%	73.30%	70.4%	74.0%				
Total	50.30%	47.80%	38.4%	%46.3	22.6%				

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The share of the reinsurer shares in the total claims paid is determined by the reinsurance arrangement for each of the Company's insurance sectors. The share of reinsurers in paid claims increased by 5.4% from SAR 63.7 million in 2017G to SAR 67.1 million in 2018G. This is mainly due to the rise in the share of reinsurers in the medical insurance sector.

In contrast, the share of reinsurers decreased by 1.9% from SAR 67.1 million in 2018G to SAR 65.8 million in 2019G, as the share of reinsurers in engineering and property insurance claims declined as a result of the Company's significantly high retention rate in 2019G.

The reinsurer's share of total claims paid decreased by 56.8% from SAR 42.7 million in the six months ended on June 30, 2019G to SAR 18.4 million in the six-month period ended on June 30, 2020G, in light of the decline in the share of reinsurers associated with the medical and property insurance sectors. The decline in the share of reinsurers associated with the medical insurance sector increased by 83.1% from SAR 18.1 million in the six months ended on June 30, 2019G to SAR 3.0 million in the six-month period ended on June 30, 2020G as a result of a decrease in the overall portfolio retention rate. The share of reinsurers for the medical insurance sector decreased by 83.1% from SAR 18.1 million in the six months ended on June 30, 2019G to SAR 3.0 million in the six-month period ended on June 30, 2020G, in addition to the property insurance sector by 78.5% from SAR 12.9 million in the six-month period ended on June 30, 2019G to SAR 2.8 million in the six-month period ended on June 30, 2020G due to the decrease in the scope and volume of claims related to Medical insurance and property insurance.

6.5.10 Net Claims and Other Benefits Incurred

The following table shows the net claims and other benefits incurred for the fiscal years ended December 31, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (33): Net claims and other benefits incurred.

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G-2019G
	2018 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Unaudited)	2020 (Unaudited)	December 2018	December 2019	June 2020	
Medical	4,277	11,517	39,101	12,072	21,784	169.30%	239.50%	80.50%	202.40%
Motor	43,919	64,663	83,576	44,524	42,291	47.20%	29.20%	(5.00%)	37.90%
Property	(2,234)	2,663	(205)	(49)	(142)	(219.20%)	(107.70%)	189.80%	(69.70%)
Engineering	(1,584)	969	111	61	(16)	(161.20%)	(88.50%)	(126.20%)	-
Marine	1,454	1,876	19	286	183	29.00%	(99.00%)	(36.00%)	(88.60%)
Accidents and Liabilities	1,741	2,019	(720)	548	59	16.00%	(135.70%)	(89.20%)	-
Total	47,573	83,707	121,882	57,442	64,159	76.0%	45.6%	11.7%	60.1%
Loss ratio									
Medical	41.2%	66.9%	86.7%	107.80%	52.1%				
Vehicle	65.4%	100.6%	88.8%	86.10%	68.0%				
Property	(166.6%)	(581.4%)	7.6%	3.70%	129.1%				
Engineering	(138.2%)	93.7%	16.1%	28.10%	(9.8%)				
Marine	27.2%	31.2%	0.4%	9.70%	10.0%				
Accidents and	12.0%	8.4%	(4.6%)	7.30%	1.0%				
Total	47.6%	74.6%	77.2%	79.50%	57.3%				

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The changes in net claims incurred reflect the combined impact of trends in total claims paid and the share of reinsurers in total claims paid, as well as changes in existing claims and changes in other reserves.

It was noted that the loss rate associated with the medical business increased significantly from 41.2% in 2017G to 66.9% in 2018G as a result of the increase in total claims paid compared to premiums earned during the year. The loss rate associated with the medical insurance sector increased to 86.7% in 2019G after the volume of claims paid for the sector increased during the period. The loss rate associated with the Motor insurance sector exceeded 100.0 % in 2018G where the Company moved to strengthening Motor insurance against third parties (comprehensive insurance allowance). It was obvious that this type of insurance is associated with high loss rates. The property sector recorded the highest loss rate in the period from 2017G to 2018G, due to the Company's record of more than one fire incident during this period. The engineering insurance sector also recorded high loss rates between 2017G and 2018G as a result of isolated incidents in some projects.

In the six-month period ended on June 30, 2020G, the loss rate was exclusively related to the engineering insurance sector (9.8%) following some isolated and limited incidents were recorded.

6.5.11 Provision for / (Reverse) Reserve Deficit Insurance Premiums

A reserve allowance represents a insurance premium deficit, a reserve that is configured to mitigate the impact of any expected deficit. The allocation is estimated by the actuarial expert after taking into account several factors and assumptions relating to future events and circumstances and the expected loss ratio of the unfinished part of the policy risk. To reach an estimate of the expected loss ratio, the Company's actuarial expert and independent actuarial expert are taken into account in the relationship of

claims and premiums that are expected to be applied on a month-to-month basis, and to ascertain at the end of the fiscal year whether there is a need to form a premium deficit reserve.

6.5.12 Other technical reserves

These provisions are mainly related to existing risk reserves and are allocated at the end of the financial period to meet obligations that may arise after the end of that period for insurance contracts issued prior to that date. These allocations fluctuate in the context of the normal employment contract. The movement of other allocations is influenced by several factors, including the overall performance of the insurance portfolio and the volatility of the level and size of the Company's operations in general.

6.5.13 Insurance Policy Purchase Costs

The following table shows the Policies acquisition cost for the fiscal years ended on December 31, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (34): Insurance Policy Purchase Costs

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G- 2019G
	2018 (Audited)	2018 (Audited)	2019 (Audited)	2019 (unaudited)	2020 (unaudited)	December 2018	December 2019	June 2020	
Medical	388	1,041	1,972	481	1,896	168.30%	89.40%	294.20%	125.40%
Motor	6,252	5,094	5,952	2,854	5,512	(18.50%)	16.80%	93.10%	(2.40%)
Property	3,165	3,028	2,817	1,305	1,595	(4.30%)	(7.00%)	22.20%	(5.70%)
Engineering	1,282	1,037	726	381	264	(19.10%)	(30.00%)	(30.70%)	(24.70%)
Marine	1,397	2,213	1,319	734	1,028	58.40%	(40.40%)	40.10%	(2.80%)
Accidents and Liability	1,898	1,958	1,708	836	615	3.20%	(12.80%)	(26.40%)	(5.10%)
Total	14,382	14,371	14,494	6,591	10,910	(0.1%)	0.9%	65.5%	0.4%
As a percentage of the total									
Medical	2.70%	7.20%	13.60%	7.30%	17.40%				
Motor	43.50%	35.40%	41.10%	43.30%	50.50%				
Property	22.00%	21.10%	19.40%	19.80%	14.60%				
Engineering	8.90%	7.20%	5.00%	5.80%	2.40%				
Marine	9.70%	15.40%	9.10%	11.10%	9.40%				
Accidents and Liability	13.20%	13.60%	11.80%	12.70%	5.60%				
Total	100.00%	100.00%	100.00%	100.00%	100.00%				

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, And Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G.

The cost of purchasing insurance policies relates primarily to expenses incurred for obtaining insurance policies and represents primarily commissions paid to sales brokers and amortization of the cost of deferred management (calculated at 4.8% of the unearned premium reserve for the medical business, 4.9% of unearned premium reserve for the Motor sector, 8.3% of the unearned premium reserve for the property sector, 10.7% of the unearned premium reserve for the engineering insurance sector, 6.4% of the unearned premium reserve for the marine insurance sector and 6.9% of the unearned premium reserve for the accident sector and liabilities).

The writing costs consist mainly of the broker's commission to sell the Company's insurance policies. The cost of purchasing insurance policies did not witness any significant changes between 2017G and 2019G. The cost of purchasing insurance policies increased by 65.5% from SAR 6.6 million in the six months ended on June 30, 2019 to SAR 10.9 million in the six-month period ended on June 30, 2020G. The rise was mainly focused on the high costs of purchasing medical and Motor insurance.

The cost of purchasing medical insurance policies increased by 294.2% from SAR 0.5 million in the six months ended on June 30, 2019, to SAR 1.9 million in the six-month period ended on June 30, 2020G due to the increase in the size of the medical insurance portfolio.

The cost of purchasing Motor insurance policies increased by 93.1% from SAR 2.9 million in the six months ended on June 30, 2019, to SAR 5.5 million in the six-month period ended on June 30, 2020G as a result of improved performance in the Motor insurance portfolio.

6.5.14 Provision for Impairment of Doubtful Debts

The Provision for Impairment of Doubtful Debts is linked to long-term owed receivables that are difficult to collect. The value of the provisions recorded is affected by several factors, including the speed of collection of the owed premiums and the age of the amounts recorded. The Company recorded a Provision for Impairment of Doubtful Debts of SAR 1.4 million, SAR 2.2 million and SAR 2.3 million in 2017G, 2018G and 2019G, respectively. The said increase was in line with the increase in receivable balances between December 31, 2017 and December 31, 2019, which was mainly driven by the slow collection of premiums during the mentioned period. It was noted that the Company recorded a Provision for Impairment of Doubtful Debts of SAR 0.5 million in the six months ended June 30, 2019G, and then recorded revenue of SAR 2.3 million in the six months ended on June 30, 2020G. During the six-month period ending on June 30, 2020, the Company reversed provisions that had been reserved in previous periods and years to cover any losses that may relate to doubtful receivable premiums. The amount of provisions reflected was SAR 2.3 million in the six-month period ended on June 30, 2020G after improved collections as a result of more effective collection policies.

6.5.15 General and Administrative Expenses

The following table shows the general and administrative expenses for the fiscal years ended on December 31, 2001, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (35): General and administrative expenses

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G- 2019G
	2018 (Audited)	2018 (Audited)	2019 (Audited)	2019 (unaudited)	2020 (unaudited)	December 2018	December 2019	June 2020	
Insurance Operations									
Staff costs	28,939	35,882	37,110	15,318	19,679	24.00%	3.40%	28.50%	13.20%
Regulatory fees	1,032	1,793	2,091	1,014	473	73.70%	16.60%	(53.40%)	42.30%
Maintenance and repairs	2,742	3,749	3,781	1,881	1,741	36.70%	0.90%	(7.40%)	17.40%
Depreciation of fixed assets	806	1,325	1,582	1,174	1,706	64.40%	19.40%	45.30%	40.10%
Amortization of intangible assets	227	543	1,025	-	-	139.20%	88.80%	-	112.50%
Amortization of assets of the right to use	-	-	1,068	-	-	-	-	-	-
Professional fees	3,220	4,631	4,423	1,064	1,496	43.80%	(4.50%)	40.60%	17.20%
Rentals	1,685	1,357	-	587	598	(19.50%)	-	1.90%	-
Marketing expenses	745	4,077	3,516	569	303	447.20%	(13.80%)	(46.70%)	117.20%
Provision for withholding tax and delay fines	800	5,314	1,722	111	455	564.30%	(67.60%)	309.90%	46.70%
VAT	277	1,044	1,057	-	-	276.90%	1.20%	-	95.30%
Financial costs for lease obligations	-	-	175	468	(2,348)	-	-	(601.70%)	-
Prepaid amounts and other non-existent assets	-	-	1,381	680	570	-	-	(6.20%)	-
Other	3,589	5,339	5,204	5,268	8,443	48.80%	(2.50%)	60.30%	20.40%
Total	44,062	65,183	64,135	28,134	33,116	47.9%	(1.6%)	17.7%	20.6%

Shareholder operations									
Professional and legal fees	279	1,440	1,323	487	192	416.10%	(8.10%)	(60.60%)	117.80%
Bonus of board members and related expenses	1,830	2,358	2,335	1,461	1,970	28.90%	(1.00%)	34.80%	13.00%
Other	1,135	166	371	-	-	(85.40%)	123.50%	-	(42.80%)
Total	3,244	3,964	4,029	1,948	2,162	22.2%	1.6%	11.0%	11.4%
Total general and administrative expenses	47,306	69,147	68,164	30,082	35,278	46.2%	(1.4%)	17.3%	20.0%

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G, and management information

*Titles of some items have been modified for the year 2017G to comply with the 2019G listing tabbing.

Insurance operations

Staff costs accounted for the main component of administrative and general expenses, representing 61.2%, 52.1%, 54.4%, 50.9%, and 55.8% of total general and administrative expenses in 2017G, 2018G, 2019G, the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G.

Staff costs gradually increased between 2017G and 2019G. Expenses increased by 424. % from SAR 28.9 million in 2017 to SAR 35.0 million in 2018G, with an additional 3.4% increase to SAR 37.1 million in 2019G. The increase came as a result of the hiring of a new number of employees as the Company recruited a new number of employees (23), (30) and (42) for 2017G, 2018G and 2019G respectively, in order to keep pace with the increase in the volume of business activities and in line with the new business policies and strategy adopted by the Company's management. Staff costs increased by 28.5% from SAR 15.3 million in the six months ended on June 30, 2019 to SAR 19.7 million in the six months ended on June 30, 2020G due to a rise in the number of employees who joined the Company to keep pace with the partial increase in volume of work between the six months ended on June 30, 2019G and the six-month period ended on June 30, 2020G.

Statutory fees include fees paid to the Central Bank of Saudi Arabia (0.5% on written insurance policies in all insurance sectors) and the Health Insurance Council (1.0% on the Gross written insurance premiums for medical insurance policies). The movement of these fees is in line with the volume of business and business activities, which explains the rise from SAR 1.0 million in 2017G to SAR 2.1 million in 2019G. Statutory fees decreased by 53.4% from SAR 1.0 million in the six months ended on June 30, 2019G to SAR 0.5 million in the six-month period ended on June 30, 2020G as the Company was exempted from statutory fees during the outbreak period of the corona.

Maintenance and repair expenses are related to regular maintenance and repairs. These expenses increased by 36.7% from SAR 2.7 million in 2017G to SAR 3.8 million in 2018G, as the Company incurred additional maintenance and repair costs related to the Company's offices and branches. These expenses did not fluctuate substantially between 2018G and 2019G. These expenses fluctuate depending on the number and scope of maintenance work.

Depreciation expenses are related to the Company's fixed assets. These expenses increased by 464. % from SAR 0.8 million in 2017G to SAR 1.3 million in 2018G, with an additional 19.4% increase from SAR 1.3 million in 2018G to SAR 1.6 million in 2019G. The increase between the two years was mainly associated with computers acquired during the period to keep up with the work of new employees. Depreciation expenses increased by 45.3% from SAR 1.2 million in the six months ended on June 30, 2019 to SAR 1.7 million in the six-month period ended on June 30, 2020G.

The increases were linked to the Company's efforts to develop the IT capabilities of employees.

The expenses of amortizing intangible assets were associated with the Company's informational programs. These expenses gradually increased from SAR 0.2 million in 2017G to SAR 1.0 million in 2019G. The rise was driven by the high value of

information programs after the Company developed the software used. Amortizing expenses were recorded between the six-month period ended on June 30, 2019 and the six-month period ended on June 30, 2020G in the "other expenses" category.

The expenses for amortizing the right-of-use assets were related to the assets acquired by the Company under capital leases during 2019G.

Technical fees represent consultancy expenses and strategic and actuarial studies. These fees increased by 43.8% from SAR 3.2 million in 2017G to SAR 4.6 million in 2018G. The increases mentioned were driven by strategic studies prepared by external consultants to improve the business and develop new strategies for the management of the Company. These expenses did not experience any significant fluctuations in 2018G in 2019G. Technical fees increased by 40.6% from SAR 1.1 million in the six months ended on June 30, 2019G to SAR 1.5 million in the six-month period ended on June 30, 2020G as a result of the Company's contract with new consulting firms to prepare some strategic studies related to the development of the Company's business.

Rental expenses include the rental of the Company's offices and branches. These expenses decreased between 2017G and 2018G after reducing the space of rented offices. The expense became zero in 2019G after following the International Financial Reporting Standard (IFRS) No. 16 for the registration of leases. The recorded rental was linked to the six-month period ended on June 30, 2020G after a partial increase in the rental expenses of the Company's offices and branches.

The Company incurs marketing expenses for marketing and advertising campaigns that are launched every period. These expenses have increased significantly in 2018 and 2019G. These expenses increased by 2,447% from SAR 0.7 million in 2017G to SAR 4.1 million in 2018G. Expenses decreased by 13.8% from SAR 4.1 million in 2018G to SAR 3.5 million in 2019G. The 2018G increases were driven by the launch of several advertising campaigns and marketing programs to revive activity and offset the decline in business volume in 2017G. In contrast, the volume of marketing campaigns declined in 2019G after the improvement in the level of the Company's business. Marketing expenses decreased by 46.7% from SAR 0.6 million in the six months ended on June 30, 2019 to SAR 0.3 million in the six-month period ended June 30, 2020G after adopting a new, less costly marketing policy that is mainly based on the placement of ads on social networks.

The withholding tax allowance is formed annually. This allocation fluctuates and is influenced by several factors, including the volume of sales and purchases of the Company.

The Company recorded VAT expenditure between 2017G and 2019G as these taxes were paid by the Company on behalf of external insurers in previous periods. The amount was gradually collected.

The amount was gradually collected, which explains the remarkable decrease in the expense allowance in 2019G.

The financial costs of the lease obligations recorded between 2019G and the six-month period ended on June 30, 2020G were related to leases of the Company's offices and branches.

The financial costs of the rental obligations of SAR 0.2 million in 2019 were associated with an additional allocation reserved by the Company to cover the risks related to certain delayed or doubtful balances. It was noted that the Company reflected a provision of SAR 2.4 million in the six-month period ended on June 30, 2020G as a result of the remarkable improvement in premiums due between the two periods.

Prepaid amounts and other non-existent assets amounting to SAR 1.4 million in 2019G are related to some balances that are delayed or doubtful.

Other expenses include various costs that fluctuate during the normal employment contract. These costs mainly include daily expenses incurred at the Company's office, which may include office expenses, maintenance expenses and other miscellaneous expenses.

Shareholders' Operations

Legal and technical fees classified under the expenses of shareholders' operations are technical and legal consultancy costs. These expenses increased between 2017G and 2019G after conducting a number of legal and technical studies, which were mainly related to legal transactions conducted by the Company most of which are related to Zakat, tax, and actuarial. These expenses decreased between the six-month period ended on June 30, 2019 and the six-month period ended on June 30, 2020G after the termination of one of the contracts of legal advisers contracted with the Company (it should be noted that the legal studies expenses related exclusively to shareholders' affairs are classified under the management expenses under the shareholders' operations, while the strategic studies expenses associated with the Company's work are classified under the insurance transaction).

The remuneration of board members and related expenses are the benefits and rewards that the Company awards to the members of the Board of Directors. These expenses and bonuses do not follow a particular trend but fluctuate continuously and are generally influenced by the volatility of revenues and results recorded by the Company.

Miscellaneous expenses mainly include costs incurred by business travel partners. These expenses include accommodation and daily expenses incurred during travel.

6.5.16 Commission income on Deposits

Commission income on deposits represents the profit from term deposits, income from sukuk, investment profits and dividends.

Commission income on deposits decreased by 27.2% in 2018G from SAR 4.7 million in 2017G to SAR 3.4 million in 2018G due to a decrease in the value of deposits between December 31, 2017G and December 31, 2018G. These revenues did not witness any significant changes between 2018G and 2019G.

Commission income on deposits decreased by 47.9% from SAR 2.1 million in the six months ended on June 30, 2019, to SAR 1.1 million in the six-month period ended on June 30, 2020G due to a decrease in assignment.

6.5.17 Realized Profits from Investments / Unrealized Profits from Investments

Realized and unrealized profits from investments were associated with fair-value investments and investments available for sale. The movement of these profits fluctuates depending on the size of the investment income and the timing of the distribution of profits. These profits increased from SAR 0.6 million in 2017G to SAR 6.3 million in 2019G after the Company's investment balance acquired increased between the two years. The Company recorded a total realized and unrealized profit of SAR 7.5 million for the six months ended on June 30, 2019, and recorded an unrealized loss of SAR 3.0 million in the six-month period ended on June 30, 2020G, as the investment portfolio did not make any profit for the six months ended on June 30, 2020G.

6.5.18 Other Income

The following table shows other revenue for the fiscal years ended on December 31, 2017, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (36): Other income

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G-2019G
	2018 (Audited)	2018 (Audited)	2019 (Audited)	2019G (Unaudited)	2020G (Unaudited)	December 2018	December 2019	June 2020G	
Share of port fund surplus	3,769	2,369	3,039	1,930	721	(37.10%)	28.30%	(62.60%)	(10.20%)
Income from road services	1,482	1,252	3,201	1,006	1,536	(15.50%)	155.70%	52.70%	47.00%
Investment income	-	-	773	386	427	-	-	10.60%	-
Reverse of impairment of due balances from reinsurers	2,331	-	-	-	-	(100.00%)	-	-	(100.00%)
Reverse of Board remuneration	1,905	-	-	-	-	(100.00%)	-	-	(100.00%)
Dividends	538	643	-	387	427	19.50%	(100.00%)	10.30%	(100.00%)
Other	-	248	-	580	3,054	-	(100.00%)	426.60%	-
Total	10,025	4,512	7,013	4,289	6,165	(55.00%)	55.40%	43.70%	(16.40%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G, and management information

Other revenues consisted mainly of the Company's share of the surplus of the port fund and income from road services, where these two components accounted for 52.4%, 80.3%, 89.0%, 68.5% and 36.6% of the total amount of other revenue during the years 2017G, 2018G, 2019G, and the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G.

Income from the surplus of the outlet fund represents the Company's share of the surplus resulting from the Third-Party Liability Insurance Fund (Fund). The Company and twenty-four other insurance companies operating in the Kingdom of Saudi Arabia signed an agreement with The Cooperative Insurance Company as of January 01, 2015 for a period of three years, to participate in the insurance of foreign Motor entering the Kingdom of Saudi Arabia from its neighboring countries except from the Kingdom of Bahrain. According to the agreement, the Company will receive 4.25% of the total written premiums to cover indirect expenses with 15.0% administrative expenses from the net result of the fund's portfolio. The remaining income after the aforementioned distributions is evenly distributed between the Company and the other twenty-five insurance companies. These revenues fluctuate according to the number of foreign Motor transiting Saudi territory.

The income of road services is linked to an agreement concluded by the Company with the Middle East Motor Maintenance Company. Under the agreement, the Company receives income related to assistance services provided to cars in the event of road breakdowns. These revenues do not follow a particular trend but fluctuate according to the number of Motor and the number and scope of the breakdowns.

With regard to the reversal of due impairment balance from reinsurers in 2017G, it is linked to the receivables from reinsurers that had previously been written off but recollectd.

During 2017G, a bonus was paid to the Company's Board of Directors but the expense was reversed and transferred, due to the increase in the calculation of accumulated losses for 2018G. Dividends (surplus) include the Company's share of dividends from other companies' dividends in which the Company owns a relative share.

Other income items often consist of revenue collected from the sale of depreciated property and scrap equipment.

6.5.19 Reversal of Impairment for Reinsurance Receivables

The Company recorded revenues associated with the Reversal of Impairment for Reinsurance Receivables. The impairment amounted to SAR 2.1 million and SAR 0.7 million in 2018G and 2019G, respectively. The Company recorded between the six-month period ended on June 30, 2019 and the six-month period ended on June 30, 2020G allowances for Reversal of Impairment for Reinsurance Receivables at a value of SAR 0.7 million and SAR 0.6 million in the two periods. These allowances were withheld as a result of improved collection of reinsurance receivables between 2017G and the six-month period ending on June 30, 2020G.

6.5.20 Net (Loss) / Income for the Period before Distribution

The Company recorded a net profit of SAR 21.5 million in 2017G and subsequently turned into a loss of SAR 28.9 million and SAR 3.8 million in 2018G and 2019G, respectively. The perceived loss in 2018G was affected by increased total costs, written expenses and other operating expenses between 2017G and 2018G. The loss has returned but is less than SAR 28.9 million in 2018G to SAR 3.8 million in 2019G after the Company's two-year revenue increase. The Company recorded a profit of SAR 7.2 million and SAR 16.6 million in the six-month period ended on June 30, 2019 G and for the six-month period ended on June 30, 2020G, respectively. The increase in profit between the two periods was driven by the increase in the Company's total revenue between the six-month period ended on June 30, 2019 and the six-month period ended on June 30, 2020G.

6.5.21 Net (Loss) /Income from Insurance Operations

Income was recorded from insurance operations for periods in which net income was recorded. The income generated from insurance operations was SAR 1.9 million and 19 Thousand Saudi Riyals in the six months ended on June 30, 2019 and SAR 2.0 million in the six months ended on June 30, 2020G.

6.5.22 Net Loss (Income) to Shareholders Before Zakat

The Company recorded net income return to shareholders before Zakat expenses of SAR 19.6 million, SAR 7.2 million and SAR 14.5 million in 2017G, the first half of 2019G and in the six-month period ended on June 30, 2020G. These periods represent the years and periods in which the Company made net profit. On the other hand, the Company's full losses were borne to shareholders, net loss to shareholders before Zakat amounted to SAR 28.9 million and SAR 3.8 million in 2018G and 2019G, respectively.

6.5.23 Zakat Expenditure for the Period, and (Expense) / Reverse of Zakat for Previous Years

The Company filed its 2017 declarations and received the necessary Zakat certificate. The Company also obtained the approval of the General Authority for Zakat and Income to study the declarations.

The Company submitted its Zakat declarations for 2018G and 2019G and received the relevant Zakat certificate. The General Authority for Zakat and Income did not raise Zakat assessments for the years from December 31, 2016G and 2018G. Accordingly, the Company reversed an additional Zakat allocation of SAR 5.7 million in the income statement in 2019G. The General Authority for Zakat and Income issued an adjusted linkage for 2014G and 2015G, where the Company was required to pay additional Zakat delta and differences for the withholding tax of SAR 6.9 million and SAR 4.0 million respectively during 2018G. The Company is currently submitting an objection to the General Authority for Zakat and Income on certain items in the amount of SAR 1.6 million and the settlement of Zakat differences and a withholding tax of SAR 5.5 million and SAR 4.0 million, respectively.

Zakat expenses increased between the six-month period ended on June 30, 2019 and the six-month period ended on June 30, 2020G after the value of the Zakat base increased between the two periods.

6.5.24 Net Income/(Loss) for the Year

The Company recorded net income of SAR 19.6 million, SAR 5.4 million and SAR 12.6 million in 2017G, the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G. On the other hand, a loss of SAR 38.4 million was recorded in 2018G and SAR 1.3 million in 2019G. The net income in 2017G was identical to the net income attributable to shareholders prior to Zakat due to the absence of Zakat expenses during the same year due to the central bank's circular at that time, which provides for the adjustment of accounting policies for accounting for tax and Zakat. The differences between net returns to shareholders and net results for the year or the period in other years and periods were related to Zakat expenses recorded and reversed during these periods.

6.5.25 Shareholders' Operations Statement

The following table shows the statement of shareholders' operations for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (37): Statement of Shareholders' Operations

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019G (Unaudited)	2020 (Unaudited)	December 2018	December 2019	June 2020	
Net income/(loss) for the period	19,584	-38,351	-1,265	5,355	12,614	(295.80%)	(96.70%)	135.60%	-
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-
Items not reclassified for comprehensive income statement in coming years	-	-	-	-	-	-	-	-	-
Actuarial profits on specific benefit obligations	-	128	317	-	-	-	%147.7	-	-
Total overall loss for the year	19,584	(38,223)	(948)	5,355	(12,614)	(295.20%)	(97.50%)	(135.60%)	-

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

The statement of shareholders' operations included mainly the share of shareholders from the Company's income/loss results recorded by the Company between 2017G and the six-month period ended on June 30, 2020G.

Items that were classified among other comprehensive income/loss items included actuarial gains on specific *benefit* obligations. The Company performs the dues in accordance with the actuarial assessment under the expected credit unit method while the obligations due are paid upon maturity.

6.6 Statement of Financial Position

The following table details the financial position statement as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (38): Statement of Financial Position

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase / (Shortage)			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018G	December 2019	June 2020	
Total Assets	469,429	457,305	430,201	464,321	(2.60%)	(5.90%)	7.90%	(0.40%)
Total Liabilities	272,079	297,554	271,617	293,123	9.40%	(8.70%)	7.90%	3.00%
Total Equity	197,350	159,751	158,584	171,198	(19.10%)	(0.70%)	8.00%	(5.50%)
Total Liabilities and Equity	469,429	457,305	430,201	464,321	(2.60%)	(5.90%)	7.90%	(0.40%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended June 30, 2020G

The assets consist mainly of cash and cash equivalent as of December 31, 2017G, December 31, 2019G, and the six-month period ended on June 30, 2020G.

Assets decreased by 2.6% from SAR 469.4 million on December 31, 2017G to SAR 457.3 million on December 31, 2018G due to the decline in cash and cash equivalent. Assets decreased by 5.9% to SAR 430.2 million on December 31, 2019, following a decline in Murabaha deposits and the share of reinsurers in outstanding claims. Total assets rose again from SAR 430.2 million as of December 31, 2019 to SAR 464.3 million in the six-month period ended on June 30, 2020G mainly due to the increase in cash and cash equivalent balances.

Liabilities consisted mainly of unearned insurance premiums, outstanding claims and incurred but not reported claims, with the three components accounting for 63.2%, 67.6%, 71.7%, and 68.4% of total liabilities as of December 31, 2017G, December 31, 2018G, December 31, 2019G and the six-month period ended on June 30, 2020G.

Liabilities increased by 9.4% from SAR 272.1 million on December 31, 2017G to SAR 297.6 million on December 31, 2018G, driven by the increase in unearned insurance premiums and outstanding claims. Liabilities decreased again by 8.7% to SAR 271.6 million as of December 31, 2019G, due to a decrease in outstanding claims and amounts due to reinsurers. On the other hand, total liabilities increased from SAR 271.6 million as of December 31, 2019G to SAR 293.1 million as of June 30, 2020G after unearned insurance premiums increased.

The equity consisted mainly of the Company's capital. The equity movement was affected by the Company's accumulated losses recorded between 31 December 2017G and the six-month period ended on June 30, 2020G.

6.6.1 Assets

The following table shows the details of the assets as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (39): Assets*

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Cash and Cash Equivalent	110,768	90,387	113,815	162,667	(18.40%)	25.90%	42.90%	16.60%
Murabaha deposits	83,000	82,000	30,000	-	(1.20%)	(63.40%)	(100.00%)	(100.00%)
insurance premiums receivables, net	41,977	48,465	74,763	82,417	15.50%	54.30%	10.20%	31.00%
Amounts due from reinsurers, net	20,804	16,857	17,430	17,576	(19.00%)	3.40%	0.80%	-6.50%
Reinsurer's share in unearned premiums	29,925	35,607	33,197	40,698	19.00%	(6.80%)	22.60%	13.10%
Reinsurers' Share in Outstanding Claims.	41,271	45,365	12,441	11,819	9.90%	(72.60%)	(5.00%)	(39.40%)
Reinsurers' Share in Incurred but not Reported Claims.	21,497	14,776	13,952	9,481	(1.30%)	(5.60%)	(32.00%)	(27.90%)
Surplus reinsurers in insurance losses	3,152	3,644	200	294	15.60%	(94.50%)	47.00%	(61.30%)
Deferred insurance policy costs	4,870	6,224	9,322	10,354	27.80%	49.80%	11.10%	35.20%
Investments	35,515	39,431	43,348	40,380	11.00%	9.90%	(6.80%)	5.30%
Prepaid expenses and other assets	14,476	8,754	8,549	15,569	(39.50%)	(2.30%)	82.10%	3.00%
Right to Use Assets	-	-	3,735	3,203	-	-	(14.20%)	-
Property and Equipment	3,936	4,160	5,459	5,310	5.70%	31.20%	(2.70%)	12.70%
Intangible Assets	1,065	4,028	5,864	6,184	278.20%	45.60%	5.50%	102.10%
Goodwill	36,260	36,260	36,260	36,260	-	-	-	-
Statuary Deposit	20,000	20,000	20,000	20,000	-	-	-	-
Return due from a Statuary Deposit	913	1,347	1,866	2,109	47.50%	38.50%	13.00%	39.80%
Total	469,429	457,305	430,201	464,321	-2.60%	(5.90%)	7.90%	(0.40%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

*Some items titles have been modified for the year 2017G to comply with the 2019G listing tabbing .

Cash and cash equivalent and net premiums receivables accounted for the two fixed components of the Company's assets, representing 32.5%, 30.4%, 43.8% and 52.8% of total assets as of December 31, 2017G, December 31, 2018G, December 31, 2019G and the six-month period ended on June 30, 2020G, respectively .

Murabaha deposits were a key component of the assets between December 31, 2017G and December 31, 2018G. These investments accounted for 17.7% and 17.9% of total assets as of December 31, 2017G and December 31, 2018G.

The decrease in assets in 2018G was 2.6% from SAR 469.4 million on December 31, 2017G to SAR 457.3 million on December 31, 2018G as a result of the decrease in cash and cash equivalent mainly, which decreased by 18.4% from SAR 110.8 million on December 31, 2017G to SAR 90.4 million on December 31, 2018G. The decline in cash and cash equivalent was the result of an increase in negative flow of cash from operational activities and an additional negative flow of cash associated with investment activities was recorded.

The year 2019G experienced an additional 5.9% decrease in assets from SAR 457.3 million on December 31, 2018G to SAR 430.2 million in 2019G, due to a 63.4% decrease in Murabaha deposits from SAR 82.0 million on December 31, 2018G to SAR 30.0 million in 2019G .

Assets increased in part by SAR 34.1 million from SAR 430.2 million as of December 31, 2019G to SAR 464.3 million in the six-month period ended on June 30, 2020G, as the rise was mainly driven by the rise in cash and cash equivalent balances, and the balance of the reinsurer's share in unearned insurance premiums between the two periods.

6.6.1.1 Cash and Cash Equivalent

The following table shows the cash and what is in its judgment as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (40): Cash and Cash Equivalent

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase (Shortage)			CAGR 2017G- 2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Insurance Operations								
Cash and Cash Equivalent	32	30	32	23	(6.30%)	6.70%	(28.10%)	(12.40%)
Cash at bank	9,246	13,597	11,226	27,185	47.10%	(17.40%)	142.20%	53.90%
Investments in Murabaha deposits	100,000	74,000	34,000	64,128	(26.00%)	(54.10%)	88.60%	(16.30%)
Total	109,278	87,627	45,258	91,336	(19.80%)	(48.40%)	101.80%	(6.90%)
Shareholders' Operations								
Cash at bank	1,490	2,760	6,557	9,181	85.2%	137.6%	40.0%	107.0%
Murabaha deposits due in less than three months	-	-	62,000	62,150	-	-	%0.2	-
Sub-Total	1,490	2,760	68,557	71,331	85.2%	2,383.9%	4.0%	369.9%
Total	110,768	90,387	113,815	162,667	(18.4%)	25.9%	42.9%	16.6%

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

Insurance operations

Investments in Murabaha deposits and cash with banks are the main components of cash and cash equivalent.

Bank cash is referred to as current accounts that are deposited in the accounts of various banks the Company deals and through which payments and withdrawals are made.

Murabaha deposits are held at branches of local and foreign banks licensed in the Kingdom. These investments in Murabaha deposits are made in Saudi Riyals and have an original maturity period of not more than three months. These investments give annual returns of 2.4%, 2.1%, 2.7%, and 1.8% in 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Cash in the fund includes cash deposited with major centers, branches and ports to manage daily costs and payments incurred on a daily basis and during the normal course of business.

Shareholder Operations

Cash and cash equivalent related to shareholders' operations mainly include cash in banks.

Total Cash Movement

Overall, total cash and cash equivalent decreased by 18.4% from SAR 110.8 million on December 31, 2017G to SAR 90.4 million as of December 31, 2018G due to the increase in negative cash flow from operating activities as well as a negative cash flow from investment activities.

Between 2018G and 2019G, cash and cash equivalent increased by 25.9% from SAR 90.4 million on December 31, 2018G to SAR 113.8 million in 2019G, driven by cash flow from investment activities and linked to the recovery of Murabaha deposits.

Cash and cash equivalent balances increased by SAR 48.9 million from SAR 113.8 million as of December 31, 2019G to SAR 162.7 million as of June 30, 2020G, as a result of the increase in net cash resulting from negative flow of SAR 23.7 million in the six months ended on June 30, 2019G, to positive flow of SAR 21.4 million in the six months ended on June 30, 2020G. It should be noted that the improvement in cash flow from operating activities followed the increase in net income and a decrease in the share of reinsurers from incurred but not reported claims in the six-month period ended on June 30, 2020G.

6.6.1.2 Murabaha Deposits

The following table shows the investments of Murabaha deposits as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (41): Murabaha deposits

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Insurance Operations								
Investment in Murabaha deposits	100,000	74,000	64,000	64,128	(26.00%)	(13.50%)	0.20%	(16.30%)
Minus: Investment in Murabaha deposits with a maturity period of less than three months	(100,000)	(74,000)	(34,000)	(64,128)	(26.00%)	(54.10%)	88.60%	(16.30%)
Total	-	-	30,000	-	-	-	(100.00%)	-
Shareholders' Operations								
Murabaha deposits	83,000	82,000	62,000	62,150	(1.20%)	(24.40%)	0.20%	(10.90%)
Investments in Murabaha deposits with a maturity of less than three months		-	(62,000)	(62,150)	-	-	%0.2	-
Total	83,000	82,000	-	-	(1.20%)	(100.00%)	-	(100.00%)
Total investments in Murabaha deposits	83,000	82,000	30,000	-	(1.20%)	(63.40%)	(100.00%)	(100.00%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

The Murabaha deposits mentioned in the table above represent deposits with local banks with a maturity period of more than three months from the date of acquisition. These investments give a return of 2.4%, 2.1%, 2.7% and 1.8% in 2017 and 2018G, 2019G and the six-month period ended on June 30, 2020G.

The value of investments in Murabaha deposits did not change significantly between December 31, 2017G and December 31, 2018G. The value of Murabaha deposit investments decreased from SAR 30.0 million as of December 31, 2019G to zero as of June 30, 2020G after the maturity period decreased to less than three months.

It should be noted, as mentioned above, that the deposits mentioned in the "Murabaha Deposits" table are deposits with a maturity period of more than three months and these deposits have been classified as a separate item within the Company's assets as shown in the "assets" table. On the other hand, Murabaha deposits with a maturity period of less than three months are classified as cash and cash equivalent as shown in the "cash and cash equivalent" table.

6.16.1.3 Insurance Premiums Receivables, net

The following table details of Insurance Premiums Receivables, net as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (42): Insurance Premiums Receivables, net

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Insurance policyholders	55,869	66,771	99,217	95,568	19.50%	48.60%	(3.70%)	24.00%
Related parties	6,479	4,219	408	9,363	(34.90%)	(90.30%)	2194.90%	15.90%
Allowance for Impairment of premiums Receivables	(20,371)	(22,525)	(24,862)	(22,514)	10.60%	10.40%	-9.40%	4.10%
Insurance Premiums Receivables, net	41,977	48,465	74,763	82,417	15.50%	54.30%	10.20%	31.00%

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

In addition to insurance premiums receivables from policyholders, insurance premiums receivables include owed balances from related parties.

Balances due from policy holders basically include premiums received from direct policyholders. Premiums between December 31, 2017 and December 31, 2018G recovered by 19.5% from SAR 55.9 million in 2017G to SAR 66.8 million in 2018G, as this partial improvement was linked to the remarkable increase in value of works experienced by the Company during the same year. In 2019G, it experienced an additional 48.6% increase from SAR 66.8 million in 2018G to SAR 99.2 million in 2019G. The recent rise was mainly driven by the slowness of collection. (The Company has developed and built a new department to monitor and manage the collection processes of the receivables).

Premiums receivables from policyholders decreased by SAR 3.6 million from SAR 99.2 million as of December 31, 2019G to SAR 95.6 million as of June 30, 2020G. The decline was influenced by improved collection between the two periods.

The Premiums receivables from the relevant parties represent amounts owed mainly by Dabbagh Group and Farouk and Maamoun Tamer in exchange for insurance services provided by the Company to these parties. The amounts due from the relevant parties gradually decreased from SAR 6.5 million on December 31, 2017G to SAR 0.4 million on December 31, 2019G. This decline was the result of continued collection. Premiums receivables balances from related parties increased again from SAR 0.4 million as of December 31, 2019G to SAR 9.4 million as of June 30, 2020G due to the conclusion of some additional insurance contracts with a number of related parties.

The following table shows the Movement of Allowance for Impairment in Premiums Receivables, Net as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (43): Movement of Allowance for Impairment in Premiums Receivables

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018G	December 2019G	June 2020G	
Balance on January 1	19,123	20,371	22,525	24,862	6.50%	10.60%	10.40%	11.10%
Additions during the period	1,248	2,154	2,337	(2,348)	72.60%	8.50%	(200.50%)	-
Balance at the end of the period	20,371	22,525	24,862	22,514	10.60%	10.40%	(9.40%)	4.10%

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G.

It should be noted that the Insurance Premiums Receivables are included in the financial statements in net value after taking into account the allocation of the impairment and Premiums Receivables. The Company allocates the allowances based on the percentages specified in the executive regulations of the Central Bank of Saudi Arabia regarding owed premiums, as all insurance companies are committed to complying with the technical allocation policy stipulated in the executive regulations issued by the Central Bank.

It should also be noted that the book value of the receivables is being reviewed to determine the impairment. When events or circumstances indicate that the book value may not be recoverable, the loss of impairment is recorded as "allowance for impairment of doubtful debts" in the income statement. Receivable balances are excluded when the Company does not control the contractual rights that make up the balance, which usually happens when the due balance is sold or all cash flows related to the balance transferred to an independent third party.

The impairment amount of premiums receivables increased by 10.6% from SAR 20.4 million as of December 31, 2018G to SAR 22.5 million as of December 31, 2019G, with an additional increase of SAR 2.4 million to SAR 24.9 million as of June 30, 2020G. The rise between December 31, 2017G and June 30, 2020G was linked to the slow collection recorded during the period.

The impairment amount of premiums receivables decreased by SAR 2.4 million from SAR 24.9 million as on December 31, 2019G to SAR 22.5 million as of June 30, 2020G after the high level of collection of premiums receivables in the six months ended on June 30, 2020G.

The following table shows an analysis of the lifetimes of non-impaired premiums receivables resulting from contracts in premiums receivables (net) as of December 31, 2017G, 2018G, 2019G and the six-month period ending on June 30, 2020G.

Table (44): Analysis of the lifetimes of non-impaired premiums receivables resulting from insurance contracts

SAR'000	Total Amount	Less than 90 days	Between 90 to 180 days	More than 181 days
As at June 30, 2020G	82,417	64,110	10,667	7,640
As at December 31, 2019G	74,763	40,744	23,312	10,707
As at December 31, 2018G	48,465	23,693	11,160	13,612
As at December 31, 2017G	41,977	21,191	7,459	13,327

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G, and management information

Since the Company is an insurance Company registered in the Kingdom of Saudi Arabia and is required to comply with the technical allocation policy stipulated in the executive regulations issued by the Central Bank of the Kingdom of Saudi Arabia, and the Company determines allocations based on the executive regulations of the Central Bank for insurance premiums due from all policyholders.

The Company's policy determines how the premiums are paid in the first place based on the value of the premium established under the agreement signed with the policyholder.

The lifetime of the receivables in the above table indicates that the premiums due for a period of more than 181 days constituted a significant proportion of the total premiums received and the amounts due increased between December 31, 2018G and December 31, 2019G as a result of slow collection as the collection process is affected since the Company did not have an effective policy to manage receivables collection. This policy has been implemented starting in 2020, which led to the activation of the process of collecting receivables from customers.

Long-term balances of premiums receivables (due for longer than 181 days) decreased from SAR 10.7 million as of December 31, 2019G to SAR 7.6 million as of June 30, 2020G after the pace of collection of premiums receivables improved.

6.6.1.4 Amounts Due from the Reinsurers

The following table details amounts due from reinsurers as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G .

Table (45): Amounts Due from the Reinsurers

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2017	December 2018	June 2020	
Due from Reinsurers, Total	24,105	18,037	17,958	18,675	(25.20%)	(0.40%)	4.00%	(9.70%)
Allowance for impairment of amounts due from reinsurers	(3,301)	(1,180)	(528)	(1,098)	(64.30%)	(55.30%)	108.00%	(35.60%)
Due from Reinsurers, Net	20,804	16,857	17,430	17,577	(19.00%)	3.40%	0.80%	(6.50%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G, and management information

Amounts due from the reinsurance are estimated in a manner consistent with the claim obligation associated with the insured parties. These amounts are shown in the statement of financial position as the "reinsurer's share of outstanding claims" until the claim is approved and paid by the Company. Once the claim has been paid, the amount due from the reinsurer in relation to the claim paid is transferred to amounts due from/or to the reinsurer. Reinsurance assets or liabilities are excluded when contractual rights expire or when the contract is transferred to another party.

The amounts due from the reinsurer represent the receivables due from the reinsurers to which the Company deals with under optional transactions and contract agreements. The total amount due from reinsurers decreased from SAR 24.1 million on December 31, 2017 to SAR 18.0 million on December 31, 2018G, and was affected by the decline in business for that year and the Company's decision to reduce reinsurance rates in most business sectors starting in the fourth quarter of 2018G. Partially due balances from reinsurers decreased by 0.4% to SAR 17.9 million in 2019G due to a number of claims related to previous reinsurance treaties.

The amounts due from the reinsurer decreased by 4.0% from SAR 18.0 million as of December 31, 2019 G to SAR 18.7 million as of June 30, 2020G after the overall reduction in reinsurance rates.

The following table shows a movement of impairment of amount due from insurers, net as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (46): Movement of impairment of amount due from insurers

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Balance at the beginning of the period	10,170	3,301	1,180	528	(67.50%)	(64.30%)	(55.30%)	(69.40%)
Exclusion and add-ons during the period	113	(2,121)	(652)	570	(1977.00%)	(69.30%)	(187.40%)	91.00%
Exclusion during the period	(6,982)	-	-	-	-	-	100.00%	(100.00%)
Balance at the end of the period	3,301	1,180	528	1,098	(64.30%)	(55.30%)	108.00%	(35.60%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G, and management information

The allowance due from the reinsurers was impaired during the four years from SAR 3.3 million as of December 31, 2017G to SAR 0.5 million as in 2019G as the collection was carried out in the context of the period referred to in the contracts concluded and without any problems. The Company reserved an additional amount valued at SAR 0.6 million in the six-month period ended on June 30, 2020G after a relative slowdown was recorded in the collection of dues from reinsurers.

6.6.1.5 Reinsurer's Share of Unearned Premiums

The following table details the share of reinsurers in unearned premiums as of December 31, 2017G, 2018G, 2019G and the six-month period on June 30, 2020G.

Table (47): Reinsurer's share in unearned premiums

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018G	December 2019G	June 2020G	
Total insurance premiums written	185,627	264,675	279,690	176,734	42.60%	%5.7%	(36.80%)	(1.90%)
Total unearned insurance premiums at the beginning of the period	77,823	61,393	101,854	126,260	-21.10%	65.90%	24.00%	21.40%
Total	263,450	326,068	381,544	302,994	23.80%	17.00%	(20.60%)	5.80%
Total unearned insurance premiums at the end of the period	(61,393)	(101,854)	(126,260)	140,976	65.90%	24.00%	(211.70%)	-
Total premiums earned	202,057	224,214	255,284	162,018	11.00%	13.90%	(36.50%)	(8.50%)
Reinsurance premiums	(97,390)	(117,711)	(94,999)	57,560	20.90%	(19.30%)	(160.60%)	-
Reinsurer's share of unearned premiums at the beginning of the period	(34,709)	(29,925)	(35,607)	33,196	(13.80%)	19.00%	(193.20%)	-
Total	(132,099)	(147,636)	(130,606)	90,756	11.80%	(11.50%)	(169.50%)	-
Reinsurer's share of unearned premiums at the end of the period	29,925	35,608	33,197	40,699	19.00%	(6.80%)	22.60%	13.10%
Insurance premiums Ceded to reinsurers	(102,174)	(112,028)	(97,409)	131,455	9.60%	(13.00%)	(235.00%)	-
Net premiums earned	99,883	112,186	157,875	293,473	12.30%	40.70%	85.90%	53.90%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, summary preliminary financial statements (unaudited) for the six-month period on ended June 30, 2020G, and management information

Premiums are recorded in the income statement on the basis of the fixed premium rate method over the policy coverage period except long-term (engineering) insurance policies and shipping. Unearned premiums are calculated in a fixed premium rate manner over the policy coverage period .

For shipping, insurance premiums for the last three months of the date of the financial statements are considered as unearned insurance premiums .

With regard to engineering equipment insurance, there will be a pre-calculation due to the potential risks of more than one year and according to this calculation, the earned insurance premium declines in the first year and increases gradually with the expiry of the policy .

The share of reinsurers increased by 19.0% from SAR 29.9 million on December 31, 2017G to SAR 35.6 million as of December 31, 2018G .

The share of reinsurers in unearned premiums decreased by 6.8% from SAR 35.6 million on December 31, 2018G to SAR 33.2 million as of December 31, 2019G. It increased by SAR 7.5 million from SAR 33.2 million as of December 31, 2019G to SAR 40.7 million on June 30, 2020G.

The movement of the reinsurer's share of unearned premiums is influenced by the total movement of unearned premiums, which in turn is in line with the movement of the premiums written.

6.6.1.6 Reinsurer's Share in Existing Claims

The following table details the share of reinsurers in outstanding claims as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (48): Reinsurer's share of outstanding claims

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018G	December 2019G	June 2020G	
Medical	2,169	11,470	295	195	428.80%	(97.40%)	(33.90%)	(61.80%)
Motor	2,105	1,590	1,145	2,554	(24.50%)	(28.00%)	123.10%	8.00%
Property	26,609	22,010	3,392	901	(17.30%)	(84.60%)	(73.40%)	(74.20%)
Engineering	5,821	2,945	629	1,599	(49.40%)	(78.60%)	154.20	(40.20%)
Marine	1,005	4,120	2,472	2,386	310.00%	(40.00%)	(3.50%)	41.30%
Accidents and liabilities	3,562	3,230	4,508	4,184	(9.30%)	39.60%	(7.20%)	6.60%
Total	41,271	45,365	12,441	11,819	9.90%	(72.60%)	(5.00%)	(39.40%)
As a percentage of existing claims								
Medical	78.7%	80.4%	2.5%	1.8%				
Motor	16.0%	12.4%	19.9%	27.6%				
Property	85.1%	84.9%	91.1%	92.4%				
Engineering	96.5%	92.8%	87.4%	91.7%				
Marine	65.9%	72.8%	88.3%	82.4%				
Accidents and liabilities	59.5%	49.4%	68.5%	65.6%				
Total	67.9%	66.3%	39.5%	36.9%				

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G.

The share of reinsurers in partially outstanding claims increased by 9.9% from SAR 41.3 million on December 31, 2017G to SAR 45.4 million as of December 31, 2018G. This slight increase was associated with the medical insurance sector as the reduction in the reinsurance rate in the sector began in late 2018G.

The reinsurer's share in outstanding claims decreased by 72.6% from SAR 45.4 million on December 31, 2018G to SAR 12.4 million as of December 31, 2019G, with the decline concentrated in the medical and property insurance sectors. The decrease in the balance between the two periods was accompanied by a decrease in the share of reinsurers in outstanding claims as a percentage from 66.3% on December 31, 2018G to 39.5% on December 31, 2019G. In 2019G, the reinsurance rate witnessed a decrease in most sectors, specifically in the medical insurance sector.

The reinsurer's share in outstanding claims continued to decline and recorded a decrease of SAR 0.5 million from SAR 12.4 million as at December 31, 2019G to SAR 11.8 million as in the six-month period ended on June 30, 2020G as a result of the decline in the share of reinsurers associated with the property insurance sector. The share of reinsurers for the property insurance sector decreased by SAR 2.5 million from SAR 3.4 million as of December 31, 2019G to SAR 0.9 million as of June 30, 2020G. The decline was influenced by the improved performance of the property's insurance portfolio.

6.6.1.7 Reinsurers' Share in incurred but not reported (IBNR) Claims

The following table details the share of reinsurers in in incurred but not reported (IBNR) claims as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (49): Reinsurer's share in incurred but not reported (IBNR) claims

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Medical	2,618	2,318	437	231	(11.50%)	(81.10%)	(47.10%)	(62.10%)
Motor	2,325	2,342	3,182	1,872	0.70%	35.90%	(41.20%)	(8.30%)
Property	10,744	6,714	4,664	3,303	(37.50%)	(30.50%)	(29.20%)	(37.60%)
Engineering	2,258	1,100	1,835	1,523	(51.30%)	66.80%	(17.00%)	(14.60%)
Marine	2,202	1,225	1,580	1,459	(44.40%)	%29.0%	(7.70%)	(15.20%)
Accidents and liabilities	1,350	1,077	2,254	1,093	(20.20%)	109.30%	(51.50%)	(8.10%)
Total	21,497	14,776	13,952	9,481	(31.30%)	(5.60%)	(32.00%)	(27.90%)
I As a percentage of Incurred But not Reported (IBNR) Claims								
Medical	78.8%	56.1%	4.8%	3.1%				
Motor	14.6%	16.5%	21.5%	16.9%				
Property	48.3%	90.0%	88.0%	88.0%				
Engineering	73.6%	86.7%	88.0%	91.0%				
Marine	76.4%	62.9%	67.0%	73.2%				
Accidents and liabilities	59.7%	47.9%	68.0%	70.1%				
Total	43.1%	47.3%	37.6%	34.5%				

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The reinsurer's share of the total paid claims is determined by the reinsurance arrangement for each of the Company's insurance sectors.

The balance of the reinsurer's share in outstanding claims but not reported decreased by 31.3% from SAR 21.5 million on December 31, 2017G to SAR 14.8 million on December 31, 2018G and SAR 14.0 million as of December 31, 2019G. The balance also recorded an additional decrease of SAR 4.5 million to SAR 9.5 million as of June 30, 2020G.

The decrease was attributed to the decline in the volume of business in 2017G and the start of a reduction in the reinsurance rate between 2018G and the six-month period ending on June 30, 2020G.

6.6.1.8 Excess of Loss reinsurance

The Excess of Loss reinsurance represents the entitlements of reinsurers in relation to compensations for losses exceeding a certain limit. Since the Company has pursued a policy of reducing the reinsurance rate in most business sectors since the end of 2018G, reinsurance agreements have been concluded under which the reinsurance provider will compensate the Company for the portion of the loss that exceeds a certain amount of end called "deductible" that is agreed upon in the contract signed between the two

parties. The new policy resulted in a decrease in the Excess of Loss reinsurance from SAR 3.2 million on December 31, 2017G to SAR 0.2 million as of December 31, 2019G and 0.3 million as of June 30, 2020G.

6.6.1.9 Deferred Insurance Policy Costs

The following table details the costs of deferred but not reported insurance policies as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (50): Deferred Insurance Policy Costs

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Medical	302	445	1,785	1,437	47.40%	301.10%	(19.50%)	86.60%
Motor	1,668	3,036	5,120	5,698	82.00%	68.60%	11.30%	63.50%
Property	1,128	1,120	1,152	1,666	(0.70%)	2.90%	44.60%	16.90%
Engineering	453	412	257	290	(9.10%)	(37.60%)	12.80%	(16.30%)
Marine	571	510	434	420	(10.70%)	(14.90%)	(3.20%)	(11.60%)
Accidents and liabilities	748	701	574	843	(6.30%)	(18.10%)	46.90%	4.90%
Total	4,870	6,224	9,322	10,354	27.80%	49.80%	11.10%	35.20%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

Commissions and other costs directly related to the purchase and renewal of insurance contracts are deferred and amortized in accordance with the related terms of the insurance contracts such as the premiums earned to the extent that these costs are recoverable from future installments. All other acquisition costs are recognized as expenses when incurred. The amortization is registered as "insurance policy acquisition costs" in the income statement.

Changes in the useful life or expected pattern of the consumption of future economic benefits included in the assets are calculated by changing the period of amortization and are dealt with as a change in the accounting estimate.

An impairment test is carried out to confirm the decrease in value, on the date of each financial report once or more, when there is evidence of such decline. In cases where recoverable amounts are lower than the book values, the impairment loss is recognized in the income statement. The costs of acquiring deferred insurance policies are also taken into account when conducting a Liability Adequacy Test (LAT) in each financial reporting period.

The cost of deferred insurance policies during the four-year period increased from SAR 4.9 million on December 31, 2017G to SAR 10.4 million on December 31, 2019G after the additional rise witnessed in business activities. It should be noted that total revenues increased continuously between 2017G and the six-month period ended on June 30, 2020G, with revenues rising by 12.1%, 32.4%, 45.1% in 2018G, 2019G and the six-month period ended on June 30, 2020G.

6.6.1.10 Investments

The following table details investments as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (51): Investments

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Fair value investments through the income statement	33,592	37,508	41,425	38,457	11.70%	10.40%	(7.20%)	5.60%
Investments available for sale	1,923	1,923	1,923	1,923	-	-	-	-
Total investment	35,515	39,431	43,348	40,380	11.00%	9.90%	(6.80%)	5.30%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended June 30, 2020G

The fair-value investment portfolio includes investments deposited in investment funds and equity shares. These investments are valued in Saudi Riyals and US dollars. The portfolio invests in securities and investment funds issued by companies and financial institutions in the Kingdom of Saudi Arabia.

Investments available for sale are related to the Company's ownership of 3.85% of the shares of Najm Insurance Services (Najm); a Saudi unlisted limited liability Company that the Company has classified as an investment available for sale and is recognized at cost.

The value of investments in fair value through the income statement decreased from SAR 41.4 million as of December 31, 2019G to SAR 38.5 million as of June 30, 2020G as a result of the decline in the prices of some shares in the portfolio.

6.6.1.11 Prepaid Expenses and Other Assets

The following table details prepaid expenses and other assets as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (52): Prepaid expenses and other assets

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018G	December 2019G	June 2020G	
Insurance Operations								
Prepaid expenses	4,000	3,585	2,189	2,790	(10.40%)	(38.90%)	27.50%	(13.40%)
Other assets	5,800	3,896	5,223	12,522	(32.80%)	34.10%	139.70%	36.00%
Due from relevant parties	1,088	1,088	1,088	-	-	-	(100.00%)	(100.00%)
Provision for impairment of recoverable value	(1,771)	-	-	-	(100.00%)	-	-	(100.00%)
Balance at the end of the period	9,117	8,569	8,500	15,312	(6.00%)	(0.80%)	80.10%	23.00%
Shareholder operations								
Other assets	1,443	185	14	-	(100.00%)	-	(100.00%)	(100.00%)
Advance payments	3,916	-	35	257	(95.30%)	(81.10%)	634.30%	(66.40%)
Total shareholder operations	5,359	185	49	257	(96.50%)	(73.50%)	424.50%	(70.30%)
Total	14,476	8,754	8,549	15,569	(39.50%)	(2.30%)	82.10%	3.00%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and the summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G, and management information

Insurance operations

Prepaid expenses mainly include rent expenses, medical insurance expenses and Company car insurance expenses. The balance of these expenses did not fluctuate substantially between December 31, 2017G and 2019G. Prepaid expenses decreased by 10.4% from SAR 4.0 million on December 31, 2017G to SAR 3.6 million on December 31, 2018G. Prepaid expenses decreased by 38.9% from SAR 3.6 million at December 31, 2018G to SAR 2.2 million in 2019G. These expenses fluctuate during the normal employment contract as the decrease has been affected by the decline in insurance expenses. These expenses increased again by SAR 0.6 million from SAR 2.2 million as of 31 December 2019G to SAR 2.8 million as of June 30, 2020G as a result of the relative increase in medical insurance expenses following the relative increase in the number of employees in the six-month period ended on June 30, 2020G.

Other assets included foundation expenses already incurred during previous years and were involved in the mergers and transfers of the insurance portfolio. These expenses were gradually amortized, which explains the decrease of the balance by 32.8% from SAR 5.8 million on December 31, 2017G to SAR 3.9 million as of December 31, 2018G. The balance rose again to SAR 5.2 million in 2019G and the rise was associated with several balances and of a variety of accounts receivables that are not associated with the main business. Other assets increased to SAR 12.5 million as of June 30, 2020G as a result of the registration of some payables for a number of computer suppliers. As mentioned earlier, the Company has purchased a number of computers to upgrade the IT services.

The amount due from the relevant parties was associated with expenses paid in previous years on behalf of Gulf Specialized Investments Holding Company. The amount remained constant between December 31, 2017G and December 31, 2019G as the amount is considered to be an old amount that has not been collected but has not been written off. The amount was not listed as a separate item in the audited financial statements for 2016G. The balance decreased to zero as of June 30, 2020G after collecting the said amount.

The 2017G provision for recoverable impairment of SAR 1.8 million relates to a third-party debt balance owed from the Company in a form of a scrap car that crashed in a car accident. The owner of the damaged car was compensated, and the Company acquired the scrap car that was sold to a third party. As a result of the slow collection of the amount owed from that party, a provision was reserved in 2017G and the provision was written off after the amount was collected.

Shareholder Operations

Other assets represent some of the amounts deposited in banks on behalf of partners. These amounts were reclassified under the cash and cash equivalent item in 2018G and 2019G.

Other payments include receivable balances and returns associated with partners.

6.6.1.12 Property and Equipment

The following table shows the details of property and equipment as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (53): Property and equipment

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018G	December 2019G	June 2020G	
Leasehold improvements	298	319	258	226	7.00%	(19.10%)	(12.40%)	(10.50%)
Furniture and fittings	369	327	275	312	(11.40%)	(15.90%)	13.50%	(6.50%)
Computer and office equipment	3,258	3,471	4,897	4,751	6.50%	41.10%	(3.00%)	16.30%
Cars	11	43	29	21	290.90%	(32.60%)	(27.60%)	29.50%
Net book value	3,936	4,160	5,459	5,310	5.70%	31.20%	(2.70%)	12.70%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G, and management information

Property and equipment consist mainly of computers with a book value of 82.8%, 83.4%, 89.7%, and 89.5% of the net book value of properties and equipment as at December 31, 2017G, December 31, 2018G, December 31, 2019G and the six-month period ended June 30, 2020G.

Computers include desktops, laptops and printers dedicated for the use of employees in head offices, branches and ports. 2017G witnessed the acquisition of a new range of laptops and fixed desktops computers for offices.

Leasehold improvements are linked to renovations, reconstructions and related electrical works that are carried out in the main office buildings and branches of the Company.

Furniture and fittings are placed in the main offices, branches and various ports rented by the Company. The book value of furniture and equipment did not fluctuate significantly between December 31, 2017G and June 30, 2020G.

Cars include those used by Company employees. The book value of the cars did not fluctuate substantially between December 31, 2017G and June 30, 2020G.

6.6.1.13 Intangible Assets

Intangible assets include information software and applications. The value of intangible assets during the four years increased from SAR 1.1 million as of December 31, 2017G to SAR 5.9 million on December 31, 2019G and reached SAR 6.2 million on June 30, 2020G as a result of the new information applications and software obtained by the Company to develop the capabilities of computer programs used at work.

6.6.1.14 Goodwill

On 28/06/1433 H (corresponding to 19/05/2012G), the Company entered into an agreement with the Saudi General Insurance Company and Gulf Cooperative Insurance Co. , through which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia as of 04/01/1430H (corresponding to 01/01/2009) in a goodwill amount in return for the acquisition of SAR 36.3 million with the approval of the Central Bank (formerly The Monetary Agency) with all related assets and insurance liabilities at the time of the establishment of the Company. Goodwill payments are subject to laws and regulations issued by the Central Bank in this regard and are also subject to their approval, It should be noted that the company failed to comply with presenting the transfer of the insurance portfolio from Saudi General Insurance Company and Gulf Specialized Investments Holding Company to the General Ordinary Assembly Meeting according to the Central Bank letter's relating to the valuation of insurance portfolio directed to both Saudi General Insurance Company and Gulf Specialized Investments Holding Company stating that the company is required to invite it's shareholders to the General Ordinary Assembly Meeting to review the final results of the valuation of the insurance portfolio, and no relevant authorities or related parties have objected at the time (for more information please refer to the Risk (26.1.2) "Risks related to the Transfer of an Insurance Portfolio" of Section (2) "Risk Factors" in this Prospectus)

In December 2013G, following the approval of the Central Bank, an amount of SAR 18.1 million due to the sellers of goodwill was settled against the amount owed to them. In addition, the Central Bank agreed to pay SAR 5.4 million to the sellers in connection with the 2012G profits, which was transferred to a related party as an amount due as of December 31, 2013G and it was settled during 2014G. In 2014G, after receiving the approval of the Central Bank, SAR 2.3 million was paid to the sellers in relation to goodwill, from the 2013G profits. In 2015G, a final sum of SAR 9.8 million was paid to sellers in relation to goodwill, from the 2014G profits.

The amount of goodwill that can be recovered is determined by the value used utilizing discounted cash flow analysis. These accounts use cash flow forecasts based on management-approved financial budgets for a period of five years. The discount rates used are pre-Zakat and reflect specific insurance-related risks. The results of the impairment test in 2017G and 2018G indicated that there are no impairment charges, and it should be noted that the impairment of goodwill is tested annually for the purpose of evaluating the item annually.

6.6.1.15 Statutory deposit/ Due Return from a Statutory deposit

In line with article (58) of the Executive Regulation of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Company deposited (10%) of its paid-up capital of SAR 20 million with a bank selected by the Central Bank. The statutory deposit will be kept with a reputable bank. The commission resulting from this deposit must be paid to the Central Bank and cannot be withdrawn without the approval of the Central Bank. Based on the instructions of the Central Bank and in accordance with its letter dated 21/05/1437 H (01/03/2016G), the Company will offer the resulting commission to the statutory deposit as assets and liabilities in the financial statements.

6.6.2 Liabilities

The following table details liabilities for the fiscal years ended December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (54): Liabilities

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/ Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020G	
Amounts due to insurance policy holders	9,550	7,926	10,750	10,509	(17.00%)	35.60%	(2.20%)	3.90%
Accrued and other liabilities	19,405	14,089	14,557	15,240	(27.40%)	3.30%	4.70%	(9.20%)
Amounts due to reinsurers	9,361	11,323	4,033	12,283	21.00%	(64.40%)	204.60%	11.50%
Amounts due to insurance brokers	16,948	12,994	13,080	13,762	(23.30%)	0.70%	5.20%	(8.00%)
Unearned insurance premiums	61,393	101,854	126,260	140,976	65.90%	24.00%	11.70%	39.40%
Unearned Reinsurance Commission	5,747	5,878	6,008	8,004	2.30%	2.20%	33.20%	14.20%
Existing claims	60,746	68,443	31,478	32,067	12.70%	(54.00%)	1.90%	(22.60%)
Claims incurred but not reported	49,902	31,248	37,060	27,474	(37.40%)	18.60%	(25.90%)	(21.20%)
Lease obligations	-	-	3,280	2,634	-	-	(19.70%)	-
Insurance premium deficit reserve	4,799	11,004	3,801	4,224	129.30%	(65.50%)	11.10%	(5.00%)
Other technical precautions	2,227	3,740	2,212	2,235	67.90%	(40.90%)	1.00%	0.10%
Commitment to employee benefits	7,866	7,130	4,852	5,301	(9.40%)	(31.90%)	9.30%	(14.60%)
Distribution of payable surplus	10,190	9,078	9,038	11,083	(10.90%)	(0.40%)	22.60%	3.40%
Zakat due	13,032	11,500	3,342	5,222	(11.80%)	(70.90%)	56.30%	(30.60%)
Dividend due to Saudi Arabian Monetary Agency	913	1,347	1,866	2,109	47.50%	38.50%	13.00%	39.80%
Total	272,079	297,554	271,617	293,123	9.40%	(8.70%)	7.90%	3.00%

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended June 30, 2020G

Liabilities consisted mainly from unearned insurance premiums, outstanding claims and the incurred but not reported claims, with the three elements accounting for 63.2%, 67.6%, 71.7% and 68.4% of total liabilities as of December 31, 2017G, December 31, 2018G, December 31, 2019G and June 30, 2020G, respectively .

Liabilities increased by 9.4% from SAR 272.1 million on December 31, 2017G to SAR 297.6 million at December 31, 2018G, mainly influenced by the rise of unearned premiums .

Liabilities in 2019G decreased slightly by 8.7% from SAR 297.6 million on December 31, 2018G to SAR 271.6 million as of December 31, 2019G due to impairment of amounts due to reinsurers, outstanding claims and premium deficit reserve.

Liabilities increased by SAR 21.5 million from SAR 271.6 million as of December 31, 2019 G to SAR 293.1 million as of June 30, 2020G due to the increase of unearned insurance premiums mainly between the two periods.

6.6.2.1 Amounts Due to Policyholders

The amount due to policyholders represents their share of the Company's net surplus, as article 70 of the Regulation of the Cooperative Insurance Companies Control Law provides for the distribution of the net surplus by distributing 10% directly to the insured or by reducing their premiums for the following year. The value of amounts due to policyholders fluctuates with the fluctuation of net surplus recorded.

6.6.2.2 Accrued and Other Liabilities

The following table details liabilities as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (55): Accrued and other liabilities

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase /(Shortage)			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Insurance Operations								
Accrued expenses	2,362	3,553	1,966	1,174	50.40%	(44.70%)	(40.30%)	(24.40%)
VAT due	277	846	1,121	1,666	205.40%	32.50%	48.60%	105.00%
Due to related parties	309	309	309	-	-	-	(100.00%)	(100.00%)
Payable for garages and workshops	-	699	464	-	-	(33.60%)	(100.00%)	-
Other Liabilities	12,833	6,444	8,425	9,122	(49.80%)	30.70%	8.30%	(12.80%)
Total	15,781	11,851	12,285	11,962	(24.90%)	3.70%	(2.60%)	(10.50%)
Shareholder operations								
Accrued expenses	3,624	2,238	2,272	2,700	(38.20%)	1.50%	18.80%	(11.10%)
Other	-	-	-	578	-	-	-	-
Total	3,624	2,238	2,272	3,278	(38.20%)	1.50%	44.30%	(3.90%)
Total Accrued and other liabilities	19,405	14,089	14,557	15,240	(27.40%)	3.30%	4.70%	(9.20%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G, and management information

Insurance operations

The Accrued expenses consisted mainly of employees' salaries (specifically the salaries of the last month of the year or period). The balance increased by 50.4% from SAR 2.4 million on December 31, 2017, to SAR 3.6 million as of December 31, 2018G, following a rise in the number of employees after the Company's employment in 2018G to keep up with the rising volume of business. Accrued expenses decreased again by 44.7% from SAR 3.6 million on December 31, 2018G to SAR 2.0 million on December 31, 2019G and SAR 1.2 million as of June 30, 2020G where the bulk of year-end salaries in 2019G were paid before the end of December and the salaries for the six-month period ending on June 30, 2020G before the end of June 2020G.

VAT due increased from SAR 0.3 million as of December 31, 2017G to SAR 1.7 million as of June 30, 2020G as a result of the increase of prepaid VAT expenses on behalf of policyholders due to VAT regulations in the six months ended on June 30, 2020G .

The amount owed to related parties was related to business expenses paid by the Saudi General Insurance Company on behalf of the Company. The amount remained constant throughout the period between December 31, 2017G and December 31, 2019G.

The amount remained constant throughout the period between December 31, 2017 and December 31, 2019. The balance was reduced to zero on June 30, 2020G as a result of the payment.

The amounts payable to garages and workshops are related to the repair of some of the Company's cars. These expenses fluctuate depending on the size of repairs and the number of Motor. No similar expenses were recorded during the period ended on June 30, 2020G due to a decrease in the scope and volume of car repairs during the outbreak period of the corona pandemic.

Other liabilities mainly include withholding tax. It was noted that the balance of other liabilities fluctuated between December 31, 2017G and June 30, 2020G. The balance decreased from SAR 12.8 million on December 31, 2017 to SAR 6.4 million on December 31, 2018G due to the payment of the tax deductions that was associated to previous periods and years of which their payment was delayed. The balance rose again by 30.7% from SAR 6.4 million on December 31, 2018G to SAR 8.4 million on December 31, 2019G, with an additional increase to SAR 9.1 million as of June 30, 2020G after the increase in the withholding tax.

Shareholders' Operations

Accrued and other expenses mainly included the benefits and bonuses of a number of senior managers. These benefits fluctuate depending on the size of the bonuses paid and the timing of payment.

6.6.2.3 Amounts Due to Reinsurers

The amounts due to reinsurers represent the balance due to reinsurers in relation to optional transactions and contractual agreements. The outstanding balance is valued in a manner consistent with the relevant reinsurance contract and adjusted after consideration of reinsurance commission due from the reinsurers.

The balance increased partially by 21.0% from SAR 9.4 million on December 31, 2017G to SAR 11.3 million on December 31, 2018G due to the rise in activity volumes.

The balance decreased significantly on December 31, 2019G by 64.4% from SAR 11.3 million on December 31, 2018G to SAR 4.0 million on December 31, 2019G, as a result of expediting payment to reinsurers.

The amounts due to reinsurers increased from SAR 4.0 million as of December 31, 2019G to SAR 12.4 million as of June 30, 2020G due to the increase in the value of the Ceded Premiums.

6.6.2.4 Amounts Due to Insurance Brokers

Amounts due to insurance brokers consist of fees and commissions due to intermediaries, agents and direct salesmen who are responsible for promoting and selling the Company's business and acting as intermediaries between the Company and its customers.

The amounts owed to insurance brokers during the four years decreased from SAR 16.9 million on December 31, 2017G to SAR 13.1 million as of December 31, 2019G, due to a decrease in commissions mainly associated with the medical and Motor insurance sectors. The amounts due to insurance brokers increased again to SAR 13.8 million as of June 30, 2020G in light of the increased volume of business with brokers.

6.6.2.5 Unearned Insurance Premiums

The following table details unearned premiums as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (56): Unearned Insurance Premiums

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Medical	9,368	11,175	28,706	33,156	19.30%	156.90%	15.50%	65.80%
Motor	24,405	65,427	73,703	76,754	168.10%	12.60%	4.10%	58.10%
Property	12,029	10,427	11,571	16,782	(13.30%)	11.00%	45.00%	14.30%
Engineering	4,570	3,941	3,068	2,883	(13.80%)	(22.20%)	(6.00%)	(16.80%)
Marine	4,950	4,435	3,384	3,840	(10.40%)	(23.70%)	13.50%	(9.70%)
Accidents and Liability	6,071	6,449	5,828	7,561	6.20%	(9.60%)	29.70%	9.20%
Total	61,393	101,854	126,260	140,976	65.9%	24.0%	11.7%	39.4%

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

Premiums are recorded in the income statement on the basis of the fixed-rate premium method over the policy coverage period except long-term (engineering) insurance policies and shipping. Unearned premiums are calculated in a fixed-rate premium manner over the policy coverage period .

For shipping, insurance premiums for the last three months of the date of the financial statements are considered as unearned insurance premiums .

With regard to engineering equipment insurance, there is a pre-calculation due to the potential risks of more than one year and according to this calculation, the earned insurance premium decreases in the first year and increases gradually with the end of the life of the policy.

The balance increased partially by 65.9% from SAR 61.4 million on December 31, 2017G to SAR 101.9 million on December 31, 2018G. In 2019G, the balance recorded an additional increase to SAR 126.3 million as of December 31, 2019G and SAR 141.0 million as of June 30, 2020G. The balance of unearned insurance premiums has been affected by the overall movement of the business through the movement of the written insurance premiums.

6.6.2.6 Unearned Reinsurer Commission

The following table details liabilities for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (57): Unearned Reinsurer Commission

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Medical	-	-	-	-	-	-	-	-
Motor	370	973	1,501	1,749	163.00%	54.30%	16.50%	86.10%
Property	2,268	2,027	2,462	3,429	(10.60%)	21.50%	39.30%	18.00%
Engineering	922	834	551	576	(9.50%)	(33.90%)	4.50%	(17.20%)
Marine	1,262	1,201	774	943	(4.80%)	(35.60%)	21.80%	(11.00%)
Accidents and Liability	925	843	720	1,307	(8.90%)	(14.60%)	81.50%	14.80%
Total	5,747	5,878	6,008	8,004	2.3%	2.2%	33.2%	14.2%

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

The unearned reinsurance commission balance increased by 2.3% from SAR 5.8 million on December 31, 2018G to SAR 5.9 million on December 31, 2018, with an additional 2.2% increase to SAR 6.0 million on December 31, 2019G and the balance reached the amount of SAR 8.0 million as of June 30, 2020G as a result of the increase in the volume of activities in all sectors, specifically in the sectors of Motor insurance and property insurance between December 31, 2017G and 31 December 2019G and the sector of accidents and liabilities as of June 30, 2020G.

6.6.2.7 Outstanding Claims

The following table details liabilities for the fiscal years ended December 31, 2017G, 2018G, 2019G and the six-month period ended June 30, 2020G.

Table (58): Outstanding claims

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Medical	2,756	14,265	11,889	10,833	417.60%	(16.70%)	(8.90%)	72.90%
Motor	13,193	12,873	5,766	9,242	(2.40%)	(55.20%)	60.30%	(13.30%)
Property	31,254	25,936	3,725	975	(17.00%)	(85.60%)	(73.80%)	(75.00%)
Engineering	6,035	3,172	720	1,744	(47.40%)	(77.30%)	142.20%	(39.10%)
Marine	1,524	5,656	2,798	2,896	271.10%	(50.50%)	3.50%	29.30%
Accidents and Liability	5,984	6,541	6,580	6,377	9.30%	0.60%	(3.10%)	2.60%
Total	60,746	68,443	31,478	32,067	12.70%	(54.00%)	1.90%	(22.60%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G.

Total outstanding claims comprises the total estimated cost of claims that have been incurred, reported but not settled at the balance sheet date.

The balance of outstanding claims increased by 12.7% from 60.7 million Saudi Riyals on 31 December 2017 to 68.4 million Saudi Riyals on 31 December 2018, after the increase in the total written premiums. The increase was mainly due to medical insurance activity. Written medical insurance for medical activities premiums rose from 24.1 million Saudi Riyals in 2017 to 45.5 million Saudi Riyals during 2018G. This increase represented 27.0% of the total increase in written insurance premiums between the two years, which rose from 185.6 million Saudi Riyals in 2018 to 264.7 million Saudi Riyals in the year 2019G.

Then, the balance of existing claims decreased by 54.0% from SAR 68.4 million at December 31, 2018G to SAR 31.5 million on December 31, 2019G. This decrease is due to a detailed review by the Company's management in order to correct all claims that have been resolved but still recorded as an outstanding claims

Outstanding claims increased from SAR 31.5 million as of December 31, 2019G to SAR 32.1 million as of June 30, 2020G after the increase in claims related to the Motor sector as a result of the increase in written premiums .

6.6.2.8 Incurred but Not Reported (IBNR) Claims

The following table details the outstanding claims incurred as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (59): Incurred but Not Reported (IBNR) Claims

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (Unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
Medical	3,546	4,129	9,200	7,422	16.40%	122.80%	(19.30%)	34.40%
Motor	15,880	14,193	14,802	11,071	(10.60%)	4.30%	(25.20%)	(13.40%)
Property	22,267	7,463	5,300	3,754	(66.50%)	(29.00%)	(29.20%)	(50.90%)
Engineering	3,066	1,269	2,086	1,673	(58.60%)	64.40%	(19.80%)	(21.50%)
Marine	2,881	1,946	2,358	1,994	(32.50%)	21.20%	(15.40%)	(13.70%)
Accidents and Liability	2,262	2,248	3,314	1,560	(0.60%)	47.40%	(52.90%)	(13.80%)
الإجمالي	49,902	31,248	37,060	27,474	(37.40%)	18.60%	(25.90%)	(21.20%)

Source: Audited Financial Statements for Fiscal Years 2017G, 2018G, 2019G, and the Summary Preliminary Financial Statements (Unaudited) for the six-month period ended on June 30, 2020G

Incurred but Not Reported (IBNR) Claims are claims that are expected to be reported after the date of the statement of financial position for which the event under insurance occurred prior to the date of the statement of financial position. In general, incurred but Not Reported (IBNR) Claims were concentrated in the Motor sector, which is the Company's main activity. Balances affected by business volume and loss rates fluctuated.

6.6.2.9 Rent Obligations

Rental obligations of SAR 3.3 million and SAR 2.6 million as of December 31, 2019G and June 30, 2020G were related to the Company's office rents. These obligations were registered as independent items following the International Financial Reporting Standard No. (16) for the registration of leases.

6.6.2.10 Insurance Premium Deficit Reserve

The premium deficit reserve allocation was associated with a number of assumptions regarding future events, depending on the expected loss ratio of the unfinished part of the policy risk. In order to reach an estimate of the expected loss ratio, the Company's actuarial expert and independent actuarial expert take into account in the relationship of claims and premiums that are expected to be applied on a month-to-month basis and to ascertain at the end of the fiscal year whether there is a need to form a premium deficit reserve.

6.6.2.11 Other Technical Precautions

These provisions are mainly related to existing risk reserves and are allocated at the end of the financial period to meet obligations that may arise after the end of that period for insurance contracts issued prior to that date. These allocations fluctuate in the context of the normal employment contract.

6.6.2.12 Employee Benefits Commitment

The Company adopts an end-of-service rewards plan for employees under Saudi labor regulations in force. Receivables are determined by actuarial assessment using the method of estimating the amounts due by unit while meeting the obligation to make reward payments when they are due. The balance did not experience any drastic fluctuations between December 31, 2017G and December 31, 2018G. In contrast, the balance decreased from SAR 7.9 million on December 31, 2017G to SAR 4.9 million as of December 31, 2019G as a result of a number of resignations during the period. End-of-service bonus balances increased to SAR

5.3 million as of June 30, 2020G after a number of employees were hired by the Company to keep up with the partial increase in business during the six-month period ended on June 30, 2020G.

6.6.2.13 Distribution of Payable Surplus

The distribution of the payable surplus represents the net surplus of insurance operations due to policyholders, as the Company is required to distribute 10% of the net surplus of insurance operations to policyholders and allocate the remaining 90% to its shareholders in accordance with the insurance law and its executive regulations issued by the Central Bank of Saudi Arabia.

It should be noted that the balance did not experience drastic fluctuations between December 31, 2017G and June 30, 2020G. The balance decreased from SAR 10.2 million as of December 31, 2017G to SAR 9.1 million as at December 31, 2018G and SAR 9.0 million as of December 31, 2019G as a result of losses recorded by the Company between the two years. The balance increased again to SAR 11.1 million as of June 30, 2020G after the Company's net income increased between the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G.

6.6.2.14 Zakat Due

The Zakat and income tax allowance represents Zakat entitlements paid to the General Authority for Zakat and Income. It should be noted that the Company submitted Zakat declarations for the period from 2017G to 2019G and has obtained the necessary Zakat certificate and the Authority is studying the declarations for those years. The balance of Zakat due during the four years decreased from SAR 13.0 million as of December 31, 2017G to SAR 3.3 million as at December 31, 2019G and then increased again to SAR 5.2 million as of June 30, 2020G. The continued decline between December 31, 2017G and December 31, 2019G was linked to the reversal of Zakat expenses that were recorded in previous years and were subsequently written off after the Company confirmed that there were no additional Zakat charges likely to be imposed on the Company by the General Authority for Zakat and Income.

6.6.3 Equity

The following table shows details of equity for the financial years ending on December 31, 2017, 2018, and 2019, and the six-month period ending on 30 June 2020.

Table (60): Equity

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30 (unaudited)	Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)		December 2018	December 2019	June 2020	
capital	200,000	200,000	200,000	200,000	-	-	-	-
Statutory reserve	2,165	2,165	2,165	2,165	-	-	-	-
Accumulated losses	(4,815)	(43,038)	(43,888)	(31,274)	(793.8%)	2.0%	(28.7%)	110.5%
Reserve re-measurement of specific benefit obligations	-	624	307	307	100.0%	(50.8%)	(100.0%)	-
Total equity	197,350	159,751	158,584	171,198	(19.10%)	(0.70%)	8.00%	(5.50%)

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

6.6.3.1 Capital

The Company's capital amounts to 200 million as of June 30, 2020G and consists of 20 million shares, the value of each share is 10 Saudi Riyals. It should be noted that on 24/08/1440 H (corresponding to 29/04/2019G) the Company's Board of Directors recommended increasing the Company's capital by offering equity rights shares worth 300 million Saudi Riyals. The Company

obtained the central bank's approval to raise capital under letter No. (89/35440) on 29/10/1440 H (corresponding to 02/07/2019G).

6.6.3.2 Statutory reserve

In accordance with Article 70 of the Saudi Insurance Regulations requirements, 20% of the net income of shareholders (after deducting phase losses) must be established to form a statutory reserve until this reserve reaches 100% of the paid-up capital. The reserve remained stable between December 31, 2017G and June 30, 2020G.

6.6.3.3 Accumulated Losses

The accumulated losses recorded by the Company increased from SAR 4.8 million in 2017G to SAR 43.0 million in 2018G and SAR 43.9 million in 2019G as a result of annual losses recorded by the Company, where losses were affected by higher costs and expenses after the increase in the value of claims paid, general and administrative expenses. Losses declined again to SAR 31.2 million as of June 30, 2020G, after net income to shareholders reached SAR 12.6 million in the six-month period ended on June 30, 2020G.

6.6.3.4 Re-measurement Reserve of Specific Benefit Obligations

The re-measurement reserve of specific benefit obligations recorded in 0.6 million Saudi Riyals, 0.3 million and 0.3 million as of December 31, 2018G, December 31, 2019G and June 30, 2020G respectively, was associated with the commitment of employee benefits measured in accordance with actuarial assessments under the expected credit unit method.

6.6.3.5 Related Party Transactions and Balances

The following table details related party transactions for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (61): Related Party Transactions

SAR'000	Relationship	Nature of Transaction	Fiscal year ended on December 31			Six-month period ended on June 30	
			2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Audited)	2020G (Unaudited)
Transactions							
Insurance Operations							
Gulf Cooperative Insurance Company (Limited Liability Company)	Shareholder	Paid expenses	-	-	-	-	-
Saudi General Insurance Company (Limited Liability Company)	Shareholder	Paid expenses	-	-	-	-	-
Rolaco Group	related to shareholders	Written premiums	934	702	707	657	135
		Paid claims	(375)	(43)	(2)	(2)	(2)
Al Dabbagh Group	related to shareholders	Written premiums	9,796	8,175	4,299	4,803	11,677
		Paid claims	(3,219)	(2,822)	(2,617)	(1,343)	(4,167)
Farouk and Maamoun Tamer Company	Shareholder	Written premiums	13,956	12,473	9,870	7,478	11,919
		Paid claims	(2,828)	(785)	(1,340)	(955)	(1,052)
Raghav Foundation	related to shareholders	Written premiums	-	-	-	98	112
		Paid claims	-	-	-	(50)	(65)
Senior management Staff		Short-term incentives	(3,013)	(2,504)	(2,942)	(1,456)	(1,536)
		Short-term incentives	40	(126)	(172)	(91)	(74)
Shareholder operations							
Board of Directors		Board remuneration and related expenses	393	1,800	1,800	900	900

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended June 30, 2020G

Gulf Cooperative Insurance Co., Inc.

The balance of expenses paid to Gulf Cooperative Insurance Company was mainly related to administrative and operational expenses paid in advance by the Company on behalf of Gulf Co-operative Company in the period prior to 2016G.

Saudi General Insurance Company

Saudi General Insurance Company's balance relates to payments made by Saudi Insurance Company to the Company to support activities.

Rolaco Group / Al-Dabbagh Group / Farouk & Mamon Tamer Company / Raghav Foundation

The Company provides insurance services to these parties where the amounts due from these companies represent the due written insurance premiums, while the balances owed to these parties represent claims that have been filed but not yet paid.

Senior Management personnel

Dealings with senior management personnel include short-term incentives for senior management officers in the form of regular bonuses for managers and senior management personnel.

Members of the Board of Directors

Dealings with board members are related to the periodic bonuses received by the Company's board members.

The following table details related party balances as of December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (62): Related Party Balances

SAR'000	Relationship	Nature of Transaction	Fiscal year ended on December 31			Six-month period ended on June 30	
			2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Audited)	2020G (Unaudited)
Receivable or Accrued Balances							
Insurance Operations							
Gulf Cooperative Insurance Company (Limited Liability Company)	Shareholder	Paid expenses	1,088	1,088	1,088	1,088	1,088
Saudi General Insurance Company (Limited Liability Company)	Shareholder	Paid expenses	(309)	(309)	(309)	(309)	(309)
Rolaco Group	related to shareholders	Written premiums	22	10	15	15	25
		Paid claims	(1)	(4)	-	-	(1)
Al Dabbagh Group	related to shareholders	Written premiums	1,886	2,574	307	307	8,817
		Paid claims	(569)	(712)	(303)	(303)	(2,498)
Farouk and Maamoun Tamer Company	Shareholder	Written premiums	4,571	1,635	86	86	490
		Paid claims	(1,551)	(3,013)	1,201	(1,201)	-899
Raghav Foundation	related to shareholders	Written premiums	-	-	-	-	31
		Paid claims	-	-	-	-	-
Senior management personnel		Short-term incentives	-	-	-	-	-
		Short-term incentives	(259)	(385)	(556)	(556)	(556)
Shareholders operations							
Board Members		Board remuneration and related expenses	(1,800)	(1,800)	(1,800)	(1,800)	(2,700)

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G and the summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

Gulf Cooperative Insurance Co., Inc.

The balance remained the same during the period covered where this amount was not repaid or written off.

Saudi General Insurance Company

The balance did not experience any volatility during the period between 2017G and 2019G as the balance has not yet been paid or written off.

Rolaco Group / Al-Dabbagh Group / Farouk & Mamon Tamer Company / Raghav Foundation

The movement of debit and credit balances fluctuates according to the amount of insurance services provided to these companies and the speed of collecting owed premiums and payment of submitted claims.

Senior Management personnel

Balances fluctuate from time to time as the value of incentives is determined by the Company's management.

Members of the Board of Directors

Balances fluctuate from time to time as rewards are influenced by the Company's business results and management decision that determines the amount and timing of issuing the bonus.

It should be noted that the balances of the related parties are relatively stable, and this is due to the stability of the contributions and the non-change of the related parties over the three years (for more information, please refer to the risk (2.1.8) "Risks related to related party transactions" of Section (2) ("Risk Factors" in this Prospectus). The reason for the stability of the balances of the related parties is due to the stability of the parties themselves on the one hand in addition to the stability of the contributions of the related parties in the services provided. The payment periods differ between the services provided to the related parties as there is a part of the services that is paid quarterly, a part is paid semi-annually, and a part is paid annually. Debtors from related parties accounted for 11.9%, 12.7% and 12.8% of the total prepaid expenses and other assets. On the other hand, balances due to related parties represented 2.0%, 2.6% and 2.5% of the total accrued expenses and other liabilities.

6.7 Cash Flows

The following table details cash flows for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended June on 30, 2020G.

Table (63): Cash flows

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Shortage			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019G (Unaudited)	2020G (Unaudited)	December 2018	December 2019	June 2020	
Net cash generated by/(used in) operational activities	(13,817)	(17,074)	(24,048)	(23,699)	21,374	23.6%	40.8%	(190.2%)	31.9%
Net cash generated by/(used in) investment activities	95,666	(3,307)	48,645	82,935	28,124	(103.5%)	(1571.0%)	(66.1%)	(28.7%)
Net cash used in financing activities	-	-	(1,169)	-	(646)	-	-	-	-
Increase/Decrease in cash and cash equivalent	81,849	(20,381)	23,428	59,236	48,852	(124.9%)	(215.0%)	(17.5%)	(46.5%)
Cash and cash equivalent at the beginning of the period	28,919	110,768	90,387	90,387	113,815	283.0%	-18.4%	25.9%	76.8%
Cash and cash equivalent at the end of the period	110,768	90,387	113,815	149,623	162,667	(18.4%)	25.9%	8.7%	1.4%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The cash balance decreased by 18.4% from SAR 110.8 million on December 31, 2017G to SAR 90.4 million on December 31, 2018G, as the decline was linked to a decrease in cash flows used in investment activities from a positive cash flow of SAR 95.7 million in 2017G to a negative cash flow of SAR 3.3 million in 2018G.

Cash and Cash equivalent increased again by 25.9% from SAR 90.4 million in 2018G to SAR 113.8 million in 2019G, as the rise was influenced by a positive cash flow from investment activities at a value of SAR 48.6 million in the same year.

Cash and Cash equivalent increased by 25.9% from SAR 149.6 million in the six months ended on June 30, 2019G to SAR 162.7 million in the six-month period ended on June 30, 2020G as a result of the shifting of cash flow generating from operating activities from a negative flow at a value of SAR 23.7 million in the six months ended on June 30, 2019G to positive cash flow of SAR 21.4 million in the six-month period ended on June 30, 2020G.

6.7.1 Cash Flows Generating from Operational Activities

The following table details cash flows from operating activities for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (64): Operational Activities

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Decrease			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Unaudited)	2020 (Unaudited)	December 2018	December 2019	June 2020	
Net income/loss for the period before Zakat	21,476	(28,927)	(3,789)	5,355	12,614	(234.7%)	(86.9%)	135.6%	-
Adjustments for non-cash items									
return Income from insurance operations	-	-	-	19	2,076	-	-	-	-
Depreciation	806	1,325	1,582	751	1,045	64.4%	19.4%	39.1%	40.1%
Zakat expenses	-	-	-	1,865	1,880	-	-	0.8%	-
Amortization of right to use assets	-	-	-	-	533	-	-	-	-
Amortization of intangible assets	-	-	-	424	660	-	-	55.7%	-
Amortization for the intangible assets	227	543	1,025	-	-	139.2%	88.8%	-	112.5%
Amortization for the right to use the asset	-	-	1,068	-	-	-	-	-	-
Provision/(reverse) impairment in premiums owed	1,248	2,154	2,337	468	(2,348)	72.6%	8.5%	(601.7%)	36.8%
Provision/ (reverse) impairment for reinsurance owed	113	(2,121)	(652)	680	570	(1977.0%)	(69.3%)	(16.2%)	-
Provision of insurance deficit reserve	3,642	-	-	-	-	(100.0%)	-	-	-
Unrealized profits from fair-value investments through income statement	(577)	(4,268)	(5,524)	(6,712)	2,968	(639.7%)	29.4%	(144.2%)	209.4%
Profit from fair value investments through income statement	-	(396)	(780)	(780)	-	-	-	100.0%	-
Settlement of previous years	(12,670)	-	-	-	-	100.0%	-	-	(100.0%)
Provision for impairment at recoverable value	1,771	-	-	-	-	(100.0%)	-	-	(100.0%)
Impact of the application of international standard 16		-	98						
Total adjustments for non-cash items	16,036	(31,690)	(4,635)	2,070	19,998	(297.60%)	(85.4%)	866.10%	-
Change in assets and operational liabilities									
Insurance premiums owed, net	19,098	(8,642)	(28,635)	(15,285)	(5,306)	(145.3%)	231.3%	(65.3%)	-
Amounts due from reinsurers	(6,952)	6,068	79	(3,308)	(716)	(187.3%)	(98.7%)	(78.4%)	-
Reinsurer's share of unearned premiums	4,784	(5,682)	2,410	(9,150)	(7,501)	(218.8%)	(142.4%)	(18.0%)	(29.0%)
Reinsurer's share of outstanding claims	(3,796)	(4,094)	32,924	23,891	622	7.9%	(904.2%)	(97.4%)	-
Reinsurer's share of incurred but unreported claims	299	6,721	824	(3,084)	4,471	2147.8%	(87.7%)	(245.0%)	66.0%
Deferred surplus from insurance claims losses	(1,843)	(492)	3,444	283	(94)	(73.3%)	(800.0%)	(133.2%)	-
Costs of purchasing deferred insurance policies	1,753	(1,354)	(3,098)	(1,359)	(1,032)	(177.2%)	128.8%	(24.1%)	-

Right to use assets, net	-	-	(4,803)	-	-	-	-	-	-
Prepaid expenses and other assets	6,067	5,722	205	(8,145)	(7,020)	(5.7%)	(96.4%)	(13.8%)	(81.6%)
Amounts due to policyholders	25	(1,624)	2,824	502	(241)	(6596.0%)	(273.9%)	(148.0%)	962.8%
Accrued and other liabilities	3,391	(10,082)	468	(4,138)	683	(397.3%)	(104.6%)	(116.5%)	(62.8%)
Amounts due to reinsurers	(18,774)	1,962	(7,290)	(2,453)	8,250	(110.5%)	(471.6%)	(436.3%)	(37.7%)
Amounts owed to insurance brokers	7,579	812	86	1,807	682	(89.3%)	(89.4%)	(62.3%)	(89.3%)
Unearned insurance premiums	(16,430)	40,461	24,406	21,000	14,716	(346.3%)	(39.7%)	(29.9%)	-
Unearned commission for reinsurers	(1,120)	131	130	1,057	1,996	(111.7%)	(0.8%)	88.8%	-
Outstanding claims	(1,305)	7,697	(36,965)	(23,059)	589	(689.8%)	(580.3%)	(102.6%)	432.2%
Incurred unreported claims	(16,342)	(18,654)	5,812	4,678	(9,586)	14.1%	(131.2%)	(304.9%)	-
Insurance premium deficit reserve	-	6,205	(7,203)	(4,519)	423	-	(216.1%)	(109.4%)	-
Other technical precautions	(1,441)	7,718	(8,731)	(534)	23	(635.6%)	(213.1%)	(104.3%)	146.2%
Employee Benefits Commitment, Net	145	16	(2,278)	(106)	449	(89.00%)	(14337.5%)	(523.6%)	-
Lease obligations	-	-	4,449	-	-	-	-	-	-
Zakat paid	(4,825)	(10,956)	(5,634)	(3,847)	-	127.10%	(48.6%)	100.0%	8.1%
Surplus paid to insurance policyholders	(96)	(1,112)	(40)	-	(32)	1058.3%	(96.4%)	-	(35.5%)
Net cash used in operating activities	(13,817)	(17,074)	(24,048)	(23,699)	21,374	23.6%	40.8%	(190.2%)	31.9%

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

Net cash used in operational activities increased by 23.6% from 13.8 million in 2017G to 17.1 million in 2018G, and the increase was affected by net loss registered in 2018G of 29.0 million compared to net income of 21.5 million in 2017G.

Cash outflow of 24.0 million was recorded in 2019G compared to a negative flow of 17.1 million in 2018G. This is mainly due to the decline in the amounts due to the reinsurer, as well as the decrease in outstanding claims and the rise in net premiums owed between 2018G and 2019G.

Cash outflow of 23.7 million was recorded in the six months ended on June 30, 2019G, transitioned to 21.4 million in the six-month period ended on June 30, 2020G. Cash movements from operating activities were mainly affected by the increase in net income recorded and the increase in amounts due to reinsurers between the two periods.

6.7.2 Cash Flows from Investment Activities

The following table details the cash flows from investment activities for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (65): Investment Activities

SAR'000	Fiscal year ended on December 31			Six-month period ended on June 30		Increase/Decrease			CAGR 2017G-2019G
	2017 (Audited)	2018 (Audited)	2019 (Audited)	2019 (Unaudited)	2020 (Unaudited)	December 2018	December 2019	June 2020	
Purchase of property and equipment	(3,251)	(1,549)	(2,881)	(1,019)	(896)	(52.4%)	86.0%	(12.1%)	(5.9%)
Purchase of intangible assets	(1,083)	(3,506)	(2,861)	(716)	(980)	223.7%	(18.4%)	36.9%	62.5%
Buying investments	-	(4,217)	(283)	-	-	-	(93.3%)	-	-
Exclusion of investments	-	4,965	2,670	2,670	-	-	(46.2%)	(63.4%)	-
Refund of Murabaha deposits	100,000	1,000	52,000	82,000	30,000	(99.0%)	5100.0%	-	(27.9%)
Net cash generated by/(used in) investment activities	95,666	(3,307)	48,645	82,935	28,124	(103.5%)	(1571.0%)	(66.1%)	(28.7%)

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

Cash generated by/or used in investment activities experienced several fluctuations between 2017G and 2019G. The Company recorded cash resulting from investment activities of 95.7 million and 48.6 million in 2017G and 2019G respectively, compared to cash used in investment activities of 3.3 million in 2018G. The mentioned movement was linked to the Murabaha deposit movement.

The cash generated by the investment activities between the six-month period ended on June 30, 2019G and the six-month period ended on June 30, 2020G was related to the receipts obtained by the Company after excluding fair value investments through the income statement. The majority of these investments were excluded during 2019G, resulting in high receipts from the sales processes. As mentioned earlier, these investment portfolios include funds invested in investment funds and equity shares in the Kingdom of Saudi Arabia.

6.7.3 Cash Flows from Financing Activities

The following table details cash flows from financing activities for the fiscal years ended on December 31, 2017G, 2018G, 2019G and the six-month period ended on June 30, 2020G.

Table (66): Financing activities

SAR'000	Fiscal year ended on December 31		Six-month period ended on June 30			Increase/Decrease			CAGR 2017G- 2019G
	2017 Audited	2018 Audited	2019 Audited	2019 Unaudited	2020 Unaudited	December 2018	December 2019	June 2020	
Rent liability payments	-	-	(1,169)	-	(646)	-	-	-	-
Net cash used in financing activities	-	-	(1,169)	-	(646)	-	-	-	-

Source: Financial Audited Financial Statements for fiscal years 2017G, 2018G, 2019G, and summary preliminary financial statements (unaudited) for the six-month period ended on June 30, 2020G

The Company recorded cash outgoing of financing activities at a value of 1.2 million in 2019G and 0.6 million in the six-month on period ended on June 30, 2020G. The outgoing cash was linked to rental liability payments, which relate to the rental expenses of the Company's offices, which were paid in advance.

6.8 Potential Obligations

The Company's potential liabilities as of June 30, 2020G included a letter of guarantee valued at (1,750,000) Saudi Riyals, which are letters of guarantee to customers that are linked to car maintenance and repair contracts contracted with car dealerships as a warrantee. Following are details of the letters of guarantee provided by the Company to customers:

Table (67): Details of letters of guarantee

#	Agency	Volume of Amounts
1	Mohamed Youssef Naghy Automotive (BMW-RANGE ROVER)	250,000.00
2	Abdul Latif Jameel Company for Plumbing and Paint Business Co., Ltd.	200,000.00
3	Abdul Latif Jameel Retail Co., Ltd.	300,000.00
4	Mohamed Youssef Naghy Motors (FORD-HYUNDAI)	250,000.00
5	Al Jaber Commercial Company (KIA)	750,000.00
Total		1,750,000

Source: The Company

It should be noted that if the Company does not pay for the maintenance and repair of cars, the holders of the letters of guarantee are entitled to deduct the amounts from the value of the letter of guarantee.

7 Using the Proceeds of the Offering and Future Projects

7.1 Net Offering Proceeds

The total proceeds of the Rights Offering is estimated at three hundred million (SAR 300,000,000) Saudi Riyals, about six million (SAR 6,000,000) Saudi Riyals of which will be paid to cover the Offering costs, which include the fees of the financial advisor, the underwriting manager, the underwriters, the legal advisor, the chartered accountants, marketing, printing, distribution and other underwriting-related expenses.

The net proceeds of the Offering will amount to about two hundred and ninety-four million (SAR 294,000,000) Saudi Riyals, which will be used mainly to boost the expansion of the Company's activity in order to comply with the solvency requirements, where the underwriting proceeds will be used in investments and financial deposits in addition to increasing the statutory deposit, and modernizing the Company's headquarters and electronic systems. The shareholders will not receive any of the proceeds arising from the Offering.

In the event of any deviation of (5%) or more between the actual use of the proceeds of the Offering and what was disclosed in this Prospectus, the Company will disclose such a deviation to the public on the Saudi Stock Exchange website (Tadawul) as soon as it becomes aware of it. This is in accordance with Paragraph (b) of Article (55) of the Rules on the Offer of Securities and Continuing Obligations which stipulates: "The issuer must, in the event of any deviation of 5% or more from the planned use of proceeds as set out in the relevant rights issue Prospectus, disclose each such case to the public once it becomes aware of it".

7.2 Using the Proceeds of the Offering

All insurance companies operating in the Kingdom practice their activities in accordance with the Insurance Companies Control Law and its Implementing Regulations issued by the Saudi Central Bank on 03/01/1425H (corresponding to 04/20/2004G), and the amendments issued by the Central Bank from time to time.

The net proceeds of the Offering will be mainly used to boost the expansion of the Company's activity in order to comply with the solvency requirements, where the underwriting proceeds will be used in investments and financial deposits in addition to increasing the statutory deposit, and modernizing the Company's headquarters and systems. The shareholders will not receive any of the proceeds arising from the Offering.

The following table illustrates the expected use of the Offering proceeds:

Table (68): Offering Proceeds

Statement	Amount (SAR '000)
Total Offering Proceeds	300,000
Offering Costs (2.00% of the total offering proceeds)	(6,000)
Net Offering Proceeds	294,000
The statutory deposit increase (10% of the total offering proceeds)	30,000
Investments and financial deposits (87.50% of the total offering proceeds)	262,500
modernizing the Company's headquarters and the electronic systems (0.50% of the total offering proceeds)	1,500

Source: The Company

The Company will use the proceeds from the Offering as follows:

7.2.1 Using the net proceeds from the Offering to increase the statutory deposit.

As per Article Fifty-eight (58) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Central Bank, the statutory deposit must be ten percent (10%) of the paid-up capital, and the Central Bank may raise this percentage to a maximum of fifteen percent (15%) based on the risks faced by the Company. Accordingly, the Company will allocate thirty million (SAR 30,000,000) Saudi Riyals from the total proceeds of the Offering as a statutory deposit, as the Company intends, upon completion of the procedures for increasing the capital and obtaining the amounts of the proceeds of the Offering, to address the Central Bank to transfer the deposit amount of the statutory deposit in a bank account under the supervision of the Central Bank. This is the result of the Company's capital increase from two hundred million (SAR 200,000,000) Saudi Riyals to five hundred million (SAR 500,000,000) Saudi Riyals, and the total statutory deposits will become fifty million (SAR 50,000,000) Saudi Riyals, representing ten percent (10%) of the Company's capital after the increase.

7.2.2 Using the net proceeds from the Offering in investments and financial deposits

The Company will use the amounts of the Offering proceeds allocated for medium and long-term investments and financial deposits, in addition to increasing and diversifying the Company's investment portfolio, which is invested in investment funds and equity shares in the Kingdom, as the Company intends to allocate an amount of two hundred and sixty two million and five hundred thousand (SAR 262,500,000) Saudi Riyals. As well, the Company intends to make investments and financial deposits upon completion of the capital increase process, and the amounts will be distributed to investment channels according to Article sixty one (61) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states the following:

- 1) The Company shall, when formulating its investment policy, take into consideration that the maturity of its invested assets is in concurrence with its liabilities according to the issued policies. The Company shall provide SAMA with an investment policy inclusive of assets distribution. If such investment policy was not approved by SAMA, the Company shall adhere to the investment standards in Table (1) of the Implementing Regulations, provided that investments outside the Kingdom shall not exceed 20% of the total investment and in accordance with paragraph (2) of Article fifty nine (59) which states that the Company shall invest (50%) of its total invested assets in Saudi Riyals. SAMA's written approval is required if the Company wishes to reduce this percentage.
- 2) The Company shall take into consideration the investment concentration risks. Concentration in an investment instrument shall not exceed 50% in one investment instrument mentioned in table (1) of the Implementing Regulations.

As well, the amounts will be distributed to investment channels according to Article sixty two (62) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states that the Company shall not use financial instruments, such as derivatives and off-balance-sheet items, other than for efficient portfolio management and with SAMA's written approval. The Company is permitted to invest in such instruments when these conditions are met:

- 1) Such derivatives must be listed on a financial exchange, are capable of being readily closed out, are based on underlying admissible assets and have a prescribed pricing basis.
- 2) The Company has set aside assets that can be used to settle any obligations under these derivatives and set adequate provisions for any adverse changes on the derivatives and their coverage.
- 3) The counter party must be reputable and in an acceptable financial condition.

It should be noted that the Company has existing investments in place (for more information please refer to subsection (10.1.6.6) “Investments” of Subsection (6.6) “Statement of Financial Position”, Section (6) “The financial information and management discussion and analysis” from this Prospectus), according to the investment channels available to the Company as per the Insurance Companies Control Law issued by the Central Bank. In addition, the Company will allocate part of the investment and financial deposits amounting to one million five hundred thousand (SAR 1,500,000) Saudi Riyals to modernize the headquarters offices and its electronic systems in order to meet its expansion goals. The following table shows the expected usage for modernizing the Company's headquarters and electronic systems:

Table (69): The expected usage for modernizing the Company's headquarters and electronic systems.

Amount (Saudi Riyal)	2021			2022	
	Q2	Q3	Q4	Q1	Total
Modernizing Headquarters	-	750,000	-	-	750,000
Modernizing systems	-	750,000	-	-	750,000
Total	-	1,500,000	-	-	1,500,000

Source: The Company

7.2.3 Using the net offering proceeds to raise the Company's solvency margin.

The Company aims to raise its capital from two hundred million (SAR 200,000,000) Saudi Riyals to five hundred million (SAR 500,000,000) Saudi Riyals, in order to support the expansion of the Company's activity in order to comply with the solvency requirements, where the underwriting proceeds will be used in investments and financial deposits in addition to Increasing the statutory deposit, modernize the Company's headquarters and electronic systems.

The Implementing Regulations of the Cooperative Insurance Companies Control Law impose a minimum of the net assets that can be included in the solvency margin account to be maintained, and this requirement translates into the need to maintain the minimum total coverage (100%) of the solvency margin (net assets that can be included in the solvency margin account divided by the minimum solvency margin).

The Central Bank mandates insurance companies to evaluate their net assets for the purpose of calculating the net assets that can be included in the solvency account in accordance with specific inclusion tables and ratios from the Central Bank, provided that it the following shall be taken into account in accordance with Article Sixty-five (65) of the Implementing Regulations of the Cooperative Insurance Companies Control Law:

- 1) Market value shall not be exceeded in the valuation process, and all assets linked to the Investment part of the Protection and Savings insurance policy shall be excluded.
- 2) Maximum limit of 20% of the total assets value in anyone-asset category.

Article sixty-six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law stipulates that the Company, in respect to its general and health insurance business, shall maintain a margin of solvency equivalent to the highest of the following three amounts:

- 1) The minimum capital requirement is one hundred million (SAR 100,000,000) Saudi Riyals for insurance companies, and two hundred million (SAR 200,000,000) Saudi Riyals for reinsurance companies or insurance companies that simultaneously engage in reinsurance business.
- 2) Premium Solvency Margin

3) Claims Solvency Margin

The details of the solvency margin as at December 31, 2018G and 2019G are as follows:

Table (70): The solvency margin as at December 31, 2018G and 2019G

Amount (Saudi Riyal)	31 December 2018G	31 December 2019G
Minimum Capital Requirement	100 million	100 million
Premium Solvency Margin	37.5 million	40.9 million
Claims Solvency Margin	22.5 million	28.8 million
The Company's maximum required solvency margin	100 million	100 million
The net admissible assets	101.3 million	88.4 million
Solvency Margin Cover (%)	101.3%	88.4%

Source: The Company

As at December 31, 2019G, the Company did not adhere to the minimum solvency margin cover of (100%) imposed by the Central Bank, as the Solvency Margin Cover reached (88.4%), which obliged the Company to increase its capital to meet the minimum requirements for the solvency margin cover required.

The following are the expected contributions to the net proceeds of the Offering in maintaining the capital requirements for the next five years, which were calculated based on certain requirements imposed by the Central Bank on insurance companies as the items rise indirectly, as a result of the use of underwriting proceeds, which are the increase in statutory deposit, investments and financial deposits, and modernization of headquarters and electronic systems.

Table (71): The expected contributions to the net proceeds of the Offering in maintaining the capital requirements, imposed by the Central Bank on insurance companies, for the next five years

Amount (SAR)	Year				
	31/12/2021G (Approx.)	31/12/2022G (Approx.)	31/12/2023G (Approx.)	31/12/2024G (Approx.)	31/12/2025G (Approx.)
Minimum Capital Requirement	100 million	100 million	100 million	100 million	100 million
Premium Solvency Margin	65 million	68 million	72 million	77 million	81 million
Claims Solvency Margin	45 million	51 million	55 million	58 million	61 million
The Company's maximum required solvency margin	100 million	100 million	100 million	100 million	100 million
Net admissible assets	291.4 million	297.5 million	297 million	380 million	494 million
Solvency Margin Cover (%)	291%	297%	297%	380%	494%

Source: The Company

8 Experts Statement

The advisors whose names appear in pages (v) and (vi) have given their written consents to the publication of their names, logos and statements in the form included in the Prospectus and have not withdrawn such a consent up to the date of this Prospectus.

None of the above advisers or their employees or any of their relatives has any shareholding or interest of any kind in the Company up to the date of this Prospectus that may jeopardize their independence.

9 Declarations

As at the date of this Prospectus, the Company's Directors declare that:

1. There was no interruption in the business of the Company that could affect or have had a significant impact on the financial condition during the last (12) months.
2. No commissions, discounts, brokerage fees, or any non-monetary compensation were granted by the Company during the three years immediately prior to the date of submitting the application for registration and the Offering of securities in relation to the issuance or offering of any securities.
3. There has not been any material negative change in the financial and commercial status of the Company during the three years immediately preceding the date of filing the securities registration and offering subject to this Prospectus, in addition to the accounting period covered by the auditors' report until the approval date of this Prospectus.
4. Other than what is stated in pages (iv, 49 and paragraph 6.6.3.5 – Transactions of Related Parties in Section 6 – Financial Information and Management Discussion and Analysis of this Prospectus), the members of the Board of Directors or any of their relatives do not have any shares or interest of any kind in the Company.
5. The Company did not keep treasury shares, and the EXTRAORDINARY GENERAL ASSEMBLY of the Company did not approve the purchase of the Company's shares.

10 Legal Information

10.1 Company's Name

The Company was registered in the Commercial Registration of joint-stock companies of Jeddah, under the commercial name: "Gulf General Cooperative Insurance Company".

10.2 Incorporation and capital developments

- Gulf General Cooperative Insurance Company was established in accordance with the provisions of article (3) of Cooperative Insurance Companies Control Law, under the Council of Ministers' resolution No. (365) dated 03/12/1429H (01/12/2008), Royal decree No. (M/85) dated 05/12/1429H (03/12/2008) and ministerial resolution No. (12/Q) dated 17/01/1431H (03/01/2010) announcing establishment of the Company. The Company was registered as a joint stock company as per Commercial Registration No. (4030196620) dated 09/02/1431H (24/01/2010), issued by Jeddah Commercial Registration's office.
- On 24.02.1431H (18.02.2010G), the Company's entire shares were listed on the Saudi stock market (Tadawul) consisting of 20,000,000 (twenty million) ordinary shares of a nominal value of SAR 10 each through an IPO. The Founding Shareholders subscribed to (60%) of the Company's shares amounting to 12,000,000 (twelve million) ordinary shares for a total value of SAR 120,000,000 (Saudi Riyals hundred twenty million) of equal value of SAR 10 each, while Saudi public shareholders subscribed to (40%) of the Company's shares amounting to 8,000,000 (eight million) ordinary shares for a total value of SAR 80,000,000 (Saudi Riyals eighty million) of equal value of SAR (10) each.
- On 20/03/1431H (06/03/2010), the Company obtained from the Saudi Central Bank's (formerly, Saudi Monetary Agency) a license No. (TMN/26/20103) to conduct insurance business (general and health insurance) in accordance with the provisions of the Cooperative Insurance Companies Control Law, its Implementing Regulations and the other rules and regulations in force in the Kingdom of Saudi Arabia under the supervision of the Saudi Central Bank.
- On 24/08/1440H (29/04/2019), the Board of Directors recommended an increase of the Company's capital from SAR 200,000,000 (Saudi Riyals two hundred million) to SAR 500,000,000 (Saudi Riyals five hundred million) through a rights issue in the amount of SAR 300,000,000 (Saudi Riyals three hundred million).
- On 29/10/1440H (02/07/2019), the Company obtained the Central Bank's approval (letter No. 36440/89) to increase the Company's capital from SAR 200,000,000 to SAR 500,000,000 through a rights issue of SAR 300,000,000.
- On 18/11/1442H (corresponding to 28/6/2021G), the Extraordinary General Assembly approved a 150% capital increase, from SAR 200,000,000 (Saudi Riyals two hundred million) to SAR 500,000,000 (Saudi Riyals five hundred million) which translates into a share increase from 20 million ordinary shares to 50 million ordinary shares of equal value of SAR 10 each.
- The Extra-Ordinary General Assembly approved amendment of the Company's Articles of Association as follows:

Amended Articles of Association: In line with the changes made on the Companies Regulations, the Extra-Ordinary General Assembly approved, on 19/08/1438H (15/05/2017G), amendment of the Company's Articles of Associations, and the amended version of the Company's Articles of Association was approved by the Corporate Governance Department of the Ministry of Commerce (formerly, Ministry of Commerce and Investment) on 11/04/1441H (08/12/2019G).

10.3 Objectives of the Company

- As per its Commercial Registration Certificate No. 4030196620 dated 09/02/1431H (24/10/2010), the Company may conduct the following activities:

- Protection insurance, health insurance, motor insurance, property insurance, accident and liability insurance, marine insurance, energy insurance, engineering insurance, risk and damage assessment, inspection and loss assessment and settlement of insurance claims.

This activity requires a license from the Saudi Central Bank.

- As per article 3 of its articles of association, the Company may conduct the following activities:
 - Conduct cooperative insurance business, and the Company may assume all activities that need to be carried out to achieve its objectives, either in the insurance or fund investment domains; hold, move, sell, replace or lease fixed and liquid assets directly, through companies established or acquired thereby, or in partnership with other entities. The Company conducts its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law, its Implementing Regulations and the rules and regulations in force in the Kingdom of Saudi Arabia subject to obtaining the necessary licenses from the competent authorities, if any.
- The Company obtained licenses from the Saudi Central Bank to conduct its activities (for more details, please refer to item (7.10) "Licenses and permits under which the Company operates" of section (10) "legal information" of this Prospectus.

10.4 Company duration

As per article 6 of the Company's articles of association, the Company's duration shall be 99 ninety-nine Gregorian years, commencing from the date of commercial registration. The Company's duration may be thereafter extended by a resolution passed by an Extraordinary General Assembly meeting, one year, at least prior to the end of the current duration. According to the Commercial Registration, the current duration of the Company shall end on 01.02.1533H (26.03.2077).

10.5 Board of Directors

10.5.1 Board composition

As per article 15 of its articles of association, the Company shall be managed by a board of directors, which shall be composed of eleven (9) directors elected by Shareholders Ordinary General Assembly for a term not exceeding three years. On 09.06.1440H (14.02.2019), the Shareholders General Assembly elected the board members for a new term of three years commencing on

25.10.1441H (17.02.2019) and ending on 17.11.1443H (16.02.2022). For more information, please refer to item 2.4 "Board of Directors" of section 4 "Company's organizational structure" hereof.

The Company complies with the Companies Act and the Corporate Governance Rules which provide that the number of board members shall not be less than three (3), nor exceed 11 members. The Company also complies with Article 16 of the Corporate Governance Rules, which provides that the majority of board members shall be non-executive, and that the independent members of the board shall not be less than two members or one third of the total number of board directors, whichever is higher. All 9 members of the Company's board of directors are non-executive, 6 of whom are independent and 3 non-independent.

10.5.2 Chairman, Deputy Chairman and Secretary:

In accordance with Article 21 of the Company's articles of association, the board of directors shall appoint a chairman and Deputy Chairman from its members. It may also appoint a CEO and a managing director. The chairman of the board may not hold any other executive position in the Company. The board of directors shall also appoint a secretary to the board. The Company complies with its articles of association and the Corporate Governance Rules in respect of the mandatory appointment in these positions. The board of directors, in its meeting held on 20/06/1440H (25/02/2019G) approved the required appointments in these positions, and the Company obtained the Central Bank's (SAMA) no-objection to the following appointments:

Table (72): Board Positions

Appointed member	Position
Jamal Abdullah Mohammed Al-Dabbagh	Chairman
Saud Abdulaziz Abdullah Al-Sulaiman	Deputy Chairman
Ehab Yousef Mohammad Linjawi	Executive Officer
Dina Abdulrahman Alfadhli	Board Secretary

Source: The Company.

The powers of the board of directors are specified in article 18 of the Company's articles of association, and the powers of the chairman, vice-chairman, managing director and secretary are prescribed in article 20 of the Company's articles of association. The secretary of the board of directors shall assume the tasks and powers set by the board of directors.

10.5.3 Board Remuneration:

- The board's remuneration shall be as prescribed in Article 19 of the Company's articles of association; however, in case of profits realized by the Company, a specific amount equivalent to 10% may be distributed from the balance net profit, after deducting the reserves mandated by the General Assembly, in accordance with the provisions of the Cooperative Insurance Companies Control Law and after distribution of dividends to shareholders of not less than 5% of the Company's paid-up capital. Eligibility to this remuneration shall be proportionate with the number of meetings attended by each director; any other assessment will be invalid.
- Generally, the total remuneration paid to any director shall not exceed the amount of SAR 500.000 per year. The maximum allowance for attendance of board and committee's meetings shall not exceed SAR 5,000 per meeting, excluding travel and accommodation expenses. Each member of the board, including the chairman, shall be paid the actual expenses they incur in order to attend board or committee's meetings, including travel, accommodation and living expenses. The board report to the Ordinary General Assembly shall include a detailed statement of all remunerations, allowance and financial privileges paid to board members during the relevant fiscal year. The report shall also include a statement of the

remuneration paid to board members in their capacity as staff members, and the sums paid to them against any technical or administrative tasks. The report shall further include a statement of the number of board meetings attended as well as the number of meetings attended by each member from the date of the last general assembly meeting.

- The board's annual report for the fiscal year ended on 31 Dec 2019, as approved by the Ordinary General Assembly Meeting held on 08.11.1441H (29.06.2020G) includes a detailed statement of the total remuneration paid to Directors, including salaries, profit share, attendance allowance, expenses and other privileges; the report also contains details of remuneration paid to directors in their capacity as staff members as well as amounts paid to them against any technical, administrative or advisory tasks.
- The total remuneration paid to board members for the fiscal year ended December 31, 2017 amounted to SAR 1,826,740, SAR 1,600,000 for the fiscal year ended December 31, 2018 and SAR 1,774,247 for the fiscal year ended December 31, 2019

For more information, please refer to item (5.4) "Remuneration of board members and senior executives" of Section (4) "Organizational structure", of this Prospectus.

10.5.4 Board Meetings:

- As per article 21 of the Company's articles of association, the board shall convene at the call of the chairman who shall call the board to convene if requested by two directors. Invitation to meet shall be documented as appropriate to the board, and the board meetings shall be held periodically as well as when needed, however, the number of board meetings shall not be less than 4, or one meeting at least per quarter.
- The Company is committed to the minimum number of board meetings; the board held 7 meetings in 2017, 7 meetings in 2018 and 8 meetings in 2019.

10.5.5 Board committees

The board of directors has formed 5 committees to assist the board in performing its functions, as follow:

- Audit Committee

As per Article 38 of the Company's articles of association, the audit committee shall comprise of not less than three (3) and not more than five (5) members. Presently, the number of the audit committee members is 4. The members of the audit committee were appointed by the Ordinary General Assembly Meeting held on 09.06.1440H (14.02.2019G) and its term will end by the end of the present board's term on 25.07.1444H (16.02.2023). The chairman of the audit committee was appointed by the board at its meeting held on 20.06.1440H (25.02.2019G), and the Company obtained the Saudi Central Bank's no-objection on 27.08.1440H (02.05.2019). The committee members are as follows:

Table (73): Audit Committee members

Name	Position
Jawdat Mousa Jawdat Alhalabi	Chairman
Mohammad Hasan Bakr Daghistani	Member
Faisal Rashed Farouqi	Member
Khalid Abdulaziz Sulaiman Alhoshan	Member

Source: The Company

As of the date of this Prospectus, none of the audit committee members holds any other position in the Company except the Chairman of the Committee, Mr. Jawdat Mousa Jawdat Alhalabi who is an independent member of the board.

The terms of reference of the audit committee were approved by the General Assembly at its meeting held on 09/06/1440H (14/02/2019) (Please refer to sub-item 1.3.4 "Audit Committee" of item 3.4 "Company Committees" of Section 4 "Organizational structure", hereof.

The Audit Committee shall convene at least six (6) times during each fiscal year or whenever necessary. Invitation to attend Audit committee meetings will be made by the committee chairman. The Audit Committee held 9 meetings in the fiscal year ended 31 Dec 2017, 6 meetings in the fiscal year ended 31 Dec 2018 and 6 meetings in the fiscal year ended 31 Dec 2019.

- **Remuneration and Nomination Committee**

Remuneration and Nomination Committee is composed of 4 directors. The committee members were appointed by the board of directors under the board resolution taken at the board meeting held on 20.06.1440H (25.02.2019). The committee term ends by the end of the present board term on 25.07.1444H (16.02.2023). The Company obtained the Saudi Central Bank's no-objection on 27.08.1440H (02.05.2019). The Remuneration and Nomination Committee consists of the following members:

Table (74):Members of Remuneration and Nomination Committee

Name	Position
Faisal Adnan Saad Eddin Baasiri	Chairman
Jamal Abdullah Mohammed Al-Dabbagh	Member
Mohammad Zaher Salah Eddin Al-Munajjed	Member
Karim Ziad Hamdi Edlbi	Member

Source: The Company

The committee will hold its meetings when necessary, provided it holds at least two meetings per year. The Committee held three (3) meetings during the fiscal year ended December 31, 2017, six (6) meetings during the fiscal year ended December 31, 2018, and four (4) meetings during the fiscal year ended December 31, 2019.

- **Executive Committee**

The Executive Committee consists of 4 members who were appointed by the board of directors under the board resolution taken at the board meeting held on 20.06.1440H (25.02.2019). The committee term ends by the end of the present board term on 25.07.1444H (16.02.2023). The Company obtained the Saudi Central Bank's (SAMA) no-objection on 27.08.1440H (02.05.2019). The committee consist of the following members:

Table (75): Executive Committee members

Name	Position
Jamal Abdullah Mohammed Al-Dabbagh	Chairman
Saud Abdulaziz Abdullah Al-Sulaiman	Member
Mohammad Husni Abdullatif Jzail	Member
Taher Mohammad Omar Aqeel	Member

Source: The Company

The committee did not have a terms of reference document as of the date of this Prospectus. Please refer to the Risk 39.1.2 "Risks associated with the absence of a terms of reference document" of section 2 "Risk factors" hereof.

The committee will hold its meetings when necessary, provided it holds six meetings at least per year. The Committee held eleven (11) meetings in the fiscal year ended December 31, 2017, eight (8) meetings in the fiscal year ended December 31, 2018, and six (6) meetings during the fiscal year ended December 31, 2019.

- **Investment Committee:**

The Investment Committee is composed of four (4) members who were appointed by the board of directors under its resolution taken at the board meeting held on 20/06/1440H (25/02/2019). The committee term ends by the end of the current board term on 25/07/1444H (16.02.2023). The Company obtained the Saudi Central Bank's (SAMA) no-objection on 27.08.1440H (02.05.2019). The committee consists of the following members:

Table (76): Investment Committee members

Name	Position
Saud Abdulaziz Abdullah Al-Sulaiman	Chairman
Majed Diaa Eddin Kareem	Member
Taher Mohammad Omar Aqeel	Member
Ehab Yousef Mohammad Linjawi	Member

Source: The Company

The committee did not have a terms of reference document as of the date of this Prospectus. Please refer to the Risk 39.1.2 "Risks associated with the absence of a terms of reference document" of section 2 "Risk factors", hereof.

The committee will hold its meetings periodically and when necessary, provided it holds four meetings at least per year, or one meeting per quarter. The Committee held (3) meetings in the fiscal year ended December 31, 2017, (3) meetings in the fiscal year ended December 31, 2018, and (4) meetings in the fiscal year ended December 31, 2019.

- **Board Risk Committee**

The Board Risk Committee is composed of four (4) members appointed by the Board of Directors under resolution taken at the board meeting held on 20/06/1440H (25/02/2019). The committee term ends by the end of the current board term, on 25/07/1444H (16.02.2023). The Company obtained the Saudi Central Bank's (SAMA) no-objection on 27.08.1440H (02.05.2019). The committee members are as following:

Table (77): Board Risk Committee members

Name	Position
Majed Diaa Eddin Kareem	Chairman
Faisal Adnan Saad Eddin Baasiri	Member
Ehab Yousef Mohammad Linjawi	Member
Mohammad Husni Abdullatif Jzail	Member

Source: The Company

The committee did not have a terms of reference document as of the date of this Prospectus. Please refer to the Risk 39.1.2 “Risks associated with the absence of a terms of reference document” of section 2 “Risk factors”, hereof.

The committee will hold its meetings periodically and when necessary, provided it holds four meetings at least per fiscal year. The Committee held three (3) meetings in the fiscal year ended December 31, 2017, three (3) meetings in the fiscal year ended December 31, 2018, and four (4) meetings in the fiscal year ended December 31, 2019.

10.6 Senior Management

Mr. Ehab Yousef Linjawi holds the position of Chief Executive Officer effective 05.05.1438H (02.02.2017G). Details of the senior management of the Company are reflected in the following table:

Table (78): Senior Management

Name	Position	Nationality	Age	Appointment Date	Shares held			
					directly		indirectly	
					No.	%	No.	%
Ehab Yousef Mohammad Linjawi	CEO	Saudi	51	02/02/2017	1000	0.005%	-	-
Moataz Abdulaziz Maasoudi	Head, Anti-money laundering and financial crimes	Saudi	33	10/06/2020	-	-	-	-
Nathar Qadri Abdulhay	Head, Internal Audit	Afghani	35	02/07/2017	-	-	-	-
Abdullah Sami Maqbool	Head, Compliance Department	Saudi	37	23/07/2017	-	-	-	-
vacant	Head, Risk Department	-	-	-	-	-	-	-
Ali Abdulaziz Abdelaal	Head, Customer Care	Saudi	34	06/05/2017	-	-	-	-
Badr Mohammad Abdulaziz Alshoshan	Head, Subscription	Saudi	47	13/01/2019	-	-	-	-
Saeed Mohammad Alghamdi	Head, Claims	Saudi	51	04/04/2017	-	-	-	-
vacant	Head, Actuarial Services	Saudi	-	-	-	-	-	-
Abdullah Yousef Alsharbini	Manager, Re-insurance	Saudi	29	20/02/2020	-	-	-	-
Wael Othman Alsbaai	Head, Legal Affairs	Saudi	46	30/01/2011	-	-	-	-
Mohammad Azmi Anwar Eldin	Chief Financial Officer	Sri Lankan	56	01/08/2010	-	-	-	-
Majed Adnan Khodari	Head, IT	Saudi	45	01/07/2019	-	-	-	-
Abdullah Mohammad Sliman Aljohar	Head, HR and Common Services	Saudi	43	24/06/2018	-	-	-	-
Mohammad Abdullah Mohammad Alsudairi	Chief Commercial Operations Officer	Saudi	40	08/04/2018	-	-	-	-

Source: The Company

10.7 Licensed and Permits under which the Company Performs

10.7.1 Table of approvals and licenses

The Company obtained several licenses and regulatory and operational certificates from the competent authorities which were needed to conduct its activities in accordance with the rules and regulations in force in the Kingdom of Saudi Arabia. Such licenses, permits and certificates are renewable periodically.

Details of the current licenses and approvals obtained by the Company are reflected in the following tables:

Table (79): Approvals, Licenses, certifications and permits under which the Company operates

License type	Objective	License holder	License number	Date of issue/renewal	Expiry	Issuing authority	Notes
Commercial Registration	To register the Company in the Commercial Registration (Joint-stock company)	General Gulf Cooperative Insurance Company	4030196620	09.02.1431H (24.10.2010)	09.02.1446H (13.08.2024)	*Ministry of Commerce, Commercial Registration Office in Jeddah	
Membership of the (First) Chamber of Commerce and Industry	Compliant with the Commercial Registration rules which require the Company to obtain membership of the Chamber of Commerce and Industry.	General Gulf Cooperative Insurance Company	150051	26.10.1431H (05.10.2010)	29.02.1446H (13.08.2024)	"Jeddah" Chamber of Commerce and Industry	
Certificate of Zakat and Income Tax	To inform that the Company has presented its annual Zakat and tax declaration and paid due Zakat and withholding tax.	General Gulf Cooperative Insurance Company	1110771509	03.08.1441H(27.03.2020)	18.09.1442H (30.04.2021)	General Authority of Zakat and Income	
Certificate of Registration in the VAT	To inform that the Company is registered in the VAT	General Gulf Cooperative Insurance Company	300275171900003	15.05.1441H (21.01.2019)	None (Issued for one time)	General Authority of Zakat and Income	The Company is registered since 03.12.1438H (25.08.2017)
Company status evaluation certificate	To evaluate the status of the Company in line with Netaqat program. The certificate indicates that the Company is ranked in the platinum zone	General Gulf Cooperative Insurance Company	None	15.05.1441H (12.01.2020)	None	Electronic Services Department – Ministry of Human resources and Social Development **	
Saudization Certificate***	To inform that the Company is compliant with the required nationalization ratio as per Netaqat program	General Gulf Cooperative Insurance Company	20002008000295	21.12.1441H (11.08.2021)	16.09.1442H (27.04.2021)	Electronic Services Department – Ministry of Human resources and Social Development	
GOSI certificate****	To inform that the Company is compliant with the rules of the General Organization of Social Insurance	General Gulf Cooperative Insurance Company	34851938	28.02.1442H (15.10.2020)	15.07.1442H (26.02.2021)	General Organization of Social Insurance (GOSI)	
Commercial Activity License (Municipal)	Municipal License issued to the Company to conduct its activity from its head office	General Gulf Cooperative Insurance Company	4109353534	-	09.10.1442H (22.03.2021)	Ministry of Municipal and Rural Affairs – Jeddah Municipality – Alsharafiah Municipality	
Safety License	Compliance with the Safety terms of the Civil Defense Department	General Gulf Cooperative Insurance Company	100054533841	09.10.1441H (21.05.2021)	09.10.1442H (21.05.2021)	Ministry of Interior – Directorate of Civil Defense	

Other Licenses and Certifications							
License to conduct insurance business	Conduct of general and health insurance	General Gulf Cooperative Insurance Company	TMN/26/ 20103	19.03.1440H (27.11.2018)	18.03.1443H (10.06.2021)	Saudi Central Bank (formerly, SAMA)	Permit was issued on 20.03.1431H (06.03.2010)
Prequalification with the Council of Cooperative Health Insurance	Prequalification License to conduct cooperative health insurance business	General Gulf Cooperative Insurance Company	125	20.12.1441H (10.08.2020)	01.01.1443H (09.08.2021)	Council of Cooperative Health Insurance	As per the Council of Cooperative Health Insurance approval of the renewal application dated 20.12.1441H (10.08.2020) obtained through the Electronic Services Portal

Source: The Company

* The name of the "Ministry of Commerce and Investment" has been amended to "Ministry of Commerce".

** The name of the "Ministry of Labor and Social Development" has been amended to "Ministry of Human Resources and Social Development".

*** A certificate of Compliance, valid for a maximum of three months renewable electronically upon request.

**** A certificate of Compliance valid for a maximum of one month renewable electronically upon request.

Table (80): Summary of final approvals relating to insurance products offered by the Company under the rules and regulations in force

#	Product	Approval No.	Issuing Authority	Approval date
1	Profit Loss Insurance after equipment failure	381000025559	Saudi Central Bank	06.03.1438H (05.12.2016)
2	Property Insurance (physical damage and arising losses)	381000025527	Saudi Central Bank	06.03.1438H (05.12.2016)
3	Jewelry Insurance	381000025557	Saudi Central Bank	06.03.1438H (05.12.2016)
4	Equipment failure insurance	381000025560	Saudi Central Bank	06.03.1438H (05.12.2016)
5	Fire insurance	381000025552	Saudi Central Bank	06.03.1438H (05.12.2016)
6	Marine shipping insurance	381000025561	Saudi Central Bank	06.03.1438H (05.12.2016)
7	Contractors' insurance (all risks)	381000025535	Saudi Central Bank	06.03.1438H (05.12.2016)
8	Electronic equipment insurance product	381000025547	Saudi Central Bank	06.03.1438H (05.12.2016)
9	Jewelry shops insurance	381000025551	Saudi Central Bank	06.03.1438H (05.12.2016)
10	Stock damage in refrigerated warehouses insurance	381000025542	Saudi Central Bank	06.03.1438H (05.12.2016)
11	Installation all risks insurance	381000025548	Saudi Central Bank	06.03.1438H (05.12.2016)
12	Land and sea transportation insurance	381000025529	Saudi Central Bank	06.03.1438H (05.12.2016)
13	Ship and motor vessels hull and equipment insurance	381000025532	Saudi Central Bank	06.03.1438H (05.12.2016)

14	Contractors' equipment and machinery insurance	381000025534	Saudi Central Bank	06.03.1438H (05.12.2016)
15	Yacht risks insurance	381000025531	Saudi Central Bank	06.03.1438H (05.12.2016)
16	Labor compensation insurance	381000025533	Saudi Central Bank	06.03.1438H (05.12.2016)
17	Shipping and Discharging company liabilities insurance	381000025518	Saudi Central Bank	06.03.1438H (05.12.2016)
18	Property all risks insurance (ABI)	381000025525	Saudi Central Bank	06.03.1438H (05.12.2016)
19	Open marine shipping insurance	381000025528	Saudi Central Bank	06.03.1438H (05.12.2016)
20	Property all risks insurance LM-7(381000025523	Saudi Central Bank	06.03.1438H (05.12.2016)
21	Land transportation Liability insurance	381000025517	Saudi Central Bank	06.03.1438H (05.12.2016)
22	Travel insurance	381000028946	Saudi Central Bank	14.03.1438H (13.12.2016)
23	Vehicles comprehensive insurance - commercial	371000020863	Saudi Central Bank	19.02.1437H (01.12.2015)
24	Vehicles comprehensive insurance	371000020863	Saudi Central Bank	19.02.1437H (01.12.2015)
25	Third party liability insurance	371000020863	Saudi Central Bank	19.02.1437H (01.12.2015)
26	Group personal accidents insurance	930	Saudi Central Bank	11.04.1433H (04.03.2012)
27	Personal accidents insurance	930	Saudi Central Bank	11.04.1433H (04.03.2012)
28	Group life insurance	1207	Saudi Central Bank	11.04.1433H (04.03.2012)
29	General commercial liability insurance	635	Saudi Central Bank	08.03.1433H (31.01.2012)
30	Funds insurance	2181	Saudi Central Bank	25.11.1431H (02.11.2010)
31	Medical professional malpractice insurance	2209	Saudi Central Bank	20.11.1431H (28.10.2010)
32	Fidelity insurance	7/Is	Saudi Central Bank	01.01.1432H (07.12.2010)
33	Health insurance	729	Saudi Central Bank	20.04.1443H (05.05.2010)

Source: The Company.

(Except as stated in the Risk (3.1.2) "Risks relating to penalties imposed by competent regulatory authorities" and the risk (19.1.2) "Risks relating to non-obtaining or non-renewal of licenses, permits and certificates", sub-item (1.2) "Risks relating to the Company's activity and operations" of Section (2) "Risk Factors" hereof, the Company is compliant with the Central Bank's rules in respect of its insurance products).

10.8 Continuing Obligations prescribed by government authorities on the Company as a “licensed person”

The following supervisory authorities require the Company to meet certain essential requirements as follows:

10.8.1 Continuing obligations as per the Saudi Central Bank’s (SAMA) requirements:

- As per Article 76 of the Implementing Regulations of Cooperative Insurance Companies Control Law, the central bank may withdraw the Company’s license in the following cases:
 - a. No business activities for a period of six months from the license issuance date.
 - b. Non-compliance with the Cooperative Insurance Companies Control Law and its implementing regulations.
 - c. If SAMA becomes aware that the rights of insured persons or beneficiaries were subject to loss as a result of the way the Company is conducting its business
 - d. SAMA is aware that the Company has deliberately provided false information to the central bank in its licensing application
 - e. Company has declared bankruptcy
 - f. Company has conducted its business and affairs in a fraudulent manner.
 - g. Company’s capital falls below the prescribed level, or if the Company did not meet the solvency requirements provided for in the implementing regulations.
 - h. The business or volume of activities falls to a limit that the central bank finds it unviable to operate under.
 - i. Refusal or delay by the Company of payments due to beneficiaries without just cause.
 - j. Refusal to be examined or to produce its accounts, records, or files for examination by the central bank’s inspection team.
 - k. Failure to fulfill a final judgment against it in any of the insurance disputes.
- With respect to (b) above, and as per Article 14 of the Cooperative Insurance Companies Control Law and Article 58 of its Implementing Regulations, the central bank requires insurance and re-insurance companies operating under the Cooperative Insurance Companies Control Law to deposit with one of the local banks a statutory deposit to the order of the central bank equivalent to ten percent (10%) of their paid-up capital. The central bank may increase this percentage to a maximum of fifteen percent (15%). The statutory deposit amounting to SAR 20,000,000 has been placed with a bank designated by the central bank.
- With respect to (f) above, the Company shall maintain the solvency margin provided for in Articles 66 and 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law. In the past two years, the provision for solvency margin fell below the level required by the central bank (100%). On 24/08/1440H (29/04/2019), the Company’s Board of Directors recommended a capital increase through a rights issue by SAR

300.000.000, to SAR 500.000.000. The Company obtained the central bank's approval to increase its capital by SAR 300.000.000 as per the bank's letter No. (36440/89) dated 29/10/1440H (02/07/2019).

- According to Article 15 of the Cooperative Insurance Companies Control Law, the Company shall allocate a share of its annual profits of not less than 20% towards building a statutory reserve until the total reserve reaches 100% of the paid-up capital.
- Excluding for the penalty imposed against the Company during the inspection visit of the Central Bank, under number (41044130) dated 24/06/1441H (18/02/2020) in respect of anti-money laundering and insurance business violations, (for more information, please refer to the Risk No. 3.1.2 "Risks related to penalties by the competent supervisory authorities", sub-item (1.2) "Risks relating to the Company's activity and operations" of section (2) "Risk Factors"- "Company subsidiaries" of this Prospectus), the Company was not subject to any penalty by the Central Bank during the previous three years 2017-2018-2019.

(Except as stated in the risk (1.1.2) "Risks related to capital insufficiency and minimum capital requirements", the Risk (3.1.2) "Risks related to penalties by competent supervisory authorities", the Risk (10.1.2) "Risks related to insufficiency of provisions and reserves", the Risk (19.1.2) "Risks related to failure to obtain or to renew licenses, permits and certifications", the Risk (23.1.2) "Risks relating to cancellation or non-renewal of insurance policies" and the Risk (5.2.2) "Risks relating to the withdrawal of permit to conduct insurance activity" of Section (2) "Risk Factors" hereof, the Company is compliant with the provisions of the Cooperative Insurance Companies Control Law, its Implementing Regulations and the circulars of the Central Bank as of the date of publishing this Prospectus.

10.8.2 Continuing Obligations as per Ministry of Commerce requirements:

- The Company is compliant with the Commercial Registration rules with respect to registration with the Commercial Registration Department in Jeddah, where the Company's headquarters is located, as per register no. (4030196620) dated 09/02/1431H (24/01/2010) which expires on 09.02.1446H (13/08/2024).
- The Company is also compliant with the Companies Act in respect of approval of its articles of association which was adjusted to align with the latest amendments to Companies Act. The prior approval of the draft articles of association was obtained from the Ministry of Commerce and shareholders Extraordinary General Assembly meeting held on 08/02/1441 (07.10.2019). The articles of association were also approved by the Corporate Governance Department, (Ministry of Commerce) on 11/04/1441 (08/12/2019). The Company is compliant with the requirements of the Saudi Capital Market Authority (Tadawul) in respect of publishing its articles of association on Tadawul site in the Company's page.
- The Company has a trademark that was registered with the Ministry of Commerce under No. (1439023956). The trademark will enable the Company to place its name and logo on the facades of its buildings and the offices occupied thereby. The Company registered the trademark and secured the necessary legal protection thereto in accordance with the commercial trademark rules. (For more information, please refer to item (7.10) "Licenses and Permits under which the Company operates" of section (10) "Legal Information" hereof)

- The Company complies with the Commercial Registration Rules as to obtaining the chamber of commerce and industry membership certificate as per certificate No. (150051) dated 26/10/1431H (05/10/2010) which expires on 09/02/1446H (13/08/2024).
- The Company is liable to complete the establishment processes of its branches in Riyadh and Al Khobar. It is also compliant with the Commercial Registration rules in respect of registering these branches with the Commercial Registration and obtaining a membership certificate of Chamber of Commerce and Industry for each branch. (for more information, please refer to sub-item (9.10) "Company Branches" of section (10) "Legal Information" hereof).

10.8.3 Continuing Obligations as per the Council of Cooperative Health Insurance requirements:

- Medical insurance products will be subject to the rules of the Council of Cooperative Health Insurance ("Health Insurance Council") after the approval of the Central Bank. The Health Insurance Council shall supervise the Company and ensure that it complies with the terms governing the provision of medical insurance products.
- Article 43 of the Implementing Regulations of Cooperative Health Insurance Law provides that insurance companies shall not be permitted to conduct cooperative health insurance business unless they were prequalified by the Health Insurance Council. Prequalification shall be limited to three (3) years renewable for other similar periods. Article 44 of the Implementing Regulations of Cooperative Health Insurance Law provides that cooperative health insurance companies shall be prequalified to conduct cooperative insurance business based on an application to be submitted to this effect. The Health Insurance Council has the powers to request any details relating to the nature and scope of information which need to be included in such applications as required. The Council shall decide on the prequalification applications within 90 days from the application submission date
- The Insurance Health Council shall supervise the Company to ensure it complies with the terms governing the provision of medical insurance products. These terms include:
 - To provide specialized medical cadres who are able to issue medical approvals within a time frame not exceeding 60 minutes, and in the event of disapproval, the reasons must be officially clarified.
 - To pay the amounts due to medical providers, such as hospitals and medical clinics, no later than (45) days.

The Company was not subject to any penalties by the Health Insurance Council within the last three years (2017-2018-2019)

10.8.4 Continuing Obligations as per General Authority of Zakat and Tax requirements:

- Like all other registered establishments or companies operating in the Kingdom of Saudi Arabia, the Company is required to submit its Zakat and tax declarations within 120 days of the end of each fiscal year in order to be able to renew the certificate issued by the General Authority for Zakat and Tax; the Company was registered as a tax payer under the file number (3002781719). The Company submitted its Zakat declaration for the fiscal year ended December 31, 2019 and obtained a Zakat certificate from the General Authority for Zakat and Tax under No. (1110771509) dated 03/08/1441H (27/03/2020) valid through 18/09/1442H (30/04/2021). Zakat paid to the

General Authority for Zakat and Tax for the fiscal year ended December 31, 2019 amounted to SAR 3.847.560 (Saudi Riyal three million eight hundred forty seven thousand and five hundred sixty).

- The Company complies with the VAT Rules and Implementing Regulations and is registered with the General Authority for Zakat and Tax under the unique tax number (30027817190003) as per the certificate issued on 15/05/1440H (21/01/2019). The Company is registered since 03/12/1438H (25/08/2017).
- In compliance with the General Authority for Zakat and Tax rules, the Company's branches in Riyadh and Khobar have been added to the list of branches of tax payer (Gulf General Cooperative Insurance Company).
- The General Authority for Zakat and Income, upon review of the Company's declarations for the years from December 31, 2010 to December 31, 2015, imposed additional Zakat differences after a final settlement of Zakat and withholding tax of SAR 1.8 million and SAR 1.1 million was made. A final settlement was reached before the Committee for Settlement of Disputes for an amount of SAR 2.846,754 which had been paid in full.
- Upon review of the declarations for the years 2016 to 2017, the General Authority for Zakat and Tax imposed an additional withholding tax of SAR 1,805,884 which had been paid in full.
- The Company submitted its Zakat declarations for the fiscal year ended December 31, 2018 and obtained a Zakat certificate accordingly.
- In the year 2019, the General Authority for Zakat and Tax issued Zakat and withholding tax assessments for the period from December 31, 2016 to December 31, 2018 by applying IRAD program. On 14/02/1442H (04/10/2020), the Company appealed to some items amounting to SAR 17.939.378 and to the settlement of Zakat and withholding tax differences amounting to SAR 1.994.738, respectively. As of the date of this Prospectus, no final decision has been taken by the General Authority for Zakat and Tax.

(Except as stated in the Risk (32.1.2) "Litigation Risks" and the Risk (33.1.2) "Risks relating to potential Zakat dues and additional claims", sub-item 1.2 "Risks related to the Company's activity and operations" of Section 2 "Risk Factors" hereof, the Company is compliant with the rules and regulations of the General Authority for Zakat and Tax)

10.8.5 Continuing Obligations under the Ministry of Human Resources and Social Development requirements:

- A file has been opened in the Company's name with the Ministry of Human Resources and Social Development (Labor Office) under the consolidated number (9-140838) as per the Saudization certificate issued thereby. As of the date hereof, the Company benefits from the electronic services of the Ministry of Human Resources and Social Development. The Saudization certificate was obtained to inform that the Company is compliant with the nationalization rate required by the Ministry in accordance with the Netaqat program, (77.45%), and the Company is ranked in the platinum zone-medium, category (B).
- The Company maintains internal by-laws, (HR Manual), which is approved by the Ministry of Human Resources and Social Development (Labor Office) under No. (413428) dated 16/01/1441H (5/09/2019). The Company also maintains a guide (Human resources rules and policies) issued in 2019 and approved by the Remuneration and Nominations Committee.

- For the Company's branches, a file has been opened with the branch of the Ministry of Human Resources and Social Development (Labor Office) in Riyadh under the consolidated number (1- 282548) and in Al Khobar under the consolidated number (505919890).
- The Saudi Central Bank mandates the Company to obtain a prior written no-objection before filling certain senior positions, as provided in Annex 3 of the list of requirements for appointment in leading positions at financial institutions supervised by SAMA (second issue – September 2019). The number of leading positions at the Company stands at 15 positions as per the Company's organizational structure, namely:

Table (81): Senior executives of the Company

#	Name	Position	Nationality	Date of issue of SAMA no-objection for appointment
1	Ehab Yousef Mohammad Linjawi	CEO	Saudi	04.05.1438H (01.02.2017)
2	Moataz Abdulaziz Masoudi	Head, Anti-money laundering and financial crimes	Saudi	18.10.1441H (10.06.2020)
3	Nathar Qadri Abdulhai	Head, Internal Audit	Afghani*	07.08.1438H (03.05.2017)
4	Abdullah Sami Maqbool	Head, Compliance Department	Saudi	13.08.1438H (09.05.2017)
5	Vacant**	Head, Risk Officer	-	-
6	Ali Abdulaziz Abdil Alaal	Head of Customer Care	Saudi	06.07.1438H (03.04.2017)
7	Badr Mohammad Abdulaziz Alshoshan	Head of Underwriting	Saudi	12.04.1440H (19.12.2018)
8	Saeed Mohammad Alghamdi	Head of Claims	Saudi	07.07.1438H (04.04.2017)
9	Vacant***	Head, Actuarial Services	Saudi	-
10	Abdullah Yousef Alsharbeeni	Manager, Re-insurance	Saudi	14.05.1440H (20.01.2019)
11	Wael Othman Alsbaï	Head, Legal Affairs	Saudi	19.05.1441H (14.01.2020)
12	Mohammad Azmi Anwareddin	Chief Financial Officer	Sri Lankan	24.09.1441H (7.05.2020)
13	Majed Adnan Khodary	Head of Information Technology	Saudi	12.09.1441H (05.05.2020)
14	Abdullah Mohammad Sliman Aljohar	Director of Human Resources and Joint Services	Saudi	29.08.1439H (15.05.2018)
15	Mohammad Abdullah Mohammad Alsdaïry	Chief Commercial Officer	Saudi	04.07.1439H (21.03.2018)

Source: The Company

* Husband of a Saudi woman

** The former Head of Risk Department resigned on 26/10/1441H (18/06/2020), and the Company submitted a letter to the Saudi Central Bank seeking no-objection to appoint a new Head of Risk, however, as of the date of this Prospectus, the Company has not yet received a reply from the Saudi Central Bank. (for further information, please refer to the Risk (18.1.2) "risks related to the vacancy of certain key positions in the Company", (2) "Risk factors" of this Prospectus).

*** The actuary expert tasks are outsourced.

- The Company is liable to achieve a Saudization rate of (100%) in the leading positions, however, it appears that the number of non-Saudi staff is (2) out of (15) senior positions. One of these two staff is a husband of a Saudi woman, and the other one holds the Sri Lankan nationality. The Company obtained the Saudi Central Bank's no-objection to appoint a Sri Lankan person, Mohammad Azmi Anwar, chief financial officer, as per the bank's letter No. (GC-154-00-2010) dated 03/06/1431 (17/05/2020).
- With regard to the position of Head of Risk Department, it appears that the position is still vacant, which would be considered in violation of Article 15 of the Risk Management Rules issued by the Saudi Central Bank (SAMA) on 27 December 2008. (for further information, please refer to the Risk (18.1.2) "Risks related to the vacancy of certain key positions in the Company" of section (2) "Risk factors" of this Prospectus).
- On 18/01/1439 H (08/10/2017) the stipulated Nationalization ratio was raised to 100% in Retail Insurance Products Sales Sector as of 15/05/1439H (01/02/2018). The Saudi Central Bank had, on 11/05/1438 (08/02/2017), mandated all insurance companies to nationalize all positions related to Vehicle management claims as well as all positions related to customer care departments, and positions handling complaints (for all insurance types).

(Except as stipulated in the Risk No. (18.1.2) "Risks relating to the vacancy of certain key positions at the Company", the Risk (22.1.2) "Risks related to employee malfunctions or misconduct" and the Risk (29.1.2) "Risks related to nationalization requirements" and the Risk (36.1.2) "Risks related to reliance on non-Saudi employees", sub-item No. (1.2) "Risks related to the Company's activity and operations" of Section (2) "Risk Factors" hereof, the Company is compliant with the rules and regulations of the Ministry of Human Resources and Social Development).

10.8.6 Continuing Obligations under the GOSI requirements:

- A file has been opened in the Company's name with GOSI under subscription No. (503677766). The Company subscribed to both wage and professional risk lines for Saudi staff and to the professional risks line for non-Saudi staff as per GOSI Certificate No. (34851938) dated 28/02/1442H (15/10/2020).
- For the Company's branches, the Company's branch in Al Khobar was subscribed under No. (505919890); there is no separate file for the Company's Riyadh branch.

10.8.7 Continuing Obligations as per CMA requirements:

- CMA mandates all listed companies to comply with the rules governing securities offering, the Continuing Obligations and the special instructions issued by the Authority, in particular the requirement for periodical disclosure of substantive and financial developments and the Board report. Insurance companies are required to announce their financial results in accordance with the forms approved by the Authority, which must include clear statements on the surplus/deficit of insurance operations less policyholders investment earning, gross insurance premiums subscribed and net insurance premiums subscribed, net claims incurred and net profit (losses) of shareholders' funds investment with a comparison of these details with those of the corresponding quarterly or yearly periods. As per the Continuing Obligations guide for listed companies, the annual financial results announced on (Tadawul) must be derived from the audited financial statements approved by the auditors appointed by the

General Assembly and approved by the Board of directors. The announcement samples included in the said special instructions must be observed when announcing company's results. The Company shall also provide a statement explaining all reasons and effects of any changes in the financial results for the current fiscal year compared to other periods, and such reasons must cover all items of financial results announced.

- CMA also mandated listed companies to disclose the stages of their keeping pace with the transformation to the International Accounting Standard. On 27/11/1437H (30/08/2016), the Company announced on Tadawul that it was compliant accordingly.
- On 23/01/1438H (24/10/2016), CMA issued a resolution (1-130-2016) amending the processes and instructions relating to the listed companies which accumulated losses amounted to (50%) or more in the light of the new Companies Act. The heading of this section was amended to read "Processes and instructions relating to listed companies with losses in excess of 20% of their capital" as amended by CMA resolution No. (2018-77-1) dated 05/11/1439H (18/07/2018). The Company's accumulated losses amounted to 15.64% of its capital as of June 30, 2020 and 15.73% as of September 2020. (For further information, please refer to sub-item (2.1.2) "Risks relating to accumulated losses" of sub-section No. (1.2) "Risks related to the Company's activity and operations" of Section 2 "Risk Factors" hereof. On 16/03/1442H (02/11/2020) a royal decree (No. 15016) was issued suspending the operation of some provisions of the Companies Act, and on 10/04/1442H (25/11/2020) the Minister of Commerce issued a resolution No. 348 based on the above royal decree suspending the operation of Article 150 of the Companies Act for two years from 01/08/1441H (25/03/2020).
- The Capital Market Authority also mandated listed companies to follow the rules governing the announcements made by listed joint stock companies issued under the resolution of CMA No. (1-199-2006) dated 18/07/1427H (12/08/2006) and amended by the resolution No. (1-104-2019) dated 01/02/1441H (30/09/2019).
- With respect to Corporate Governance, the table below depicts a summary of the Company's extent of compliance with the governance rules issued either by the Saudi Central Bank or CMA.

Table (82): Summary of major provisions of Corporate Governance Rules with which the Company complies/does not comply.

Corporate Governance Rule No.	Insurance Companies Governance Rule No.	Details	Liabe Party	Notes
9/B	-	The Board of Directors is to develop a clear policy on the distribution of dividends in the interests of shareholders and the Company in line with the Company's Articles of Association.	Board of Directors	Compliant – approved by the board on 11.06.1441H (05.02.2020)
8/A	-	To upload information of persons nominated for the board membership on the Company's website.	Board of Directors	None – Advertised on Tadawul
12/5 and 54	105-106	Formation of Audit Committee	Shareholders General Assembly Meeting	Compliant- Audit Committee members were appointed by the Extra-ordinary General Meeting on 09.06.1440H (07.02.2019)

54/C	-	The General Assembly, at the recommendation of the board of directors, shall issue the terms of reference of the Audit Committee which describes the controls and processes to be followed in performing members tasks, selection of members, their nomination, term of membership, remuneration and temporary appointment of members in the event of any vacancy.	Shareholders General Assembly Meeting	Compliant – The terms of reference were approved by the board on 08.06.1440H (13.02.2019) and were endorsed by the general assembly on 09.06.1440H (14.02.2019)
12/6	-	To approve the financial statements for the year 2019	Shareholders General Assembly Meeting	Compliant – Approved by General Assembly on 08.11.1441H (29.06.2020)
12/7	-	To approve the Board's annual report for the year 2019	Shareholders General Assembly Meeting	Compliant – approved by the General Assembly on 08.11.1441H (29.06.2020)
12/9 and 81	-	To appoint the auditors of the Company, fix their remuneration, reappoint or change them and approve their reports.	Shareholders General Meeting	Compliant – approved by the General Assembly on 08.11.1441H (29.06.2020)
13/D	-	To publish on the Company's website. a notification of the date of general assembly meeting, place and agenda, 21 days in advance,	Board of Directors	Compliant
14/C	-	At the publishing of general assembly meeting notifications on the Company's website, shareholders must be enabled to access the meeting agenda, the board report, auditors report, the financial statements and the report of the Audit Committee.	Board of Directors	General Assembly meeting agenda is accessible on Tadawul site while the financial statements and board report are available on the Company's website.
22/1	64/A	To have in place information on the Company's plans, policies, strategies and major objectives		There are no separate rules – plans, strategies and company objectives are stated in the (Internal policies rules relating to company business and development).
22/2	64/D	To have in place and supervise internal controls, to include: the development of a written policy for handling actual and potential conflict of interests for board members, senior executives and shareholders. This will cover: misuse of Company's assets and facilities, misconduct resulting from dealing with related parties, soundness of financial and accounting systems including those relating to the preparation of financial reports, application of proper controls for measurement and management of risks by enhancing a general perception of the risks which might be faced by the Company; encourage a risk management culture at the level of the Company and share the same transparently with stakeholders and related	Board of Directors	Compliant – the rules were approved by the board on 26.01.1441H (25.09.2019)

		parties; annual revision of the efficiency of internal control procedures in the Company.		
22/3	65	Have in place clear and specific policies, standards and procedures for membership of the Board of Directors and to implement the same after having been approved by the General Assembly.	Shareholders General Assembly	Compliant – approved by the General Assembly on 08.11.1441H (29.06.2020)
22/4	-	To develop a written policy for regulating the relationship with stakeholders in line with the provisions of the Governance Rules. This policy should, in particular, provide for the following: <ul style="list-style-type: none"> - Appropriate procedures for compensating stakeholders in the event of a violation of their rights that are stipulated in the rules and protected by agreements. - Appropriate work procedures for resolving complaints or disputes that may arise between the Company and stakeholders. - Appropriate procedures for building good relationships with customers and suppliers and for maintenance of the confidentiality of their information. 	Board of Directors	Compliant – approved by the board on 11.06.1441H (05.02.2020)
225/	-	To develop policies and procedures to ensure that the Company shall comply with the rules and regulations and is committed to disclose essential information to shareholders and stakeholders, while ensuring the executive management is compliant therewith.	Board of Directors	Compliant – the rules were approved by the board on 26.01.1441H (25.09.2019)
22/13, 50, 60/A and 64	89	To form specialized committees emanating from the Board of Directors, specify their membership terms, liabilities and how the board would control them. Formation resolution shall include member appointment, their tasks, rights and duties as well as assessment of the performance of their members.	Board of Directors	Compliant – Appointment made under the Board resolution dated 20.06.1440 H (25.02.2019)
23/1	64/C	To approve the internal policies related to the Company's business and development, including the setting of tasks, authorities and responsibilities assigned to the different organizational levels.	Board of Directors	Compliant – approved by the board on 11.01.1441H (10.09.2019)
23/2	-	To have in place a written and detailed policy for assigning the powers delegated to the executive management and a schedule explaining such powers, implementation method, length of mandate; and the Board may request the Executive Management to report periodically on exercising such authorized powers.	Board of Directors	Compliant – powers were set under the Board resolution No. (2019/101) dated 07.07.1440H (14.03.2019)

25	64/F	Appointment of CEO	Board of Directors	Compliant – Appointment made under the Board resolution dated 20.06.1440 H (25.02.2019)
26/5	13	To have in place the organizational and functional structures of the Company and submit same to the Board for approval.	Board of Directors	Compliant – approved under the Board resolution dated 02.03.1441H (30.10.2019)
26/10	-	To propose a policy and types of remuneration for staff such as fixed remuneration, performance linked rewards and share rewards.	Board of Directors	Compliant – approved under the Board resolution dated 01.04.1441H (28.11.2019)
43	12/A	To have a written clear policy to handle conflicts of interest cases which occur or may occur, and which may affect the performance of board members, executive management or other employees of the Company when dealing with the Company or with other stakeholders	Board of Directors	In place – approved by the Board on 26.01.1441H (25.09.2019)
55/B/4 and 74	-	To appoint the internal audit unit/ department's manager or internal auditor and recommend his remuneration	Board of Directors	In place – Appointment made under the Board dated 21.06.1438 H (20.03.2017)
60/B and 64/B	100	At the recommendation of the Board of Directors, the General Assembly of the Company shall issue the terms of reference of the Remuneration and Nomination Committee, which shall include description of the controls, processes, work plans, tasks, rules for selection or nomination of its members and their term of office, remuneration and temporary appointment of members in case of any vacancy.	Shareholders General Meeting	Compliant – Remuneration and Nomination Committee selection rules approved by the General Assembly meeting dated 16.10.1440H (19.06.2019)
61/1	101/E	Nominations and Remuneration Committee to draw a clear policy for remunerating members of the board and committees and executive management. The policy should be submitted to the Board for consideration and referral to the General Assembly for approval. The policy should provide for performance related criteria considering disclosure and implementation.	Shareholders General Meeting	Compliant – Rules approved by the Board on 01.04.1441H (28.11.2019) and by the Shareholders General Meeting on 08.11.1441 (29.06.2020)
65/3	101/B	To have in place a description of the capabilities and qualifications required for board membership and executive management positions.	Nominations and Remuneration Committee	Compliant – approved by the board on 26.01.1441H (25.09.2019)
68	-	To publish the announcement for nomination to the board membership on the Company's website.	Board of Directors	Published on Tadawul
84	-	To draw policies or procedures to be followed by stakeholders in filing complaints or reporting on violation practices	Board of Directors	Compliant – approved by the Board on 11.06.1441H (25.02.2020)

86	12	To draw professional conduct and ethical values policies	Board of Directors	Compliant – approved by the board on 13.01.1441H (12.09.2019)
89	89	To have in place written policies for disclosure and processes, and supervisory procedures based on the disclosure requirements stated in the Companies Act and CMA rules.	Board of Directors	Compliant – approved by the board on 26.01.1441H (25.09.2019)
91/B	-	To publish the report of audit committee on the Company's website	Board of Directors	Non-compliant
94	67/89	To have in place a governance rules of the Company which does not conflict with the mandatory governance rules set by the Central Bank	Board of Directors	Compliant - approved by the General Assembly meeting dated 16.10.1440H (19.06.2019)
-	As per rules, in particular the outsourcing rules for insurance and re-insurance companies	Outsourcing policy and rules.	Board of Directors	Compliant – approved by the board on 13.01.1441H (12.09.2019)
-	90 and 95	Formation of executive committee	Board of Directors	Compliant – appointment made under the Board resolution dated 20.06.1440 H (25.02.2019)
-	95	Executive Committee terms of reference	Board of Directors	Compliant - approved by the General Assembly meeting dated 16.10.1440H (19.06.2019)
-	90 and 107	Formation of Risk Management Committee	Board of Directors	Compliant – Members of Risk Committee appointed by the Board on 20.06.1440H (25.02.2019)
-	107	Risk Management Committee terms of reference	Board of Directors	Compliant - approved by the General Assembly meeting dated 16.10.1440H (19.06.2019)
-	90 and 111	Formation of investment committee	Board of Directors	Compliant – Members of Investment Committee were appointed by the Board on 20.06.1440H (25.02.2019)
-	111	Investment Committee terms of reference	Board of Directors	Compliant - approved by the General Assembly meeting held on 16.10.1440H (19.06.2019)

Source: The Company

- The Company was not subject to any penalty by the CMA in the past three years (2017-2018-2019). As of the date of this Prospectus, the Company is compliant with CMA rules and implementing regulations.

10.9 Branches

Article (5) of the Company's Articles of Association provides that the Company may establish branches, or offices, or agencies in or out of the Kingdom of Saudi Arabia subject to the approval of the Saudi Central Bank (SAMA)

As per Article 9 of the Cooperative Insurance Companies Control Law and Article 39 of its Implementing Regulations - which provide that the central bank's written approval must be obtained before opening branches of insurance companies - the Central Bank requires insurance companies wishing to open branches to comply with the regulatory processes for the opening of branches of joint stock companies issued by the Ministry of Commerce. Therefore, the Company is required to finalize their licenses, registers and regulatory certificates as necessary for the opening of branches or points of sale, such as municipal licenses (permission to open shops, offices or claim centers) and certificates of membership of the Chambers of Commerce and Industry.

As of the date of this Prospectus, the Company is compliant with the provisions of the Cooperative Insurance Companies Control Law in respect of opening branches and points of sale and has obtained the Central Bank' (formerly, SAMA) final approval No. (40241/MT/1614) dated 10/08/1432 H (11/07/2011) for opening two branches in the cities of Riyadh and Al Khobar.

Table (83): List of branches (Regional Offices) and sale points and their Commercial Registrations:

#	Company branch	C.R. No.	Issue date	Expiry date	Manager	Activity	Address	Membership of Chamber of Commerce and Industry
1	General Gulf Cooperative Insurance Company branch	2051046836	19.11.1432 (17.10.2011)	19.11.1442 (29.06.2021)	Abdullah bin Ali bin Ahmad Al Jleih	Protection insurance, Health insurance, Vehicle insurance, property insurance, accidents and liability insurance, marine insurance, Aviation insurance, energy insurance, engineering insurance, Assessment of risks and damages, inspection and estimation of losses, settlement of insurance claims.	Al Khobar, Almousa District, King Faisal Bin Abdulaziz Road	282643
2	General Gulf Cooperative Insurance Company branch	1010316823	29.10.1432H 27.09.2011.	29.10.1442H 10.06.2021	Samer bin Hamed bin Ali Nahass	Protection insurance, Health insurance, Vehicle insurance, property insurance, accidents and liability insurance, marine insurance, Aviation insurance, energy insurance, engineering insurance, Assessment of risks and damages, inspection and estimation of losses, settlement of insurance claims.	Riyadh	544696

Source: The Company

Table (84): List of municipal licenses obtained for the Company branches (Regional offices) and sale points:

#	Company branch	CR No.	Issue date	Expiry date	Address	Safety License (Civil Defence)
1	General Gulf Cooperative Insurance Company branch	3909661229	28.12.1433 (13.11.2012)	09.01.1443H (17.08.2021)	Al-Khobar, Almousa District, King Faisal Bin Abdulaziz Road	Compliant as per license No. (1-00061347041)
2	General Gulf Cooperative Insurance Company branch	40092385312	-	29.07.1443H (02.03.2022)	Riyadh	Compliant as per license No. (1-000612851-42)

Source: The Company

10.10 Summary of material contracts

10.10.1 Contracts and transactions with related parties:

The Company concluded a number of contracts and agreements and pledged, upon the conclusion thereof, that all dealings shall be executed on a purely commercial competitive basis to protect shareholders rights, and referred same to the Company's general assembly meeting for approval, which meeting should exclude the shareholders having interests in such contracts or deals. The Company, its board members and shareholders are compliant with Articles (71) and (72) of the Companies Act, and such transactions were voted on and approved at the General Assembly meeting held on 08/11/1441 (29/06/2020). The said general meeting has also approved transactions and contracts which shall be concluded with such parties and the licensing thereof for the next year.

The table below reflects the transactions and contracts made, in which the board members and senior executives have direct or indirect interest, in 2019 and in the 6-month period ending on 30 June 2020.

Table (85): Contracts and transactions made with related parties

Related Party	Name	Relation	Transaction Type	Value of premiums subscribed in 2019	Value of premiums subscribed in the six-months period of 2020
Aldabbagh Group	Jamal Abdullah Mohammed Al-Dabbagh	Chairman	Insurance policy	SAR 14,386,000	SAR 11,677,000
Rolaco Group	Saud Abdulaziz Abdullah Al-Sulaiman	Vice Chairman	Insurance policy	SAR 707,000	SAR 135,000
Raghaf Food Services Company	Majed Dia Eddin Kareem	Director	Insurance policy	SAR 95,000	SAR 112,000

Source: The Company

- The Company did not conclude any contracts or have any dealings with major shareholders as of the date of this Prospectus.

10.10.2 Agreement with the United Co. for Actuarial Services:

The Company entered into an agreement with the United Co. for Actuarial Services, an actuarial consulting company registered in the Kingdom of Saudi Arabia and approved by the Saudi Central Bank. This contract between the two companies was concluded on 02/11/1441H. 23/06/2020 to provide actuarial services to the Company and prepare the annual actuarial report for the fiscal year 2020, the annual pricing report for medical and vehicles insurance, solvency report, reinsurance report and other services as detailed in the agreement. Unless terminated by either party under a written notice to be served to the other party 90 days prior to its expiry date, the agreement will be valid until all agreed services were fulfilled.

10.10.3 Agreements with insurance brokers and agents:

The Company entered into non-exclusive insurance brokerage agreements with insurance brokerage companies to attract customers and facilitate the sale of its insurance products to individuals, companies or other entities. Under the agreement, the broker is entitled to an insurance commission according to the percentages provided for in the Insurance Intermediaries Regulation, which ranges between (8%) And (15%) depending on the insurance products that are sold.

The following is a list of major insurance brokers of the Company

Table (86): Insurance brokers

Broker	Agreement date
Tawafuq Al Wostaa Co Ltd (CONCORD) Ins. Brokerage	27.02.1438H (27.11.2016G)
(ACE Insurance & Reinsurance Brokers)	05.08.1433H (25.06.2012G)
Itthihad Insurance Brokers Company	05.07.1440H (12.03.2019G)
NASCO KARAOGLAN S.A. FOR INS.&REINS.BROKER	16.07.1433H (06.06.2012G)
Grand Policy Company for Insurance and Reinsurance Brokerage	11.06.1437H (20.03.2016G)
Kingdom Brokerage for Insurance & Reinsurance	25.12.1439H (07.08.2018G)
Yasser Mohammed Ahmed Bugshan Co. Insurance & Reinsurance Brokers	02.07.1433H (23.05.2012G)
FAL Insurance & Reinsurance Brokers	30.08.1436H (17.06.2015G)
Gulf Coverage Insurance and Reinsurance Brokers	12.01.1434H (26.11.2012G)
IZAR for Insurance Brokerage Co.	17.08.1434H (26.06.2013G)

Source: The Company

10.10.4 Re-Insurance agreements: In accordance with article 42 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company has fulfilled the regulatory requirements for entering into agreements with reinsurance companies located out of the Kingdom of Saudi Arabia. The Company entered into a number of reinsurance contracts with reinsurance companies through direct contracting or through reinsurance intermediaries. Under these agreements, the Company shall assign all or part of the losses that may arise from the insurance policies issued thereby to the reinsurance company against an agreed premium. Under these agreements, the Company will be compensated for all or part of the losses of insurance policies issued. The agreements include miscellaneous exceptions depending on the product being re-insured. Most reinsurance agreements are valid for 12 months, while some of them are automatically renewable.

There are several types of reinsurance agreements:

- (a) **Optional reinsurance agreements:** The Company offers separately each individual insurance risk to the reinsurer, and the reinsurer has the option or accept or reject the risk.
- (b) **Mandatory Reinsurance agreements:** The Company assigns certain risks within certain amounts or ratios to the reinsurer and the latter undertakes to accept reinsurance of the risks assigned thereto. This type of agreements has two main sub-types:
 - **Proportional Reinsurance:** The Company undertakes to assign certain risks within certain agreed ratios to the reinsurer. The reinsurer undertakes to reinsure the risks assigned to him in relation to premiums and compensations, whether calculation was made based on specified amount or on the cases and claims in which the Company is a plaintiff.
 - **Non- Proportional Reinsurance:** The Company undertakes to assign certain risks within certain amount limits in excess of the amount of loss the Company accepts to tolerate. The reinsurer undertakes to accept the risks assigned to him.

The following table reflects a list of the valid or renewed re-insurance contracts:

Table (87): Re-insurance contracts

#	Re-insurance company	Country	Insurance policy/type of cover	Contract type
1	General Insurance and Re-insurance Company	UAE	Property insurance (fire insurance and other risks, property risk, work interruption, home- owners and tenants' liability)	Mandatory re-insurance
			Marine shipping insurance	Mandatory relative re-insurance
			Engineering insurance	Mandatory relative re-insurance
			occupational accidents insurance	Mandatory relative re-insurance
			Accidents insurance (General Accidents insurance: burglary, theft, fidelity insurance, all risks, miscellaneous items, personal effects, individual and group accidents insurance	Optional re-insurance
			Hull Insurance	-
2	Helvetia Active Reinsurance	Switzerland	Commercial property insurance	Mandatory relative re-insurance
			Marine shipping insurance	Mandatory relative re-insurance
			Ship Hull insurance	-
			Engineering insurance	Mandatory relative re-insurance
			occupational accidents insurance	Mandatory relative re-insurance
3	Hannover Re-Takaful	Bahrain	Commercial property insurance	Mandatory relative re-insurance
			Marine shipping insurance	Mandatory relative re-insurance
			Engineering insurance	Mandatory relative re-insurance
			occupational accidents insurance	Mandatory relative re-insurance
			Ship Hull insurance	-
			occupational accidents insurance (loss surplus)	Mandatory re-insurance
			Vehicles insurance	Optional re-insurance
4	Kuwait Re	Kuwait	Commercial property insurance	Mandatory relative re-insurance
			Marine shipping insurance	Mandatory relative re-insurance
			Engineering insurance	Mandatory relative re-insurance
			Occupational Injuries Insurance	Mandatory relative re-insurance
			Ship Hull insurance	-
5	R+V Versicherung AG	Germany	Commercial property insurance	Mandatory relative re-insurance
			Marine shipping insurance	Mandatory relative re-insurance

			Engineering insurance	Mandatory relative re-insurance
			occupational accidents insurance	Mandatory relative re-insurance
			Ship Hull insurance	-
6	Saudi Re	KSA	Commercial property insurance	Mandatory relative re-insurance
			Marine shipping insurance	Mandatory relative re-insurance
			Engineering insurance	Mandatory relative re-insurance
			occupational accidents insurance	Mandatory relative re-insurance
			Ship Hull insurance	-
7	SCOR	France	Commercial property insurance	Mandatory relative re-insurance
			Cargo insurance	Mandatory relative re-insurance
			Engineering insurance	Mandatory relative re-insurance
			Personal and general accidents insurance	Mandatory relative re-insurance
			Ship Hull insurance	-
			Vehicles insurance	-
8	Swiss Re	Switzerland	Commercial property insurance	Mandatory relative re-insurance
			Marine shipping insurance	Mandatory relative re-insurance
			Engineering insurance	Mandatory relative re-insurance
			Professional accidents insurance	Mandatory relative re-insurance
			Professional accidents insurance (loss surplus)	Mandatory re-insurance
			Vehicles insurance	-
			Accidents insurance	Optional re-insurance
9	Partner Re	Ireland	Occupational accidents insurance (loss surplus)	Mandatory re-insurance
			Vehicles insurance	Optional re-insurance
10	(CCR Re)	France	Life insurance	-
11	QBE Insurance Group - Branch Dubai	UAE	Marine insurance	-

Source: The Company

10.10.5 Lease agreements:

The Company entered into a number of lease agreements in the capacity of lessee to lease offices for its headquarters and branches in Riyadh and Khobar, or sale points to conduct its business. The Company does not have any owned properties. Four lease contracts were signed, most of which are traditional renewable agreements (i.e., provides for the lease amount payable to the

lessor on annual basis). These contracts would be deemed void if the lessee failed to pay the lease, and the lessee may not sub-lease the property unless with the written consent of the lessor. The lessee may not change the purpose for which the property was leased, or its activity, unless with the lessor's consent.

The following table depicts the major details of lease agreements concluded by the Company for its offices and branches:

Table (88): Valid and renewed lease contracts of the Company's office

#	Lessor	Lessee	Property location	Property type	Annual value	Valid from	Valid through	duration	Renewal
1	Mohammad Ali Nasser Algaithy Alshareef	The Company	Jeddah – Gaithy Plaza	Offices- Company Headquarters	SAR 593.000	01.01.1438 H (03.10.2016G)	28.03.1443H (03.11.2023G)	5 years	Unlimited
2	Heirs of Faisal bin Fahd Bin Abdulaziz		Riyadh, Malaz Alomam commercial center	Offices	SAR 207.270	05.06.1438H (05.03.2017G)	26.05.1443H (30.12.2021G)	1 year	Renewable automatically
3	Hamad Abdulaziz Almousa Group		Al Khobar - Almousa	Offices	SAR 151.500	28.02.1438H (28.11.2016G)	23.04.1443H (28.11.2021G)	1 year	Non-renewable automatically
4	Sultan Real-Estate Investment Company		Jeddah – Adham Center	Offices	SAR 230.000	02.05.1438H (30.01.2017G)	16.07.1442H (28.02.2021G)	1 year	Renewable automatically

Source: The Company

The resolution of the Council of Ministers No. (292) dated 16/05/1438 H (13/02/2017) provides that a lease contract not registered in the electronic platform shall not be considered a valid contract with administrative and judicial effects. The electronic services platform was launched in collaboration between The Ministry of Justice and Ministry of Housing on 17/05/1439 H (03/02/2018), and the Ministry of Justice's circular was issued requesting that the platform be used to document all lease contracts concluded after 05/05/1440H (11/01/2019). As of the date of this Prospectus, the Company's above lease contracts were not registered in the said electronic platform.

10.11 Litigation

As of the date of this Prospectus, the Company, in conducting its business, was subject to legal cases and claims relating to its insurance operations in addition to disputes and demand cases with others in respect of insurance covers, including policyholders, as follows:

10.11.1 Legal cases filed against the Company as "Defendant"

Table (89): List of legal cases filed against the Company as "Defendant"

#	Case subject	Status	Claim amount	Date
1	Non-settlement of vehicle repair dues	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (103.000)	06.01.1440H (05.09.2019)
2	Non-transfer of compensation amount for vehicle damages	Still under consideration before the Committee for settlement of insurance disputes and violations (Appeal Committee)	SAR (6.138)	01.07.1441H (25.02.2020)
3	Compensation for medical expenses and travel tickets.	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (36.929)	07.07.1441H (02.03.2020)

4	Compensation for a stolen car	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (90.000)	04.11.1441H (25.06.2020)
5	Transfer of compensation amount in the name of vehicle user instead of the vehicle owner, the Development Bank	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (64.700)	08.11.1441H (29.06.2020)
6	Blood money compensation for a wife and daughter	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (600.000)	19.12.1441H (09.08.2020)
7	Compensation for damaged vehicle	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR(4.033)	20.12.1441H (10.08.2020)
8	Compensation for damaged vehicle	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (50.433)	01.01.1442H (20.08.2020)
9	Compensation for damaged vehicle	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (64.000)	03.03.1442H (22.08.2020)
10	Compensation for accident	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (90.000)	21.01.1442H (09.09.2020)
11	Compensation for damaged vehicle	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (14.577)	25.01.1442H (13.09.2020)
12	Compensation for damaged vehicle	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (32.932)	10.02.1442H (27.09.2020)
13	Compensation for damaged vehicle	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (50.000)	08.03.1442H (25.10.2020)

Source: The Company

- There is also a claim (Zakat and withholding tax settlement) filed against the Company in respect of the transfer of insurance portfolio from the Saudi General Insurance Company (a Bahraini company and a major shareholder of the Company) as per the following details:
 - A contract was made between the Saudi General Insurance Company (plaintiff) and the Gulf General Cooperative Insurance Company (defendant) for sale of all insurance portfolios and transfer of all rights and liabilities due thereunder from the plaintiff to the defendant effective 01/01/2009.
 - The General Authority for Zakat and Tax requested the plaintiff to pay the tax assessment differences and regulatory Zakat due for the period from 01/01/2005 to 31/12/2010 as per the assessment dated 29/04/14/1437 H (08/02/2016) for the amount of SAR 19.713,434. The plaintiff presented a bank guarantee dated 14.08.2017 to the General Authority for Zakat and Tax for the amount claimed. The General Authority for Zakat and Tax mandated the plaintiff to pay the above-mentioned amounts in its capacity as an official taxpayer responsible for the assessed Zakat and tax in the years 2005-2010, however, the plaintiff claims that the defendant is responsible for settlement of such amounts.

- The plaintiff filed a case with the Committee for Settlement of Insurance Disputes and Violations appealing to the above-mentioned assessment, and the case was registered under No. 400900 dated 08.03.1441H (05/11/2019). The committee issued its decision dismissing the case, and the plaintiff appealed to the Appeal Committee which issued its decision on 16/07/1441 (11/03/2020) upholding the primary committee's decision and dismissing the case.
- On 18/09/1441H (11/05/2020) the plaintiff filed a case with the Commercial Court of Jeddah requesting to oblige the Company to pay the amount of Zakat and tax assessed by the Authority for Zakat and Tax on the plaintiff, as well as to pay the fees for the bank guarantee which the plaintiff presented to the Authority in the amount of SAR (19,713,434). It also requested the court to oblige the Company to pay the legal costs amounting to SAR 200,000. As of the date hereof, no decision has yet been taken by the Commercial Court of Jeddah.

10.11.2 Legal cases filed by the Company against others in its capacity as a "plaintiff":

Table (90): List of legal cases filed by the Company against others as "Plaintiff"

#	Subject	Status	Claim value	Date
1	Recourse: Hit and Run	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (25.912.00)	02.03.1441H (30.10.2019)
2	* Recourse: Red light crossing	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (600.000)	20.03.1441H (17.11.2019)
3	Recourse – Red light crossing	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (15.138.00)	04.05.1441H (30.12.2019)
4	Recourse – No driving license	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (20.105.00)	17.05.1441H (12.01.2020)
5	Recourse - Red light crossing + No driving license	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (12.863.00)	17.05.1441H (21.01.2020)
6	Recourse - No driving license	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (13.222.00)	17.05.1441H (12.01.2020)
7	Deceptive claim-fabricated accident	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (8.300.00)	18.05.1441H (13.01.2020)

8	Recourse - traffic reverse direction	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (12.533.00)	18.05.1441H (13.01.2020)
9	Recourse: Hit and Run	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (14.263.00)	18.05.1441H (13.01.2020)
10	Recourse- Driver's license doesn't qualify him to drive the vehicle.	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (23.583.00)	02.0.1441H (27.01.2020)
11	Recourse: Hit and Run	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (4.358.00)	23.11.1441H (14.07.2020)
12	Recourse - traffic reverse direction	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (19.562.70)	23.11.1441H (14.07.2020)
13	Failure to pay vehicle insurance premium	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (80.363.70)	23.11.1441H (14.07.2020)
14	Recourse – Driver is less than 16 years old	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (4.816.00)	21.12.1441H (11.08.2020)
15	Failure to pay vehicle insurance premium	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (53.806.20)	21.12.1441H (12.08.2020)
16	Recourse: Hit and Run	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (4.819.90)	22.12.1441H (12.08.2020)
17	Failure to pay vehicle insurance premium	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (16.476.33)	22.12.1441H (12.08.2020)
18	Recourse - traffic reverse direction, and hit and run	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (4.816.00)	27.12.1441H (17.08.2020)

19	Failure to pay vehicle insurance premium	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (555.000.00)	27.12.1441H (17.08.2020)
20	Recourse: Hit and Run	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (9.029.00)	05.03.1442H (22.10.2020)
21	Failure to pay vehicle insurance premium	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (59.310.30)	05.03.1442H (22.10.2020)
22	Recourse: Red light crossing	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (16.505.00)	09.03.1442H (26.10.2020)
23	Failure to pay health insurance premium	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (64.983.58)	09.03.1442H (26.10.2020)
24	Recourse: Hit and Run	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (10.107.00)	10.03.1442H (27.10.2020)
25	Failure to pay insurance premium- risks	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (9.105.30)	10.03.1442H (27.10.2020)
26	Recourse: Red light crossing	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (30.750.00)	16.03.1442H (02.11.2020)
27	Failure to pay health insurance premium	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (7.565.20)	16.03.1442H (02.11.2020)
28	Recourse - traffic reverse direction	Still under consideration before the Committee for settlement of insurance disputes and violations (Primary Committee)	SAR (4.900.00)	24.03.1442H (10.11.2020)

Source: The Company

* Third party recourse right for an amount of SAR 600.000 against a driver of a vehicle insured by the Company for crossing a red light resulting in the death of two persons. A legitimate deed was issued in favor of the dead persons, and they were therefore compensated, and the blamed party is requested to fulfill the recourse right.

(Except as stated herein above and in the Risk (32.1.2) "Litigation risks", sub-item No. (1.2) "Risks related to the Company's activity and operations" of Section 2 "Risk Factors" of this Prospectus, the Company does not have any other legal cases which would adversely or substantially affect the Company or the results of its operations.


10.12 Trademarks

The Company has a trademark registered with the Ministry of Commerce (Trademark Department*). This will enable the Company to place its name and logo on the façades of the building or offices occupied thereby. Trademark was duly registered the necessary legal protection secured in line with the trademark rules.

The Company does not have any intangible assets except its trademark as of the date of this Prospectus.

The following table reflects the Company's trademark and details:

Table (91): Trademarks

Trademark	Certificate No.	Holding Company	Date registered	Date of Protection start	Date of Protection end
	1439023956	General Gulf Cooperative Insurance Company	05.02.1440H (14.10.2018)	24.10.1439H (08.07.2018)	23.10.1449H (20.01.2028)

Source: The Company

* Trademarks registration authorities have been moved to the Saudi Intellectual Rights Authority

* The Company did not register its website <https://www.ggi-sa.com/> with the Telecommunication and IT Authority in spite of the fact that the Company sells insurance policies electronically.

10.13 Essential information that has changed since CMA approval of the last share issue

Prospectus

The following is a summary of the key information that has changed since CMA approval of the last share issue Prospectus (IPO), issued on 08/09/1430H (29/08/2009):

- **Saudi Central Bank's (formerly, Monetary Agency) Permit:** The Company obtained the Saudi Central Bank's permit in 2010 to conduct insurance business (General and Health insurance).
- **Branches:** Two branches of the Company were established in Al Khobar and Riyadh in 2011.
- **Transfer of insurance portfolio:** On 09/07/1433H (30/05/2012), the Company obtained the Central Bank's Letter No. (1689) approving the transfer of the insurance portfolio from the Saudi General Insurance Company (A Bahraini company and a substantial shareholder of the Company) to the Company and to be reflected in the financial statements (second quarter 2012).
- **Accumulated Losses:** The Company incurred accumulated losses over the past years, and as of the date hereof, these accumulated losses amounted to 15.73% from the capital (for more information, please refer to sub-section 2.1.2) "Risks relating to accumulated losses" of sub-section 1.2 "Risks related to the Company's activity and operations" of Section (2) "Risk Factors" of this Prospectus).
- **Financial Statements:** Preparation method of financial statements has been adjusted to be in line with IFRS.
- **Management:** Amendment of Article (13) of the Articles of Association and reduction of the number of board directors to (9) instead of (10).
- **Articles of Association (By-Laws):** Updated in line with the changes made on the new Companies Act and was approved by the Extraordinary General Assembly meeting on 08/02/1441H (07/10/2019).
- **Governance:** Internal governance rules and policies have been adopted in relation to the Company's governance as in line with the provisions of the Corporate Governance rules of joint-stock companies issued by CMA and governance rules of insurance companies.
- **Board committees:** The minimum number of board committees has been formed as required by insurance companies in line with the governance rules for insurance companies issued by the Saudi Central Bank.
- **CEO:** Resignation of CEO and appointment of a new CEO, Mr. Ehab Yousef Mohammad Linjawi.
- **Prequalification by the Council of Health Insurance:** The Company obtained the prequalification of the Health Insurance Council to conduct health insurance activity in the Kingdom and was renewed on 03/12/1440 H (04/08/2019) for a period of three years ending on 02/12/1443 H (01/07/2022).
- **Electronic Sale:** The Company has obtained the approval of the Central Bank to conduct electronic sale of some of the Company's insurance products (Please review the risk (19.1.2) "Risks related to non-issue or non-renewal of licenses, permits and certificates", sub-section 1.2 "Risks relating to the Company's activity and operations", of section (2) "risk factors" of this Prospectus).

10.14 Directors' Declarations regarding legal information:

In addition to the other statements referred to herein, the board members acknowledge as follows:

- a) The issue does not violate the relevant rules and regulations in the Kingdom of Saudi Arabia.
- b) The issue does not prejudice any of the contracts or agreements to which the Company is a party.
- c) All essential legal information relating to the Company has been disclosed in the Prospectus.
- d) The Company is not subject to any legal cases or procedures which may, singly or collectively, fundamentally affect the Company's business or financial situation.
- e) The Directors are not subject to any legal cases or procedures which may, singly or collectively, fundamentally affect the Company's business or financial status. The Directors confirm that the outstanding case against one director in his capacity as director of another company will not, fundamentally affect the Company's business or financial condition.

11 Underwriters

The Company and the Underwriters (Falcom Financial Services Company and the BlomInvest) have entered into an underwriting agreement for the subscription of thirty million (30,000,000) ordinary shares, at a price of ten (10) Saudi Riyals per share, with a total value of three hundred million (300,000,000) Saudi Riyals, representing (150%) Of the Rights Issue offered for subscription ("Underwriting Agreement").

11.1 Underwriters

FALCOM Financial Services Company

Riyadh - Al-Worood District - Olaya Street

P.O. Box 884, Riyadh 11421

Saudi Arabia

Tel: +966 8004298888

Fax: +966 11 2054827

Email: Info@falcom.com.sa

Website: www.falcom.com.sa



BLOMINVEST

Riyadh, First Building, Floor No. 3, King Fahd Road

P.O. Box 8151, Riyadh 11482

Saudi Arabia

Tel: +966 11 4949555

Fax: +966 11 4949551

Email: info@blom.sa

Website: www.blom.sa



11.2 Summary of the Underwriting Agreement

The principal terms of the Underwriting Agreement are set forth below:

- 1) The Company undertakes to the Underwriters that, on the allocation date, it will allocate and issue to the Underwriter all shares that have not been subscribed to by the Eligible Shareholders as additional shares at the Offer Price.
- 2) The Underwriters undertake to the Company that they will, on the allocation date, purchase the number of Offer Shares not subscribed to by Eligible Shareholders, as additional shares at the Offer Price.
- 3) The Underwriters will receive a fixed financial consideration against underwriting the Offering which amount shall be paid from the Offering Proceeds.

12 Waivers

The Company has not submitted any request to CMA to be exempted from any requirements relating to the Offering.

13 Information related to shares and the terms and conditions of the Offering

The Company filed an application for the registration and offering of the new shares to the Capital Market Authority and to the Saudi Stock Exchange Company (Tadawul) to list the new shares. All requirements were fulfilled in accordance with the rules and regulations of Capital Market Authority offering of securities and continuing obligations and listing rules.

All Eligible Shareholders, the acquired rights holders and bidders, must read the terms of subscription and instructions very carefully before the electronic subscription, or before submitting the subscription application through the broker, or filling in the Rump Offering form. The submission of the subscription application or signing and submitting the Rump Offering form is considered as endorsement and acceptance of the mentioned terms and conditions.

13.1 The Offering

The Offering is an increase in the Company's capital through issuing tradable rights shares with a value of three hundred million (300,000,000) Saudi Riyals, divided into thirty million (30,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share and an offer price of ten (10) Saudi Riyals per share.

13.2 How to apply for Subscription to the Rights (New Shares)

Registered Shareholders wishing to subscribe to the Right shares must submit the subscription application during the subscription period through an investment portfolio at Tadawul platforms through which the sale and purchase orders are entered. Subscription applications may be made through any other means provided by the broker and the shares Custodian in the Kingdom during the subscription period. In case that there is a Rump Offering Period, subscription applications could be submitted for any remaining shares by Investment institutions only.

By completing and presenting the Subscription Application form, the Subscriber:

- ✓ Agrees to subscribe for the number of New Shares as stated in the Subscription Application Form;
- ✓ Warrants that he/she has carefully read the Prospectus and understood all its contents;
- ✓ Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus;
- ✓ Declares that he/she has not previously subscribed for this Right Issue, in which case the Company has the right to reject all applications;
- ✓ Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- ✓ Warrants not cancelling or amending the Subscription Application Form after submitting it to the Receiving Agent.

13.3 Subscription Application

Eligible Persons wishing to exercise their full right and subscribe for all the Rights to which they are entitled, An Eligible Person, must subscribe through the investment portfolio at the Trading Platforms through which buying and selling orders are entered or through any other means provided by the agent and the Custodian of shares.

The number of shares that the eligible person is entitled to subscribe for is calculated according to the number of Rights he owns. As for the subscription amount that the subscriber is required to pay, it is calculated by multiplying the number of existing tradable rights that he owns before the end of the subscription period by (10) ten Saudi Riyals.

13.4 The Trading And Subscription Stage And The Rump Offering Period

Eligible Shareholders who wish to subscribe to the Rights must submit a subscription application during the subscription period which begins on Monday 25/11/1442H (corresponding to 5/7/2021G) and ends on Thursday 5/12/1442H (corresponding to 15/7/2021G).

The Extraordinary General Assembly held on 18/11/1442H (corresponding to 28/6/2021G) approved the recommendation of the Board of Directors to increase the Company's capital through a Rights Issue. Under this Prospectus, thirty million (30,000,000) ordinary shares will be offered for subscription through the Rights Issue, which represent 150% of the Company's capital prior to subscription at an Offer Price of ten (10) Saudi Riyals per share, with a nominal value of ten (10) Saudi Riyals per share, with a total offering value of three hundred million (300,000,000) Saudi Riyals. The new shares will be issued at a ratio of one share for each Right. Subscription to the rights will be offered to the shareholders registered in the shareholders' register of the Company at the end of the second trading day following the Extraordinary General Assembly on 20/11/1442H (corresponding to 30/6/2021) and to the Eligible Persons who have purchased the priority rights During the rights issue Subscriptions period, including the registered shareholders who have purchased additional rights in addition to the rights they originally owned.

If the rights of the Eligible Persons are not exercised by the end of the subscription period, then the remaining shares (as a result of inability to exercise those rights or being sold by the eligible persons) will be offered to the investment companies through the Rump Offering Period. If the Investment Institutions did not subscribe to all the remaining shares and share fractions, then the remaining shares will be allocated to the Underwriters who will purchase them at the Offering Price.

The registered shareholders will be able to trade the Rights that have been deposited in their portfolios through the Saudi Stock Exchange (Tadawul). These Rights are considered as acquired right for all shareholders registered in the Company's records at the end of the second trading day following the EXTRAORDINARY GENERAL ASSEMBLY that approved the capital increase. Each Right gives its holder the right to practice subscribing for one new share, at the Offering Price. Rights will be deposited after the assembly convenes. The Rights will appear in the registered shareholders' portfolios under a new code for the Rights, and the registered shareholders will then be notified of depositing the Rights in their portfolios.

The schedule and details of the Offering are as follows:

- 1) **Eligibility Date:** End of trading session on the day of the Extraordinary General Assembly on 18/11/1442H (corresponding to 28/6/2021G).
- 2) **Trading and subscription phase:** The trading and subscription phase begins on Monday 25/11/1442H (corresponding to 5/7/2021G), provided that the trading period ends on Monday 2/12/1442H (corresponding to 12/7/2021G), and the subscription period continues until the end of Thursday 5/12/1442H (corresponding to 15/7/2021G).
- 3) **Rump Offering Period:** Starts at ten o'clock in the morning of Tuesday 17/12/1442H (corresponding to 27/7/2021G) and continues until five o'clock in the evening of the next day on Wednesday 18/12/1442H (corresponding to

28/7/2021G). During this period, the remaining shares will be offered to a number of Institution Investors ("Investment Institutions"), provided that those investment institutions submit offers to buy the remaining shares. Rump Shares will be allocated to the Investment Institutions with the highest bids first, then the lowest and the lowest (provided that the bids shall not fall below the Offering Price). The shares shall be allocated on a pro rata basis to the Investment Institutions that offer the same price. As for the fractional shares, they will be added to the Rump Shares and treated similarly. Subscription price of the new shares not subscribed for during this period will be at the minimum Offering Price. If the unsubscribed share price is higher than the Offering Price, the difference (if any) will be distributed as compensation for the Rights holders who did not subscribe for their Rights in proportion to the Rights they own.

- 4) **Final allocation of shares:** The shares will be allocated to each investor based on the number of Rights that he fully and properly exercised. As for those entitled to fractional shares, the shares will be collected and added to the Rump Shares that were not subscribed to and offered to the investment institutions during the Rump Offering Period. The total Offering Price of the remaining shares of the Company will be paid, and the remaining proceeds from the sale of the remaining shares and fractional shares will be distributed without accounting for any fees or deductions (exceeding the Offering Price) to those who are entitled shareholders according to what they are entitled to not later than on 4/1/1443H (corresponding to 12/8/2021G), and in the event that the investment institutions have not subscribed to all the remaining shares and share fractions, the remaining shares will be allocated to the Underwriters who will purchase them at the Offering Price.
- 5) **Trading of New Shares in the Market:** Trading of shares offered for subscription in the Tadawul system will begin upon completion of all procedures related to the registration and allocation of the offered shares.

The Company has submitted an application to the Capital Market Authority to register and offer new shares. The Company has also applied to the Saudi Stock Exchange Company (Tadawul) to accept its listing.

13.5 Allocation and Refund of Surplus

The Company and the Lead Manager will open an Escrow Account into which the Offering Proceeds will be deposited.

Shares will be allocated to eligible persons based on the number of rights they have exercised fully and correctly. As for those entitled to fractional shares, fractions of shares will be collected and added to the remaining shares that were not subscribed for and offered to the investment institutions during the Rump Offering Period, and the total price of the remaining shares will be paid to the Company, the remaining proceeds from the sale of the remaining shares and fractions of shares (exceeding the Offering Price) shall be distributed to entitled ones, each according to what he is entitled to, no later than 4/1/1443H (corresponding to 12/8/2021G). Note that the investor who did not subscribe or sell his rights, and the owners of fractional shares, may not get any compensation when selling shares in the Rump Offering Period at the Offering Price. In the event that shares remain unsubscribed to, then the underwriters will purchase those new shares and will be allocated to them.

It is expected to announce the final number of shares that have been allocated to each eligible person without any commissions or deductions by the Lead Manager by crediting them to the subscribers' accounts. For more information, Eligible Persons should contact the Agent through which the subscription application was submitted. The allocation results will be announced no later than Sunday 22/12/1442H (corresponding to 1/8/2021G).

The oversubscriptions (remaining proceeds from the Offering process exceeding the Offering Price) (if any), and the compensation amount (if any) will be refunded to the Eligible Persons who have not exercised their right to subscribe in whole or in part to the new shares and to those who are entitled to fractional shares without any deductions, no later than one day on 4/1/1443H (corresponding to 12/8/2021G).

13.6 Supplementary Prospectus

The Company must submit to the Authority a Supplementary Prospectus, in accordance with the requirements of the rules for the Offering of securities and Continuing Obligations, if the Company becomes aware at any time after the date of the publication of this Prospectus and before the completion of the Offering of any of the following:

- The existence of a significant change in material matters mentioned in this Prospectus.
- Any important issues have emerged that should have been included in this Prospects.

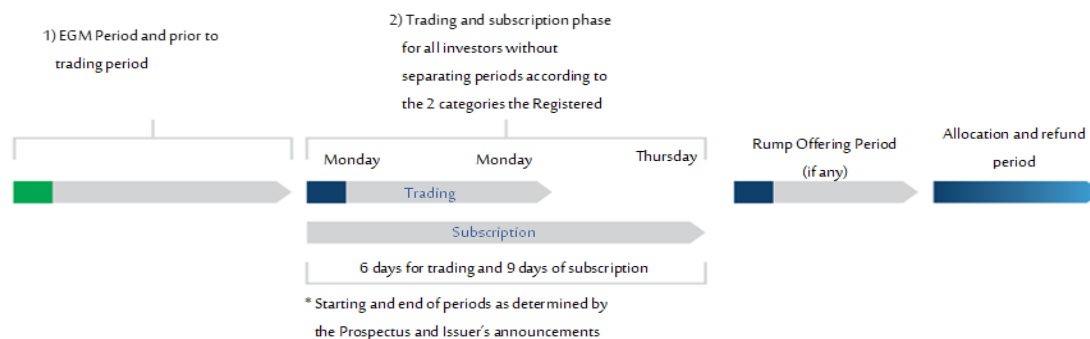
The investor who subscribed for the new shares prior to the publication of the Supplementary Prospectus may cancel or amend his subscription for these shares before the end of the Offering period.

13.7 Suspension or cancellation of the Offering

The Financial Market Authority may at any time issue a decision to suspend or cancel the Offering if it deems that the Offering may result in a breach of the stock market system, its implementing regulations, or the market's rules. In addition, the offer will be canceled if the extraordinary general assembly does not approve any of the details of the offer.

The following figure shows the mechanism for trading and underwriting tradable rights traded:

Figure (2): Illustrative diagram for the revised mechanism for trading in and subscribing to traded Rights.



Source: Tadawul

13.8 FAQs about the Rights Issue

What is a Rights Issue?

Rights are tradable securities that give their holders the right to subscribe to the new shares offered upon approval of the capital increase. They are acquired rights for all Registered Shareholders who own shares on the day of the extraordinary general assembly meeting for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the

end of the second trading day following the Extraordinary General Assembly. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of the second trading day after the date of the Extraordinary General Assembly.

When are the Rights deposited?

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

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

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

How many Rights can be acquired by a Registered Shareholder?

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

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the second trading day after the Extraordinary General Assembly. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company. Therefore, the eligibility factor is (1.5) right for each one (1) share owned by the registered shareholder on the eligibility date. Accordingly, if a registered shareholder owns (1,000) shares on the eligibility date, he/she will be allocated 1,500 rights in exchange for the shares he/she owns.

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

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

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price (Indicative Value of the Right). For example, if the closing price of a share on the preceding day is SAR 15 (fifteen Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 15 minus 10, i.e. SAR 5 (five Saudi Riyals).

Who is the Registered Shareholder?

Any Shareholder whose name appear in the Company's Shareholders' Register at the end of the second trading day after the Extraordinary General Assembly.

Can Registered Shareholders subscribe for additional shares?

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

Is it possible for a Registered Shareholder to lose his eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on raising the capital through a rights issue?

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

How does the subscription take place?

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

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

The eligible person cannot subscribe to more shares than the Rights owned by him.

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

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (1500) Rights as each share is eligible for (1.5) Rights. Therefore, 1200 Rights will be deposited in portfolio (a) and 300 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

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

Are additional Rights purchasers entitled to trade them once again?

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

Is it possible to sell a part of these Rights?

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

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

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

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

That is not possible. After the expiry of the Trading Period, holder of the Rights may only exercise the right to subscribe for the Rights or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio or profit in the event that shares are sold in the Rump Offering Period at a price higher than the Offering Price.

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

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

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

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

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

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

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

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

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

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

What are Trading and Subscription (Offering) periods?

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

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-registered shareholders on the day of the Extraordinary General Assembly subscribe for the Rights?

Unrestricted Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

Further Assistance:

In the event of any inquiries, please contact the Company on the e-mail (info@ggi-sa.com) and for legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to provide advice on the merits of issuing rights or even provide financial, tax, legal or investment advice.

13.9 Decisions and approvals according to which shares will be offered

The decisions and approvals according to which the shares will be offered are as follows:

- 1) The recommendation of the Company's Board of Directors, in its meeting held on 08/24/1440H (corresponding to 04/29/2019), to increase the Company's capital through a Rights Issue of three hundred million (300,000,000) Saudi Riyals, after obtaining all the necessary regulatory approvals and approval of the Extraordinary General Assembly.
- 2) The Company obtained a no objection from the Central Bank to the capital increase according to letter No. (89/35440) dated 10/29/1440H (corresponding to 07/02/2019).
- 3) Approval of the Saudi Stock Exchange Company (Tadawul) on the application for listing new shares on the date of its announcement on 08/05/1442H (corresponding to 23/12/2021). It was also approved to publish this Prospectus and all the supporting documents requested by the Authority, on the date of its announcement on the Authority's website on 12/08/1442H (corresponding to 25/03/2021).
- 4) Approval of the Capital Market Authority on the request for listing the new shares of the Company. This approval was announced on the CMA website on 12/08/1442H (corresponding to 25/03/2021).
- 5) Approval of the Company's Extraordinary General Assembly on 18/11/1442H (corresponding to 28/6/2021G) to increase the Company's capital through a Rights Issue. The Offering consists of offering thirty million (30,000,000) new ordinary shares at an offer price of ten (10) Saudi Riyals per share, at a nominal value of ten (10) Saudi Riyals, to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to five hundred million (500,000,000) Saudi Riyals, and to increase the number of shares from twenty million (20,000,000) ordinary shares to fifty million (50,000,000) ordinary shares.

13.10 Miscellaneous items

- The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the Kingdom's regulations and shall be construed in accordance with them. This Prospectus may be distributed in both Arabic and English, and in the event of a conflict between the Arabic text and the English text, the Arabic text of the Prospectus shall prevail.

13.11 Statement of any arrangements in place to prevent disposal of certain shares

There are no arrangements in place to prevent disposal of any shares.

14 A change in the share price as a result of an increase in capital.

The closing price of the Company's share on the day of the Extraordinary General Assembly is (33.00) Saudi Riyals, and it is expected to reach (19.20) Saudi Riyals at the opening of the following day, and this change represents a decrease of (41.82%). In the event that none of the shareholders appear in the Company's Shareholders Register at the Depository Center subscribed to at the end of the second trading day following the date of the Extraordinary General Assembly, this will lead to a decrease in their ownership percentage in the Company.

Method for calculating the share price as a result of the capital increase is as follows:

First: Calculating the market value of the Company upon closing on the day of the Extraordinary General Assembly:

The number of shares at the end of the day of the Extraordinary General Assembly x the closing price of the Company's share on the day of the Extraordinary General Assembly = The market value of the Company at the close on the day of the Extraordinary General Assembly.

Second: Calculating the share price at the opening day of the day that follows the day of the Extraordinary General Assembly:

The market value of the Company at the close on the day of the Extraordinary General Assembly + the value of the shares offered) / (the number of shares at the end of the day of the Extraordinary General Assembly + the number of shares offered for subscription) = The expected share price at the opening of the day following the day of the Extraordinary General Assembly.

15 Covenants relating to the Subscription

15.1 Overview of the Subscription Application and the Covenants.

It is possible to subscribe using the trading platforms or through any other means provided by the agent to the investors. The new shares will be subscribed to in one stage, according to the following:

- 1) During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
- 2) The Registered Shareholder will be able to subscribe directly to the number of his shares during the subscription period, and if he acquires new Rights, he will be able to subscribe to them after the end of its settlement period (two working days).
- 3) New investors will be able to subscribe to the new shares directly after the rights purchase is settled (two working days).
- 4) Subscription will be made available electronically through the investment portfolio in trading platforms and applications through which buy and sell orders are entered, in addition to subscribing to other channels and means available to the Agent.

Each Rights gives its holder the right to subscribe to one new share, at the Offering Price. The subscriber to the new shares declares the following:

- ✓ His acceptance of all the subscription terms and conditions stated in this Prospectus.
- ✓ That he has read this Prospectus and all its contents carefully and understood its content.
- ✓ His acceptance of the Company By-Laws.
- ✓ He is committed not to cancel or amend the subscription application after its submission.

15.2 Allocation Processes

The Rights will be allocated to eligible persons based on the number of rights they have exercised fully and correctly. As for those entitled to fractional shares, fractions of shares will be collected and added to the remaining shares that were not subscribed to and offered to the investment institutions during the Rump Offering Period, and the total price of the remaining shares will be paid to the Company, the remaining proceeds from the sale of the remaining shares and fractions of shares (exceeding the Offering Price) shall be distributed to the entitled persons, each according to what he is entitled to, no later than 4/1/1443H (corresponding to 12/8/2021G), and in the event that shares remain unsubscribed to, then the underwriters will purchase those new shares and they will be allocated to them.

Eligible Persons should contact the agent through which they were subscribed to obtain any additional information. The allocation results will be announced no later than 22/12/1442H (corresponding to 1/8/2021G).

15.3 Saudi Stock Exchange (Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day at one go from 10 a.m. until 3:00 p.m.,

from Sunday to Thursday of each week, during which orders are executed. Beyond such times, orders are permitted to be inserted, amended, and cancelled from 9:30 a.m. until 10 a.m.

The transactions are executed through automatic order matching, and orders are received and prioritized according to the price. In general, market orders are executed first, which are the orders that have the best prices, followed by fixed-price orders, and in the event that several orders are entered at the same price, they are executed according to the timing of the entry.

The Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul website on the Internet and the electronic link to Tadawul's information, which provides up-to-date market information for information providers such as Reuters. Transactions are automatically settled within two business days (T + 2).

The Company must disclose all decisions, material and important information through Tadawul, which is responsible for monitoring the market in its capacity as the operator of the mechanism through which the market works in order to ensure the fairness and easy flow of share exchange.

15.4 Trading of the Company shares on the Saudi Stock Exchange

An Application has been submitted to CMA to register and list the Rights in the Saudi Stock Exchange and a request has been submitted to the Stock Market (Tadawul) for their listing. This Prospectus has been approved and all requirements have been met.

Registration and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the Offering Shares is completed and will be announced on Tadawul website. The dates mentioned in this Prospectus are tentative and may be changed with the approval of CMA.

Although the existing shares are listed on the Saudi Stock Exchange and the Company's Shares are listed on Tadawul, the new shares can only be traded after the final allotment of shares has been made and deposited in the subscribers' portfolios. Trading in the new shares is strictly prohibited before the allocation is approved.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them and the Company shall not be liable in such a case.

16 Documents available for Inspection

The following documents will be available for review at the headquarters of the Gulf General Cooperative Insurance Company, located in Jeddah, Madinah Road, Al Ghaithi Plaza, P.O. Box 1866, Jeddah 21441, Kingdom of Saudi Arabia, during official working days from Sunday to Thursday between 08:00 a.m. until 4:00 pm, starting from the first working day after the date of the invitation to convene the Extraordinary General Assembly, provided that this period shall not be less than 14 days before the date of the Extraordinary General Assembly. These documents will remain available for inspection until the end of the Offering:

Documents related to incorporation and Articles of Association:

- Commercial Registration.
- Company By-Laws.

Approvals related to shares capital increase:

- Board of Directors' decision recommending the increase of capital.
- No objection by the Central Bank of Saudi Arabia to increase the capital.
- A copy of the Capital Market Authority's approval on the Offering of Rights.
- The approval of the Saudi Stock Exchange Company (Tadawul) to list tradable rights shares.

Reports, letters and documents:

- Underwriters Agreement and the Lead Manager Agreement.
- Written consents by the Financial Advisor, Lead Manager, Underwriters, Legal Advisor and Auditors to use their names, logos and statements in the Prospectus



الخليجية العامة GULF GENERAL

Cooperative Insurance للتأمين التعاوني

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